



ROAD TO PROSPERITY

The Role of Ethnic Teochew Chinese in China's Economic Development, 1978-2003

By

**Lu Ming
Department of History and the
Centre for Asian Studies**

**Submitted in Fulfilment of the Requirements for the degree of
Doctor of Philosophy,
The University of Adelaide,
Adelaide
Australia
February 2007**

To the memory of

My parents

**Who were both Ethnic Chinese and returned Ethnic Chinese, and
Bequeathed to me part of the influence of traditional Chinese culture**

Table of Contents

CHAPTER 1 INTRODUCTION	1
The Ethnic Teochew Chinese	2
Figure 1. Location of Teochew	3
Ethnic Chinese Business and China’s Economic Development	4
Explaining the Term “Ethnic Chinese”	9
Reasons for Choosing Cases Studies	13
Structure of the Thesis and Overview of Chapters	15
CHAPTER 2 HISTORICAL PERSPECTIVE OF ETHNIC CHINESE -THE ETHNIC TEOCHEW CHINESE IN HONGKONG AND THAILAND	19
Ethnic Teochew Chinese in Hong Kong	20
Ethnic Teochew Chinese Associations	22
Ethnic Teochew Chinese in Thailand	30
Immigration And Settlement	30
Discrimination Against the Ethnic Chinese in Thailand	34
King Taksin of Teochew Origin and Implications for Ethnic Chinese	35
Figure 2. Early Political Geography in Thailand.	35
Early Business Activities of Ethnic Chinese	37
Trade	38
Tax Farming	40
Rice Trade and Miller	41
The “Big Five” in the Rice Industry	42
Associations and the Ethnic Chinese Chamber of Commerce	44
Business Dominance of Ethnic Chinese	47
“New Big Four” and Industrial Groups of Teochew Chinese Business	48
Figure 3. Modern Thailand	51
Relationship between Thailand and China	51
Visiting China	51
CHAPTER 3 CULTURE AND ETHNIC CHINESE BUSINESS	57
Family-Value and Family Business	58
Theories of Family Business	59
The Studies of Ethnic Chinese Businesses	61
Ethnic Chinese Business Networks and Guanxi	64
The Features of Business Networks	65
Personal Trust	68
Differences	70
The Use of Business Networking	71
Networks and Investment in China	73

Confucian Influence on the Ethnic Chinese Business	75
Confucian Philosophy	77
The Renaissance of Traditional Management and Culture	78
CHAPTER 4 BACKGROUND AND POLICIES OF CHINA'S ECONOMIC REFORM	87
Background of China's Economic Development Strategies	87
The "Open Door" Policy	87
Figure 4: Location of China's Special Economic Zones	90
The Strategy of Mao's Era	91
Renew the Ties to Attract Ethnic Chinese Investment	95
Source of Capital and Technology	95
Injustice Case and Renewing the Ties	98
An Injustice Case of the South China Enterprise Pty Ltd	99
CHAPTER 5 ETHNIC TEOCHEW CHINESE MULTINATIONAL FAMILY BUSINESS IN THE WORLD -A CASE STUDY OF THE CHAROEN POKPHAND GROUP	104
Introduction of Charoen Pokphand Group	104
History of CP Group	104
Background in Thailand	110
Development of CP Group's Business	115
Joint Ventures	115
Emphasis on Technology Development	120
Education and CP Group's College	121
Cultural Influences on CP Group's Development	123
A Model of Ethnic Chinese Family Business	124
Promotion of Image and Listed Companies	128
Diversification and Globalization	130
CP Group's Diversification into New Business	130
Globalisation	133
Table 5.1 Global Business Network	134
Table 5.2 Overseas Business Partners	135
After 1997 Asian Financial Crises	135
CHAPTER 6 BUSINESS DEVELOPMENT OF CP (CHIA TAI) GROUP IN CHINA	139
Introduction of CP Group Business in China	139
Early Stage	142
Diversification	148
Development of CP (Chia Tai) Group Business in China	149
Core Business	149
Diversification and Integration	151
Property Development	154
Further Expansion	157
Table 6.1 CP Group's Subsidiaries in China	160

Ethnic Chinese Entrepreneur and the Combination of East and West	161
Combination of East And West	161
Ethnic Chinese Entrepreneur and Family Business	165
CHAPTER 7 CP GROUP'S CONTRIBUTION TO CHINA'S AGRICULTURAL REFORM AND FOOD SECURITY	169
CP Group and China's Agricultural Reform	169
Pre-Reform Period	170
The Household Responsibility System	173
Incompleteness of The Agricultural Reform	175
Contract Farming	180
A Case of Contract Farming	182
Contribution to the Third Revolution in Chinese Countryside and Food Security	184
The Third Revolution in Chinese Countryside	184
Technology	186
Arable Land in Proportion to Population	189
Pattern of Consumption	191
Globalization	193
CHAPTER 8 HONG KONG BUSINESS INVESTMENT AND DEVELOPMENT IN CHINA	196
A Case Study of Small to Medium Scale Ethnic Teochew Chinese Business	196
Figure 5: Locations of Hong Kong and Shenzhen Special Economic Zone in Guangdong	198
A Garment Factory Based in Hong Kong	199
Shifting to China	201
Further Development	204
Reasons	205
Labour Management and Market	206
Worker Recruitment	207
Workers' View	210
Opening China's Domestic Market	216
Cultural Influence	218
Networks	219
Management Model and Private Sector	221
CHAPTER 9 PROTECTION OF ETHNIC CHINESE AFTER 1978 IN CHINA	225
The Problem	226
Protection of Ethnic Chinese in The Past	227
Corruption	231
The Land Law and the Case	239
Land Law	239
The Case Study	241

The Petition	244
CHAPTER 10 FREEDOM AS DEVELOPMENT	250
Good Results and Perspective	250
Good Results	250
Perspective	252
Agricultural Development and Peasantry	254
Heavy Tax Burden	255
Low Income	257
Democratic Rights and Sharing the Fruits	258
Better to Adopt Market Economy for China	260
The Means and the Ends of Development	264
Political Freedom	265
Economic Facilities	266
Social Opportunities	267
CONCLUDING REMARKS	271
APPENDIX	
Appendix A (1)	275
Appendix A (2)	276
Appendix A (3)	277
Appendix A (4)	278
Appendix A (5)	279
Appendix B (1)	280
Appendix B (2)	281
Appendix B (3)	282
Appendix B (4)	283
Appendix C (1)	284
Appendix C (2)	285
Appendix D	286
Appendix E	287
BIBLIOGRAPHY	288

List of Tables, Figures and Plates

Table 5.1: CP Group's Global Business Network	134
Table 5.2: CP Group's Overseas Business Partners	135
Table 6.1: CP Group's Subsidiaries in China	160
Figure 1: Location of Teochew	3
Figure 2: Early political geography in Thailand	35
Figure 3: Modern Thailand	51
Figure 4: Location of China's Special Economic Zones	90
Figure 5: Locations of Hong Kong and Shenzhen Special Economic Zone in Guangdong	198
Plate 1: Teochew Dan Fu Museum (Dan Fu Wen WuYuan)	81
Plate 2: One of the exhibition calligraphy which is engraved in Stone in the Dan Fu Museum in Teochew	83
Plate 3: One of the exhibition calligraphy which is engraved in Stone in the Dan Fu Museum in Teochew	84
Plate 4: One of the exhibition calligraphy which is engraved in Stone in the Dan Fu Museum in Teochew	85
Plate 5: One of the exhibition calligraphy which is engraved in Stone in the Dan Fu Museum in Teochew	86

Abbreviations

APEC	Asia-Pacific Economic Cooperation
CCCCP	Central Committee of the Communist Party of China
CCCS	Chinese Chamber of Commerce of Siam
CPPCC	Chinese People's Political Consultative Conference
DCs	Developed Countries
FDI	Foreign Direct Investment
FIEs	Foreign Investment Enterprises
FWOEs	Wholly Foreign-owned Enterprises
GDP	Gross Domestic Product
GNP	Gross National Product
HKCCCC	Hong Kong Chiu Chow (Teochew) Chamber of Commerce
HK SMA	Hong Kong Swatow Merchants Association
HRS	Household Responsibility System
IMF	International Monetary Fund
ITYC	International Teochew Youth Convention
MNEs	Multinational Enterprises
NIEs	Newly Industrialising Economies
NPC	National People's Council
PRC	The People's Republic of China
RMB	Renminbi – the name of the Chinese currency
SEZs	Special Economic Zones
SOEs	State-owned Enterprises
TNCs	Trans-national Corporations
TVEs	Township and Village Enterprises
WCM	Web-based Chinese Management
WTO	World Trade Organisation

Glossary

This glossary has adopted Pinyin system for the Romanization of Chinese names and terms to translate them into Chinese words. However, it has kept Wade-Giles system for the Romanization of Chinese names and terms as well as Thai language, Teochew dialect and Cantonese in order to retain the original form of the published sources of information.

<i>ai</i>	爱
<i>aiguo aixiang</i>	爱国爱乡
<i>bushui neixiao</i>	补税内销
<i>buzheng zhifeng</i>	不正之风
<i>cailangzi gongcheng</i>	菜篮子工程
<i>Charoen Pokphand Group</i> (<i>CP Group, Chia Tai Group, Zhengdai</i> <i>Jituan</i>)	正大集团
<i>Cheung Kong (Changjiang) Group</i>	长江集团
<i>Chia Tai Zhuang (Zheng Da Zhuang)</i>	正大庄
<i>Dan Fu Yuan</i>	淡浮院
<i>Daguofan</i>	大锅饭
<i>dim sum (dian xin)</i>	点心
<i>Feng Shui</i>	风水
<i>fu ke ji</i>	副科级
<i>Gaohua</i>	高华
<i>Gongyuan</i>	公园
<i>Guandao</i>	官倒
<i>Guanxi</i>	关系
<i>Haiwai guanxi</i>	海外关系
<i>He</i>	和
<i>heqi shengcai</i>	和气生财
<i>Hong tou</i>	红头
<i>hu kou bu</i>	户口簿
<i>Jian cha bu</i>	监察部
<i>Jian cha yuan</i>	检察院
<i>Jianguo jianxiang</i>	建国建乡
<i>Ji jian hui</i>	纪检会
<i>Jingji fazui</i>	经济犯罪
<i>Ju</i>	局
<i>Ke</i>	科
<i>Kongke gongsi</i>	空壳公司
<i>Kejiahua</i>	客家话
<i>Hutchison Whampoa (Heji Huangpu)</i> <i>Group</i>	和记黄埔
<i>Laoxiang guannian</i>	老乡关念
<i>Li</i>	礼
<i>Lu tou</i>	绿头

<i>Mianzi</i>	面子
<i>mu</i>	亩
<i>Pao-Tek (Bao De)</i>	报德
<i>Pibao gongsi</i>	皮包公司
<i>Ping</i>	平
<i>qiaoshu qiye</i>	侨属企业
<i>Qiaoxiang</i>	侨乡
<i>Qu</i>	区
<i>Ren</i>	仁
<i>Renminbi</i>	人民币
<i>Shanzhai</i>	山寨
<i>Tanwu fubai</i>	贪污腐败
<i>T'ien Hua (Tian Hua)</i>	天华
<i>Ting</i>	厅
<i>Tongxiang</i>	同乡
<i>Tong Yi</i>	同益
<i>Tong Zhan Bu</i>	统战部
<i>Wei renmin fuwu</i>	为人民服务
<i>Wing On (Yong An)</i>	永安
<i>wu zhu fang</i>	无主房
<i>Xinyong</i>	信用
<i>Xian</i>	县
<i>Xiao</i>	孝
<i>Xin</i>	信
<i>yan zhong</i>	严重
<i>yi</i>	义
<i>yi tiao long</i>	一条龙
<i>yitao renma liang kuai paizi</i>	一套人马两块牌子
<i>yuan</i>	元
<i>Zhengqi bufeng</i>	政企不分
<i>Zhong</i>	忠
<i>Zhongyuan Ribao</i>	中原日报

Place Names		Province
<i>Ch'ao Yang (Chao Yang)</i>	潮阳	Guangdong
<i>Chaozhou-Shantou (Teochew)</i>	潮州汕头	Guangdong
<i>Ch'eng H'ai (Cheng Hai)</i>	澄海	Guangdong
<i>Chengdu</i>	成都	Sichuan
<i>Chieh Yang (Jie Yang)</i>	揭阳	Guangdong
<i>Dalian</i>	大连	Liaoning
<i>Dongwan</i>	东莞	Guangdong
<i>Feng Shun</i>	丰顺	Guangdong
<i>Fujian</i>	福建	
<i>Fuzhou</i>	福州	Fujian
<i>Guangdong (Kwangtung)</i>	广东	
<i>Guangzhou</i>	广州	Guangdong
<i>Guizhou</i>	贵州	
<i>Hainan</i>	海南	

<i>H'ai Yang (Ch'ao An, Chao An)</i>	潮安	Guangdong
<i>Hunan</i>	湖南	
<i>H'ui Lai (Hui Lai)</i>	惠来	Guangdong
<i>Jao P'ing (Rao Ping)</i>	饶平	Guangdong
<i>Jiahe</i>	嘉禾	Hunan
<i>Jiangsu</i>	江苏	
<i>Luoyang</i>	洛阳	Henan
<i>Meizhou</i>	梅州	Guangdong
<i>Nanning</i>	南宁	Guangxi
<i>Nanyang</i>	南洋	
<i>P'u Ning (Pu Ning)</i>	普宁	Guangdong
<i>Quanzhou</i>	泉州	Fujian
<i>Shantou (Swatow)</i>	汕头	Guangdong
<i>Shekou</i>	蛇口	Guangdong
<i>Shenzhen</i>	深圳	Guangdong
<i>Siyi</i>	四邑	Guangdong
<i>Ta P'u (Da Pu)</i>	大埔	Guangdong
<i>Xiangyang</i>	襄阳	Hebei
<i>Xiamen (Amoy)</i>	厦门	Fujian
<i>Zhanjiang</i>	湛江	Guangdong
<i>Zhuhai</i>	珠海	Guangdong

People

<i>Cai Weihai</i>	蔡文海
<i>Chen Bi Chen (Chin Sophonpanit)</i>	陈弼臣
<i>Chen Huan Rong (Cheng Huang Yong)</i>	陈焕荣
<i>Chen Kunyuan</i>	陈坤原
<i>Chia Ek Chiu (Xie Yi Chu, Chia Ek Chor)</i>	谢易初
<i>Chia Seow Hui (Xie Shao Fei, Chia Seow Whooy)</i>	谢少飞
<i>Deng Wenzhao</i>	邓文钊
<i>Dhanin Chearvanont (Xie Guo Min)</i>	谢国民
<i>Ding Zhiyu</i>	丁智瑜
<i>fu-lao</i>	福老
<i>Gu couple (Gu fuqi)</i>	顾夫妻
<i>Guiguo huaqiao</i>	归国华侨
<i>Guiqiao</i>	归侨
<i>huaqiao</i>	华侨
<i>Huaren</i>	华人
<i>haiwai huaren</i>	海外华人
<i>Hakkas (Kejia)</i>	客家
<i>Li Ka-shing (Li Jia Cheng)</i>	李嘉诚
<i>Li Shangzhu</i>	李赏珠
<i>Liao Chengzhi</i>	廖承志
<i>Li Wenhai</i>	李闻海
<i>Li Yingqun</i>	李映群
<i>Qiaojuan</i>	侨眷
<i>Sumet Jiaravanon (Xie Zhong Min)</i>	谢忠民

<i>Tan Tsu Huang (Chen Ci Hong)</i>	陈慈簧
<i>Takin (Zheng Xin)</i>	郑信
<i>Teochews (Chaoshanese, Chaoshanren)</i>	潮汕人
<i>Tongbao</i>	同胞
<i>waiji huaren</i>	外籍华人
<i>Wang Yongqing</i>	王永庆
<i>Wang Sulang</i>	王素兰
<i>Yang Fangpu</i>	羊芳圃
<i>Zheng Zi Bin (Tae Tsu Ping)</i>	郑子彬
<i>Zheng Wu Lou (Cheng Wu-lou)</i>	郑午楼

Abstract

Road to Prosperity

The Role of Ethnic Teochew Chinese in China's

Economic Development, 1978 -2003

The Ethnic Chinese business in Asia have developed rapidly and played important roles in the world's economy, being considered by many scholars as the fourth largest economic bloc just behind the United States, Japan and the European Union. The economic bloc of Ethnic Chinese is neither a nation such as Japan or the United States, nor a nations' union like the European Union. It is only an ethnic community. They are substantially responsible for foreign investment in China since China carried out "open door" policy. They had out-invested several economic superpowers – the United States, Japan and the European Union – about five folds of their combined investment in China. This gives rise to an interesting topic on this unique phenomenon for research.

This thesis examines the history and roles of Ethnic Chinese businesses in the China's economic development from 1978 to 2003, with the focus on the Ethnic Teochew Chinese community. By adopting a comparative approach to examine the economic, cultural and political aspects, and to adopt some case studies of small and medium scale enterprise to a large multinational conglomerate, a perspective of significant role played by Ethnic Teochew Chinese emerges.

Historically, many Ethnic Chinese suffered discrimination and extortion from government officials and local bullies in their ancestral homeland. This study reveals that even after 1978, these kinds of treatment were still common in China.

With active participation of many Ethnic Chinese entrepreneurs in economic development, China today is able to dominate world trade in manufactured goods. This economic development, in a broader perspective of humanity, is an integral part of a development of human freedom. As the Nobel laureate, Amartya Sen points out that the ultimate purpose of human being for development is for their human freedom. Huge Ethnic Chinese investment contributes significantly to China's unprecedented speed of economic and social developments, and accelerates the development of human freedom in China.

Thesis Submission Statement

This work contains no material which has been accepted for any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being made available for loan and photocopying.

Ming Lu

15th February 2007

(Date)

Acknowledgments

In conducting the research on which this thesis draws, it has taken shape with support and encouragement of many individuals. My first debt of gratitude is to my principal supervisor, Associate Professor Yen Ching-hwang, and Dr. Sejin Pak from the Department of History and the Centre for Asian Studies respectively. Both supervisors were generous with their time and often impart invaluable advice during our consultations. Professor Yen and Dr. Pak attended to my drafts with a spirit of cooperation and I am indebted to both of them. I sincerely thank them for their valuable comments and advice. Their profound knowledge of both history and economics greatly benefited my study. I benefited especially from Professor Yen of his expertise in the field and his experience in supervising PhD students.

With the assistance of a travel grant both from the Department of History and the Centre for Asian Studies of the University of Adelaide, I was able to conduct my field research in China and Hong Kong. During my sojourn I appreciated the assistance of members and staff of the Hong Kong Chiu Chow (Teochew) Chamber of Commerce, Xiamen University, Shantou University, Jinan University and Shanghai Academy of Social Science for providing me valuable research materials.

I am deeply grateful to my brother Lu Lian and sworn brother Liu Bojiao for welcoming me into their homes to stay for the duration of my time in Shanghai and Hong Kong. Also, I am grateful to my long-term friend Zheng Liangqi in Shantou who posted many books and materials to me for my research.

To have a human touch invariably enriches any history work or current topic. In my case I was fortunate to have personal contact with Li Wenhai, the vice president of Chia Tai Group (CP Group in China) and the president of Teochew Dan Fu Museum. Mr Li generously invited me into his home and office for extended discussions and some dinners of most delicious Teochew cuisine. Further to this he provided me invaluable research materials and a guided tour to some of the group's enterprises and Dan Fu Museum.

This thesis is the fruit of my entire Adelaide University education of ten years. I would never have made it thus far, however without a strong support base of my

supervisors, friends and family. I have to thank many friends for providing me many valuable information, but I have to omit a long list of their names. I hope they will have more success in their businesses. I also wish to express my gratitude to many other people for their help in one way or another in my study, especially, Professor Purnendra Jain, Dr. Gerry Groot, Dr. Vesna Drapac, Professor John Gray, Dr. Zhang Ning, Hsu Chia Cheng, Glen Stafford, Niki Pavlidis, Shoo Lin Siah, Eva Wielogorska, Felicity Rai and Liang Yan.

Finally, I should give thanks to my family members: Lu Lian, Dominic Spano, Lulu Spano, Nicole Spano, Shen Zhongfan, Lillian Rui Xuan Lin, Lu Jia, Paul Lu and Henry Lu. Their understanding and support were of immeasurable value throughout the course of my research and thesis writing.

CHAPTER 1

INTRODUCTION

The success of the Southeast Asian region's economic development after 1978 has been acknowledged as outstanding in comparison with other underdeveloped countries in the world. A vital factor in its success has been the importance of the Ethnic Chinese sectors in each of the host countries. The Ethnic Chinese economy has been considered as the fourth largest economic bloc just behind the United States, Japan and the European Union. The economic bloc of Ethnic Chinese is neither a nation such as Japan or the United States, nor an union of nations like the European Union. It is only an ethnic community. This gives rise to an interesting topic for research. According to a report of the Commonwealth Government of Australia, the Ethnic Chinese are fewer than ten per cent of the population of Southeast Asia but make up 86 per cent of its billionaires.¹ Ethnic Chinese generate substantial part of its wealth in this region. Therefore, the growth of Ethnic Chinese companies in the East & Southeast Asia has become an important topic in the studies of the economic development of this region.

There are about 55 million Ethnic Chinese people throughout the world.² The economic strength of Ethnic Chinese in Southeast and East Asia can be assessed in terms of annual Gross Domestic Product (GDP) or Gross National Product (GNP), and an estimate was offered by *The Economist* in England, which put the GNP of 51 million of the Ethnic Chinese in East and Southeast Asia in the year 1990 at US\$ 450 billion, a quarter bigger than China's GNP in the same year. China at that time had a population of more than twenty times of the Ethnic Chinese population in the world.³ Among them, Teochew businessmen take the lead in the Chinese businesses in Thailand and Hong Kong. From generations to generations of immigrants, they have outstanding economic achievement in Southeast Asia. They have generated colossal economic wealth, which is disproportionate to their numbers, and continue to produce more billionaires per capita than any other ethnic group in this region. Their successes are usually not

¹ EAAU (East Asia Analytical Unit), *Overseas Chinese Business Networks in Asia*, EAAU, Department for Foreign Affairs and Trade, Commonwealth of Australia, 1995, p. 1.

² Yen Ching-hwang, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press, Singapore, 2002, p. 4.

