

Towards an Understanding of Chinese Business Networks in Asia-Pacific – The Singapore Case

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1. Introduction

The formation of regional and global networks based on kinship, clanship, territorial or ethnic solidarities and the utilization of these networks for business purposes have often been cited as reasons why Chinese merchants in Southeast Asia are more successful in business than indigenous groups (Landa 1983; Lim 1983; Yoshihara 1988, p. 53, 67). These networks, based on blood or village ties, have been accepted by many as fact for ethnic Chinese in Asia and beyond (e.g. Lim/Teoh 1986, p. 348). Numerous writers have described these networks with phrases such as family-centered personal networks, kin or other ethnically defined networks such as dialect groups, supra-family marriage networks, and close-knit communal tie-ups and connections (Greenhalgh, 1984; Landa, 1983; and Mahatir, 1970).

The terms network and networking¹ offer convenient labels for a complex set of business strategies and choices which are difficult to explore empirically; and the conceptual clarification of the terms is often neglected in studies on Chinese entrepreneurship in Asia². The network concept is full of stereotypes and clichéd fantasies about the omnipotence of Chinese merchants. Studies of these networks, often without empirical evidence, have helped to perpetuate latent prejudices about the social exclusiveness of ethnic Chinese in Asia.

¹ Tong (1989, p. 9) has summarized Chinese business networking strategies such as networking in the form of ownership links, economic links of mutual cooperation, links formed through sharing of common directors, or marital links. Business networking often extends beyond national boundaries as indicated by the large number of Chinese import/export companies and family firms which have become transnational (Lim/Teoh 1986, pp. 336-365).

² No studies have come to our attention so far which link the often cited Chinese networking theses to the social network concepts of British social anthropology (e.g. Radcliffe-Brown 1940) or to the works of American network analysts who have tried to map interpersonal relations and to study social networks, using graph theory, computer models and complex matrices (Wellman 1988, p. 21-30).

Based on a survey of 23 small family-based Chinese trading firms in Singapore, this paper illustrates some of the structural features of current international trading networks of Singaporean Chinese entrepreneurs. Historically, trading networks have often been cited as convenient conduits for the exchange of goods, information and other resources over large areas (Evers/Schiel 1987, p. 468). The Hokkien trade network of 17th century Amoy (South China) is an illustrative example (Ng 1983). Yet little is known about contemporary Chinese trading networks, their social organization and how they are affected by the process of modernization.

The survey was conducted using semi-structured interviews of both entrepreneurs and experts and was supplemented by the collection of secondary information and field observation. In order to explore the social organization of these trading networks information was sought about the entrepreneurs' connections to trading partners abroad and other actors who may facilitate the exchange of goods or information. Examples include: personal friends, acquaintances in trade or clan associations and relatives living abroad. The nodal points of the trading networks under investigation were 23 independent businessmen in Singapore, and their external economic linkages to out-of-country buyers and suppliers were the foci of analysis. There was no intent to draw a comprehensive picture of the merchants' personal networks (Mitchell 1969) in Singapore, i.e. their relationships to relatives, neighbours, personal friends and acquaintances (primary network) or what Barnes (1969, p. 56) has defined as a total network, all imaginable social relationships which might exist between individual traders. In fact we extracted the respondents' business ties to overseas trading partners from their "total" networks, i.e. an ego-centred analysis.

The popular thesis that Chinese traders have a high priority for doing business with kinsmen (Landa 1983) serves as a starting point for a typology of possible "*guanxi* bases", indicating the wide range of potential trading partners and business ties. After presenting survey data on the export marketing strategies of the Singaporean entrepreneurs and the expanse of their networks, issues such as the influence of kinship on sustaining external trade relationships of Singaporean Chinese traders and the impact of social and technological change on Chinese trading networks are examined. Two case studies are presented to illustrate the social complexity of trading networks and to support the hypothesis that kinship reciprocity may limit economic options in regional and international marketplaces.

2. Multiple Guanxi Bases of Chinese Trading Networks: A Typology

Like large-scale enterprises, small trading firms encounter risks unique to the international business arena: cultural differences, diverse trading laws, and limited information. Therefore it is essential that overseas agents, sales representatives and trading partners are reliable, trustworthy and cooperative (Menkhoff 1992).

To minimize business risks, transaction costs and uncertainties of external economic dealings, merchant exporters try to establish trusted networks, i.e. long-lasting social and business relationships with their trading partners. According to Burns (1985, pp. 1-44) "trusted networks" refer to a number of individuals in whom a trader seeking to establish business relations can have confidence and trust. The number and expanse of such trusted networks accessible to businessmen depend on their position in the market system and in the wider society:

"A network will generate trust among its members when its interpersonal links will support the flow of reliable information and/or manipulation of sanctions reinforcing desired behaviour or increasing the probability that disputes among members will be fairly settled" (Burns 1985, p. 32).