³ *Ibid.*, pp. 4-5. Also see "The Overseas Chinese: A Driving Force", in *The Economist*, Vol. 324, No. 7768, July 18 1992, p. 21.

well publicized and they prefer to operate in business without glamour, such as chicken farming and vegetable seeds selling that many other entrepreneurs avoid.⁴

The Ethnic Teochew Chinese

Among Ethnic Chinese businessmen, the Teochew Chinese are prominent performers. What account for their outstanding success? This thesis examines many different factors contributing to their success. In Chinese history, Ethnic Chinese of Teochew (Chaozhou-Shantou) origins are one of the ethnic groups that have had a considerable impact both inside and outside China. In China, according to current administrative region allocation, The Teochew (Chao-Shan) district is located in the east of Guangdong, with an area of 10,346 square kilometres.⁵ The population of Teochews (Chaoshanese, *Chaoshanren*) is about 10 million, while the population of Ethnic Teochew Chinese overseas is about the same.⁶ The Teochews reside in and around the delta of the Han River in Northeastern Guangdong province of China. They moved into this area from southern Fujian in several waves, between the ninth and fifteenth centuries, and other dialect groups often refer to them as *fu-lao*, i.e., “people of Fujian”. The name, Teochew (Teochiu, Tiechiu, Tewchew, etc.) represents the pronunciation in that dialect of the name of the prefecture in which most Teochews in China live in Chaozhou-Shantou district. The Teochew emigrant communities are concentrated in the costal regions and the Han Delta.⁷

⁴ Schlevogt, Kai-Alexander, “Chinese Entrepreneurship and Resilient National Development”, in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 84.

⁵ Chen, Liming, *Chao Wenhua Lunxi*, [Analyses of Teochew Culture] Yiwang Chubanshe, [Yiwan Press], 1999, p. 1.

⁶ Kui, Shi, Chaozhou Xue Fafan [Formal Introduction to Teochew Studies], in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds.), *Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji* (*Shang Ce*) [Essays from the International Conference on Teochew Studies], (First Volume), Jinan University Press, Guangzhou, 1994, p. 27.

⁷ Skinner, G. William, *Chinese Society in Thailand: An Analytical History*, Cornell University Press, Ithaca, New York, 1962, p. 37.



Figure 1: Location of Teochew

Source: Editorial Committee of Teochew Encyclopaedia, *Chao Shan Baike Quanshu*, [Encyclopaedia of Teochew] Encyclopaedia Publication of China, Beijing, 1994, p. 1.

Teochew dialect is distinctively different from Cantonese. Ethnic Teochews are spread all over the world, but the majority of them live in Thailand, Hong Kong and other Southeast Asia countries. They play an important role in the economies in East & Southeast Asia and they have been recognised as one of the driving forces in China's economic development since 1978. For example, Li Ka-shing (Li Jia Cheng), a Hong Kong entrepreneur of Teochew origin, who started business with a very small capital, after several decades became one of the top ten richest men in the world. He has a wide range of business interests in Hong Kong, China, North America, South America and Australia. In 1999, he was awarded an honorary doctor degree by Oxford University. He donated billions of Hong Kong dollars to build Shantou University. The prominent business achievements of ethnic Teochew Chinese have attracted attention. For instance, in 1993, when the Seventh International Ethnic Teochew Chinese Convention was held in the United States of American, former President of USA, Bill Clinton sent a congratulatory

message to the conference.⁸ In 2001, the Eleventh International Ethnic Teochew Chinese Convention was held in Beijing China, leaders from many countries sent congratulatory messages, including Australian Prime Minister John Howard.⁹ Back to 1993, after an international conference held in the Chinese University of Hong Kong, scholars established a new field of “Chaozhou-shantou culture research” (Teochew culture research, *Chaoxue Yanjiu*), for the purpose of conducting research on this ethnic group.

Many Ethnic Teochews in Southeast Asia have made substantial contribution to the region’s economic development and accumulated huge capital. As Professor Yen Ching-hwang states that:

The Teochews, a major Chinese dialect group in Southeast Asia, were the pioneer planters in Singapore, and their community politics was played with skill and sophistication. Their economic influence is widely felt in parts of East and Southeast Asia such as Hong Kong, Thailand, Singapore and Malaysia.¹⁰

Ethnic Teochew Chinese entrepreneurs are the major foreign investors in China’s economic development after the opening of China in 1978 and they also have scored outstanding achievements.

Ethnic Chinese Business and China’s Economic Development

Since Ethnic Chinese entrepreneurs actively invested in China, China’s economic development has achieved a remarkable performance. The striking fact is that China’s massive foreign investment has been dominated by the Ethnic Chinese. “They have out invested the economic superpowers, the United States, Japan and the European Union combined, by a factor of more than five to one, contributing well over 80 percent of both investment projects and capital invested since 1979.”¹¹ Two of the largest Ethnic Chinese investors in China, the Thailand based

⁸ Liu Qijie, The Speech of the Chairman of Hong Kong Teochew Chamber of Commerce, in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds), *Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji (Shang Ce)* [Essays from the International Conference on Teochew Studies], (First Volume), Jinan University Press, Guangzhou, 1994, p. 3

⁹ Reporting Unit, “Teochews International Convention”, <http://www.btxx.cn.net/bjcr/nianhui/index.htm> Viewed 23 March 2002.

¹⁰ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press 2002, Introduction, p. x.

¹¹ Tracy Noel and Constance Lever-Tracy, “A New Alliance for Profit: China’s local industries and the Chinese diaspora”, in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 68.

multinational agri-business group, Charoen Pokphand and the Indonesian Sinar-Mas group have both made their investment through their publicly-listed companies in Hong Kong. The Ethnic Chinese entrepreneurs have engaged in the process of re-industrializing and modernizing China enthusiastically.¹² There is no doubt that Ethnic Chinese investment plays an important role in China's economic development. After the 1997 financial crisis, the financial dislocation and recession in much of East and Southeast Asia has been more challenging for China's economic development than any similarly extended period in the reform era in China, and its economic growth has been sustained at doubles output each decade and which has been an official target since 1980 that promised China's output would quadruple by the end of the century.¹³

Obviously, China's economic development has experienced spectacular growth since economic reform was implemented in 1978. The 1978-1993 period witnessed a steady increase in the Chinese economy, with the GDP growing at an annual rate of 9.3%, making it the fastest growing region in Asia-Pacific region. The economy has grown even more rapidly after 1993, with an annual average rate of 12%. By the mid-1990s, China had become one of the largest trading nations in the world. In 1997, China's total import and export amounted to US\$ 325.1 billion; ranking tenth among the world's top trading nations. Since 1979, China's exports have climbed from a mere US\$ 9.8 billion to US\$ 121 billion in 1994.¹⁴ While accomplishing this export growth, China has achieved a huge trade surplus. In 1997, its reserves of foreign currency amounted to US\$139.9 billion, ranking second in the world. Such performance was all the more impressive considering that it achieved at a time when the world was generally hit by a global recession.¹⁵ Today, China is the centre of attention for international business. Since the financial crisis in East and Southeast Asia in 1997, China has contributed more than one quarter of global growth in output and international trade. Over these years it has become the world's largest recipient of direct

¹² *Ibid.*, pp. 68-69.

¹³ Garnaut, Ross, "China: New Engine of World Growth", in Ross Garnaut and Ligang Song (ed.), *China New Engine of World Growth*, Asia Pacific Press at the Australian National University, 2003, pp. 1-3.

¹⁴ Lardy, Nicholas R., "The Role of Foreign Trade and Investment in China's Economic Transformation", *The China Quarterly*, December 1995 (144): 1065-1082, p. 1076.

¹⁵ Wong, Jong, "China in the Dynamic Asia-Pacific Region", *The Pacific Review*, Vol.8, No.4, 1995, pp. 617-636.

foreign investment, with annual levels exceeding US\$50 billion. After Deng Xiaoping won decisive control of the Central Committee of the Chinese Communist Party and moved policy decisively towards economic reform and opening China's door to the outside world in 1978, economic output and international trade have expanded much more rapidly in China than in any other country.¹⁶ The recent rapid growth in scale of the private enterprises, with policy and institutional reform supported by high rates of direct foreign investment, has generated new demand in China.¹⁷

More strikingly in recent years, in the first two months of 2005, China's export has increased by 37% compared with the same period in 2004, to \$US 95 billion. In 2004, foreign-invested companies exported \$US 339 billion of goods from China made up 57% of China's export. China will dominate world manufacturing as no other country has ever done before. China's international trade surplus in 2004 was \$US 160 billion, compared with America's gaping trade deficit which exceeded \$US 50 billion a month. Moreover, like America's deficit, China's surplus of international trade was growing fast. By the end of 2004, China's foreign exchange reserves exceeded \$US 600 billion.¹⁸ Like the United States of America, China is a continental economy and the only viable option is to attract foreign investment, to use foreign capital and international trade as a source of funds and expertise for its modernisation. More than two decades passed, half of the miracle has already happened in China today. Two decades of its economic growth approaching 9% a year has attracted the World Bank to comment that, even after discounting for some generous statistics, China is the fastest economic rise in economic history.¹⁹ The rise of China is transforming all of the equations: economic, geo-strategic and cultural. In 2004, its economy was worth \$US 1608 billion and the International Monetary Fund estimates growth of more than eight per cent in 2005. China commands international reserves of \$US 640 billion. China's manufacturing is revolutionising global consumer culture.²⁰ China not

¹⁶ Garnaut, Ross, "China: New Engine of World Growth", in Ross Garnaut and Ligang Song (eds.), *China New Engine of World Growth*, Asia Pacific Press at the Australian National University, 2003, p. 1.

¹⁷ *Ibid.*, p. 6.

¹⁸ Wyngen, Gerry Van, "Super China Marches On", *Business Review Weekly*, March 24 -30, 2005, p. 25.

¹⁹ James, David, "Half the Miracle Has Already Happened", *Business Review Weekly*, July 6, 2001, p. 44.

²⁰ Sheridan, Greg, "The China Rush", *The Weekend Australian*, April 16-17, 2005, p. 19.

only does well in export, but also becomes an enormous consumer market. Retail sales doubled in the decade to 2003 and are forecasted to double again by 2008 when China will approach Japan at \$US 1200 billion.²¹

China has become a giant, and will become an even more significant force in shaping the course of global economic and human development. The reform of Chinese economy and its economic development have attracted special attention for two major reasons: first, because of the implications of transformation of economic relations for China's domestic production, and for Chinese people's income and food security; second, because of the implications of these developments on the whole world.²² One of the implications, for example, is that in comparison with the consumption of food products, South Korea, Taiwan and Hong Kong have a per capita consumption of meat, fish wine, beer, sugar, coffee and dairy products eight to ten times larger than China's. With rising standards of living in China, food products richer in protein than rice will increase.²³ Therefore, using limited resources such as water and land effectively to produce food is of great importance to China because of its huge population with too little land. Hence, the contribution of Ethnic Teochew Chinese agri-business giant Charoen Pokphand (CP Group) to China's agricultural development is of great importance, and the group has brought about great result to China's agricultural development.

This thesis will shed new light on the study of Ethnic Chinese in China's economic development. It will focus on the Ethnic Teochew Chinese business that links the companies of Thailand, Hong Kong, and China. It explores the relationship between the role of the Ethnic Chinese, particularly those entrepreneurs of Teochew origins, and the economic transformation in China after 1978.

What are the contributing factors to China's rapid economic growth during that period? The political, economic, cultural and institutional factors are investigated in this thesis. An important part of the answer can be found in the economic and political policies that the Chinese authorities adopted for the

²¹ Armitage, Catherine, "Retailers Eye Untapped Market", *The Weekend Australian* April 16-17, 2005, p. 21.

²² Bonvin, Jean, "Preface" in Christopher Findlay, *et al Policy Reform, Economic Growth and China's Agriculture*, Development Centre of the Organization for Economic Co-operation and Development, 1993, p. 9.

²³ Faber, Marc, "Hungry Dragon", *The Australian Weekend*, April 16-17, p. 31.

realisation of the four modernisations, which refers to the modernisation of agriculture, industry, science and technology, and national defence. Why did China need to adopt the economic reform and open door policy? This thesis traces the Maoist economic policies and strategies that emphasised independence and self-reliance and resulted in the backwardness of China's economy. However, the Third Plenum of the Eleventh Central Committee of the Chinese Communist Party in December 1978 marked the turning point for the change of Chinese economy.²⁴ It allowed a major strategic shift away from the Maoist ideology and facilitated China's integration into the world market. The rapid economic growth has been associated with bold utilisation of foreign capital. Since 1979, the foreign direct investment (FDI) to China has surged from US\$ 2.74 billion to US\$ 37.52 billion in 1995. In 1997, the actual utilised foreign capital amounted to US\$64 billion, making China the second largest recipient of foreign private capital at the time. These numbers suggest that an outward-oriented development strategy based on foreign trade and investment is an important factor in China's economic success.²⁵ The Ethnic Chinese who had been given a great new opportunity by China's economic reform played a pivotal role in the China's economic transformation.

The thesis also examines the cultural influence on Ethnic Chinese business. With strong influence of Confucianism, the Ethnic Chinese businessmen who operated their business outside China without political protection had to cultivate *guanxi* in order to survive and grow. Ethnic Chinese entrepreneurs emphasised personal trust and built vast business networks. They also emphasised education for their children and family solidarity. This explains why nearly all Ethnic Chinese businesses are family business even they become public-listed companies and multinational conglomerates. Most of Ethnic Teochew Chinese businesses are family controlled business. This thesis examines how and why these family businesses were established, what strategies they had adopted for growth and development, and what secrets were behind their success.

²⁴ Ma, Hong, *New Strategy for China's Economy*, New World Press, Beijing, China, 1983, pp. 8-15.

²⁵ Reporting Unit, *Remin Ribao (Haiwaiban)*, [People's Daily, Foreign Edition], 3 March 1998, p. 2.

What is the ultimate purpose for the development? According to Nobel laureate, Professor Amartya Sen, who won the 1998 Nobel Prize for economics²⁶ points out that the ultimate purpose of human being for development is for their human freedoms.²⁷ It will be argued in this thesis that the process of economic development in China is a development of freedom in one way or another. Ethnic Chinese enterprise is one of the most important factors keeping the economic reform process in China going.²⁸ This research examines the political freedom such as farmers' election; the economic facilities such as the development of private enterprises of relatives of Ethnic Chinese, the social opportunities such as the implications of education. The increased collaboration between Ethnic Chinese and Mainland Chinese creates a new phenomenon in Chinese society. All of these developments can be seen as a process of expanding freedom for Chinese people.

Explaining the Term "Ethnic Chinese"

Before examining the role of the Ethnic Chinese in China's economic transformation, it is necessary to define the term "Ethnic Chinese". An important point in the study of Ethnic Chinese is that who is Ethnic Chinese? However, people quite often take it for either granted, or regard it as too simple to examine. There are several terms such as "Overseas Chinese", "Chinese Diasporas", "Ethnic Chinese" and "Chinese Overseas" etc. used in different works by different scholars. "Overseas Chinese" was the English term that translates the Chinese word *huaqiao*, a word came into existence during the late Qing period and was commonly used to refer to all people of Chinese decent living overseas.²⁹ A common sense or working knowledge of the contemporary state shows automatically the definition: a Chinese descendant who lives outside China. But this definition cannot clear all problems, if we employ nationality in determining

²⁶ The Nobel Prize Internet Archives, www.almaz.com/nobel/economics/1998a.html Viewed 6 May 2006.

²⁷ Sen, Amartya, *Development as Freedom*, Published by Alfred A. Knopf, Inc. Random House, Inc. New York, 1999, fourth Printing, February 2000, p. 3.

²⁸ Tracy Noel and Constance Lever-Tracy, "A New Alliance for Profit: China's Local Industries and the Chinese Diaspora", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 65.

²⁹ Zhuang, Guotu, *Zhongguo Fengjian Zhengfu de Huaqiao Zhengce*, [The Overseas Chinese Policies in Imperial China], Xiamen Daxue Chubanshe, Xiamen, [Xiamen University Press], Xiamen, 1989, p. 353.

who is Ethnic Chinese as a sole criteria, there would be no objection to regard those people who are of Chinese decent in Japan, Australia or America, Europe and Southeast Asia as Ethnic Chinese. Nevertheless, how about those people live in Hong Kong, Taiwan and Macao, and the Ethnic Chinese who live in Australia, and have no knowledge of Chinese language, and never follow Chinese tradition and customs? Therefore, we need a definition that is based not only on nationality but also reflects social and cultural values.

In 1955, the People's Republic of China (PRC) officially enforced its new law of citizenship and *huaqiao* was defined to only include citizens of the PRC living overseas.³⁰ However, although the definition of *huaqiao* was not intended to cover those Ethnic Chinese who had already adopted foreign nationality, it was only applied in Mainland China official circles. Even some scholars in Mainland China do not adopt this definition. For instance, Professor Lin Jinzhi of Nanyang Institute at Xiamen University stated that Ethnic Chinese generally refer to those people who live outside Mainland China around the world including "*huaqiao*" (Overseas Chinese), "*waiji huaren*" (foreign nationality Chinese) and Hong Kong, Macau "*tongbao*" (compatriots).³¹ Many Chinese people who are of foreign nationality still prefer to consider themselves "*huaqiao*" (Ethnic Chinese), and are also considered ethnically Chinese by others, not so much politically, but culturally and emotionally.³² Therefore, a definition is as follows: a person who is of Chinese descent and lives in a country or region outside China, regarding oneself as Ethnic Chinese or has been regarded so by the indigenous society. Under this definition, even a person born in the local society and has adopted local language, religion and culture, is still regarded as Ethnic Chinese because of ancestral ethnicity. For example, one who was born in Australia and educated in America, and who has never practised Chinese culture and never spoken any Chinese language is still regarded as Ethnic Chinese.³³

³⁰ *Ibid.*

³¹ Lin Jinzhi, "Hawai Huaren Zhai Chaoshan Diqiu de Touzhi Ji Jin huo de Fazhang" [The Investment and Developing Tendency of Ethnic Chinese in the Chaoshan Region], in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds), *Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji (Xia Ce)* [Essays from the International Conference on Teochew Studies], (Last Volume), Jinan University Press, Guangzhou, 1994, Footnote 1, p. 556.

³² Wang Gungwu, "South China Perspectives on Overseas Chinese", *The Australian Journal of Chinese Affairs*, No.13, Jan. 1985, p. 70.

³³ Iwasaki, Ikuo, "A Reflection on Some Basic Characteristics of Ethnic Chinese Capital in Contemporary Southeast Asia", in Yu Chungshun (ed.), *Ethnic Chinese Their Economy, Politics and Culture*, The Japan Times, 2000, p. 21.

According to the law of citizenship of the People's Republic of China, people in Hong Kong, Taiwan and Macau are not included in the same category because of the political factor, namely the nationality. Hong Kong and Macau are parts of China, even though the different legislations are employed. There is, however, a way of avoiding the political and legal connotations of the term *huaqiao*, and it is slowly being replaced by the term "Ethnic Chinese", or *haiwai huaren*, which is used in a broad sense to refer to anyone identifiably Chinese living outside China. Specifically, those of Chinese origin who have become foreign nationals are now referred to as *waiji huaren* "Ethnic Chinese of foreign nationality". However, ambiguity exists as to the identity of the Chinese in Hong Kong, Macao and Taiwan. The PRC does not officially consider them as *huaqiao*. They are *tongbao* (compatriots) natural-born Chinese who, in theory, enjoy the same rights as PRC citizen.³⁴ But this is clearly motivated by political consideration, in order to stress China's claims of sovereignty over these territories. In reality, however, they are by no means treated by the PRC's government as being the same as their mainland people. They enjoy the same status as foreigners and Ethnic Chinese from other countries. For example, concessionary investment policies and the policy of charging non-mainland Chinese more for services ranging from hotel accommodation to airline tickets apply equally to foreigners and the Ethnic Chinese as well as to the Chinese from Taiwan, Hong Kong and Macao. This policy on services was changed in 1990s and both foreigners and Chinese in Mainland China are treated equally now. When we take economic and business aspects into account for consideration to clarify the definition and classification of "Ethnic Chinese", the political demarcation line becomes blurred.

In terms of business behaviour, the Chinese in Hong Kong and Taiwan show exactly the same pattern as those Ethnic Chinese around the world. In fact, as far as investment is concerned, China's policies are mainly designed to appeal to Hong Kong and Taiwan business people, rather than to the Ethnic Chinese, for the simple reason that the former are major investors. In investment sphere, even Hong Kong and Taiwan capital is regarded by the Chinese government as "foreign capital" that means they are part of Ethnic Chinese capital in the economic context. Therefore economically, Southeast Asian, Hong Kong and

³⁴ Wang, Gungwu, "External China as a New Policies", *Pacific Affairs*, 58:1 (Spring), 1985:28-43, pp. 29-33.

Taiwan and Western capital falls into the same category of foreign capital.³⁵ Furthermore, although Hong Kong and Macao's sovereignty has been returned to the PRC, people from Mainland China cannot travel to these areas without special permit, and Hong Kong people are still treated as foreigners due to the "one country, two systems" policy.

Tan Chee Beng argues that:

As proud citizens of our respective countries, we feel insulted to be called or even referred to as "Overseas Chinese". We are overseas in China but not when we are at home in Malaysia, Indonesia, the Philippines, and so forth. Some scholars outside Southeast Asia do not understand our sensitivity; they cannot grasp the feeling of the Chinese in Southeast Asia. The pride of being local is not new, nor merely political. It is a natural development of local consciousness.³⁶

He also states:

In recent years, some writers have talked of the Chinese Diaspora, the term used to describe the Jewish people who are scattered all over the world. Perhaps because of our experience of Chinese descent as still somewhat alien, and because of our strong local identification, we also find it difficult to accept the term "diaspora". We fear being perceived as scattered communities without a sense of belonging, whatever the good intentions of the term's users.³⁷

In addition to this point, unlike Jewish people, Chinese have never lost their motherland. They were not the same as Jewish Diaspora in history. Hence, the term "Ethnic Chinese", appears to be the most acceptable one at least in Southeast Asia.³⁸ Suryadinata states:

The English equivalent of *Huaren* is "Ethnic Chinese". Local Chinese who were sensitive to Southeast Asian nationalism also began to use this term in place of "Overseas Chinese" or "Chinese Overseas".³⁹

Suryadinata also points out that:

The Chinese Government and scholars are aware of the connotation of the various terms. They have accepted the term *Huaren* and its English equivalent "Ethnic Chinese". Nevertheless, they also use *Huaqiao* or

³⁵ Iwasaki, Ikuo, "A Reflection on Some Basic Characteristics of Ethnic Chinese Capital in Contemporary Southeast Asia", in Yu Chunghsun (ed.), *Ethnic Chinese Their Economy, Politics and Culture*, The Japan Times, 2000, p. 22.

³⁶ Tan, Chee Beng comments in Leo Suryadinata, "Ethnic Chinese in Southeast Asia: Overseas Chinese, Chinese Overseas or Southeast Asians?", in Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians*, Institute of Southeast Asian Studies, Singapore, 1997, p. 25.

³⁷ *Ibid.*, p. 28.

³⁸ *Ibid.*

³⁹ Suryadinata, Leo, "Ethnic Chinese in Southeast Asia: Overseas Chinese, Chinese Overseas or Southeast Asians?", in Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians*, Institute of Southeast Asian Studies, Singapore, 1997, p. 2.

“Overseas Chinese” when referring to a specific period or to those Chinese who are still citizens of China.⁴⁰

The above arguments on the nomenclature of “Ethnic Chinese” shows that economically, people in Hong Kong, Taiwan and Macao are also regarded as Ethnic Chinese living outside Mainland China. As Professor Yen Ching-hwang concisely and comprehensively states:

The term Ethnic Chinese emphasised the ethnicity of the Chinese - their common cultural roots, their social customs and their physical appearance - and is applied to Chinese descendants outside Mainland China who are not citizens of the People’s Republic of China.⁴¹

He further states that:

“Ethnic Chinese” is a general term used only to imply the ethnicity of a person. He or she must be of Chinese descent, which is distinguishable from other ethnic groups, and possess some Chinese cultural traits and customs. The Chinese term *haiwai huaren* is the closest in meaning to the English term “Ethnic Chinese”.⁴²

In any attempt of arriving a close definition of “Ethnic Chinese”, the prevalence of multiple and changeable definitions reveal the complexity of the subject. Therefore, I basically take economic and business aspects into account for defining the term “Ethnic Chinese” which is referred to people of Chinese origin living outside Mainland China, including Hong Kong, Taiwan and Macao, Southeast Asia, North America, Europe and Australasia,⁴³ and I intend to use the term consistently throughout this thesis.

Reasons for Choosing Cases Studies

There are several reasons for me to choose CP Group as a major case study. Firstly, the group is one of the largest Ethnic Chinese investors in Mainland China. Secondly, the group was the earliest foreign investor pioneering to invest in China in 1978, just after the door of China was open to the outside world and many foreign investors still hesitated to take action. Thirdly, CP Group is a family business and owned by Ethnic Teochew Chinese in Thailand. Since this thesis focuses on Ethnic Teochew Chinese business, it is relevant to spotlight on the CP

⁴⁰ *Ibid.*, p. 3.

⁴¹ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*. Introduction, p. v.

⁴² *Ibid.*, p. 4.

⁴³ *Ibid.*, Introduction., p. vi.

Group. Fourthly, the vice president of Chia Tai Group (CP Group named in China), Li Wenhai is an old friend of mine, and he is able to provide me with many first hand materials about the group. Fifthly, China's huge peasant population of nine hundred million is a very important issue that causes most serious problems and social conflicts in rural China. Furthermore, the problem of over-population in China led to the question about who will feed China. Thus, the agricultural development in China is of particular importance. As an agribusiness giant, CP Group had made substantial contribution to change dramatically farmers' living standards and their production in Thailand, as Harvard University Business School states,⁴⁴ a choice as a major case study will illustrate how much Ethnic Chinese can contribute to the Chinese countryside as well as food security in China.

Among Ethnic Teochew Chinese business, CP Group is not the largest. Some other Ethnic Teochew business groups are larger than the CP Group, such as Li Ka-shing's Cheung Kong and Hutchison Whampoa Groups. However, it is impossible in this thesis to have a study in depth to cover major Ethnic Teochew Chinese business.

Like some large Ethnic Chinese businesses that invested in China, many small and medium-scale Ethnic Chinese business also poured into China. In order to study the Ethnic Chinese business from a different angle, therefore, in addition to the major case study of CP Group, I also choose a Hong Kong garment company - a medium-sized business - as a case study. During the period, these small and medium-scale businesses concentrated their investment in China's Special Economic Zones and coastal provinces.

These case studies reveal that the main motivation of Ethnic Chinese businessmen to invest in China is the pursuit of maximum profit. Although some of them suffered from maltreatment before and after the Cultural Revolution, they continued to do business in China. This is because the advantage outweighs the disadvantage. The conventional conception is that after China opened door in 1978, Ethnic Chinese and their relatives in China were well protected by the government. My research provides different facts. Maltreatment towards Ethnic Chinese and their relatives still occurred especially in some local and district areas

⁴⁴ CP Group, "About CP Group: Case Studies", http://www.cpthailand.com/about_main_case.htm Viewed 6 January 2003.

where economic criminals committed corruption, extortion etc. towards Ethnic Chinese and their relatives. Therefore a case study is chosen to unveil this kind of problems.

Structure of the Thesis and Overview of Chapters

This thesis comprises ten chapters and a conclusion. Following the introductory chapter, chapter two is devoted to the examination the history of Ethnic Teochew Chinese in Hong Kong and Thailand. By exploring the history of Teochew migrants in Hong Kong and Thailand, this chapter reveals one of the reasons why Chinese government was eager to attract Ethnic Chinese to invest in China, because their huge accumulated capital which China needed badly at the time. It also answers the question of why Chinese government chose to establish four special economic zones in Guangdong and Fujian where the majority of Ethnic Chinese and their forefathers came from.

Chapter 3 examines the influence of traditional Chinese culture on Ethnic Chinese business. The examination of this influence reveals that the Ethnic Teochew Chinese carry a capitalist spirit with the value of family solidarity. Not only they carry Confucianism with an emphasis on family business and education, but also adopt western business practices. Besides their economic strength, what other assets do they possess? Therefore, I examine some intangible assets such as business networks and *guanxi*, Confucian values and other cultural factors underpinning the dynamics of the Ethnic Chinese business.

Chapter 4 analyses China's policies and strategies to win Ethnic Chinese support. This chapter traces the history of Ethnic Chinese in China and after Communist Party came to power, and what happened to the Ethnic Chinese especially during the Cultural Revolution. By analysing the case of "An Injustice Case of the South China Enterprise Pty Ltd", the chapter reveals that some cases of illtreatment of Ethnic Chinese during Mao's era were typically notorious. This led to the Ethnic Chinese and their relatives in China holding a strong feeling of fear and even hatred for the Communist regime. The Post-Mao economic reforms, the "open door" policy and the protection policy of Ethnic Chinese and their relatives started to attract Ethnic Chinese to invest in China. There are unique ties between China and the Ethnic Chinese. Chinese government in every level made

special efforts to renew this tie. Thereafter, Ethnic Chinese business as a source of capital and technology flourished and contributed to China's modernisation.

Chapter 5 chooses a case study of an international conglomerate Charoen Pokphand (C P Group), and examines the role of Ethnic Teochew Chinese business in Thailand. It explores the circumstances and history of the Ethnic Teochew Chinese business with a focus on CP Group's history of development. To compare with other economic successes of the Ethnic Chinese communities in Asia, Southeast Asian Ethnic Chinese minorities have overcome the difficulties of discrimination against them and played a prominent role in the regional economic development. The Ethnic Teochews are well assimilated into Thai society and dominates Thai economy. The importance of Sino-Thai conglomerates in the region's economic development is noteworthy. Ethnic Teochew Chinese ownership of key industrial sectors increases rapidly with the aid of capital provided by the Thai banking sectors. They play an important role in Thailand and China's economic developments. This chapter is also an institutional review of the Ethnic Chinese business.

Chapter 6 follows last chapter of the development of CP Group through its establishment in Bangkok in the early of 1920s, to the status of an international conglomerate with multinational interests throughout the world today. It focuses on CP Group's investment in China. It discusses how and why the Ethnic Chinese have been able to obtain a control on private sector and the impact on the opening of China. This case study answers the question of whether family business has declined or not. Other questions are why the family businesses have continued to serve as the key agent for industrialisation in many developing countries, and why they can increasingly enhance their position in the capital market. This chapter also analyses the organization of family business, the Chinese global networks and the combination of Chinese and western principles. In this chapter, I also explore CP Group's management and ownership structures, why and how the CP Group adopts its corporate strategies and diversification following its expansion into the Asian region especially into China. Sino-Thai conglomerates are becoming more important in the China's economy and they are exemplified by this case study of CP Group.

Chapter 7 explains the importance of CP Group's contribution to China's agricultural reform. By exploring the process of the reform and the third

revolution in Chinese countryside, it investigates the transplantation of CP Group's "contract farming" system to Chinese countryside, and to show how the innovative business operation brings the benefits to farmers, companies and state. I also direct the attention to the implications of 900 million peasants' living standard and the food security in China. This chapter also pays particular attention to answer the question of who will feed China and shows that China will feed itself but it will do so through international trade namely globalization.

Chapter 8's focuses are on Hong Kong Teochew Chinese business people, how and why they have such outstanding economic achievements, and how they played the important role in China's economic development. The special Hong Kong connection with Guangdong made Guangdong China's foremost exporting province. Thousands of Hong Kong's small and medium sized manufacturing industries moved into Guangdong throughout the 1980s. Over 90% of outward processing contracts in 1987 originated from Hong Kong. In 1991, there were more than 25000 export processing businesses in Guangdong with a work force of more than 1,600,000 people. Teochew Chinese played a significant role in the process of Guangdong's rapid development. A case study is to demonstrate how a very small scale business to develop to become a medium scale company within one decade with more than 2000 employees in Shantou district in China. This chapter also examines the Confucian influence on their business management.

Chapter 9 chooses a case study of China's protection of Ethnic Chinese and their relatives. It shows that after the "open door" policy implemented, there still occurred some maltreatments of Ethnic Chinese relatives, even in famous *qiao xiang* (Ethnic Chinese ancestral hometown) - Shantou. By analysing evidence of local officials' misconducts, I find the implementation of the government's policy of returning confiscated properties to Ethnic Chinese relatives in China was slow and conditional. The study also reveals that the main motivation for Ethnic Chinese investors was to seek cheaper labour and land but not solely for nostalgia. Even some of them suffered illtreatments in China after the opening China's door, they continued to invest capital and do business in the mainland.

Chapter 10 examines the effects of Ethnic Chinese investment in China. The utilisation of foreign capital and well-established trading relationships has had unprecedented effects on the Chinese economy and society. However, what is the right direction and ultimate purpose of human being for development? According

to Amartya Sen's theory, the answer must be freedom as development. Therefore, this chapter examines the contribution of Ethnic Chinese investment to China's unprecedented speed of economic and social developments in the context of human freedom in China. In exploring the development and implications of family enterprises of Ethnic Chinese relatives (*qiaoshu qiye*), the political participation of the farmers, the impact on the dramatic rise of economic output in private sectors, the chapter also reveals that all of these achievements would not have been possible without China's commitment to economic reform as an internal factor and the Ethnic Chinese investment as an external factor. Ethnic Chinese have given timely and effective support to the economic transformation and social change in China since the economic reform began. China's successful utilisation of foreign capital under Deng Xiaoping's strategy for economic reform has enabled China to change from an isolated backwater to a newly prosperous nation. No one has supported this process as much as the Ethnic Chinese.

This thesis has adopted Pinyin system for the Romanization of Chinese names and terms. However, it has also kept Wade-Giles system for the Romanization of Chinese names and terms as well as Thai language, Teochew dialect and Cantonese in order to retain the original form of the published sources of information.

CHAPTER 2

HISTORICAL PERSPECTIVE OF ETHNIC CHINESE - THE ETHNIC TEOCHEW CHINESE IN HONG KONG AND THAILAND

Chinese traders went to Southeast Asia prior to the fourteenth century. Ethnic Chinese tin miners were well established in South Siam (Siam, ancient name of Thailand) before the first Westerners penetrated the area.¹ Some of them started to settle in this new land. Most of the Ethnic Chinese claim they come from Fujian and Guangdong provinces, along the Southeast coast of China. Their ancestral villages cluster in a few districts around four river deltas. Three of these are in Fujian province: the Min River flow into the sea at Fuzhou; the Han River begins in Fujian then crosses the border into Guangdong before reaching the sea near Teochew. So while the city of Shantou (Swatow) is in Guangdong province, the Han River links it to Fujian. The fourth delta is the mouth of the Pearl River below Guangdong. "These historic roots have some important implications for the rise of Ethnic Chinese business in the 1970s and 1980s."²

The Ethnic Teochew Chinese were among early Chinese immigrants spreading across Southeast Asia. For instance:

The Teochews were the earliest Chinese settlers in Singapore. They were economically powerful and numerically strong in early Singapore. The structure of the Teochew community was not very different from other Chinese dialect groups, and was based on geographical, dialect, kinship ties and sworn brotherhood.³ Teochew (Chaozhou), from which the Teochews derived their name, was a prefecture of Kwangtung (Guangdong) province in Ch'ing (Qing dynasty) in China. During the nineteenth century it consisted of nine districts: H'ai Yang (Ch'ao An; Chaoan), Ch'ao Yang (Chao Yang), Chieh Yang (Jie Yang), Ch'eng H'ai (Cheng Hai), Jao P'ing (Rao Ping), H'ui Lai (Hui Lai), P'u Ning (Pu Ning), Ta P'u (Da Pu) and Feng Shun. Uneven migration from Teochew prefecture to Southeast Asia was

¹ Skinner G. William, *Chinese Society in Thailand: An Analytical History*, Cornell University Press, Ithaca, New York, 1962. pp. 1-2.

² Yen, Ching-hwang, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press, Singapore, 2002, p. 10.

³ Yen, Ching-hwang, "Power Structure and Power Relations in the Teochew Community in Singapore, 1819 - 1930", in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chi-yan) (eds.), *Chaozhou Xue Guoji Yan Tao Hui, Lun Wen Ji, (Xia Ce)*, [Essays from the International Conference on Teochew Studies], (Last Volume), Jinan University Press, Guanzhou, 1994, p. 718.

responsible for the predominance of Teochew immigrants in Singapore from Chao An and Cheng Hai districts.⁴

Some of Teochews settled in Hong Kong as well.

Ethnic Teochew Chinese in Hong Kong

There are more than one million ethnic Teochews in Hong Kong. The Hong Kong direct investment in the Shantou Special Economic Zone made up about eighty per cent of total FDI, ranking top of the list.⁵

There are three main groups of Guangdong immigrants in Hong Kong: Teochews (Chaozhou), Hakkas (Kejia), and Cantonese (Guangzhou). More than a hundred regional associations of Guangdong immigrants list in Hong Kong and these immigrants are divided by the dialects they speak. The Teochews are mainly from southeast part of Guangdong province including Chaoan, Shantou, Chaoyan, Puling, Raoping etc, and they speak Teochew dialect (Chaozhouhua). The Hakkas are mainly from the northeast part of Guangdong that centred at Meizhou district and they speak Hakka dialect (Kejiahua). The Cantonese are from central and eastern part of Guangdong province including Guangzhou Siyi area (Four Districts) and they speak Cantonese dialect.

Unlike ethnic Teochew Chinese in Thailand who had a long and unique history, The Teochews migrated to Hong Kong around 1861 after Shantou was formally established as a city. Before that time, only a very small number of Teochews migrated to Hong Kong after the Opium War (1839-1842) and the British occupation of Hong Kong, which was an isolated island with only five to six thousands aboriginal inhabitants.⁶ Same as the other Ethnic Chinese in Southeast Asia, Ethnic Chinese in Hong Kong under colonial rule were largely discriminated against by the British. In the nineteenth century, there were arbitrariness and deficiencies in the administration of justice in this British colony. A body of “anti-Chinese legislation” existed and was enforced to treat Chinese. In general terms, Ethnic Chinese residents were subjected to strict regulations and

⁴ *Ibid.*, Yen, p. 688.

⁵ Leng Dong “Hai Wai Chaoren Zai Shantou de Touzi”, [Foreign Investment in Shantou from Ethnic Teochew Chinese Overseas], in Zhuang Guo Tu (ed.), *Zhong Guo Qiaoxiang Yangjiu* [The Studies of Ethnic Chinese Home Villages in China], Xiamen University Press, Xiamen, 2000, p. 309.

⁶ Zhao,Kejing, *Xiang Gang Chaoshang Jian Shi*, [A Brief History of Teochew Merchants in Hong Kong], Hong Kong Teochew Chamber of Commerce Press, Hong Kong, 2001. pp. 3-4.

punishments that were not imposed on Caucasian Hong Kong residents. They were also discriminated against with regard to personal movements, and suffered more from the low standard of justice administered, particularly in the magistracy, than the expatriates who generally could afford to appeal against any error of civic and criminal procedures and unfair ruling in court.⁷ However, many Ethnic Chinese were involved in business, especially Teochew Chinese, among them that emerged some famous entrepreneurs in the late twentieth century. One of them was Li Ka-shing who took over a British Corporation and built up a vast business empire.

In the early stage of Li's business, his activities involved manufacturing plastic products such as artificial flowers. In fact, his fortune came mainly from property investment. Before 1967, the expansion of Hong Kong property market created a boom in real estate. However, from the middle to the end of 1967, the property price was seriously disrupted by the Maoist-led Cultural Revolution. In Hong Kong, large-scale and sustained demonstrations and disturbances occurred frequently. Coincidentally, an industrial dispute at a factory owned by Li Ka-shing developed into riots on 6 May 1967. Disturbances followed in Li's two larger factories at San Po Kong in Kowloon that employed 686 workers. Although Hong Kong had already seen seven other major industrial disputes earlier in the year, it was this particular bickering that was seized on by the Hong Kong local Communists, many of them were workers and students to mark their joining of the Cultural Revolution.⁸ Many business owners were panic and sold their property that caused property price to plummet. With his foresight and the courage to take risk, Li Ka-shing took advantage of the depressed market into property investment. The flat property market benefited a small number of local Chinese entrepreneurs to increase their property portfolios and built their business empires. Li Ka-shing's Cheung Kong Empire is the best-known example among them. Only two years after 1967, the property market took a dramatic turn-around, which was the result of return of confidence in the colony after dissipation of radical politics in China and Hong Kong, and an increased demand for flats by the working population. The substantial profits made by these Ethnic Chinese entrepreneurs were turned into liquid capital that fuelled the stock market boom of early 1970s.

⁷ Tsang, Steve, *A Modern History of Hong Kong*, I.B. Tauris & Co Ltd. New York, 2004, p. 47.

⁸ *Ibid.*, pp. 183-185.

The accumulated capital was in turn, reinvested in a wide range of businesses that began to rival long-established British hong. The rise of Ethnic Chinese business was symbolised by Li Ka-shing's takeover of Hutchison Whampoa - a well-known British Hong which originally founded in 1828 by John D. Hutchison - in 1978. His action of takeover received the support of the Hong Kong and Shanghai Banking Corporation.⁹

In 1979, in its creation of Special Economic Zones close to Hong Kong, China has benefited greatly from the easy access to the colony's capital market and facilities. Hong Kong was the gateway to foreign investment, technology and management techniques. From the latter half of the 1980s to 1997, Hong Kong was developed into an intricate and mutually beneficial economic nexus with Mainland China, with Guangdong being the most important destination for Hong Kong Ethnic Chinese investors, who played a major role in FDI into Mainland China.¹⁰

The Ethnic Chinese society of Hong Kong comprises a conglomeration of family groups, which constitute the most significant social groups with Ethnic Chinese identify. These family groups function largely as networks for the exchange of resources among their members, and hence are non-political in nature.¹¹ Commercial associations are also prominent in Ethnic Chinese society, especially Ethnic Teochew Chinese associations. This is because some well-known entrepreneurs are members or leaders of these associations.

Ethnic Teochew Chinese Associations

In September 2002, I visited Hong Kong Chiu Chow (Teochew) Chamber of Commerce Ltd. (HKCCCC, *Xianggang Chaozhou Shanghui*) as part of my field work.¹² Teochews established a number of Teochew associations in Hong Kong, principally Hong Kong Swatow Merchants Association Ltd. (HKSMA, *Xianggang Shantou Shanghui*), and Hong Kong Ka Ying Commercial Association Ltd. (*Xianggang Jiaying Shanghui*) etc.

⁹ *Ibid.*, p. 173.

¹⁰ *Ibid.*, pp. 176-178.

¹¹ Lau, Siu-Kai, *Society and Politics in Hong Kong*, The Chinese University Press, Hong Kong, 1984, p. 19.

¹² I visited the Chamber and obtained some materials.

Most of these associations were actively involved in the business investment in Mainland China. To study the history of Teochew immigrants in Hong Kong and knowing the history of some of these prominent Teochew associations provide a great help to my research. Hong Kong as a special commercial arena has fostered some outstanding Ethnic Teochew Chinese entrepreneurs. One of them is a Hong Kong property developer Li Ka-shing, who invested a large amount of capital in Mainland China and had signed deals to build a port in Shanghai, shopping centres in Beijing, and a highway to Swatow in Teochew. As one of the richest Teochews in the world, Li Ka-shing commands enormous *guanxi* as his business networks.

Among the active Teochew investors in Mainland China, members of the Hong Kong Chiu Chow (Teochew) Chamber of Commerce Ltd. were most prominent. The association was founded in 1921 and was the oldest and most well represented among Teochew regional associations in Hong Kong.¹³ Some of the members were famous businessmen in the world and also held high political positions in the People's Republic of China. Chuang Shih Ping was a member of a standing committee of the National Political Consultative Conference and Chan Yau Hing was a delegate of the National People's Congress. The Chamber had attached great importance to the cultivation of talents by building various primary and secondary schools both in Hong Kong and Mainland China. Among those schools the Hong Kong Chiu Sheung School was a distinguished one. The association also provided scholarship for students of good conduct and academic excellence to overcome financial difficulties and continue their studies. Most importantly the Chamber was devoted to upholding Hong Kong's stability and prosperity. Successive chairmen and directors of the Chamber had been active in charities and had been striving for social welfare. For instance, Li Ka-shing and Chuang Shih Ping and many others enthusiastic directors took up voluntary works to build a brighter future for both Hong Kong society and Mainland China. The association adopted several measures to preserve Teochews' identity, and the most important one was education. In addition to the Hong Kong Chiu Sheung School, The Teochew Chamber of Commerce Middle School was also important,

¹³ Reporting Unit, "Hong Kong Teochew Chamber of Commerce and Teochew Guild Hall", <http://www.dahuawang.com/ztxw/chaotuan/cthk.htm> Viewed 27 July 2001.

and was established in 1987. These schools served as a basic foundation for carrying the name of “Teochew” to younger generation of Teochews.

Another association - the Young Executives Committee - had a more concrete and positive measure to promote young members' participation and to nurture their interest in Teochew traditional culture. The association was established at the end of 1992 by then the chairman of the Hong Kong Teochew Chamber of Commerce, Mr. Lau Ki Chit with unanimous endorsement of all the vice chairmen and committee members. The principal objective was to use this organization as a vehicle to attract and integrate younger members and to mobilize them to participate in the operations and affairs of the Teochew Chamber of Commerce. Members of the Young Executive Committee were selected on the basis of their outstanding personality, professional achievements and keen interest in the Chamber's affairs. Many successful young businesspersons became the members of this association, so did some outstanding members from the legal, medical, accounting, architectural and engineering professions. In just a few years, former committee chairman, Mr. Chong Hok Shan and Mr. Dennis Lam How Shun had teamed up with a group of dedicated Young Executive Committee members and had organised many successful social, cultural and business activities that were actively involved in the connections with Mainland China. Such activities were well attended and recognised by the public of both Hong Kong and the Mainland China. For examples, they organised luncheons where distinguished guests were invited to be keynote speakers including Li Ka-shing and Mr. Guo Feng-min, and many others. Highlights of activities during this period included a three-day health and medical seminar in Shantou that was held jointly with Shantou University in 1994. Health and medical professionals from Hong Kong, Taiwan, the United States and other countries around the world contributed their papers to make this a successful event. In April 1997, Chinese top-ranking leaders of the central government received members of the Young Executives Committee when they visited Beijing. They also visited Teochew associations of Thailand, Singapore, Malaysia, Macau, Shanghai, Beijing, Guangzhou, Shantou, Zhuhai, and Shenzhen over the years in order to foster closer ties with these Teochew organizations.