A central concept for understanding Chinese trusted networks and networking strategies in business is the concept of *guanxi*, literally social relationships or particularistic ties (Jacobs 1979). The development and cultivation of networks of useful personal relationships (connections to local or foreign businessmen, politicians or friends who might guarantee support, protection or access to favours, credit or insider information) provide businessmen with commercial advantages over competitors, not only in unstable and potentially hostile economies but also in highly competitive and stable ones like Singapore (Eastman 1988, p. 36). To have connections with persons "who can be trusted and by whom one will be trusted" (Omohundro 1983, p. 68) is thought to be an essential precondition for business survival.

According to Jacobs (1979, p. 242), in Chinese culture a base for a *guanxi* depends upon two or more persons having a commonality of shared identification. Such an identification may be ascriptive (native place or lineage) or it may rest upon shared experience:

"A person seeking allies will first turn to persons with whom he knows he has a *kuan-hsi* base... The existence or non-existence of a *kuan-hsi* base, therefore, determines the existence or non-existence of a *kuan-*

hsi. However, a *kuan-hsi* may vary according to "closeness" or "distance" and this variation depends in turn upon a third variable, affect or *kan-ch'ing*".

Ganqing or *kan-ch'ing* refers to the affective or emotional component of a relationship (DeGlopper 1978, p. 312; Lee Siow Kim 1987, p. 61). It can occur following social interaction or when people work together and cooperate. Jacobs says that it differs from friendship in that it presumes a much more specific common interest, much less warmth and more formality of contact. But it can vary in warmth and intensity and frequently intensifies over time (Jacobs 1979, pp. 258, 261).

It is often assumed that Chinese family and kin relationships are the most common *guanxi* relationships because of the moral imperative that relatives should help and trust each other (Eastman 1988, p. 36). But foreigners, or non-Chinese can also be incorporated into one's identification system (Jacobs 1979, p. 242). Obviously, kinship or territorial ties are not the only bonds in business (Diamond 1969, p. 22). Exporters and importers may consider prices of goods, quality standards, and eventual loss of autonomy before establishing trading relations. However, the relevance of the social component in the development of such relations cannot be dismissed. Accordingly, the following typology of potential social ties which Singaporean Chinese traders could utilize to develop business relations with overseas buyers and suppliers is offered.

Consanguineal and Affinal Kinship Ties

Guanxi based on border crossing, consanguineal and affinal kinship ties is often regarded as a significant factor for success among Chinese commercialists world-wide (Greenhalgh 1984, p. 529). Singaporean Chinese business families, whose companies have developed from small-scale businesses to larger enterprises, have sometimes relied on family members as primary bases for the organization of large business groups abroad. An illustrative example is the Hong Leong Group founded by Kwek Hong Png (Business Times 19/10/1989, p. 14):

"The Malaysian cousins, led by nephew Quek Leng Chan, have always stressed their independence from the Singapore family. Nevertheless, Leng Chan is known to defer all major decisions to Hong Png, who still retains important posts in some of the Malaysian companies".

However, such examples should not be generalized without qualification. Second-generation off-spring may shun the businesses of their fathers to become respected professionals (Menkhoff 1993:73-88). While kin may provide the most reliable and trustworthy support, exceptions such as "brittle relationships between adult brothers" do occur (Jacobs 1979, p. 246). DeGlopper has observed that some brothers cooperate in business, while others do not:

"If they do, it is said to be because their personal relations are good, their *kan-ch'ing* is good ... Some brothers have good *kan-ch'ing* and a lot of interaction (*lai-wang*), and others do not ... In the long run, and in crisis, one can depend on one's brothers. But no one wants to be dependent on his brothers, and an able-bodied man should not expect his brothers or kinsmen to make sacrifices for his sake" (DeGlopper 1978, p. 312).

But Chinese traders have often avoided commercial relationships with kinsmen since such deals might imply a loss of autonomy, delayed payments, bad debts or negotiation problems about fair prices (Silin 1972, p. 351; Omohundro 1983, p. 68; Wong 1988a, pp. 135-137).