A number of these Teochew associations in Hong Kong were actively engaged in the business activities and investment with Mainland China that

included Hong Kong Swatow Merchants Association Ltd. This organization was established in 1946 and was named “Swatow Public Association” (Shantou Bang Gonghui) with about 40 members of trading company at its birth. The mission of this association was to promote unity and coordination among Swatow merchants in Hong Kong. After the establishment of the People’s Republic of China in 1949, port and harbour transportation and trade between Shantou and Hong Kong were temporarily interrupted. In 1957, the association changed its name to “Hong Kong Swatow Export & Import Merchants Association” (Xianggang Shantou Jinchukou Shanghui) and amended its regulations to accept individual membership and new trading firm membership as well. However, in 1969, the name of this organization was altered again to “Hong Kong Swatow Merchants Association” and was registered as a limited company. It has now more than a thousand members and most of them are individual members. The leaders of Hong Kong Swatow Merchants Association are the most prominent entrepreneurs in Hong Kong and among them are Li Ka-shing, Chuang Shih Ping and Chan Yau Hing and they also lead the Teochew society in Hong Kong.¹⁴ This means the Teochew people in Hong Kong are playing a noticeable role in the economic development in Hong Kong, Mainland China and some other countries in the world. As mentioned in the chapter one, Swatow (Shantou) people belong to Teochew (Chaozhou) people, and these two cities are in a distance about 40 kilometres. In history, Swatow belonged to Teochew Prefecture (Chaozhou Fu), but after 1956, Teochew was incorporated into the Swatow city (Shantoushi).¹⁵

The main activities of the Hong Kong Swatow Merchants Association were to provide facilities and contacts for members to conduct their business, to supply them with information about their native place in China and local contacts, and to arrange business and social events both in Hong Kong and Mainland China. Though the association arranged some recreation programs for its members, one of the most important activities of the association was to support its members in doing business and investment in China that included setting up companies and factories. Teochew businesspersons in Hong Kong had substantial business investment in Mainland China. Their investment was not only confined to their

¹⁴ HKSMA. *Xianggang Shantou Shanhui Wushisan Zhounian Jinian Tekan*, [The Commemorative Publication of the 53th Anniversary of the HKSMA], HKSMA., Hong Kong, 1998.

¹⁵ Editorial Committee of Teochew Encyclopaedia, *Chao Shan Baike Quanshu*, [Encyclopaedia of the Teochews], Encyclopaedia Publication of China, Beijing, 1994, p. 5.

native place but also covered almost all of the provinces in China. The association set a good example for the other Teochew associations in the world to follow, and it partly contributed to the surge of renewed ties between the Ethnic Chinese associations around the world and Mainland China. The members of the Hong Kong Swatow Merchants Association met few times a year, on the Chinese New Year's Day, the National Day of China and the Commemoration Day of the Hong Kong's Return to Motherland. At these events, more than 1,000 people of its members gathered together at a hotel or other premises to celebrate national holidays and reinforce their solidarity.

For the purpose of unity and solidarity, the Teochew people around the world had held the Teochew International Conventions in different countries.¹⁶ On the Eighth Teochew International Convention, which was held in Hong Kong between 30th of November to 2nd of December 1995, more than 2,300 Teochew people that represented 60 Teochew regional associations from 23 countries attended. Fourteen Teochew regional associations in the mainland including Beijing, Shanghai, Guangzhou, Tianjin, Sichuan, Shantou and Zhuhai etc. were represented at the event. The Chinese government supported this convention of Ethnic Chinese international gathering. Two of these main guests invited were Mr. Zhou Nan, director of Xinhua News Agency Hong Kong Branch - China's defacto representative in Hong Kong - and Mr. Zheng Wantong, deputy director of the Ministry of United Front (*Tong Zhan Bu*). The convention received many congratulatory messages from official organizations of the PRC including Hong Kong and Macao Affairs Office of the State Council, Overseas Chinese Affairs Office of the State Council, People's Representative Committee of Guangdong Province, etc. The most important issues of the eighth convention were Teochew businesspersons' investment in Mainland China and the weakening of native place identity among the younger Teochews. Hong Kong delegates contributed valuable opinions about business development and the ways to encourage younger generation to participate in the activities of the regional Teochew associations.

The founding motto of the Teochew International Convention was "to foster comradeship among fellow Teochew people". It was very important for the older generation of Teochews to cultivate talented young Teochews to sustain

¹⁶ Reporting Unit, "International Teochew Organisations", <http://www.dahuawang.com/ztxw/chaotuan> . Viewed 23 March 2002.

worldwide contacts among the Teochews. In that convention, some delegates explained the reasons why they needed to take this issue into account. All the participants in the convention and many of the Teochews in the world were well aware that they shared a common problem: our children were born, brought up and educated overseas and more and more of them could not speak Teochew dialect. Even in Hong Kong and Macau, where are located near Teochew homeland, similar problem existed. Although, the older generation of Teochews was very enthusiastic about the activities of the associations, the younger generation did not show much interest or was completely indifferent to these activities. In order to overcome this problem, the older members of Hong Kong Teochew Chamber of Commerce strongly supported to establish the Young Executives Committee in the Hong Kong Teochew Chamber of Commerce Ltd. The successful arrangement and management of the eighth International Convention owed much to those about 30 members of the Young Executive Committee. They did their best in preparing the convention under the guidance of the chairman of the convention. The establishment of the Young Executive Committee in the Hong Kong Teochew Chamber of Commerce in Hong Kong drew the light on and provided a good example to every other Teochew regional association.¹⁷ The chair of the eighth Teochew International Convention, Dr. Chan Yau Hing emphasised the issue in his opening speech that the most pleasant thing in the convention was many Teochew youths participated to give fresh energy to the event. Dr. Chan further stated that:

We hope more Teochew youths will take part in Teochew regional associations' activities and put effort to preserve our Teochews' patriotism, love of our native place, and tradition of unity and mutual help, and to transfer them to our new Teochew descendants.¹⁸

The importance of nurturing younger Teochew Chinese both outside and inside Mainland China to participate in the regional Teochew associations became a crucial task of the older Teochews who made a great effort to overcome this generation's gap. On the 17 of November 1997, the first Teochew Overseas Youth Seminar was held in Shantou city of Guangdong province. More than 70 youth delegates from different areas and countries attended the seminar. They all

¹⁷ HKCCCC., *The Official Report of the Eighth Teochew International Convention*, 1997, pp. 74-75.

¹⁸ *Ibid.*, p. 36.

showed love and caring for their Teochew communities and were determined to contribute to their best to the cause. They unanimously resolved that a Teochew youth international convention be held periodically in order to develop Teochew traditional culture, to strengthen their solidarity and improve their competitiveness. The establishment of the International Teochew Youth Convention (the ITYC) had a significant meaning related to the issues of Ethnic Chinese trans-nationalism and the young generation's native place identity. The preamble of the International Teochew Youth Convention regulation shows the motive of the founding of that organization. There were three basic principles in the ITYC association. The first principle is to encourage contacts amongst Teochew youths from all over the world to inherit the virtues of hardworking, tenacity and endurance of the Teochew people. The second principle is to seize and create opportunities - enhancing communications, demonstrating one's own strength - and to promote economic development worldwide and encourage joint venture business and trading. The third principle is to promote traditional Teochew culture and charity activities, for the service of Teochew communities and youths.¹⁹

With strong support of worldwide Teochew leaders, the first ITYC was inaugurated in Hong Kong between 31st May and 1st June 1999 and it was resolved that the convention would be held biennially. Senior leaders such as Li Ka-shing and Chuang Shih Ping of Hong Kong Teochew Chamber of Commerce, Secretary for Justice of the Hong Kong SAR, Elsie Leung Oi Sie, deputy director of Xinhua News Agency Hong Kong Branch Zou Zhekai were present at the convention and expressed their enthusiastic support for this great event. Twenty-eight Teochew regional associations from different countries and areas over the world including Mainland China, America, Southeast Asia, Australia and Europe participated in the convention. The special topic on the convention was the important theme of "Innovation and Technology - Ways into the 21st century".²⁰ This first ITYC accentuated two important themes on the future of the Ethnic Chinese trans-nationalism and the Teochew youth's consciousness. Firstly, these Teochew youth made it clear that they will have a worldwide regular meeting,

¹⁹ ITYC., *The Commemorative Publication of the First International Teochew Youth Convention*, pp. 25-27.

²⁰ *Ibid.*, pp. 2-7.

collective movement and social activities in the name of Teochew. The president of the convention stressed in his opening speech that a main objective of the ITYC was to maintain the ties of all clanspersons around the world and uphold the kindred spirit and culture of Teochew native origin. All of them paid sincere respect and admired the achievement of their ancestors and elders who were tenacious, diligent and persistent on the road to prosperity. They realised their obligation to inherit and promote these attributes of traditional Teochew culture to build their better life and careers in the future. Secondly, it was the economic consideration that was more important motive of their worldwide collective activities than those ideal declarations. The influential theme of the first ITYC was “how to build an international network for Teochew youths effectively” and the subject matter for discussion was the growth of enterprise market, information technology and biotechnology. This was well reflected in the papers presented by the participants such as “prepare your company for going up to the market”, “operations of venture capital in Hong Kong and problems encountered”, “cultivate Hong Kong with the enterprising spirit and culture of innovation and technology”, “innovation and knowledge community”, “the emerging opportunity of e-commerce” etc. It was very pertinent that the key event of that first ITYC was neither a cultural one to review the cultural tradition of Teochews nor a retrospective one to recollect their ancestors’ history. What the first ITYC mattered was the future of the Teochew youths, and it was most interested in the topics of economic development and business achievement.²¹

The international convention of the Teochew youths had enough symbolic significance in their effort to recover emotional ties of provincialism and to establish connections with mainland clanspersons. There were limits in these ethnic Teochew Chinese youth’s movements in fostering the concept of “Teochew”, due to several reasons. Firstly, the younger generations were born and brought up overseas and did not have any common experiences or memories due to isolating from their native place before 1978. Secondly, for many of them, family and business ties with their native place had completely vanished because they grew up in a modern society where regional differences were increasingly diminishing. Thirdly, many of them were lacking one of the important factors of

²¹ *Ibid.*

native place identity i.e. to speak Teochew dialect. However, they tried their best to overcome these problems to achieve their objectives as their seniors.

Ethnic Teochew Chinese in Hong Kong had a close relationship with Teochew migrants in Thailand. In 1842, Chen Huang-yong, a Teochew businessman set up a trading firm to conduct trade between North and South of China and Southeast Asia. Soon after, another kind of business, Nan Yang trading firms were established one after another. Among these trading firms, those traded with Singapore were named Singapore firms, and traded with Siam were called Siam firms that were the largest trading firms at that time due to a bigger market with much more Teochew Chinese in Thailand.²² Many Teochew businesses in Thailand established their companies in Hong Kong since that time.

Hong Kong as British colony for a long period was dominated by British Hongs in business. Before 1970s, the business activities of Teochew Chinese in Hong Kong appeared not as significant as Teochews in Thailand.

Ethnic Teochew Chinese in Thailand

Immigration and Settlement

Ethnic Teochew Chinese in Thailand can be traced back to the early centuries. There are evidence to suggest that in the thirteenth and fourteenth centuries Chinese traders (Teochew people) with goods destined for India and further west passed through Siam (ancient name of Thailand). At the time, the Chinese traders discovered tin deposits of Southern Siam. Some scholars believed that these discoveries had been made and mining begun by Chinese prior to the fourteenth century. Chinese tin miners were well established in Southern Siam before the first Westerners penetrated the area. There is also indirect evidence of settlement and assimilation in Siam where Chinese expeditionary may well have led to Siam's children of Chinese fathers and Thai mothers before the fifteenth century.²³ Through the nineteenth century, the inflow of Chinese migrants increased. They formed the majority of the population in Bangkok with larger numbers escaping poverty and social disorder in southern China. Around 7000

²² Zhao, Kejing., *Niang Gang Chaoshang Jian Shi*, [A Brief History of Teochew Merchants in Hong Kong], pp. 8-9.

²³ Skinner, *Chinese Society in Thailand: An Analytical History*, Cornell University Press, Ithaca, New York, 1962, pp. 1-3.

arrived each year in the 1820s, rising to 14,000 by 1870. Many worked initially as “coolie” labour in the port and elsewhere in the cities of Thailand. The Chinese were the pioneers of a market economy in Thailand, even though Thai government imposed taxes on their enterprises, but gradually hired more and more of the Ethnic Chinese entrepreneurs as tax-farmers.²⁴ Although the first Ethnic Chinese settlement in Thailand dates back several centuries, but their population increased significantly only after Thailand opened its economy to international trade in the mid-nineteenth century. By 1917, Ethnic Chinese made up about 10 percent of the total Thai population and constituted the major players of the business and skilled labour class.²⁵

The large number of Chinese immigrants during the nineteenth and early twentieth centuries was mostly Teochews who brought significant impact on Thai traditional rural life by exposing it to international markets. These Ethnic Chinese dominated the new economic life in Thailand with productive commercial activities such as shipping and mining, wholesale and retail business, financial services and international trade. They reduced the need of Thai authorities to develop extractive capacities, and afforded them an easier alternative. Hence, Thai officials had little need to tax and monitor the mass of peasants’ productivities, income and consumption. These Thai officials could readily raise revenue by taxing Ethnic Chinese from consumption to income, from leisure goods and services such as liquor and gambling to productive industrial and commercial activities.²⁶ Actually, Thais relied on Ethnic Chinese virtues of industrial productivities and commercial trade to boost the economy.²⁷ During 1850 to 1930s, Chinese immigration was permitted and encouraged, and Teochews were the most numerous. Most of the Chinese came with no possessions to speak of, and they had to borrow the small sum charged for deck passage from Swatow (Shantou), Canton (Guangzhou) and Hainan. They spread over Thailand and filled the majority of the jobs in commerce and industry. Some of them became

²⁴ Baker, Chris and Pasuk Phongpaichit, *A History of Thailand*, Cambridge University Press, New York, 2005, pp. 47-60.

²⁵ Laothamatas, Anek, *Business Associations and the New Political Economy of Thailand*, Institute of Southeast Asian Studies, Singapore. Westview Press, Inc. USA, 1992, p. 23.

²⁶ Unger, Danny, *Building Social Capital in Thailand*, Cambridge University Press, Cambridge, 1998, p. 31.

²⁷ Skinner, *Chinese Society in Thailand: An Analytical History*, pp. 120-125.

entrepreneurs as well as craftsmen.²⁸ The encouragement by Thai King Taksin and the early Bangkok kings given to Ethnic Chinese to settle in Thailand attracted many of them to Bangkok. The Ethnic Chinese community had traditionally been royal trading factors, and made up the crew for Thai ships exclusively, and they increased the number of their own junks sent to China, especially to Teochew in the early nineteenth century. After 1855, the expansion of the Thai economy greatly increased the demand for manual labour and led to the recruitment of Chinese for labouring work in rice-mills, saw-mills, docks and railways.²⁹ Since the early settlement, the Ethnic Chinese population, mainly Teochews in Thailand has steadily increased, and restrictions on Chinese immigration have been imposed only in recent decades.³⁰ “It is important to note that not only did Swatow provide the majority of immigrants to Siam, but Siam absorbed a majority of all emigrants from Swatow.”³¹ From 1870s to 1930s, continuous immigration from southern China made Teochew Ethnic Chinese a dominant business group in the economic life of Bangkok. Between 1882 and 1910, one million Chinese immigrant of whom 370,000 people remained permanently in Thailand. After this surge, almost half of Bangkok’s population was Ethnic Chinese. Around three fifths were Teochews.³² From the seventeenth century, Thai monarchs granted royal trade monopolies to a few Ethnic Teochew Chinese businessmen who came to Thailand for centuries in a variety of capacities.³³

The major waves of Chinese immigration occurred late in the nineteenth and early twentieth century peaking in the 1920s but halted effectively in 1949 when Chinese Communist Party came to power. Most of them were impoverished and eager to earn some money to return to their families in China. A number of them succeeded in returning home but a large number remained in Thailand. Ethnic Chinese with common regional origins tended to go into similar lines of business

²⁸ Ingram, James C., *Economic Change in Thailand 1850-1970*, Stanford University Press, Stanford, 1971, p. 211.

²⁹ Hong, Lisa, *Thailand in the Nineteenth Century Evolution of the Economy and Society*, Institute of Southeast Asian Studies, Singapore, 1984.p.127.

³⁰ Ingram, *Economic Change in Thailand 1850-1970*, p. 57.

³¹ Skinner, *Chinese Society in Thailand: An Analytical History*, p. 179.

³² Baker, Chris and Pasuk Phongpaichit, *A History of Thailand*, Cambridge University Press, New York, 2005, pp. 81-93.

³³ Reporting Unit, “Talk about Teochews in Thailand”, in the Special Issues of the Tenth International Teochew Friendship Conference.

<http://www.dahuawang.com/ztxw/chaotuan/cr3.htm> Viewed 28 August 2001.

as elsewhere in the region, a factor that facilitated intra-sectoral cooperation in the trade. Although the significance and meaning of Chinese ethnicity grew increasingly obscure, the Ethnic Chinese still accounted for something like ten per cent of the Thai population by 1990s.³⁴ These Teochew Chinese formed the majority of Thai capitalists, and what is unique about Thai capitalism is the fact that there has been no actual development of an indigenous Thai capitalist class with the exception of the Siam Cement group.³⁵

In Thailand, Bangkok was the only port of entry to Thailand for Chinese immigrants, and it handled practically all the foreign trade of the kingdom.³⁶ There are more Teochews in Bangkok than in any other city in the world, including Swatow (Shantou).³⁷ Linguistic lineage was important in Ethnic Chinese society with differences in origin according to native places in China. Similar interests and background of those from the same county or village with common history, dialect, and acquaintances were often reinforced by the need to pool information about the home district. Nearly in any case, the Ethnic Chinese consider a person's native county to be one of the most pertinent items of information about him, and, when two Ethnic Chinese meet for the first time, the greeting is usually followed by an exchange of this information. No matter how many generations the family of an Ethnic Chinese has been in Thailand, he will know his native place and tend to associate disproportionately with those originally from the same county.

Ethnic Chinese in Thailand, mainly Teochew Chinese, not only were disproportionately represented in all lines of business, including exporting and finance, but also in the leading universities and among public officials and politicians.³⁸ In the early stage, a typical progression for Ethnic Chinese entrepreneurs was to begin in trade, then to move into financial activities. In the late 1980s, with the manufacturing boom began, they moved into industry. Even in the mid-1990s, some Thai companies remained under the control of Ethnic Chinese immigrants who had arrived in Thailand as paupers in the 1920s and

³⁴ Unger, Danny, *Building Social Capital in Thailand*, p. 48.

³⁵ Suehiro, Akira, *Capital Accumulation in Thailand: 1855-1985*, the Centre for East Asian Cultural Studies, Tokyo 1989, pp. 8-9.

³⁶ Skinner, G. William, *Leadership and Power in the Chinese Community of Thailand*, Cornell University Press, Ithaca, New York, 1967, p. 17.

³⁷ *Ibid.*, on footnote 26, p. 20.

³⁸ Wu, Yuan-li, and Wu Chun-his, *Economic development in Southeast Asia: The Chinese Dimension*, Stanford: Hoover Institution Press, Stanford University, Stanford, 1980, P. 31.

1930s. The owner of Southeast Asia's leading auto industry Thaworn Phornprapha represented a typical story with the personal trust and help from his Teochew origins' owner of the Bangkok Bank, his successful business in Thailand was noticeable.³⁹ However, in the history of Thailand, Ethnic Chinese were the same as the others in the region experienced discrimination against them during some periods.

Discrimination against the Ethnic Chinese in Thailand

For decades, the Ethnic Chinese in Thailand suffered the suppression of their Chinese identity to meet the demands of state-enforced assimilation, though unlike countries such as Indonesia and Philippines where strong anti-Chinese sentiment existed. In 1911, Thai King Vajiravudh wrote a nationalistic tract referring the Ethnic Chinese as “the Jews of the Orient”, and attempted to instil a modern form of Thai nationalism into the minds of Thai citizens by evoking resentment of Chinese commercial domination in Thailand. During that time, Thai government restricted the commercial skill of the Ethnic Chinese.⁴⁰ Not only King Vajiravudh, King Rama VI (1881-1925) also labelled the Chinese as “The Jews of the East”. This anti-Chinese sentiment was also expressed by Prajadhipok, King Rama VII (1892-1941) who succeeded to the throne in 1925 and included the Ethnic Chinese among nine “problems of Siam” at the start of his reign in 1927.⁴¹ In 1938, Wichit Wathakan, Thai foreign minister stressed in his speech that the Chinese were worse than the Jews. He also wrote a play in 1939, portraying the Ethnic Chinese driving the Thais out of their earlier homeland. The government also launched an economic development programme to create “a Thai economy for the Thai people”.⁴² The first move aiming at restriction on Ethnic Chinese was an amendment to the Immigration Act of B.E. 2470 (1927/28) enacted in 1932, which increased the charge for a certificate of Chinese immigrant from 4 to 30 baht. Since most Chinese immigrants were poor and economically depressed, the amendment seriously affected Chinese immigration.⁴³

³⁹ Unger, *Building Social Capital in Thailand*, pp. 48-49.

⁴⁰ Vatikiotis, Michael, “Sino Chic: Suddenly, It's Cool to be Chinese”, *Far Eastern Economic Review*, Vol. 159, No. 2, 11 Jan 1996, pp. 23-24.

⁴¹ Baker, Chris and Pasuk Phongpaichit, *A History of Thailand*, pp. 114-115.

⁴² *Ibid.*, p. 130.

⁴³ Suehiro, Akira, *Capital Accumulation in Thailand: 1855- 1985*, pp. 108-109.

Teochew Ethnic Chinese in Thailand hold a large percentage of business activity because one of the reasons is there was a Teochew-origin Thai King in the history of Thailand.

King Taksin of Teochew Origin and Implications for Ethnic Chinese

The history of Teochews in Thailand is unique. One of the features is that a Thai King was of Teochew origin. Taksin (Zheng Xin 1734-1782)⁴⁴ was born in 1734 of a Chinese father and Thai mother. His father migrated to Ayutthaya from his native village of Hua-fu in Ch'eng-hai hsien (Chenghai xian) in Ch'ao-chou (Chao Zhou); and he was therefore a Teochew. The family lived across the street from the residence of a Thai nobleman who adopted Taksin and gave him a Thai name of Sin (wealthy), and he was reared as a noble's son. When Taksin was in his adolescence, the nobleman introduced him into the court as a royal aide. In 1764, he was appointed governor of Tak (Rahaeng) at his thirty years of age.



Figure 2: Early Political Geography in Thailand.