Fictive and Ritualistic Kinship Ties

An investigation into the Teochew dominated trade in sharks' fins in Singapore has shown that kinship can also be created by transforming long-standing business friends into familiar persons who are then addressed as "uncles" according to Chinese kinship ideology (Menkhoff 1992). This fictive kinship process enlarges mutual obligations and the certainty that trading partners behave honestly. At the same time it increases social control, with associated mechanisms employed to fulfill certain behavioural norms. Continuity and inclusiveness

"... tend to stress Chinese kinship relations, causing not only their perpetuation but also the expansion of their influence into relationships where no kinship ties actually exist. Many kinds of social dyads such as teacher-student, master-apprentice, employer-employee ... are often patterned after kinship relations and are used to seek or establish authority in all interpersonal relations. In daily life people do not hesitate to use the pseudo-kinship terms for addressing a stranger and influencing him" (Hsieh 1978, p. 204).

Ritualistic forms of kinship are reflected in blood brotherhoods and godparent systems (Jordan 1985). Under certain circumstances sworn-brother *guanxi* may become a convenient base for a business network as Omohundro (1983, pp. 69, 70) has observed:

"Loans, credit, supplies and emergency aid commonly flow along this line. Bloodbrothers may seek further to betroth their children or invite one another into a godparent relationship. They may join in a partnership, market each other's merchandise or accept each other's sons as apprentices".

The commonality of a surname may also serve as a base for the generation of a fictive kinship *guanxi*. Early Chinese migrants joined clan or surname associations, linking persons of a common surname to provide mutual aid in a foreign environment:

"Clan associations are voluntary associations formed on the basis of consanguinity or blood ties. In overseas Chinese communities, this is often judged on the criterion of all those having common surnames. It is a well-known fact among Chinese that common surnames do not necessarily mean common ancestry. However, for an overseas Chinese a common surname is enough ground for him to claim kinship ties and to address even total strangers as if they are his kinsmen" (Tan 1986, p. 107).

Little is known about current Chinese association networks based on surname and their regional linkages in Southeast Asia. An investigation into the Hokkien 'Chin Kang Huay Kuan' network in Singapore and Malaysia suggests that these men use association branches in Ipoh, Malacca or Penang, Malaysia as bases for the establishment of economic contacts or the selection of intermediaries to Malay Chinese Huay Kuan members. (Hui Kuan are associations organized on the basis of places of origin in China from a small village to a large province.) The committee members of these associations are often influential local businessmen who can establish linkages between a Hokkien network in Singapore and Hokkien networks in Malaysia.

Due to rapid urbanization, increased mobility and the discontinuation of the flow of new immigrants, surname ties have lost their former significance in most of the urban centres of Southeast Asia. Many Chinese in Indonesia or Malaysia have adopted indigenous names. Regardless of whether Chinese villages of common lineage still exist in other parts of Southeast Asia, in Singapore there are very few associations which are

organized on a lineage basis according to genealogical relationships (Hsieh 1978, p. 205).

Friendship Ties

Friendship is another possible *guanxi* base. For purposes of this typology we use the term friendship ties to include ties developed through co-residence, school, military, immigration experience and work as opposed to those ties developed through fictive or ritualistic forms of friendship over long periods of time. An important component of friendship ties, and associated feelings of trust generated by shared experience and mutual knowledge, is its relative freedom from certain limitations (Hart 1988, p. 185). Mutual affection, according to Hart, comes from having entered a relationship freely, by choice rather than status obligation. Friendship can result from the social interactions involved in economic relations which turn out to be satisfying for both sides.

People whose common identification is based on locality *guanxi* share identification with their, native place. Locality was an important source of solidarity in nineteenth-century Singapore:

"Solidarity could be created or strengthened overseas ... between men originating from the same area or dialect group in China" (Freedman 1967, p. 36).

Jacobs (1979, p. 244) has emphasized that the concept of locality or native place is flexible and situational. It can range from a village (Kanovit in Sarawak), to a city (Sibu in Sarawak) as well as to a whole province (Sarawak). Singaporean locality associations are arranged according to five levels: province (*sheng*), prefecture (*fu*), district (*hsien*), borough (*chu*) and village (*hsiang*) or town (*ch'en*) and may sometimes cut across dialects (Hsieh 1978, p. 206).

The preferential recruitment of trusted employees from the same home area in China for one's shop in Nanyang is a typical example of a locality *guanxi* (Tong 1989, p. 8). The loyalty and thrift of such workers is thought to be higher than that of indigenous labourers. The significance of this phenomenon appears to have declined but may still be relevant for other ethnic groups in Singapore, for example Indian money lenders (Evers 1987).

Linkages to one's native place in China's villages, districts or provincial towns may facilitate the development and maintenance of Sino-Singaporean business connections and investment flows. Friends or fellow

countrymen who facilitate the setting up of joint ventures or help to find new suppliers of products made in China may function as intermediaries between government agencies or state firms in China and ethnic Chinese businessmen in Southeast Asia. Locality *guanxi* ties may also serve as bases for trading networks which embrace businessmen, including former schoolmates (Wong 1988, pp. 109-131) in other Asian countries (Singapore, Hong Kong, Malaysia, and Indonesia).

The importance of schoolmate *guanxi* can be traced throughout China's history (Jacobs 1979, p. 247). Candidates who passed the imperial examinations together often developed a sense of admiration for one another which could be extended to the candidates' relatives. A contemporary example-of classmate *guanxi* is the so-called old boys' network. Former schoolmates are potential candidates for business networking in Singapore as well as for Singaporeans educated, in part, in other countries.

People who get to know each other during work often share an identification with their work-place. A *guanxi* base established between clerks in a shop, for example, can play an important role if they later become independent businessmen. It could facilitate business contacts and transactions as well as serve as an incentive to form partnerships.

Outsider Ties

The last category of the typology includes ties to non-Chinese and members of other Chinese dialect groups. This group encompasses individuals, not fictive kin or of the same dialect, who are unknown to Singaporean traders prior to their introduction for the purpose of business trading. Jacobs (1979, p. 242) has described how outsiders, i.e. foreigners or non-Chinese can be incorporated into one's identification system:

"... should he (e.g. a businessmen, T.M.) desire to ally with another person, he may approach him directly or through an intermediary and attempt to discover a *kuan-hsi* base on which to develop a closer *kuan-hsi*. If they discover a common *kuan-hsi* base, then the alliance may develop; if they cannot discover such a base, they may need to rely on intermediaries".

Presumably the profit motive would drive the formation of such relations.

3. Survey results

The most important markets of the firms surveyed were located in East and Southeast Asia. Their major import markets were Indonesia, Hong Kong, Malaysia and the People's Republic of China followed by the United States, Thailand, India, Australia and Italy. Some of the trading firms also imported goods from the Philippines, Brunei, Japan, Taiwan, Mauritius, the Middle East, Switzerland, Canada, Mexico and countries in South America. Malaysia, Hong Kong, Japan, Indonesia and Australia were identified as the most important export markets, followed by the United States, Taiwan, South Korea, Brunei, Thailand, Mauritius, the People's Republic of China and the European Economic Community.

Our data suggest that the firms surveyed maintained world-wide commercial ties, and that they were not confined to the ASEAN states where they possess the advantage of being familiar with economic, social, political and cultural conditions. Most of the firms preferred to open up new markets wherever possible. At the time of the survey in 1988/89 Mauritius, Reunion and Thailand were envisaged as future export or import markets with high development potential.

Sixty per cent of the firms reported that they served their customers directly without commissioning agents (See Table 1). The firms who relied on local import/export agents perceived them as costly intermediaries. Importers usually had their own regular customers, local wholesalers and foreign buyers and suppliers in Southeast Asia and beyond. Only two firms maintained overseas sub-branches which served as suppliers, buyers or transit points for imports and exports.

Table 1: Methods of Exporting

Method	
Sell direct to customers	1
Agents overseas	2
Through trading houses overseas	2
Through local import/export agents	2
Through subsidiary companies overseas	3
Through related traders overseas	3

Key: 1 = Very frequently cited, 2 = Frequently cited
3 = Seldom cited. Source: Interviews 1988/1989

As reported in Table 2, most respondents pointed to the importance of mutual trust in export marketing transactions, arguing that they preferred to meet potential business partners and customers face-to-face so as to have first-hand experience of them. Nearly all merchant exporters reported that they usually insisted on payments via letters of credit. But there were exceptions according to the particular *guanxi* base, and past commercial experience with business partners (Menkhoff 1993:131-147).

Table 2: Preference for Export Marketing Transactions

Face-to-Face Meetings & Direct Negotiations	1
Trust	1
Letters of Credit	2
Contracts	3
Agents	3

Key: 1 = Very frequently cited, 2 = Frequently cited,
3 = Seldom cited. Source: Interviews 1988/1989

Business Networking along Kinship Lines? The Overseas Trading Partners of Singaporean Chinese Merchants

Our survey findings regarding the *guanxi* bases of the 23 Singaporean Chinese entrepreneurs are given in Table 3. The business partners of the firms surveyed are classified according to the four categories of our typology: kinsmen, fictive or ritualistic kin, friends and outsiders. Survey findings suggest that there is a strong tendency among Singaporean Chinese merchants for external commercial transactions with "outsiders" and "friends" rather than with "kinsmen" or "fictive or ritualistic kin" (see Table 3).