Source: Baker, Chris and Pasuk Phongpaichit, *A History of Thailand*, Cambridge University Press, New York, 2005, p. 12.

⁴⁴ Yang, Xi-Ming, *Chaoren Zai Taiguo*, [Teochews in Thailand], Series of Overseas Teochews, No. One. Yiwan Chubanshe [Yiwan Press], Guangzhou, 2001, p. 6.

When Burmese invaded Thailand, he mobilised the support of the majority of Teochew Chinese in Siam and decisively defeated the Burmese at Ayutthaya. Eventually, he brought the entire country under his control. Taksin established Thai capital at Thonburi, on the west bank of the Jaophraya River, where is now incorporated into the metropolitan area of Bangkok.

Taksin especially favoured Teochew Chinese partly as expression of his gratitude for their support, and they were known as “royal Chinese”. King Taksin’s policies doubtlessly attracted many Teochews to Bangkok, where they predominate today.⁴⁵

Thai kings used Ethnic Chinese as tax farmers and as their agents for foreign trade mainly with China, and the kings also granted noble rank to some Ethnic Chinese. Many of them were assimilated into Thai society, as a result Chinese blood is commonly found in Thais at all ranks of Thai society, including the royal family. At the time of royal trade monopolies, the Teochew Chinese were favoured because of their connections with the Thai court and because the Teochew seafaring junks were the most suitable type for the Siamese trade at the beach city Siam. It was not a dream for Teochew immigrants from penniless to rich revenue farmers in twenty years; it happened time and again.⁴⁶ Beginning with King Taksin’s reign on through the nineteenth century, Ethnic Teochew Chinese in southern Siam who demonstrated noteworthy ability or acquired localized political power were ennobled and appointed to administrative posts.⁴⁷ The aim of the Thai king was to draw these Chinese into Thai bureaucracy, and this royal policy proved to be successful. The titles conferred by the Thai king were retained for life, and in their retirement the ennobled Teochew Chinese more often than not cultivated their role as Thai nobles. The powerful Teochews were sometimes perceived as threat to the government, but their power was retained through intermarriage. It was quite common that the daughters of these Teochew Chinese, prized by the Thai for their light skin colour, married into the Thai elite, and their sons, given a noble upbringing, often entered the Thai bureaucracy and

⁴⁵ Reporting Unit, “Talk about Teochews in Thailand”, in the Special Issues of the Tenth Teochew International Convention. <http://www.dahuawang.com/ztxw/chaotuan/cr3.htm> Viewed 28 August 2001.

⁴⁶ Skinner, *Leadership and Power in the Chinese Community of Thailand*, pp. 6-7.

⁴⁷ Reporting Unit, “Talk about Teochews in Thailand”, <http://www.dahuawang.com/ztxw/chaotuan/cr3.htm>. Viewed 28 August 2001.

earned noble title themselves. Thus, full assimilation of the descendants of ennobled Teochew Chinese was largely assured.⁴⁸

From 1767 to 1782, the King of Siam, Taksin with his benevolent attitude towards those of his native speech group stimulated Teochew immigration to Siam. Since he was the first king to reign from a capital in the vicinity of Bangkok, his encouragement gave Ethnic Teochew Chinese a favourable start in the modern “Bangkok Era” of the history in Thailand. At the time, those Teochew Chinese with highest status and prestige were not only the wealthiest merchants holding large monopolies and farms, but also had the strongest commitment to local Chinese society and to Thailand.⁴⁹ This sealed a close relationship with the official class of early Bangkok. A small number of these Teochew Chinese families prospered on royal patronage. In the early nineteenth century, these *jao sua* (merchant lords) acted as traders on behalf of the king and senior courtiers. From 1830s onwards, they secured most valuable tax-farms levied on liquor, opium, gambling and bird’s nests in Thailand’s towns.⁵⁰

The Ethnic Teochew Chinese who came to Thailand had no pretension about themselves. Most of them were not rich at the beginning. But some of them understood the power structure and sought to make a niche for themselves in this new country. They achieved this by making their trade expertise available to those who could promote their well-being. Thai official class in court who were quick to discern the value of partnership with the Chinese entrepreneurs made their fortunes.⁵¹ The supremacy of the Ethnic Chinese in Thailand is also found in the government practice of granting monopolies in trade. Before the monopolies were sold to the Ethnic Chinese, it appears that they were royal monopolies. During the reign of King Rama III (1824-51) that the royal monopolies began to be sold to Ethnic Chinese, and the practice of farming out taxes to individuals, mainly Teochews became very important for revenue of Thai government.⁵²

⁴⁸ Skinner, *Leadership and Power in the Chinese Community of Thailand*, p. 8.

⁴⁹ Skinner, *Chinese Society in Thailand: An Analytical History*, pp. 135-136.

⁵⁰ Baker and Pasuk Phongpaichit, *A History of Thailand*, p. 34.

⁵¹ Hong, *Thailand in the Nineteenth Century Evolution of the Economy and Society*, pp. 52-53.

⁵² Ingram, *Economic Change in Thailand 1850-1970*, p. 20.

Early Business Activities of Ethnic Chinese

From 1760s to 1860s in Thailand, the old order was in transition, and the major change took place in the economy. The market economy expanded rapidly, and this was driven largely by import of Chinese enterprise and labour. The growth of the market economy began to remake the social structure and change the mentality of the Thai elite.⁵³

Trade

Thailand was recognised as the largest country in the *Nan-Yang* (Southeast Asia) by the nineteenth-century geographer Hsu Chi-yu. During the mid-eighteenth century Chinese merchants mainly Teochews increasingly called there while trading in the *Nan-Yang* and a large and growing Ethnic Chinese community was present in Bangkok, comprising mainly Teochews.⁵⁴ Many junks belonged to the Teochew Chinese were trading throughout Southeast Asia in the nineteenth century, and they were commonly described as either “green-headed” (*lu tou*) or “red-headed” (*hong tou*) vessels at the time.⁵⁵ When I conducted field research in Cheng Hai of Teochew in China, a model of this vessel was exhibited there. Modern Western scholarship has generally neglected the role of the Ethnic Teochew Chinese junk trade in China and Thailand’s economic development during that time.⁵⁶

The economic development through trade can be dated back to the era of King Taksin and Rama I. The Chinese migration, expansion of trade and the extensive use of tax farming system at the time were all linked to the priorities that the early Bangkok rulers had for an economy that was devastated by war between Thailand and Burma. It was one fact that contributed to Thailand’s economic growth at the time. The period of re-construction that brought about close relationship between Teochew Chinese and the Thai court had significant consequences to the socio-economic configuration of Thailand in the nineteenth century.⁵⁷ The Teochew Chinese had a substantial contribution in Thailand’s economic growth at the time.

⁵³ Baker and Pasuk Phongpaichit, *A History of Thailand*, p. 26.

⁵⁴ Cushman, Jennifer Wayne, *Fields From The Sea, Chinese Junk Trade with Siam during the Last Eighteenth and Early Nineteenth Centuries*, Cornell University, Ithaca, New York, 1993. p. 5

⁵⁵ *Ibid.*, p. 48.

⁵⁶ *Ibid.*, p. 5

⁵⁷ Hong, *Thailand in the Nineteenth Century Evolution of the Economy and Society*, Institute of Southeast Asian Studies, Singapore, 1984, pp. 33-34.

The Sino-Thai commercial affinity was sustained by a relationship of reciprocity. Ethnic Chinese merchants shipped woods, cotton, rice and sugar from Thailand and brought back textiles, foodstuffs and chinaware etc. from China. During the nineteenth century, the Siamese products were considered particularly desirable by Chinese both in local and Mainland China, especially pepper, red woods, tin and hides. Some of these, such as tin, cardamom and eagle wood fetched high prices in China.⁵⁸ Teochew merchants obtained considerable profits through the trade. Ethnic Chinese merchants not only traded luxury goods which could be disposed of within the noble and court circles, but also imported items of common fare from China such as tea, raw silk, fans, toys, coarse earthenware and umbrellas.⁵⁹

Since Thai King Taksin's strategy for the stimulation of the economy was to open the door for the inflow of Chinese goods, capital and skills, the Ethnic Chinese, principally Teochew merchants in Thailand were allowed unrestricted to travel into the countryside and were able to negotiate directly with the producers for better prices and regular supply. It was of immense benefit to trade, and the most successful of these being pepper and sugar. This resulted in the increasing commercialisation in Thailand at that time, and the outcome of this development was that the farmer producers had an incentive to increase the production of export crops to feed the international trade.⁶⁰ The Ethnic Chinese expanded their scale of business operations, and besides being traders and tax farmers, added the roles of compradors and middlemen to their repertoire of business functions. They provided the network between the Thai producers and the international buyers, and the Thai peasants responded to the open economy with enthusiasm.⁶¹ By 1850, the Ethnic Chinese gained almost complete control of the international trade of Thailand. They carried goods into the regions accessible by water transportation, and some of them even into the remote interior Thai villages. They were allowed to move around freely in Thailand, while the Thai government regulated the activities of Western traders much more closely, even to prohibit

⁵⁸ Cushman, *Fields from the Sea, Chinese Junk Trade with Siam during the Last Eighteenth and Early Nineteenth Centuries*, p. 75.

⁵⁹ Hong, *Thailand in the Nineteenth Century Evolution of the Economy and Society*, p. 46.

⁶⁰ *Ibid.*, pp. 49-51.

⁶¹ *Ibid.*, p. 150.

them from going outside the limits of Bangkok.⁶² By contrast, the Ethnic Chinese traders in Thailand were bound by no obligations, and secured all the privileges they wanted. Their close connections with officials of the court gave them an advantage in disposing of their import goods in Thailand, especially in Bangkok.⁶³ With the development of an exchange economy after 1850, important new economic functions had to be performed, i. e. the functions of trade between Thai farmers and foreign buyers, and then buying goods to take back to the farmers. Ethnic Chinese performed this middleman role well at the time.⁶⁴

Tax Farming

The introduction of a tax farming system to Thailand can be dated back to as early as the Ayudhya period, when the king entrusted the collection of taxes on liquor and other major commodities to business-minded people, largely the Ethnic Chinese. But it was after the reign of King Rama III (1824-1851) that the tax farming system was extended to cover a variety of commodities and nearly all kinds of business were included.⁶⁵ All these tax farmers without exception expanded their business operations to rice milling, large scale exporting, warehousing, and in some cases, shipping and small scale financing. With such wide range of business activities, Chinese tax farmers, especially the new generation, became the largest group in the Thai rice industry by the end of the nineteenth century.⁶⁶ At the beginning of the fourth reign of King Rama IV (1851-1868), as taxes became more important in government's coffers, they were farmed out to private collectors, and many of them were Teochew businessmen.⁶⁷

Aside from permitting the Ethnic Chinese to trade and tax farming, the Thai king also promoted the way of increasing the productivity of his country, which largely benefited the Ethnic Chinese entrepreneurs. The Ethnic Chinese could be counted on to help the Thai government in times of need. For instance, the promotion of sugar production benefited the Ethnic Chinese businessmen who controlled the whole process, from buying land, hiring labour to work on the

⁶² Ingram, *Economic Change in Thailand 1850-1970*, p. 19.

⁶³ *Ibid.*, pp. 19-21.

⁶⁴ *Ibid.*, p. 37.

⁶⁵ Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, p. 72.

⁶⁶ *Ibid.*, p. 83.

⁶⁷ Ingram, *Economic Change in Thailand 1850-1970*, p. 27.

plantation, and the processing of sugar, to tax farms on it, but they shared the profit from the exploitation of the resources with the government, and part of it went to the officials personally.⁶⁸ Thailand's tax farming system was a response to the relatively open economy of the early 1800s, and it created to be open and competitive - public tenders were called, and the highest bidder received the farm.⁶⁹ By 1880s and 1900s, almost half of Thai government revenue was collected from the tax farms through Ethnic Chinese.⁷⁰ Due to their close tie with traditional elite at court, many Teochew Chinese merchants were able to participate in new economic ventures with the royalty and nobility. Because of the nature of capital accumulation, they were actually bureaucratic capitalists. They played double roles as entrepreneurs and bureaucrats.⁷¹

Thailand's tax farming system was an outgrowth of the successful promotion of overseas trade by King Taksin and his successors as a means of economic revitalization and development. It was a proof of the Thai Kings' economic pragmatism and political acumen, exemplified by King Rama III's (1824-1851) astuteness at gauging Thailand's economic position and its potential, and his decision to make use of the Ethnic Chinese for the running of the tax farming system which was extended to cover a wider range of goods and services.⁷²

Rice Trade and Miller

Rice trade has a long history in Thailand, by 1735, the rice trade between China and Siam was well established.⁷³ After 1855, there was a regular demand for rice for export by the merchant houses in Bangkok. The Ethnic Chinese, most of them were Teochews utilized the networks that they had already built up in many Thai villages to establish a profitable business. They purchased paddy from the cultivators in the villages and sold it to the rice millers. Many Ethnic Chinese paddy traders had a better commercial knowledge and contacts than Thai peasants.⁷⁴ Rice mills in Thailand were owned principally by Teochew Chinese who employed largely Chinese labours. In 1889, of the 23 steam mills in

⁶⁸ Hong, *Thailand in the Nineteenth Century: Evolution of the Economy and Society*, pp. 54-56.

⁶⁹ *Ibid.*, pp. 86-89.

⁷⁰ *Ibid.*, p.127

⁷¹ *Ibid.*, p.155.

⁷² *Ibid.*, pp. 161-165.

⁷³ Ingram, *Economic Change in Thailand 1850-1970*, p. 23.

⁷⁴ Hong, *Thailand in the Nineteenth Century: Evolution of the Economy and Society*, pp. 150-153.

Bangkok, 17 were owned by Ethnic Chinese; and of the 66 steam mills in 1919, 56 were owned by Ethnic Chinese. The biggest threat to Ethnic Chinese control of rice mills came from government actions. In 1938, Thai government took over ten large Ethnic Chinese rice mills through the Thai Rice Co., a government concern.

In the rice market, Thai farmers' lack of knowledge of prices and markets, together with their lack of liquid assets, made them generally dependent on the Ethnic Chinese middleman for the disposal of their crops during 1850-1950. Ethnic Chinese millers in Thailand managed exports to China, Hong Kong, Singapore and other Asian markets on their own account, while European trading firm handled exports to Europe, and non-Asian markets during World War II.⁷⁵

The "Big Five" in the Rice Industry

After the 1920s, Teochew Chinese merchants dominated the rice industry, especially the "Big Five". One of the "Big Five" was Wanglee group which was founded by Tan Tsu Huang (Chen Ci Hong 1841-1920). Tan came to Thailand around 1865 as "a penniless Teochew lad of twenty". He originally engaged in the junk trade and shipping between China and Bangkok, and moved from shipping into trading and set up his own shop, Hang Huang Lee. By 1870, he imported silk from China and all classes of European piece goods for the local market. Over the years he extended his business lines to the rice industry and established his rice mills in 1874. In the following years, he became the leading merchant in rice industry in Thailand.⁷⁶ When I conducted field research in Cheng Hai, I visited his huge house there. Part of the house has become a museum which was set up by the local government to promote the history of his family as one of Teochew outstanding entrepreneurs. The forefather of Wanglee group was Chen Huan Rong, one of Teochews from Cheng Hai district, Guangdong province. Dissatisfied with the rural poverty in their village, he ventured into business world to make a commercial empire based in Thailand and Hong Kong.⁷⁷ When I visited his old home in 2002, a photo of his family including his eldest son Chen Ci Hong⁷⁸ (Tan Tsu Huang) was on the wall.

⁷⁵ Ingram, *Economic Change in Thailand 1850-1970*, pp. 70-73.

⁷⁶ Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, pp. 110-113.

⁷⁷ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, p. 9.

⁷⁸ Wang, Mianchang, "Hongli Jiazuo Ziben de Lishi", [The history of Wanglee Family Capital] in Guangdong Shen Zhengxie Wenshi Zhiliao Weiyanghui, Shantoushi Zheng xie Wenshi Zhiliao

The Wanglee family, with its extensive regional business networks, was the most successful Teochew business at the time and from the First War onwards, it dealt with the fluctuations in the international market by forming its own bank to handle exchange and remittance, and its own insurance agency.⁷⁹ The Lamsam family business group, another of the “Big Five”, had maintained a close relationship with the Wanglee family through matrimonial tie. The group was founded by Ung Miao Ngian (1854-1913).⁸⁰ The Lamsam family initially ran timber business, and then shifted to rice trade on the same integrated pattern in the 1920s. After the depression, the “Big Five” families of Wanglee, Lamsam, Bulakun, Bulasuk, Iamsuri controlled over half the rice trade in Thailand. They tightened links by exchange marriages.

Ethnic Chinese business expansion in rice industry was dramatic. In 1912, there were only five rice mills owned by Ethnic Chinese, but by 1925, only one of the eighty-four rice mills was western-owned. They out competed European rice mills, even though their technology came from Europe. This was because they had direct links to the upcountry networks of Ethnic Chinese traders, who bought paddy from the farmers, and they also better managed the labour force of Chinese coolies. More important factor was because they developed effective trading networks around the region. Indeed, business networks contributed substantially to their business success. For some, like the successful Wanglee family, Bangkok was an important part of their regional networks. In 1870, this Teochew family had developed a coastal trading network based in Guangdong, Guangzhou and connecting Hong Kong, Singapore, Bangkok and Saigon. A son of the family, Chen Ci Hong (Tan Tsu Huang), settled in Bangkok in 1871, established a rice mill with modern machinery, and exported rice through the family’s networks around the region. Over the following years, the business expanded to four rice mills, cloth import, insurance, shipping, and property development.⁸¹

Weiyuanhui, [Guangdong Political Consultative Conference Committee of Culture and History Document Collection and Shantou Political Consultative Conference Committee of Culture and History Document Collection (eds.), Guangdong Wenshi Zhiliao Di 76 ji [Guangdong cultural and historical document Vol .76], *Chaoshan Junyan*, [Teochew Outstanding Businessmen], Guangdong Renmin Chubanshe, Guangzhou, [Guangdong People’s Press], Guangzhou, 1994, pp. 218-219.

⁷⁹ Baker and Pasuk Phongpaichit, *A History of Thailand*, p. 94.

⁸⁰ Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, pp. 110-113.

⁸¹ Baker and Pasuk Phongpaichit, *A History of Thailand*, pp. 93-94.

A significant element that promoted solidarity among the “Big Five” was the well-established personal relations, namely *guanxi* and networks through both business associations and non-commercial organizations. Indeed, reviewing the social careers of rice millers, we find that all the leaders of the “Big Five” were promoters and chairmen of important Chinese associations. These included the Chinese Chamber of Commerce of Siam (CCCS), the Rice Millers Association of Siam, the Teochew Association, private schools, Tian Hua Hospital and Pao-Tek (Bao De) Benevolent Society.⁸² This shows that the *guanxi* and networks were very important in the Ethnic Chinese business operation and expansion.

During pre-war times, rice trade alone accounted for over 70% of the total export value. Although Thailand has experienced high-rate economic growth from the early 1960s, and this growth has produced a great impact on Thai economy and society, Thailand was known several decades ago as an agricultural country. The census of 1929 showed that 83% of the total population was engaged in the agricultural sector.⁸³ Among rice industry, Teochew Chinese played an important role. Besides tax farmers, another Ethnic Chinese group consisting mainly of port merchants invested in the rice industry. It had neither political patronage nor government appointments in Thailand. Rather it expanded its businesses by establishing its own marketing networks and financial channels in the Asian region, mainly through the three major entrepots of Swatow (Shantou), Hong Kong, and Singapore. Koh Mah Wah & Co., Ltd. (KMW) is a case in point. KMW was founded by Kho Mah Hua, who was Teochew Chinese born in Chenghai County in Guangdong province. Owing to his remarkable success in the rice industry and wealth, Kho Hui Chiya, son of Kho Mah Hua, became a prominent leader of the Chinese community. When the Chinese Chamber of Commerce of Siam was set up in 1910, he was elected first president for four years. He was also a major promoter of the Thai Rice Millers Association, Tian Hua Hospital - the oldest Chinese hospital, and Pui-ing School - the oldest Teochew School in Thailand.⁸⁴

⁸² Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, pp. 120-122.

⁸³ *Ibid.*, p. 1.

⁸⁴ *Ibid.*, pp. 83-84.

Associations and the Ethnic Chinese Chamber of Commerce

The first Chinese school was founded in the early years of the century, and the number of students had expanded to 271 by 1933. The leading Chinese entrepreneurs were the main sponsors and office-holders of the school.⁸⁵ This explains one of the factors to contribute to the success of Ethnic Chinese business today that is emphasising education. Ethnic Chinese society in Thailand before 1910 was beginning to have a coherence and self-consciousness that involved an increasing emphasis on the development of Chinese education.⁸⁶ In fact, Teochew Ethnic Chinese put the emphasis on and promotes education has a long history. Professor Yen has a profound study:

Ethnic Chinese education constitutes a main part of Ethnic Chinese culture in Southeast Asia. Ethnic Chinese culture would have been very different if Ethnic Chinese education had not been preserved and developed.⁸⁷

In the transition period of a new era in the early 20th century among Ethnic Chinese community in Thailand, the most significant social trend was the development of horizontal, community-wide organizations. The two most important of these were the T`ien hua (*Tian Hua*) Hospital and the Chinese Chamber of Commerce. In 1908, the Ethnic Chinese merchants in Thailand founded the Chinese Chamber of Commerce which became the official mouthpiece of the Ethnic Chinese business and community and it was registered with the imperial government at Peking (Beijing). Chambers of commerce had been founded with official blessing in Amoy (Xiamen) and Swatow (Shantou) at the turn of the 20th century to help the local authorities to regulate the emigration traffic to Thailand and to protect return Chinese. The constitution of the Chamber provided no restrictions or apportionment according to dialect group, but it was understood that the various groups should be represented on the board roughly in proportion to their membership. The chairman was always Ethnic Teochew Chinese in the early years, and meetings were conducted in Teochew.⁸⁸

The Chinese Chamber of Commerce in Thailand regulated intra-community economic competition and to counter the influence of organized Western traders.⁸⁹

⁸⁵ Baker and Pasuk Phongpaichit, *A History of Thailand*, p. 96.

⁸⁶ Wyatt, David K., *Studies in Thai History*, Silkworm Books, Bangkok, 1999, p. 239.

⁸⁷ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Introduction, p. x.

⁸⁸ Skinner, *Chinese Society in Thailand: An Analytical History*, p. 170.

⁸⁹ Laothamatas, *Business Associations and the New Political Economy of Thailand*, p. 21.

In addition, it coordinated large-scale non-economic activities such as relief efforts for natural disasters in China. In 1946, when the very serious famine occurred in southern China, the relief committee's chairman of the chamber, Cheng (Zheng) Wu-lou went to China to supervise the distribution of relief rice to victims in south China.⁹⁰ It was an extensive humanitarian task carried out by Ethnic Chinese in Thailand, and a fun-raising campaign collected over twenty million *baht* for transporting rice to China to save the victims of the famine.⁹¹

It is a common feature that Ethnic Chinese business incorporated many *guanxi*, including kinship and community ties. In Thailand, the Ethnic Chinese-owned banks were principally incorporated on the basis of personal relations involving kinship and community ties. As widely observed in Ethnic Chinese society, the Chinese in Thailand established various formal and informal associations to promote mutual assistance among their members. As Suehiro points out that these associations were set up according to (1) clan associations in which members share the same family name, (2) speech or dialect groups as like Teochew, Hakka, Hokkien etc. (3) occupational associations as like The Rice Millers Association, etc. (4) schoolmate associations as like Pei-ying School Board (Teochew), Chin-te School Board (Hakka), (5) benevolent societies as like Pao-Tek Benevolent Society Association, etc.⁹² The most important organisation was the dialect association called *tong xiang hui*. Its unique factor was that the founders, board members, and shareholders of Chinese-controlled commercial bank, practically all belonged to the same dialect group. In addition, these commercial banks founders and shareholders were derived from a wide range of occupations varying from rice exporters, textile importers, and gold dealers to manufacturers. Leading businessmen were usually elected as dialect associations' leaders. Teochew dialect associations were among the most public spirited social organizations in Thailand, and they lend their members seed money to start businesses, help to arrange marriages and funerals, set up Chinese schools, build hospitals, and back charities. In fact, this is one kind of expanding human freedom according to Professor Sen's theory. I will analyse this development in chapter 10 of this thesis.

⁹⁰ Duan, Lishen, *Zheng Wulou Zhuan*, [Zheng Wulou Biography], Zhongshan Daxue Chubanshe, Guangzhou, [Zhongshan University Press], Guangzhou, 1994, pp. 101-118

⁹¹ Skinner, *Chinese Society in Thailand: An Analytical History*, pp. 290-291.

⁹² Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, p. 156.

The economic development made Thailand, an emerging economic power in Southeast Asia. It converted many Ethnic Chinese businessmen into a wealthy, socially confident and politically influential group. The Teochew Chinese entrepreneurs are among the best in the group.

Business Dominance of Ethnic Chinese

Because of the dominance of the Ethnic Chinese business activities, the Thai indigenous people have little chance to acquire experience and develop know-how in business. The Thai firms had to deal with Ethnic Chinese suppliers and customers who allegedly discriminated against them. However, the Thai businessmen have not shown much enthusiasm for business enterprise, while Ethnic Chinese businessmen were better trained, more energetic and quicker to seize business opportunities which made them rich quicker than most of the Thai businessmen. But the Ethnic Chinese were assimilated gradually in Thailand.⁹³

Although, in the early 1950s, Thai government expanded its role by establishing government enterprises in textiles, paper, glass, sugar and many others, the Ethnic Chinese business still dominated the business in Thailand. The government believed that if it simply encouraged private industry, the result would be that Ethnic Chinese would control new enterprises, and the driving force behind the government's industrial programme was to prevent the Ethnic Chinese from dominating industry.⁹⁴ Prior to World War II, Thailand had developed a small manufacturing industry, principally in rice-milling and saw-milling. During 1951 to 1969, manufacturing sectors expanded rapidly in Thailand, and the rice-milling was still the largest manufacturing industry. However, the fastest expansion was in food processing which included new products such as maize and cassava.⁹⁵ CP Group was actively participating in food processing industry during that time.

Most of the rising entrepreneurial families such as Wanglee and Lamsam had arrived usually with nothing more than the proverbial "one pillow and one mat". About thirty family groups dominated the business activities through their

⁹³ Ingram, *Economic Change in Thailand 1850-1970*, pp. 217-218.

⁹⁴ *Ibid.*, p. 229.

⁹⁵ *Ibid.*, pp. 284-286.

privileged access to capital and political favours. They became business conglomerates by diversifying into property, hotels, hospitals, finance, insurance, and other ventures. They exchanged marriages, crossing old boundaries of clan and dialect, and invested in one another's ventures to share profit and risk. The members of these prominent families retain pride in Chinese business culture, and attach to Chinese language and customs they knew. They said that "We shall remain Chinese wherever we find ourselves". The language of everyday business, especially in the vast mass of shop-house family firms, remained Chinese, especially Teochew dialect.⁹⁶

"New Big Four" and Industrial Groups of Teochew Chinese Business

Teochew Chinese business in Thailand emerged as the new business group after World War II. In contrast with the "Big Five" rice business group, the new group centred on banking and insurance. It adopted a development strategy of forming a sort of "self-sufficient business empire" where from five to eight associated firms were linked with each other through joint investment, interlocking directorships, and marriage. By 1950s, members of this new group were strengthened by common dialect tie and formed the so-called "New Big Four": the Asia Trust (Bangkok Bank) group, the Thai-Hua (Keng Hua) group, the Ayudhya group, and the Mahaguna group. They were all Ethnic Teochew Chinese⁹⁷

(1) The Asia Trust (or the Bangkok Bank) group was originally organised by Teochew Chinese merchants of different business backgrounds, but mostly operated their businesses along Samphen Street in Bangkok, and among its leading members was Chin Sophonpanit (Chen, Bi Chen). Chin Sophonpanit came from Chao Yang district of Guangdong.⁹⁸ After the 1957 coup in Thailand, Chin was forced to go into temporary exile in Hong Kong. However, his stay in Hong Kong from 1958 to 1963, contributed to the further development of BBK, because he actively organised and weaved a personal network among leading Ethnic Chinese businessmen in other Asian countries. It is apparent that such an

⁹⁶ Baker and Pasuk Phongpaichit, *A History of Thailand*, pp. 153-155.

⁹⁷ Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, p. 157.

⁹⁸ *Ibid.*, p. 158.

active expansion of its international business network helped the finance activities of BBK on an international *guanxi* basis.⁹⁹

(2) The Thai Hua (Keng Hua) group was organised under the prominent leadership of U Chu Liang (1899-1976), a Teochew Chinese. In 1950, he set up Bangkok Metropolitan Bank (BMB) in cooperation with another six leading Teochews, and one of them was a well-known community leader Tae Ngow Low (Uthen Taechaphaibun; Zheng, Wuluo).¹⁰⁰ Uthen Taechaphaibun or Tae Ngow Low (Zheng Wu Lou) was a local-born Teochew. His father, Tae Tsu Ping (Zheng Zi Bin) came to Thailand in 1907 and started a small liquor shop.¹⁰¹ In the 1930s, Tae Tsu Ping became a prominent figure in the Ethnic Chinese community as a leader of the resistance movement against the Japanese invasion of Mainland China, as well as the owner of a Chinese newspaper, *Zhongyuan Ribao* in Thailand.¹⁰²

(3) The Ayudhya Group was substantially led by Heng Mo Neng (1912-56) or Luan Buasuwan, and the leading members of the group derived mostly from the Teochew Business group.¹⁰³ The Rattanak Family, Chuan Rattanak, or Lee Bak Chuan, the later leader of the group, was local-born Teochew.¹⁰⁴

(4) The Mahaguna group was led by Tia Lan Chan (Sahat Mahakhun, 1895-1961), whose leadership was clearly expressed in his illustrious social career. He was not only the chairman of the Chaoan Association of Teochew, promoter and executive director of the Teochew Association, but also a long-time chairman of the Chinese Chamber of Commerce of Thailand from 1948 up to his death in 1961.¹⁰⁵

Capital accumulation of Ethnic Chinese in Thailand appeared quite unique. First of all, all of these business groups belonged exclusively to the Teochew Chinese, and they were organised and sustained by joint investments and interlocking directorate system. In addition to these two elements, matrimonial alliances between leading families helped cement their business ties in order to expand their business activities. This illustrates the concept of *guanxi* that has a

⁹⁹ *Ibid.*, p. 255.

¹⁰⁰ *Ibid.*, p. 160.

¹⁰¹ Duan, Lishen, *Zheng Wulou Zhuan*, [Zheng Wulou Biography], pp. 12-43

¹⁰² Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, p. 256.

¹⁰³ *Ibid.*, p. 164.

¹⁰⁴ *Ibid.*, p. 259.

¹⁰⁵ *Ibid.*, p. 166.

strong influence among these Ethnic Teochew Chinese.¹⁰⁶ During the 1960s and 1970s, the industrialization of Thailand not only changed the economic structure, but also had a great impact on the structure of dominant business groups. Entering the 1960s, the families of these groups became dominant groups in the commercial banking corporations. Thailand's exports of agricultural products and imports of manufactured goods related to agriculture also experienced rapid growth after the second half of the 1970s. This economic development was mainly due to both the growth of the export-oriented agro-industry and Thai government's promotion policies.¹⁰⁷

The industrial capitalists in Thailand formed groups of companies, and each group on the average owned and controlled 16 firms in 1979, and several groups, such as the CP Group held as many as over 40 firms. Today, the CP Group holds more than 400 companies. All the owners and leaders of industrial groups belonged to the Ethnic Chinese with the one exception of the Boon Rawd Brewery group, and in terms of dialect background and strength, the largest is the Teochew Chinese group. Most of the industrial groups are owned and operated by a single family, as seen in the family of the CP Group, and most of the founders of these groups belonged to members of merchant class. Interestingly, most of these merchants were engaged in importing or wholesaling the same products that later were to be manufactured by themselves. In the case of agri-business, the development pattern is exactly the same, in which Chia Ek Chiu, the founder of the CP group had been one of the largest importers of mixed feed and chemical fertilizer throughout the 1950s and moved into the feed milling industry in the 1954. In 1970s, this group became one of the largest agri-business groups in Thailand, embracing around 60 associated companies.¹⁰⁸

The rapid growth of commercial banks after the 1960s was mainly undertaken by a group of Teochew Chinese. Leading Chinese banks were mostly set up and operated by groups whose influential families were combined through dialect ties, joint investments and interlocking directorships. From 1960, the corporate structure began to change, and a particular family now increased its shareholdings and enhanced its management control in a bank through the process of increasing

¹⁰⁶ *Ibid.*, p. 169.

¹⁰⁷ *Ibid.*, p. 190.

¹⁰⁸ *Ibid.*, pp. 222-225.

registered capital. These influential families in Thailand developed their businesses into a sort of “conglomerate organisation” where a commercial bank and other finance companies served as the core centre of these groups’ activities.¹⁰⁹ These changes enabled their corporations to become financial conglomerates. At the same time, largest industrial group like CP Group step by step became conglomerate as well. No matter what they change, one thing deep-rooted and never change is their connections with China and Chinese culture.



Figure 3: Modern Thailand

Source: Baker and Pasuk Phongpaichit, *A History of Thailand*, Cambridge University Press, New York, 2005, p. 200.

¹⁰⁹ *Ibid.*, pp. 245-249.

Relationship between Thailand and China

Visiting China

Over the past two centuries, the majority of Ethnic Chinese emigrants to Thailand were from Guangdong and Fujian especially from Teochew. As more Ethnic Chinese from Thailand and other Southeast Asian countries flocked to China, taking advantage of its new open-door policies, the Sino-Thai relations have regained a favourable peak, and more survivors among those Ethnic Chinese emigrants in Thailand and their Sino-Thai descendants are returning to visit their native villages. In 1983, according to the Chinese Embassy in Bangkok some 22,000 people including about 500 Chinese-passport holders were granted visas to visit China. Unofficial estimates by Bangkok travel agents specialising in China tours put the present number of visitors from Thailand at about 50,000 annually with a 10-15% increase each year. In fact, it was nothing new that financial assistance and remittances from Thailand to their relatives in China alone unofficially were estimated to have topped 100 million *baht* (US\$ 4.3 million) in certain years. However, it was very difficult to calculate the exact size of these remittances because the traditional remittance shops, though had been officially banned for several years, were still operating illegally to provide sizable flow of remittances to China. The remittances of the Bangkok Bank's Sophonpanich and the Bangkok Metropolitan Bank's Tejapaibul family were so large that surprised their hometown in rural areas of Teochew.¹¹⁰

Traditionally, the friendship between China and Thailand was relatively close. After Thai prime ministers got elected, China was almost always the first country to visit and it was a diplomatic tradition reminiscent of the ancient relationship that obliged Thai kings to send tribute to Beijing in return for official recognition by the Chinese emperor. In history, there were mutual benefits, in return for recognizing China's nominal sway over the region, and Thailand earned revenue in the form of trade. Since the end of 1970s, Thailand has been moving closer to China, lured by the promise of its market and driven by large Teochew Chinese

¹¹⁰ Sricharatchanya, Paisai, "Beware of the Relative Wanting Gifts", *Far Eastern Economic Review*, Vol. 126, No. 47, 22 Nov 1984, pp. 51-52.

groups like Charoen Pokphand. The CP Group is the single largest private investor in China, with around US\$ 3 billion to invest into the China by 1997.¹¹¹

Like other Ethnic Chinese from other Southeast Asian countries, Thailand's Ethnic Chinese were in the vanguard of their country's economic penetration of China especially Ethnic Teochew Chinese businessmen. As the executive vice-president of a Thai commercial bank, which had a joint-venture bank in Shanghai, Virachai Virameteekul said that most of the business people going to China are of Chinese origin and understand Chinese culture. Unlike the West, everything has to be done by law. It was easier for Ethnic Chinese to do business in China because everything was more personal with mutual understanding; some perceived difficulties of doing business in China could be turned into advantages and benefited from that understanding. China's economic development was inspiring Ethnic Chinese to embrace Chinese culture. For instance, at the Sri Thabut Bamrung School in central Bangkok, some 200 adults, mostly Ethnic Chinese had enrolled in Mandarin language courses because many of them needed Chinese for business. The Oriental Culture Academy which was supported by the Sino-Thai community organised the Chinese Mandarin language courses. The academy's publicity stated that "the Oriental Culture is a spiritual and intellectual antidote against the ills and crisis brought on by contemporary Western modernism".¹¹² At Bangkok's Thammasat University, enrolment in Mandarin classes increased 30% in 1994-1995 from the previous academic year.¹¹³ Although most Thai-Chinese have taken Thai names, they have not forgotten their Chinese surnames that are being revived. In China, a Chinese surname could help open doors for business and if one speaks Chinese, people tend to be much friendlier.

Track back the history in 1908, the Chinese revolutionary leader Sun Yat Sen visited Bangkok to raise funds to overthrow the Qing Empire and established a new Chinese republic. He got enthusiastic support from Ethnic Chinese.¹¹⁴ Because of fears of the impact of Chinese politics in Thailand - first the republicanism of Sun Yat Sen and later the communism of the Chinese

¹¹¹ Vatikiotis, Michael, "Diplomacy: Tributary Trade: Thailand's Chavalit seals a trade-off with China", *Far Eastern Economic Review*, Vol. 160, No.16, 17 April 1997, p. 19.

¹¹² Vatikiotis, Michael, "Sino Chic: Suddenly, It's Cool to be Chinese", *Far Eastern Economic Review*, Vol. 159, No. 2, 11 Jan 1996, pp. 22-23.

¹¹³ *Ibid.*

¹¹⁴ Baker and Pasuk Phongpaichit, *A History of Thailand*, p. 114.

Communist Party - the Thai government imposed restrictions on dissemination of Chinese culture, which was to encourage the Ethnic Chinese to be economically Chinese but politically Thai. Even as early 1980s, Ethnic Chinese in Bangkok, most of them were Teochew origins, could only learn Mandarin at schools. Because the anti-communist atmosphere bred caution in the Ethnic Chinese community, and led them to hide their Chinese identity behind Thai surnames and overt rejection of Chinese culture and language. A journalist recalled that she remembered learning her native Teochew dialect in classes outside regular hours. Those students would arrive an hour earlier before school started and the teacher would hand out textbooks, covered in opaque paper that they would never take home. When government inspectors were due at the school, the class was stopped immediately.¹¹⁵

In the early 1980s, the relationship between China and Thailand thawed gradually, and in the end of 1989 and the early 1990s partly due to the collapse of global communism. Since the economic awakening of China, Chinese ethnicity in Thailand started being regarded as an intangible asset. The Sino-Thai businessmen successfully invested in China and they were pulling Thailand and China more and more closer.¹¹⁶ The ability of Thai Chinese to revive their cultural roots rested on their long and successful record of assimilation in which they had earned themselves prominence in business and increasingly in politics. In 1996, the top three leaders of Thai government were of Ethnic Chinese descent, all of these illustrated that Ethnic Chinese in Thailand were integrated and secure. CP Group executives said the fact that the group is Ethnic Chinese-owned makes a big difference in the way it is treated by Chinese authorities. Unlike other foreign companies, CP Group has had no problem in employing retired government officials. Chinese authorities were keen for Sino-Thai companies to bring in Thais of Chinese origin.¹¹⁷

In 1996, the Foreign Minister of Thailand Kasem Kasemsiri said that Thais stand to gain if China got richer which provided a simple reason why Thailand should engage in China's economic development. Thailand had opted to engage with China rather than contain the powerful neighbour. Actually, since the end of

¹¹⁵ Vatikiotis, "Sino Chic: Suddenly, It's Cool to be Chinese", pp.23-24.

¹¹⁶ *Ibid.*, p.23.

¹¹⁷ *Ibid.*

the Cold War, the logic of economic development had started to crowd out the language of politics in shaping Thai government policies towards China while some countries in the Asian Pacific region feared the prospect of a powerful China.¹¹⁸ To engage in China's economic development, Ethnic Chinese businessmen in Thailand were instrumented in bringing Thai companies into China, and in creating demand for wider diplomatic links.¹¹⁹ As some of them revived their Ethnic Chinese identity, they helped the two countries to find a common cultural ground, and they were building the commercial relationship with China that became an influential element in Thailand's foreign policies. CP Group had played an important role in this process. For instance, in July 1995, the group sponsored a seminar on Sino-Thai relations and at another seminar, held to mark the 20th anniversary of diplomatic relations between China and Thailand, and business leaders called for more Chinese language instruction in Thailand because unlike those places such as Singapore where Mandarin-language teaching was far more widespread.¹²⁰

In Thailand, one could see how Ethnic Chinese blood has seeped into every corner of its country in which elements of a common culture make it easier to forge these geopolitical and economic bonds. In history, China's relations with Thailand were close as Thai kings paid tribute to Chinese emperors who offered a lucrative trading relationship. But the collapse of the imperial system and eventually communist rule in China imposed a long hiatus on the bilateral and reciprocal relationship between China and Thailand. In July 1975, the Thai Prime Minister Kukrit Pramoj went to Beijing and met Mao Zedong starting the modern relationship with China.¹²¹

Thai Teochew businessmen played a significant role in Thailand's involvement in China's economic development. As the Australian government report on Chinese business networks cited that CP Group President Dhanin as one of "a number of senior Ethnic Chinese businessmen in the region consulted by the

¹¹⁸ Vatikiotis, Michael, "Ties That Bind: Business, Culture Draw Thailand and China Closer", *Far Eastern Economic Review*, Vol. 159, No. 2, 11 Jan 1996, p. 24.

¹¹⁹ Reporting Unit, "Talk about Teochews in Thailand", in the Special Issues of the Tenth Teochew International Convention. <http://www.dahuawang.com/ztxw/chaotuan/cr3.htm>. Viewed 28 August 2001.

¹²⁰ Vatikiotis, "Ties That Bind: Business, Culture Draw Thailand and China Closer", p. 24.

¹²¹ *Ibid.*

Chinese government on business and political affairs”.¹²² Indeed, the Ethnic Chinese in Thailand were crucial to Thai’s industrialization and to economic growth even throughout Southeast Asia. The Ethnic Chinese, especially the Teochew Chinese played an extraordinary economic role with their habits of association and the specific institutions to promote cooperation in Thailand’s economic development. Their entrepreneurial energy and trade networks brought the Thai peasantry into the market economy that established and supported manufacturing industries, attracted foreign capital to Thailand and located overseas markets for Thai products.

¹²² *Ibid.*

CHAPTER 3

CULTURE AND ETHNIC CHINESE BUSINESS

As Professor Yen Ching-hwang states that Ethnic Chinese culture is defined as the culture of Ethnic Chinese minority of Southeast Asia. In Southeast Asia, the Ethnic Chinese as an ethnic group is taken in terms of economic, cultural, social and physical differences from indigenous people. Culture is understood as a set of beliefs, values and customs together with their outward expressions such as religion, education, language, etc. Ethnic Chinese business operation has been affected by Ethnic Chinese culture. The Ethnic Chinese immigrants unconsciously perpetuated Chinese customs, traditional value, religion and education. This cultural tenacity was not just in the first generation of the immigrants, but also inherited among local-born Ethnic Chinese.¹

The cultural factors have played an important role in the Ethnic Chinese business development. A number of scholars in their theories have put forward the reasons for the substantial success of Ethnic Chinese business groups in Asia. Some attribute this success to Chinese traditional cultural factors whilst others emphasise the entrepreneurial skills of the Ethnic Chinese. S Gordon Redding discusses the importance of traditional Chinese values of Confucianism, the strength of family network, filial piety and the Chinese work ethic as being the basis for Ethnic Chinese success in their business.² Redding argues that factors derived from Chinese culture and traditions combined with political, economic and geographical forces have laid the foundation for Ethnic Chinese success. There are three most significant factors relating to insecurity of wealth being a result of a society without a reliable system of property rights; paternalism as a foundation of the Confucian tradition and personalism which denies the growth of objectivity and neutrality in a bureaucratic system.³

Ethnic Chinese Culture is the product which generates from society during certain historical stages and circumstances. Therefore cultural change takes place

¹ Yen, Ching-hwang, "Ethnic Chinese Culture in Southeast Asia: Continuity and Change", in Yu Chunghsun, (ed.), *Ethnic Chinese: Their Economy, Politics and Culture*, The Japanese Time, Tokyo, 2000. pp. 221-223.

² Redding, S. Gordon, *The Spirit of Chinese Capitalism*, Walter de Gruyter, Berlin, New York, 1993, pp. 1-16.

³ *Ibid.*, pp. 127-140.

in concomitance with historical and circumstantial changes, and the changes in culture are an inevitable process of history. The formation of Ethnic Chinese culture in Southeast Asia was closely related to the history of Chinese traditional culture, trading activities and settlements in the region. Both of the traditional and modern forms of Chinese culture have adapted to local conditions to serve the needs of local Ethnic Chinese communities.⁴ Professor Yen concludes that:

The rise of Ethnic Chinese business was not an accidental phenomenon, but the result of history, Confucian tradition and the internal dynamics of Ethnic Chinese family business combining with a set of external factors at the time.⁵

Family-Value and Family Business

The Ethnic Chinese businesses are characterised by family ownership, strong business networking, strong cultural input, namely, Confucianism in business organization and management. The majority of the Ethnic Chinese business in East and Southeast Asia are small and medium-sized companies owned by families. Family becomes the focus of business activity. It provides capital, labour and management. Even though, a family business has developed to become a public company, the family or group of related families still maintains control of the majority of the stock, and shares voting power in the public corporations.⁶ Family business is the basic structure of Ethnic Chinese business organisation. It is remarkable that the family business organisation has never become entirely irrelevant to modern Ethnic Chinese business. It is evident that even huge corporate conglomerates are managed predominately by family, and decision-making remains highly centralised.⁷ For instance, Wang Yongqing's Formosa Plastics and Li Ka-shing's Cheung Kong Group are closely run by the paternalistic founders and their children.