The majority of the respondents deal with non-Chinese business partners (Europeans, Japanese, Indians etc) and with members of other Chinese dialect groups. Preferences for trading relations with members of their own dialect group and kinsmen are not apparent.

While only four trading firms rely on overseas kinsmen (brothers and fathers who live in Hong Kong, Sibuy, Surabaya, and Guangzhou) as regular business partners, overseas family members or distant kinsmen are of some importance for the businesses sampled. Several respondents stress that their kin network (for example children studying abroad in Australia,

Canada, the United States, UK and Japan) may help by gathering market information. But direct economic dealings are seldom reported.

Table 3: Trading Partners of Singaporean Chinese Traders

Commercial Ties	
<i>Kinsmen</i>	
Consanguineal	3
Affinal	3
<i>Fictive or Ritualistic Kin</i>	
Long-standing family friends	1
Those with same surname	3
Sworn or godbrothers	3
<i>Friends</i>	
Personal friends	2
Those from same village, town, or province in China	3
Schoolmates	2
Former co-workers	3
<i>Outsiders</i>	
Non-Chinese (Europeans, Indians, Japanese etc)	1
Members of other Chinese dialect groups	1

Key: 1 = Very frequently cited, 2 = Frequently cited,
3 = Seldom cited. Source: Interviews 1988/1989

While long-standing family friends frequently assist with economic exchanges, other forms of fictive and ritualistic kin are rather insignificant for the respondents. Most traders characterize their business partners as "friends of their parents" or "business friends". Generally speaking, those "business friends" are non-Chinese business friends such as Europeans and Japanese and members of other Chinese dialect groups. Sworn- and godbrothers seem to be more important in terms of information and as sporadic helpers when manpower is needed rather than as trading partners.

Regional ties based on locality *guanxi* and surname ties are seldom cited as bases for external economic dealings and trading relations. Though they may formerly have been important they seem to have lost their significance. Such ties may be more important during the initial stage of a business life-cycle, as sources of capital or as bases for introductions to potential business partners. Consistent with Wong's (1988a, p. 135f)

observation of Hong Kong enterprises, kinship provides a weak framework for the external business transactions of Chinese enterprises:

"There is little evidence that a dualistic business ethic is prevalent or that honesty and trust are found only within the kin group while sharp practices reign without ... The inter-firm economic order ... is secured largely on non-kin solidarities ... forging business alliances through a conscious marriage strategy is hardly practical with the decline of the custom of arranged marriages and the inability of Chinese family heads to disinherit their children for disobedience ... the intensity of kinship reciprocity tends / to limit economic options. Therefore it is invoked sparingly only when it suits one's ends ...".

The following two case studies from our fieldwork illustrate the utility of the tentative typology and the wide range of network ties used by Singaporean businessmen.

4. Singaporean Chinese Trading Networks Observed

The First Example: Suzukawa PTE. LTD. & The Japan Connection

Suzukawa Pte. Ltd. (Jamann 1990) was established in 1980 as one of several local branches of the parent company Ng Chee Ltd., founded by a Hokkien Chinese from Fukien province in China. The parent company and its branches are still owned by the Ng family. Their businesses involve the marketing and distribution of a variety of goods. Ng Chee Ltd. is the Singaporean distributor of motor spare parts. According to Mr. Ng Chin Kang, 52, eldest son of the founder who is now retired and managing director of Suzukawa Pte. Ltd., the branch was established because the parent company had "more or less reached the saturation point in the spare parts business".

He and his four brothers had previously worked together in one company, run by his father: "This became a burden to Ng Chee Ltd., so we decided to diversify". With an annual turnover of about S\$ 4.8 million for 1986 (source: Singapore Registry of Companies and Businesses), Suzukawa currently concentrates on importing foodstuffs, mostly canned or manufactured. Suzukawa is the exclusive distributor for a range of Japanese foodstuffs from confectioneries and beverages to dry foodstuffs. Dry foodstuffs include salt, oil, rice, sugar, soya bean sauce, Ajinomoto, mushrooms and frozen items. This branch also imports chocolate from Switzerland, spaghetti pasta from Italy, and rice from America. It exports products

such as confectioneries and beverages to the neighbouring countries of Indonesia and Malaysia, where customers are supermarkets, hotels and restaurants.