Nearly all of the Ethnic Teochew Chinese businesses are family business. These family businesses generated huge wealth in Southeast Asian. During their

⁴ Yen, "Ethnic Chinese Culture in Southeast Asia: Continuity and Change", pp. 229-240.

⁵ Yen, Ching-hwang, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press 2002, Introduction, p.vi.

⁶ *Ibid.*, p. 19.

⁷ Tong, Chee Kiong "Centripetal Authority, Differentiated Networks: the Social Organisation of Chinese Firms in Singapore", in Gary G. Hamilton (ed.), *Business Networks and Business development in East and Southeast Asia*. Centre for Asian Studies, University of Hong Kong, Hong Kong, 1991, P. 177.

capital accumulation, they always emphasise family values and apply valuable principles of traditional Chinese culture in their business management, and have outstanding performance. Traditionally, a Chinese child would, more or less, be influenced by the concept of “there is a certain limit a salary earner can go but being the boss the limit is the sky”. Teochews, like other Ethnic Chinese would thus be taught to have self-confidence to achieve unlimited wealth by being his own boss. They have manifested their confidence by an unquenchable desire for independent control of family business.

Like many Ethnic Chinese family businesses, Ethnic Teochew Chinese family business is in many ways deeply influenced by the Confucian heritage. Many Ethnic Chinese business executives from Taiwan, Hong Kong and Singapore have admitted they have been consciously or unconsciously influenced by Confucian values that become some of the strength for doing business.⁸ It is quite clear that internal dynamics in terms of strong will and motivation are to certain extent, shaped by the social and cultural factors. Teochew Chinese business has gained its strength through the incorporation of Western principles into its structure of business organization. There is no doubt that the Chinese values have played their part in the making of Ethnic Teochew Chinese entrepreneurship. Their high adaptability, commercial acumen, economic insights and foresights have enabled them to achieve greater success by taking the advantage of the Western practice.

Theories of Family Business

As professor Suehiro states that family business can be defined as a form of an enterprise in which both ownership and control are in the hands of a family member of a kinship group whose members are related by blood or marriage, namely, a family, either nuclear or extended. The profit of the business remains within this group and distributed in some certain way within these family members.⁹ Family businesses are developing well.

However, the conventional academic theories concerning family business in which many scholars argue that the development of national economy is accompanied by the inevitable decline of the family business, especially small to

⁸ Redding, *The Spirit of Chinese Capitalism*, pp. 79-94.

⁹ Suehiro, Akira, “Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group”, *Japanese Yearbook on Business History*, Japan Business History Institute, Japan, 1997/14, p. 31.

medium scale companies of family ownership. Some scholars also suggest that in any country economic growth fosters a shift in the form of its companies from “ownership control” to “managerial control” because of the development of a capital market and enlargement of the scale of corporations. When Herman, E. S. surveyed a number of corporations in the United States of America during the period of the 1970s and early 1980s, he stated in his book *Corporate Control, Corporate Power* that the decline of family business appears to be an unassailable historical fact.¹⁰

Another scholar Chandler, A.D. Jr. in his book *The Visible Hand: The Managerial Revolution in American Business* has a similar but more widely accepted argument of “managerial revolution” in which he suggests that family business gives way to the modern business enterprises run by managerial experts. These conventional approaches emphasize the uneven pace of development between industrial performance and joint-stock market. According to these arguments, family business can continue to expand their business activities to certain extent if they are able to obtain necessary capital through the financial support from joint business activities with other corporations or governments. However, Chandler argues that in the process of development of the capital market, modern corporations will replace the family business eventually. The effects of globalization of production and economic deregulation in the financial sector of the developing countries will accelerate this type of transition of family owned business. He also states, “the appearance of managerial capitalism has been, therefore, an economic phenomenon.”¹¹

The findings of study in the field of Ethnic Chinese business may be contrary to these conventionally academic theories concerning family business. Such as one of the world’s famous capital market Hong Kong, where corporate takeover battles have resembled financial blood sports. An interesting question immediately arising is why the family controlled businesses have continued to go forward as the important performers and increasingly enhance their economic positions in the capital market. They also serve as main business performers for industrialization in many developing countries and even in some semi-

¹⁰ Herman, Edward S., *Corporate Control, Corporate Power*, Cambridge University Press, New York, 1981, pp. 78-93.

¹¹ Chandler, Jr., Alfred D. *The Visible Hand: The Managerial Revolution in American Business*, Harvard University Press, Cambridge, Massachusetts, 1977, p. 497.

industrialized nations. A sociological perspective that emphasizes the unique characteristics of social organization among East & Southeast Asia business communities is provided by Gary Hamilton in his “The Organisational Foundations of Western and Chinese Commerce: A Historical and Comparative Analysis”. The family business structure unique to East & Southeast Asia determines the feature of business corporate structure that reflects personal networking through strong family ties. Although this kind of networking system has facilitated the rapid expansion of the family business, it has hindered its transition to a modern form of enterprise.¹²

It can be argued here is that certain values surrounding authority in Chinese culture foster stability and adaptiveness of the organisations of the Ethnic Chinese. The legitimizing force behind paternalism and dependence in the Chinese culture is Confucianism, for the Chinese derived from its secular transmission of the ideals necessary for the maintenance of family and welfare. A social structure based on Confucian ideals begins with the father figure and prescribes role behaviours for that figure. The widely adoption of family business as the common structure for economic activities in Ethnic Chinese society is a natural outcome. In history, the Chinese authority rested most naturally with the paternalism and familism, and was legitimized by two forces in particular: ownership of assets needed for the business, and properly paternalistic behaviour within the Confucian code in Chinese daily life.¹³ When we examine the development of Ethnic Chinese business, these arguments are relevant.

The Studies of Ethnic Chinese Businesses

The study of Ethnic Chinese businesses shows that family businesses do not decline. This is because family businesses excel in maintaining flexibility in the managerial decision-making process, and in times of rapid economic development, the family business has been very effectively utilizing resource of these countries. In addition to the factor of managerial decision-making process,

¹² Hamilton, Gary G., “The Organisational Foundations of Western and Chinese Commerce: A Historical and Comparative Analysis”, in Hamilton, Gary G. (ed), *Business Networks and Economic Development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, 1991, pp. 57-62.

¹³ Redding, S. Gordon, “Societal Transformation and the Contribution of Authority Relations and Cooperation Norms in Overseas Chinese Business”, in Tu Wei-ming (ed), *Confucian Traditions in East Asian Modernity*, Harvard University Press, Cambridge, Massachusetts, 1996, pp. 313-314.

the family business works more effectively than other business structures in the capital procurement process as the capital markets could not keep up with the accelerated economic growth experienced in the late industrialized countries and this resulted in a shortage of investment funds for joint-stock corporations.¹⁴ Notwithstanding, the Ethnic Chinese family enterprises could expand their business through personal networks to obtain the necessary capital. These Ethnic Chinese businesses contribute to many countries in the East & Southeast Asia for their accelerated industrializations. A number of them have developed into international conglomerates through the strategy of controlling a large number of companies by using relatively smaller amount of investment funds accumulated within the conglomerate group. This is because of controlling of the shares attaching voting power in a corporation. For instance, in Australia, according to the corporation law, under section 606 of the Australian Corporations Legislation, control of a company is effectively equated with the ability to control shares carrying more than 20% of the total voting power in the company.¹⁵

One important aspect of the Ethnic Teochew Chinese family businesses which has contributed to the economic development in Thailand, Hong Kong and Mainland China is successful generational transition. The Ethnic Chinese communities in these regions continued to send their young abroad to study in the United States, Canada, England, Australia, Japan and Mainland China, where they learn English and Mandarin as well as new business knowledge. Members of this new generation are exposed to modern accounting systems and concepts of business administration, new production technologies and marketing skills. As a result, the old management style of the founders discontinues, and a new type of Ethnic Chinese entrepreneurs appeared in Hong Kong and Thailand since 1970s. They emphasize improvement of the quality of Ethnic Chinese entrepreneurship. The impact of generational transition on the corporate structure is obvious.

CP Group stands out among Ethnic Chinese family controlled businesses. Dhanin extols a business philosophy that combines the best of East and West business principles. On the one hand, his *guanxi* networking opens doors across Asia or even around the world and family control gives CP Group the nimbleness

¹⁴ Suehiro, "Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group", p. 35.

¹⁵ *Australian Corporations Legislation*, Betterworths, 2000, pp. 754-759.

to seize opportunities fast; on the other hand, he has brought in Western management expertise, ideas and practices, like the emphasis on integration with the world's best technology in agri-business. The thoughts of CP Group's Chairman Dhanin, as he's reverently called, reveal the mixture of old and new which fuels the whole group. Dhanin is a strong believer in traditional Chinese culture-values and practices, he admits, for instance, that he will consult a soothsayer about when to sign a contract. Dhanin as well as, a strong believer in Chinese geomancy has been known as *Feng Shui*, which he considers a science, not a superstition. His traditional Chinese upbringing influenced his outlook that led to his remarkable achievement in business. Dhanin always put the family first.¹⁶

Since the early stage, Ethnic Chinese have demonstrated their strong economic insights, foresight, and the ability to discover and devise a strategy in which to exploit the business opportunities that exist in the general economic environment. Although the public policies favour the non-Chinese competitors, Ethnic Chinese business is still able to compete and develop. The internal dynamics of Ethnic Chinese business mainly consists of family as a basic organisational unit, combination of Chinese and Western capitalist principles and the unique Chinese networks. It is the Chinese culture that shaped the internal dynamics of the Ethnic Chinese business. The internal dynamic of Ethnic Chinese business is, due to its common cultural character, particularly suited to the social, cultural and economic environment in East & Southeast and even in Mainland China now. Ethnic Chinese cultural links with "home" and their spirit of family solidarity have been elevated to a national importance by the Chinese authorities, consistent with their promotion of business dealings. The dominant characteristic of family business is underpinned largely by the Chinese philosophical tradition that places major emphasis on the role of the family. The Chinese family name is an important symbol, and is linked to the drive to achieve wealth. Traditionally, a Chinese man must always maximise achievement to glorify his ancestors and accumulate wealth for his descendants. They must demonstrate the capacity to work hard, the merit of frugality with high savings, and family and kinship solidarity. Frugality is not only a virtue but also a financial source for expanding

¹⁶ Vatikotis, M. "From Chicken to Microchips", *Far Eastern Economic Review*, Vol. 160, No. 4, 23 Jan 1997, pp. 38-44.

the family business. For instance, in 1996, Li Kai-shing (Li, Jia Cheng), with estimated assets of US\$ 8 billion, was finally persuaded by his son Victor to change his 20-year-old Mercedes for a Nissan President, Li also owns a 19-year-old Rolls-Royce for driving his guests through city. In public, he wears a Citizen wristwatch that costs him US\$ 50.¹⁷ Today, Li's assets are more than double the 1996 figure. He donates billion dollars to education, health care etc., and to many institutions around the world.

Today, the incorporation of Western business principles into Ethnic Chinese family business organization is a strength which is able to accommodate China's demand for modern technology and managerial skills. Western managerial principles enabled Ethnic Chinese business to integrate with the world economy, which in turn has given their industries access to a wide range of advanced modern technology. It has generated huge wealth for Ethnic Chinese. In Hong Kong and Thailand, Teochew Chinese operates their family business successfully.

Ethnic Teochew Chinese family businesses do not decline even after 1997 Asian financial crises. They have continued to serve as key contributor to Asia-Pacific region's economic development, and have played an important role in upgrading and modernising the industrial structure of China when they invest into this big nation. Furthermore, they also operate successfully in developed region such as Hong Kong where international capital market flourished. For instance, Hutchison Whampoa Limited and Cheung Kong (Holding) Limited are both public companies in Hong Kong but controlled by Li Ka-shing and his family.

Since Ethnic Chinese family businesses have effectively utilised personal networks to obtain necessary capital for expansion, networks and *guanxi* that have played a significant role in Ethnic Chinese business deserves special attention.

Ethnic Chinese Business Networks and Guanxi

In the early trading stage, the transient nature of the Ethnic Chinese traders required them to establish business outposts in key ports in the Southeast Asian region, and these outposts were organised into large business networks. Gradually,

¹⁷ Haley, George T. Haley, Tan, Chin Tiong, and Haley, Usha C.V., *New Asian Emperors: The Overseas Chinese, Their Strategies and Competitive Advantages*, Butterworth Heinemann, 1998, p. 32.

the business network became very sophisticated. The origins of the Ethnic Chinese business networks are rooted in the history, culture and special circumstances. Since Chinese traders had to construct a trading network for survival, it was improved and consolidated through several centuries. The Ethnic Chinese business families had succeeded in constructing business networks in Southeast Asia and even around the world. Because many descendants of early Ethnic Chinese settlers in Southeast Asian countries were banned from holding land, the right of which was reserved for indigenous people, and they were also denied the opportunity of employment in colonial or indigenous government services. Only one way opened for Ethnic Chinese immigrants was running business that offered them an opportunity to obtain wealth. It also opened a path leading to a bright future for their descendants that brought them material comfort as well as social prestige and political status. Thus, the pursuit of wealth almost became a common aspiration for many Ethnic Chinese in Southeast Asia. After the Second World War, many Ethnic Chinese were still discriminated against or barred from working in the civil service in the Southeast Asian region. Hence, to pursue a career in business was regarded not only as respectable, but also as necessary as far as many young Ethnic Chinese were concerned. To preserve and expand existing Ethnic Chinese business networks for survival was a main concern for many Ethnic Chinese at the time.¹⁸

The Features of Business Networks

Networking is a feature of Ethnic Chinese businesses. It is a basic practice in both traditional and modern Ethnic Chinese business. Networks such as guilds and different associations based on occupational, dialect, sub-dialect, clan and family ties had existed with both social and welfare functions since Ming and Qing periods. The business networking has been a dominant social and economic practice in China where personal relationship is highly emphasized. It is also the organizational dynamics of family business. The origin of the Ethnic Chinese networks can be traced back to the very early stage of Chinese migration. The majority of Chinese migrants were poor and illiterate. They were heavily dependent of their relatives or kinsmen or folks of the same villages, or same

¹⁸ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, pp. 23-27.

dialect before they were able to settle down and support themselves. Naturally, networks came to existence based on those ties. The concept of Ethnic Chinese business networks is an extensive one. It not only based on the ties mentioned above but also extended to base on sworn brotherhood, godparents, classmates, people speaking of same dialects, or born in the same year, or of same interest, etc. The networks can be interwoven and constitute an enormous web of people who intend to establish loyalty, trust, creditability and reciprocal relationship. *Guanxi* indicates a personal relationship loaded with affection and mutual obligations, and because of a lack of home government protection Ethnic Chinese particularly those businessmen had to rely on traditional Chinese social ties if they wanted to survive and prosper in new countries.¹⁹

It has been recognised that Ethnic Chinese capitalist economies are organised through personalised business networks. Unlike western firms that are autonomous and networking through commercially based corporations, Ethnic Chinese businesses are interlinked or connected to one another primarily through personal relationships. They create vast cooperative networks of interdependent firms, dominating the economic vantage points in some Asian societies. Networks have not only strengthened the economic position of the Ethnic Chinese in their countries but also allowed them to loom big in the global economy. Although the Ethnic Chinese business networks have become global, they are culturally Chinese. Strong business networking is an important characteristic of Ethnic Chinese business in which provides facilities for capital accumulation, marketing information and distribution of goods and service.²⁰ Today, the Ethnic Chinese businesses groups have distinguished themselves in entrepreneurship throughout the Asia-Pacific region where large networks in each society dominate the economy. The success of Ethnic Chinese global networks has been a topic of considerable interest at various international conferences since 1993.²¹ The role of networking through personal connection - *guanxi* - has great implication of the operation of Ethnic Chinese business which has a great impact on the world economy.

¹⁹ *Ibid.*, p. 31.

²⁰ *Ibid.*, p. 20.

²¹ Kee, Pookong, "Unravelling the Global Chinese Business Networks", *BIPR Bulletin*, No.11 April 1994, pp. 9-12.

Networking is a common practice both in the traditional and modern Ethnic Chinese business. In the olden days, because of the trust created by the network, an agreement could be concluded without signing, or credit could be granted to a friend's son who was entrusted by his father. Today, networks are able to function effectively of pooling limited financial resource in many cases. The network of joint investment is one important linkage that allows enterprise to expand, even expand into large conglomerates in a systematic manner. Large scale Ethnic Chinese family business, CP Group runs very professionally which is a huge business group with interlocking directorship based on networking system.

Guanxi is one of the major dynamics in Chinese society both outside and inside China. *Guanxi* has been a pervasive part of the Chinese business world for the last few centuries, and it binds literally many Ethnic Chinese firms into a social and business web around the world. It is widely recognized in Ethnic Chinese society that *guanxi* is a key business determinant of company performance. It is the lifeblood of both the macro-economy and micro-business activities in which any business in the commercial world, including both domestic companies in China and overseas, inevitably faces *guanxi* dynamics. The Chinese word *guanxi* refers to the concept of drawing on connections in order to secure favours in personal relations, and it forms an intricate and sophisticated relational network which the Ethnic Chinese businessperson cultivate subtly. Generally, *guanxi* contains implicit mutual obligations, assurances and understanding, and governs attitudes of many Ethnic Chinese businessperson toward long-term social and business relationships, and it means interpersonal linkages with the implication of continued exchange of favours. Hence, *Guanxi* is more than a friendship or simple interpersonal relationship; it includes reciprocal obligations to respond to requests for assistance by other people. However, unlike inter-firm networking in the West, this reciprocity is implicit, not necessarily equivalent, and only socially binding. Of course, interpersonal relations are certainly not peculiar to the Chinese society. They exist to some extent in every human society. The fact in Ethnic Chinese business is that it is ubiquitous and plays a fundamental role in business dealing, and the constructing and maintaining *guanxi* is a common preoccupation for entrepreneurs and managers.²²

²² Luo, Yadong, *Guanxi and Business*, World Scientific Publishing Co.Pte. Ltd, Singapore, 2000, pp. 1-12.

Across Asia, prominent Ethnic Chinese businessmen usually have connections with other Ethnic Chinese outside the region. Their links with Western and Japanese business partners enable them to access to new technology and foreign capital. Meanwhile, the benefits of establishing joint ventures with the Ethnic Chinese entrepreneurs to either develop their business interest in Southeast Asia or access the Mainland China market is increasingly recognised by Western firms. In Australia, many Ethnic Chinese migrants have already played a significant role in Australian economy. The universities alumni link with the East and Southeast Asian countries is very strong. Such as the Low Yow Chuan Group, a major property investor in Australia is owned by Ethnic Chinese who was educated in Australia at the tertiary levels.²³ Many business dealings go through networks, and *guanxi* plays an effective role in business dealing.

Personal Trust

Personal trust (*xinyong*) is the backbone of Ethnic Chinese business networks. It is the basis for a particular type of business strategy which emphasizes personal relations and long-term connections to cultivate the networking.²⁴ The distinctive characteristic of the Ethnic Chinese business networks is personal trust. Personal trust is the first principle adopted by the Ethnic Chinese in every community they reside, in conducting business both in traditional and modern forms. Trustworthiness is the focus of personal relationship in business organization. Personal trust is one of the key underlying mechanisms that allow economies to work based on networks. Personal connections in respect to employment, access to finance and partnership are mainly operated under this mechanism. Almost without exception, the traditional Ethnic Chinese business throughout the world prefer to employ someone with personal ties which personal trust existed or was allowed to be fostered easily. Personal trust is still a preference for internal management in large-scale businesses. When they select the managerial personnel for the firm, professional competence and experience are certainly important, but personal trust is the necessary condition.²⁵ A person known personally by the boss

²³ EAAU, *Overseas Chinese Business Networks in Asia*, East Asia Analytical Unit, Department for Foreign Affairs and Trade, Commonwealth of Australia. 1995. p. 251.

²⁴ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, p. 37.

²⁵ Kao, Cheng-shu, "Personal Trust" in the Large Business in Taiwan: A Traditional Foundation for Contemporary Economic Activities" in Gary, Hamilton (ed.), *Business Networks and Business*

or introduced by a person the boss trusts is preferred. It is exceptional for a person to be placed in a high position by virtue of his professional competence alone. Sometimes, he may be put in a middle level position at the beginning, and he has a chance to be promoted if he is able to demonstrate loyalty or trustworthiness. Because of the principle of personal trust, many Ethnic Chinese entrepreneurs throughout the world would try their best to place their well-educated sons, daughters and trusted close relatives in the executive or other relatively important managerial positions.

It is commonly found the intimate *guanxi* and established trust to allow the Ethnic Chinese to gain access to credit or to pool finance for starting and expanding a business. This explains why, among the Ethnic Chinese throughout the world, traditionally an agreement could be reached without signing, or credit could be given through the signing of back dated cheques that provided no legal guarantee. In contrast, sometimes formally defined contract and rules tend to be considered insult. Formalities were applicable only to unfamiliar people. Such practice is still applicable in many Ethnic Chinese businesses. In Hong Kong's small industries, many of them were heavily dependent on particularistic ties to get orders and mostly, agreements were made verbally on an informal basis. In 1987, only one-third of the small industrialists interviewed reported that their subcontracts were formalised in written documents.²⁶ Personal trust enables the Ethnic Chinese to start their businesses from scratch.

Since personal trust and *guanxi*-based exchange are established through interpersonal relationships, therefore, the loss of "face" (*mianzi*) of an individual can have system-wide negative effects. The nature and pattern of economic transformation in China also stimulates pervasive *guanxi*-based business connections. Although China adopted policy of economic reform towards market economy, this economy is characterised by relatively undeveloped market structures, poorly specified property rights, and institutional instability which makes market exchanges uncertain and costly. Therefore *guanxi* and networks play a special role in this transformation especially for Ethnic Chinese investors.

development in East and Southeast Asia, Centre for Asian Studies, University of Hong Kong, pp. 67-71.

²⁶ Wong, Siu-lun, "Chinese Entrepreneurs and Business Trust", in Gary Hamilton (ed.), *Business Networks and Business development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, 1991, p. 21.