Neither the retired chairman of Ng Chee Ltd. nor his sons had any previous experience in this trade. Mr. Ng, who holds a M.B.A. from a Japanese university, is running the company together with his younger brother who has studied in the U.K. Earlier attempts to market Chinese foodstuffs were hindered by strong local competitors located along Hong Kong Street in Singapore, a traditional business cluster of firms which deal with China via Hong Kong based middlemen (Menkhoff 1993:181-195). They entered the Japanese foodstuff business by accident according to Mr. Ng:

"We met a friend of ours who was in the food business and he recommended some items to us. So we started, first in a very small way, and later we expanded".

When asked whether the company is still connected with this "friend", Mr. Ng pointed out that this Japanese businessman was one of their partners in the beginning but was bought out by the family after he retired. He had been introduced to the Ng family by a Japanese go-between, who performed the significant role of an "interconnecting cable" (Yang 1989, p. 41). He was a Japanese fellow-student (schoolmate *guanxi*) of Mr. Ng whom he had met during his studies in Japan. Consequently, the friendship ties, contacts and experiences Mr. Ng had previously formed and made in Japan were of strategic importance for the business as Japanese imports have proved profitable:

"We started very small. Initially we tendered only a few confectionery products, then we took over some items. We got some agencies from some new companies. We were looking for new sources, new products. I went to Japan very often in the initial stage. We failed with a lot of items and we succeeded with some" (Mr. Ng).

The majority of Suzukawa's current suppliers are Japanese businessmen who live in Tokio and Osaka. Initially these contacts were cultivated and maintained by personal visits, but less so now:

"In the beginning we had to contact them (the Japanese, T.M.) by telex. We had to look for suppliers. Through suppliers you get new suppliers and then you go there. Before we go, we normally send a telex saying

that we are coming over. When we arrive there we call them and try to see them" (Mr. Ng).

Formerly Mr. Ng visited Japan "4 to 5 times a year." His good command of Japanese facilitated mutual understanding. Since the relationship has matured he has reduced the frequency of his trips.

Suzukawa's trading relations with suppliers in Europe were initiated by Mr. Ng's brother. He attributes his brother's studies in the U.K. as one reason why the company distributes several European products.

"He knows the other side better. He was actually studying engineering. He had not so much to do with food business. Both of us learned through experience and practical work. We failed in a lot of things but we more or less got through it somehow" (Mr. Ng).

Even now, the contacts of his brother in Europe aid in establishing new business relations with Western suppliers.

Suzukawa's trading network shows some typical patterns. In addition to the importance of fluency in a number of languages, periodic personal visits and other personal contacts for building and maintaining business relations, it underlines the importance of friendship *guanxi* and schoolmate *guanxi* as bases for trading networks. Schoolmate *guanxi* between a Singaporean Chinese and a Japanese facilitated the commercial operations of Suzukawa, as well as its Japanese counterparts. An intermediary who was a mutual acquaintance of the two guaranteed what Yang (1989, p. 41) has termed the "transformation of identities", infusing a common current of identity into two persons, which activates mutual obligation. Suzukawa's business success demonstrates that foreigners can be transformed into reliable trading partners. Finally, the trading network of Suzukawa is outgrowing its sole reliance on personalistic relations. Other sources of supply (in terms of cash and carry transactions) are also employed occasionally, a strategy which could be described as opportunistic marketing.

However, Mr. Ng's trading preferences are inconsistent with Landa's (1983, p. 97) kinship commerce thesis. It is superfluous in this case to speculate as to whether Mr. Ng would prefer to deal with Chinese traders, kinsmen or fellow villagers. In a pragmatic quest for business opportunities, Mr. Ng made Japanese business contacts, and learned about the Japanese style of doing business. He reported that his Japanese "friends" still advise him. Consequently, we can see from this case that Chinese trading networks are not confined to fellow Chinese but do cross ethnic borders, based on schoolmate *guanxi* and friendship *guanxi* with non-Chinese.

A Second Example: *Pipa Limited & The China Connection*

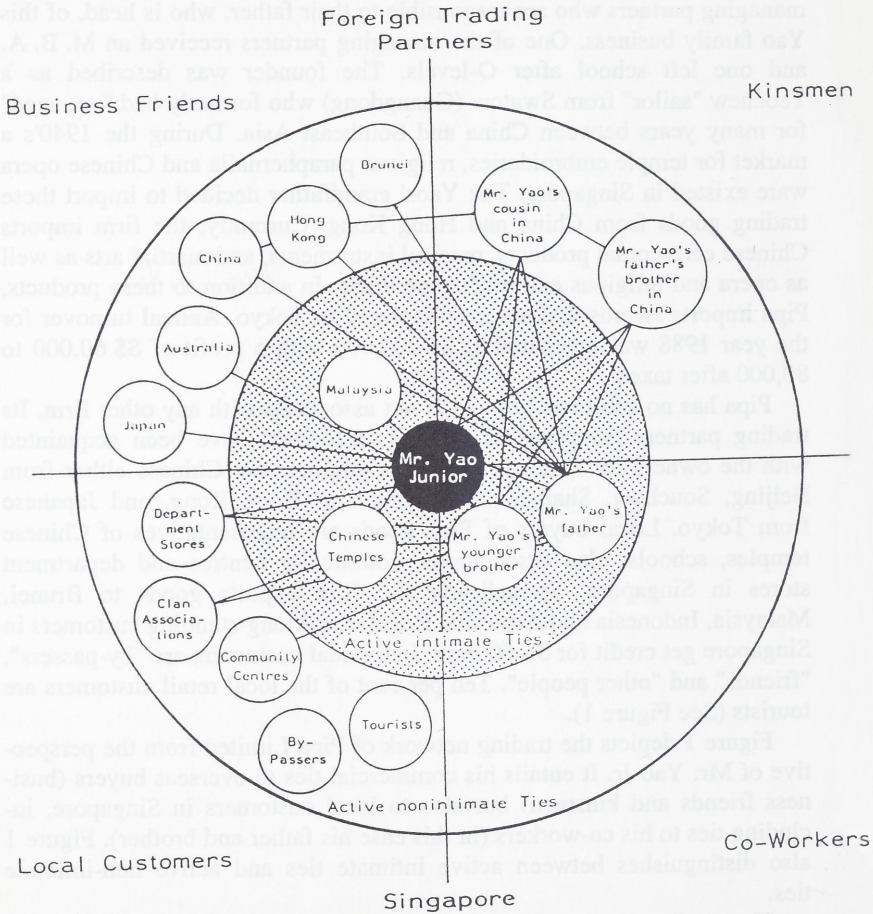
Pipa Limited was established in 1939 by the grandfather of the current managing partners who are responsible to their father, who is head, of this Yao family business. One of the managing partners received an M. B. A. and one left school after O-levels. The founder was described as a Teochew "sailor" from Swatow (Guangdong) who formerly had "voyaged" for many years between China and Southeast Asia. During the 1940's a market for temple embroideries, religious paraphernalia and Chinese opera ware existed in Singapore. The Yaos' grandfather decided to import these trading goods from China and Hong Kong. Currently, the firm imports Chinese ceremonial products, musical instruments, and martial arts as well as opera and religious embroidery products. In addition to these products, Pipa imports swords that are manufactured in Tokyo. Annual turnover for the year 1988 was estimated at S\$ 300,000 with a profit of S\$ 60,000 to 80,000 after taxes.

Pipa has no sub-branches and is not associated with any other firm. Its trading partners (suppliers as well as customers) have been acquainted with the owners for many years. Their suppliers are Chinese either from Beijing, Souchow, Shanghai, Guangzhou or Hong Kong, and Japanese from Tokyo. Local buyers of Pipa goods are representatives of Chinese temples, schools, clan associations, community centres and department stores in Singapore. Sporadically the firm exports goods to Brunei, Malaysia, Indonesia and Australia. Regular and long-standing customers in Singapore get credit for 30-60 days. Individual customers are "by-passers", "friends" and "other people". Ten per cent of the local retail customers are tourists (See Figure 1).

Figure 1 depicts the trading network of Pipa Limited from the perspective of Mr. Yao Jr. It entails his commercial ties to overseas buyers (business friends and kinsmen) but also to local customers in Singapore, including ties to his co-workers (in this case his father and brother). Figure 1 also distinguishes between active intimate ties and active non-intimate ties.

The trading relations between Pipa Limited and suppliers from the PRC have been cultivated in different ways. Until the 1980s, the company had links to officials from Chinese state-owned manufacturing firms who occasionally came to Singapore on trade missions. These missions were organized by the Singapore Chinese Chamber of Commerce of which Pipa has been a long-standing member.

Figure 1: Extract of Mr. Yao's Trading Network



Source: Interviews 1988/89

Prior to 1978, Pipa dealt with state firms in Beijing and Shanghai. The quality standards of these firms varied and there were also disruptions in the flow of goods. During the Cultural Revolution, for example, it was not possible to purchase pipas with dragons' heads from state firms. Dragons' heads, which symbolize the emperor, were then considered an "evil symbol". Consequently, during the 1970s, Pipa began importing the items from Hong Kong, thus counterbalancing the irregular product flow from China.

In 1978, when the Chinese reform policy led to a rebirth of the private sector (Jamann/Menkhooff 1988), Mr. Yao Sr. decided to purchase items from private enterprises because he believed state firms were discouraged from exporting. Two relatives of the Yao family acted as important go-betweens, facilitating, maintaining and supervising the economic relations between producers in China and Pipa, Mr. Yao Sr.'s brother-in-law and Mr. Yao Jr.'s cousin.

Relationships with long-standing customers like representatives of temples or clan associations were initiated by the founder and his son. The firm's founder joined a surname association and a Taoist temple association and became a committee member of that temple. Although there was no direct link between membership in these different organizations and marketing "connections", his involvement in honorary offices probably helped attract new customers. Consequently, the present managers have inherited fictive kinship *guanxi* developed by the founder.

Though Mr. Yao maintains business connections with Hong Kong suppliers, he continues to import some of his products from China. As his trading network is partly based on two relatives in China, one could assume that this supports the kinship/commerce thesis. But Mr. Yao emphasized that this kinship *guanxi* was based on material interests rather than on any *ganqing* (affection) considerations based on primordial blood links.

5. Discussion

Survey findings support Yoshihara's (1988) assumption that Chinese networks, based on kinship, clanship, territorial and ethnic principles, have disintegrated since the post-war period. Together with the expansion of the market economy and increasing political, social and economic integration, Singaporean Chinese trading networks have crossed ethnic, national and ideological boundaries. Particularly, the youngest generation of traders is able to transcend its ethnicity. English and Mandarin language education reduce cultural and social barriers vis-a-vis Japanese, Chinese of other

dialects, American and European business partners both within Singapore and abroad. "You can't stick to your own kind if you are engaged in international business" is a statement underlining the pragmatic rationale of many Singaporean Chinese merchant exporters.

In view of the different environmental influences to which Chinese communities in Southeast Asia have been exposed, many generalisations about Chinese networking strategies have become outdated. The often stated phenomenon of a global network of Chinese businessmen interconnected by kinship solidarities and ties is probably a myth. Our survey findings indicate that the idea of the Asian network of kinship and acquaintance as a convenient source of funds and business contacts applies to no more than four of 23 trading firms surveyed in Singapore.

Kinship reciprocity may have deterred commercial transactions involving kinsmen across nations. Access to networks and network ties has not automatically guaranteed business success as it has not been unusual for Chinese firms to go bankrupt. Such incidents, however, have been seldom reported in contemporary studies on Chinese entrepreneurship which may have overestimated the network potential of ethnic Chinese in Southeast Asia.

The network label in connection with "rags to riches stories" may fulfil certain psychological needs of individuals dreaming about entering a Chinese network in order to strike it rich. Most of the stories about the success of Chinese entrepreneurs refer to widespread business empires of a few individuals and families whose achievements continue to be emphasised in the popular press to attract readers.

The evolutionary changes in Chinese trading networks in Southeast Asia over time present important issues for further research. Government policies and laws, global economic integration, improved transportation, modern communication, and fluctuating market conditions have made a crucial impact on traditional and contemporary Nusantadra trading networks (Evers 1988, p. 99). For example, modern communication methods affect how trading relations are now initiated and cultivated. Singapore's government created Singapore Network Services Pte. Ltd. (Straits Times 17/10/1989 & 4/12/1989, p. 39), jointly owned by the Trade Development Board, Telecom, Port of Singapore Authority and the Civil Aviation Authority of Singapore. Under the label TradeNet, this company is in charge of operating and managing the so-called "TradeNet System" designed to facilitate computer-to-computer transfer of trade documents to speed up cargo clearance, and thereby improve the productivity and efficiency of Singapore's trading community. Linked to Portnet, Infonet and IBM's global network, TradeNet users can communicate with airlines,

freight forwarders, exporters and importers in Europe, U. S . and Japan as well as Southeast Asia.

It may take time until small-scale Singaporean trading firms can utilize these costly applications and services. But "there is no reason why the marketing of sharks' fins should not be facilitated by computers" as one respondent stated. The successful introduction of telefax machines, which were installed in nearly all firms surveyed, underlines the rationality of these supposedly "conservative" (Wu/Wu 1980) entrepreneurs. Whether the increasing electronic data exchange will form an effective substitute for personal relations and face-to-face contact remains to be seen.

A second interesting issue for further research concerns the stability of cross-border networks. Political change has often led to disruption of traditional trade links and trading chains. The decline of Communism and the political events in the People's Republic of China since 1978 represent external forces to which Singaporean trading networks have had to adjust. Will traditional or emerging Chinese cultural values (Harrel 1985; Wu 1973) continue to underpin business connections? Or will the networks adjust as these values change (Wong 1993:21)?

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