Economic transformation has weakened the planning economy and decentralized macro-economic control in China. The necessary formal constraints over a market-based economy, namely a well-defined legal framework concerning property rights, are relatively lacking. This situation has inevitably resulted in a sharp rise in opportunistic behaviour and higher transaction costs that need *guanxi* to play a necessary role.²⁷

Differences

The Ethnic Chinese business networks are different from the Japanese and Korean networks. Ethnic Chinese networks are weaker in inter-firm relations and receive less government support than their Japanese and Korean counterparts. They are built on traditional *guanxi* (personal connections) and *xinyong* (trust). They played a very important role in the rise of Ethnic Chinese business, and have been one of key factors contributing to the success of Ethnic Chinese business.²⁸

Under the influence of traditional Chinese culture, family loyalty overrides all other loyalties in Ethnic Chinese community. Therefore, business relationships are also primarily dictated by family interests on which the ties between companies owned by the same family are stronger than those between firms owned by different families. In Ethnic Chinese communities, personal relationships (*guanxi*) are based on familial, kinship, geographical and dialect ties, thus affecting business relationships in accordance with the distance or closeness of the personal relationships; while Japanese and South Korean obligation networks are able to cut across these kinship and geographical ties, and have the ability to form strong bonds with people of different backgrounds. Ethnic Chinese businessmen enjoy less government patronage than their counterparts in Japan and South Korea, and their capacity to build political connections has become an important precondition to expand their business and in the success of their family businesses.²⁹

Understanding the operation of Ethnic Chinese business based on networking is better to an understanding of how they do business and from where they get started with their business. Understanding the different dialect groups in the operation of the networks will be helpful to understand their business dealing.

²⁷ Luo, *Guanxi and Business*, pp. 43-45.

²⁸ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Introduction, p.vii.

²⁹ *Ibid.*, pp. 27-28.

Today, the enlarged concept of networks has played an important role in the global economy, linking the people in China and all over the world. In Ethnic Chinese community, *guanxi* maintains confidence in doing business and minimises waste of resources and managerial costs to achieve business efficiency. Where *guanxi* becomes a kind of investment in business operations, the Ethnic Chinese who share a common cultural heritage with the Chinese in China come to play a significant role in China's economic modernisation. The personalised nature of the Ethnic Chinese business networks can function well in alien political environment. Political linkage with the indigenous politicians, elite or government officials is invaluable for Ethnic Chinese businessmen who are relatively politically powerless. It often enables them to access information, government contracts and other privileges. The role of the networks in lubricating the system in the countries where laws, legislations and regulations are under developed is crucial, particularly in China, as Senior Minister Mr. Lee Kuan Yew of Singapore commented that personal relationships - *guanxi* could make up for the lack of rules of law and regulation in doing business in China.³⁰

Since Chinese capitalism rests on a form of social organisation that is legitimised through kinship principles and is not dependent on a system of political economy, these principles are flexible and give Ethnic Chinese entrepreneurs a comparative advantage. Utilizing these principles, Ethnic Chinese entrepreneurs do not normally engage in businesses requiring high overhead or large factories. As Professor Hamilton points out:

The preference for family firms and networked business structures leads to the formation of a different type of capitalist development and a different type of market structure than that found in Japan or in the West.³¹

The Use of Business Networking

Denying substantial role of networking in the operation of Ethnic Chinese businesses, some scholars argue that networking will become irrelevant once Ethnic Chinese businesses become corporations. The argument for this view is based on the assumption that Ethnic Chinese businesses will eventually shift

³⁰ Kee, Pookong "Unravelling the Global Chinese Business Networks", *BIPR Bulletin*, No.11 April 1994, p. 10.

³¹ Hamilton, Gary G., "Overseas Chinese Capitalism", in Tu Wei-ming (ed), *Confucian Traditions in East Asian Modernity*, Harvard University Press, Cambridge, 1996, p. 341.

towards Western practices and abandon traditional Chinese networking once they grow to become public companies. In fact, even though Ethnic Chinese businesses have to expand by adopting more Western business principles to accounting and management, they cannot change over completely to Western ways of doing business because they are dealing with mostly Asian companies and consumers. Today, Chinese values that underpinned Ethnic Chinese business operations in the past still work to some extent. Ethnic Chinese businesses need to adopt good Western practices to combine them with the best of the traditional Chinese values in order to produce a hybrid system which will suit the reality of commercial arena in which they play.³² This has exemplified in the case study of CP Group.

Where personal trust exists there is potential opportunity that the networks can become boundless. Today, although the large-scale Ethnic Chinese businesses are still distinctively family-owned, many of them have off-shore representatives, branch companies or subsidiaries around the world. Li Ka-shing an Ethnic Teochew Chinese entrepreneur, his business is centred in Hong Kong, but it extends into China, Singapore, Australia, Europe, America, and around the world. Based on a common ancestral origin in Fuzhou, Fujian province, two of the successful and prominent Ethnic Chinese entrepreneurs, Robert Kuok and Liem Sioe Liong share an enduring cooperative partnership.³³

The operation of networking system also enables the key actor of the business to make a prompt decision to pool the necessary finance whenever business opportunities come up or make the family adaptable to rapid changing situation. There are numerous examples in which the Ethnic Chinese not only demonstrated their ability to identify the market niches, but also to respond quickly to the new opportunities making good use of the advantage offered by the networking system. Many early Ethnic Chinese businessmen were compradors between indigenous population and the western trading house illustrates this. In Thailand, Sino-Thai Bangkok Bank that is predominated by Teochew group has filled a niche across Southeast Asia left by western banks.³⁴

The functions of guilds, dialects associations, business linkages and the like within the networks enable the Ethnic Chinese entrepreneurs to share the

³² Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, pp. 44-45.

³³ EAAU, *Overseas Chinese Business Networks in Asia*, p. 2.

³⁴ *Ibid.*, p.127.

advantage to minimize transaction cost, access to cheap information, investment advice to business development. As the Ethnic Chinese businesses become larger and more sophisticated, the traditional way of raising capital decreases its importance. As financial market becomes more developed, more Ethnic Chinese businesses are integrated into the Western principles of business management. Nevertheless, traditional basis of raising fund is still important for Ethnic Chinese small businesses. Many Ethnic Chinese businesses in Hong Kong or Thailand or investing in China are still operating on a traditional basis. Even large-scale businesses and conglomerates prefer to adopt a mixture of financing methods to raise fund. That is to raise capital for expansion from the firm's retained earnings, then by borrowing and finally, from issuing stock. When it comes to debt financing they try to avoid going into an outside source, but from a financial arm associated with the firms. This explains why it becomes a feature that many large scale Ethnic Chinese businesses, especially the conglomerates, consist of two parts of components. One is the non-financial business component operating in trading and manufacturing, another is the financial component dealing with insurance, banking etc.³⁵

Networks and Investment in China

Today Ethnic Chinese investors largely use *guanxi* to expand their business in China. Most of the Ethnic Chinese can trace their origins to two provinces, Guangdong and Fujian, and they have taken the advantage of common language and family links and the practice of networks. After China's "open door" policies implemented, four-fifth of Hong Kong's investment flows to Guangdong and most of Taiwanese investment capital goes to Fujian. Moreover, the networks are not limited to family, clan-oriented and ancestral original links. Many Ethnic Chinese investors have developed good connections around the world.

As the Ethnic Chinese business network is being enlarged in global context, its role in China's economic transformation is increasingly recognised. The economic reform in China after 1978 facilitated the establishment of the four original Special Economic Zones in Shenzhen, Zhuhai, Shantou and Xiamen that

³⁵ Ch'ng, David C. L., *The Overseas Chinese Entrepreneurs in East Asia: Background, Business Practice and International Networks*, Committee for Economic Development of Australia, CEDA Monograph M100, p. 15.

had attracted large foreign investment from the Ethnic Chinese investors. Cherishing the spirit of Chinese capitalism which links to cultural, linguistic and emotional ties with their ancestral places, Ethnic Chinese entrepreneurs invest and trade in China and have soon become a driving force in the making of an economic giant. As the practice of the Ethnic Chinese business is largely dependent on networks, their businesses are started and operated relatively smoothly in China where relationship is the key in various kinds of dealing.

In the escalation of investment in China, and as globalisation gradually set in, some far-sighted Ethnic Chinese believed that the networks of traditional kinship and dialect ties could be utilised for the promotion of their business. The formation of several loose trans-continental dialect and kinship organizations - the Teochew International Convention, the Hakka International Convention, and the Hainanese International Convention - since the 1980s crystallised their belief. This informal international dialect linkage provides regular contacts for the businessmen of same dialect group worldwide through regular conventions held annually or biennially to expand their international networks. As for the Teochews, the first Teochew International Convention, which was called in November 1981 in Hong Kong, and the conventions are to be held biennially. To institutionalise the existing business networks in the service of emerging Ethnic Chinese worldwide is the convention of the world Chinese entrepreneurs. The first convention was hosted by the Singapore Chinese Chamber of Commerce and Industry at the Mandarin Hotel in 1991.³⁶

Ethnic Chinese has profound *guanxi* and networks in their ancestral home region. Foreign direct investment (FDI) in China originates primarily from two sources: Ethnic Chinese community investors and Western multinationals. Although more than 40 countries from all over the world have directly invested in China, more than three quarters of the total FDI in China has come from the Ethnic Chinese communities, namely, Hong Kong, Macao, Taiwan, Singapore, Thailand, Malaysia and Indonesia, comprising approximately four times as much as by Western multinationals.³⁷

Market demand is one of the factors, and apart from the market opportunities that are commonly available to all international investors, the dominance of

³⁶ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, pp. 46-49.

³⁷ Luo, *Guanxi and Business*, p. 61.

Ethnic Chinese investment in Mainland China is also attributable to the similarities in demand conditions. Geographic affinity is another factor, and it is an important contributor to the phenomenal growth of FDI by Ethnic Chinese investors. Hong Kong and Macao are adjacent to Shenzhen and Zhuhai, two of the first four China's special economic zones opened in 1979, and Taiwan is just opposite Xiamen, another special economic zone located in the Fujian province. The geographic proximity reduced transportation costs and turnaround time for mainland production, and it was crucial in vertically integrated manufacturing for Ethnic Chinese investors. The opening of China's door coincided with the severe labour shortages in Hong Kong, Singapore and Taiwan and the need for economic restructuring within these three economies. There had been a large-scale movement of export-oriented, labour-intensive industry in Ethnic Chinese communities, particularly those in Hong Kong which looked to mainland coastal provinces to seek low cost labour and land. Since Ethnic Chinese investors from Hong Kong, Taiwan, Singapore and Macao were the major source of FDI in China, they moved relatively labour-intensive activities to China in an attempt to escape rising labour costs and space constraints. Most of them operated the labour-intensive industries such as textiles, garments, electronics, electrical goods metal, plastics and toys with advanced technologies and through networks in the international market. The shifting of production of their enterprises to Mainland China where wage levels were fundamentally lower became immensely attractive to them.³⁸ Ethnic Chinese investors efficiently use these networks to operate their business in Mainland China. According to Confucian philosophy, all people are social or interactive human beings; thus personal connection, *guanxi* is of great importance.

Confucian Influence on the Ethnic Chinese Business

The Ethnic Chinese in the East and Southeast Asia have invariably retained many Confucian values and Chinese traditions. Confucian values were transmitted to the Ethnic Chinese communities through education, customs and social practices, especially family business operation.³⁹ Confucian emphasis on education is

³⁸ Luo, *Guanxi and Business*, pp. 65-66.

³⁹ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, pp. 15-19.

evident in Ethnic Chinese society. Modern Chinese education achieved remarkable growth in Ethnic Chinese communities from primary school to junior school and then to senior high school that provided a genuine alternative to Western colonial education for Chinese children. The result of the education was the retention of many Confucian and modern cultural values, and shaping the character of the Ethnic Chinese communities. The Chinese education constitutes a main part of Ethnic Chinese culture which would have been different if Ethnic Chinese education had not been preserved and developed. Also, Confucian values have strong input in the formation of Ethnic Chinese entrepreneurship, and form part of the salient features of Ethnic Chinese entrepreneurship: “the ability to bring capital, labour and management together to found an enterprise; the courage to take initiatives and risks; the determination to implement ideas and the will to succeed; the ability to lead, to communicate and manage a successful enterprise”. All of these good qualities of an entrepreneur were reflected in the Kwok brothers’ entrepreneurial activities to create the Wing On Company. The Kwok brothers had not just acted as agents between capital and labour, as traditionally defined entrepreneurs, but also as creators and perpetuators of modern business enterprises, possessing the Schumpeterian qualities of acquisitiveness, innovativeness and a willingness to take risks to manage the Wing On Company successfully.⁴⁰

Confucian values of the importance of family, filial piety, loyalty and reciprocity etc, filtered down to all sections of the Ethnic Chinese communities, particularly in their family business operation. Through family teachings, ancestral worship, functions of the clan and dialect organizations, these Confucian values set frameworks for the Ethnic Chinese, providing them with guidance in their behaviour and laying the foundations for the Ethnic Chinese business ideology.⁴¹ Some of the Confucian important concepts in modern Ethnic Chinese business ideology such as “harmony”, “reciprocity”, “hierarchy” and “paternalism”, “innovation” and “progress”, “benevolence” and “propriety” always appear in Ethnic Chinese business operations. For Ethnic Chinese business, the concept of harmony (*he*) is perhaps the most important, and it is derived from Confucian concepts of benevolence (*ren*) and propriety (*li*), and the maxim of

⁴⁰ *Ibid.*, Introduction, pp. viii-ix.

⁴¹ *Ibid.*, pp. 15-16.

“harmony generates wealth” (*heqi shengcai*) become a principle in Ethnic Chinese business.⁴²

Family value and paternalism have strong influence on their business and most Ethnic Chinese entrepreneurs regard their enterprises as an extended family, and they and their employees only assume different status and roles within a large family of their enterprise. Ethnic Chinese entrepreneurs tend to perceive the employer-employee relationship as a senior-junior partnership in a common endeavour, and their relationship to be harmonious, co-operative and complementary to benefit everyone in the enterprise. In applying Confucian concept of reciprocity to a business enterprise, Ethnic Chinese entrepreneurs aptly use it to establish good relationships with their employees. It appears to seal a strong bond with their employees, and thus helping to smooth industrial relations in their business running. Confucian concepts of hierarchy and paternalism form important elements of Ethnic Chinese business ideology. Traditional Chinese society under the Confucian principles was structured hierarchically by class and status, and was organised into hierarchies of age, gender and generation within family and clan. In contrast to the Western concept of equality, the Confucian concept of social hierarchy is based on the assumption that individuals are inherently unequal in ability and morality, and they should therefore be given different status and roles in society. These concepts of hierarchy and paternalism generate a strong sense of competitiveness and self-motivation which helps to motivate and discipline the entrepreneurs and work force. They serve as a driving force behind modern Ethnic Chinese business enterprises.⁴³

Confucian Philosophy

“According to Confucian philosophy the individual is never an isolated, separate entity.”⁴⁴ Therefore, the cultivation of *guanxi* has a long history and its roots are deeply embedded in 2000 years of Chinese culture. Since all people are social and interactive, they need eight moral principles in order to keep social order and harmony. Luo states:

⁴² Yen, Ching-hwang, *Studies in Modern Overseas Chinese History*, Times Academic Press, Singapore, 1995, pp. 238-243.

⁴³ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, pp. 15-19.

⁴⁴ Luo, *Guanxi and Business*, p. 13.

They are: *zhong* (loyalty), *xiao* (respect, filial piety), *ren* (kindness), *ai* (love), *xin* (trust), *yi* (justice), *he* (harmony), and *ping* (peace). These Confucian principles are the foundation of Chinese human relations and networks.⁴⁵

Ethnic Chinese business ethics rest upon a rich and diverse cultural moral heritage that emphasizes personal virtue (*de*) and a right ordering of personal relationships in social organisations. Although Western Enlighten philosophies of business and society have come to exert increasing influence on Ethnic Chinese approaches to business ethics, Chinese ethical tradition appears much more resilient. Traditional Chinese cultural influence on ethics is communitarian and emphasizes a way to follow to achieve moral integrity. The pathway of ethical behaviour has given expression to concrete criteria of virtues and moral character, as like the virtue of *ren* (kindness) which expresses complex notions of benevolence, kind-heartedness and humanity to form the basis of the notions of other virtues of righteousness, sincerity, trustworthiness, responsibility, and justice in both people's conduct and social institutions. In some economically advanced or more developed Confucian societies, as like Hong Kong, Singapore and Taiwan, even in Japan and South Korea, the establishment of institutional law has not displaced reliance on personal connections and maintaining personal relationships is among the core values of these economies.⁴⁶

Despite Chinese government official denunciation of Confucianism previously in China, particularly during the Cultural Revolution, the deep-rooted family values and traditions have never been totally destroyed. The similarities between the management culture of Mainland China and the Ethnic Chinese, even though one is based on a socialist economy and the other on a capitalist one, are very strong.

The Renaissance of Traditional Management and Culture

Chinese Cultural influence on business management also appears strong and popular. Recent research has shown that the new private sectors' entrepreneurs - many of whom are relatives of Ethnic Chinese - in Mainland China have readopted a traditional Chinese organizational model. Professor Schlevogt calls the model as "Web-based Chinese Management" (WCM). This management

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*, pp. 10-28.

model is widely practiced in many Ethnic Chinese private businesses overseas and in Mainland China, which is characterised by distinctive structural choices and management practices by emphasising on traditional Chinese culture. The WCM model has two distinctive characteristics of organizational structure: (1) high centralization; there is a high degree of centralization of power in the founder or owner, (2) low degree of bureaucracy; the degree of formalization of control system and integration is low, and lack of a well-designed organisational hierarchy. In management practices, it has two distinctive characteristics as well; (1) strong entrepreneurship; private enterprises of Ethnic Chinese and mainland Chinese tend to follow proactive and aggressive strategies, and adopt a flexible leadership style, (2) the focal firms usually have extensive firm networks, and many enterprises facilitate close ties with family members. They emphasise family-related values which include respect for age and hierarchy, and the importance of trust-based relationships. With regard to *guanxi*, the study showed that private enterprises emphasize family-based relations.⁴⁷ Ethnic Chinese entrepreneurs are the great webmaster to spin the countless personal and enterprises networks, and the Ethnic Chinese business webscape has been in place before Netscape. The family private enterprises both in Mainland China and overseas in the form of the paterfamilias' cherishing of family traditions and family relations based on Confucian principles - the personalistic and paternalistic rule of the owners.⁴⁸

Since the recognition of role and status of private enterprises and private entrepreneurs in China, the transfer of management ideas and other resources from Ethnic Chinese back to the mainland exemplifies the synergetic effect of a greater cooperation between China and Ethnic Chinese. As what professor Schlevigt has aptly pointed out:

The traditional, pre-revolutionary Chinese management practices together with the associated Confucian principle to emphasise on family-based values that "left" China to be spread across the Ethnic Chinese had returned to the mainland.⁴⁹

⁴⁷ Schlevogt, Kai-Alexander, "Chinese Entrepreneurship and Resilient National Development", in Thomas Menkhoff and Solvay Gerke (ed.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 85-89.

⁴⁸ *Ibid.*, p. 97.

⁴⁹ *Ibid.*, pp. 96-97.

The emphasis on family values creates valuable social capital, which helps to reduce costs. For the sake of the family, they study hard, work long hours. Since family members participate in the family owned enterprise and are responsible for its well-being of which they have a share, they have incentive to work hard, and have strong degree of company loyalty with a strong desire to accumulate wealth for their coming generations. More importantly, trust among family members allows for a high degree of secrecy in information-sensitive areas. In the Chinese family business, there is a high degree of flexibility associated with relatively small firm size, as well as international lineage-based networks. When their businesses become very big, they usually break down to many small or medium sized firms with strong networks. Given that transactions and business dealing with other enterprises in the network are based on trust and good faith without contract, and costs are very low.⁵⁰ A study in China has found that the enterprises concept is influenced by traditional paternalistic ideas. Over 80 percent of entrepreneurs interviewed wanted to see their enterprise as “one big family” in which the entrepreneur likes a father to look after the employees who then work for the enterprise with unselfish devotion.⁵¹

In 1991, Professor Yen Ching-hwang in his case study of the Wing On Company in Hong Kong and Shanghai: “A case Study of Modern Overseas Chinese Enterprise” had already analysed these Confucian principles together with modern Western elements in the management of Kwok brother - the owners of the company.⁵² He pointed out:

The company’s attitude towards its staff was fundamentally paternalistic and moralistic. ... In the eyes of the Kwok brothers, the company was a big family unit, and they were heads of that family, and the employees of Wing On were members of this large extended family. They were morally obligated to look after the interests of the employees, and in return, the employees were to work to their utmost for the best interests of the company.⁵³

It is obvious that cultural influences have played an important role in Ethnic Chinese business development. This is why many Ethnic Teochew Chinese

⁵⁰ *Ibid.*, pp. 87-91.

⁵¹ Heberer, Thomas, “The Role of Private Entrepreneurship for Social and Political Change in the People’s Republic of China and Vietnam”, , in Thomas Menkhoff and Solvay Gerke (ed) *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 103-104.

⁵² Yen., *Studies in Modern Overseas Chinese History*, pp. 196-227.

⁵³ *Ibid.*, p. 209.

entrepreneurs together with other people donated huge fund to build a museum in Teochew to promote traditional Chinese culture. Confucianism has the most prominent influence on Ethnic Chinese. Taoism as well has influence on Ethnic Chinese business together with Buddhism which appears particular strong in Teochew Chinese in Thailand. For instance, a number of entrepreneurs are Buddhists, including the chairman of CP Group. In order to promote these cultures, Ethnic Teochew Chinese built a grand Teochew Dan Fu Museum (*Chaozhou Dan Fu Wenwu Yuan*) to exhibit several hundred calligraphies which



Plate 1: Teochew Dan Fu Museum (Dan Fu Wen Wu Yuan)

Source: Teochew (Chaozhou) Dan Fu Wenwu Yuan

are engraved in stones. These calligraphies contained many famous maxim and sentences which are quoted from books of Confucianism, Taoism and Buddhism. When I conducted field research in 2002, the President/Curator of Dan Fu Museum, Li Wenhai who is also vice president of Chia Tai (CP) Group invited me to enjoy the exhibition in the museum. Li repeatedly emphasised the importance of traditional Chinese cultural influence on Ethnic Chinese business development. As Redding argued that factors derived from Chinese culture and tradition, combined with political, economic and geographical forces have laid the

foundation for Ethnic Chinese business success.⁵⁴ In comparison to other ethnic groups in Southeast Asia, Professor Yen states:

The Ethnic Chinese, who had accumulated enormous capital in the region over the centuries and had built intricate but effective business networks, were in a better position than other ethnic groups to take advantage of this new situation.⁵⁵

The cultural influence together with other factors led to the success of Ethnic Chinese business. The capital and assets of Ethnic Teochew Chinese in Thailand is in a very important position in Thai economy and among Ethnic Chinese businesses.

In cultural perspective, China's ability to attract Ethnic Chinese community investors depends on ethnic ties. This can be seen from the fact that the incentives offered by the Chinese government are attractive. Ethnic Chinese ties have been a major influence on Chinese community-funded FDI in Mainland China.⁵⁶ On one hand, Ethnic Chinese have accumulated huge capital and technical know-how; on the other hand, the Mainland China was in dire need of these economic essentials. This gives rise questions of why China needs to attract FDI. What was the background for China's adoption of "open door" policy and why did China carry out the economic reform? These issues will be discussed in the next chapter.

⁵⁴ Redding, *The Spirit of Chinese Capitalism*, pp. 1-16.

⁵⁵ Yen, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, p. 15.

⁵⁶ Luo, *Guanxi and Business*, pp. 65-67.

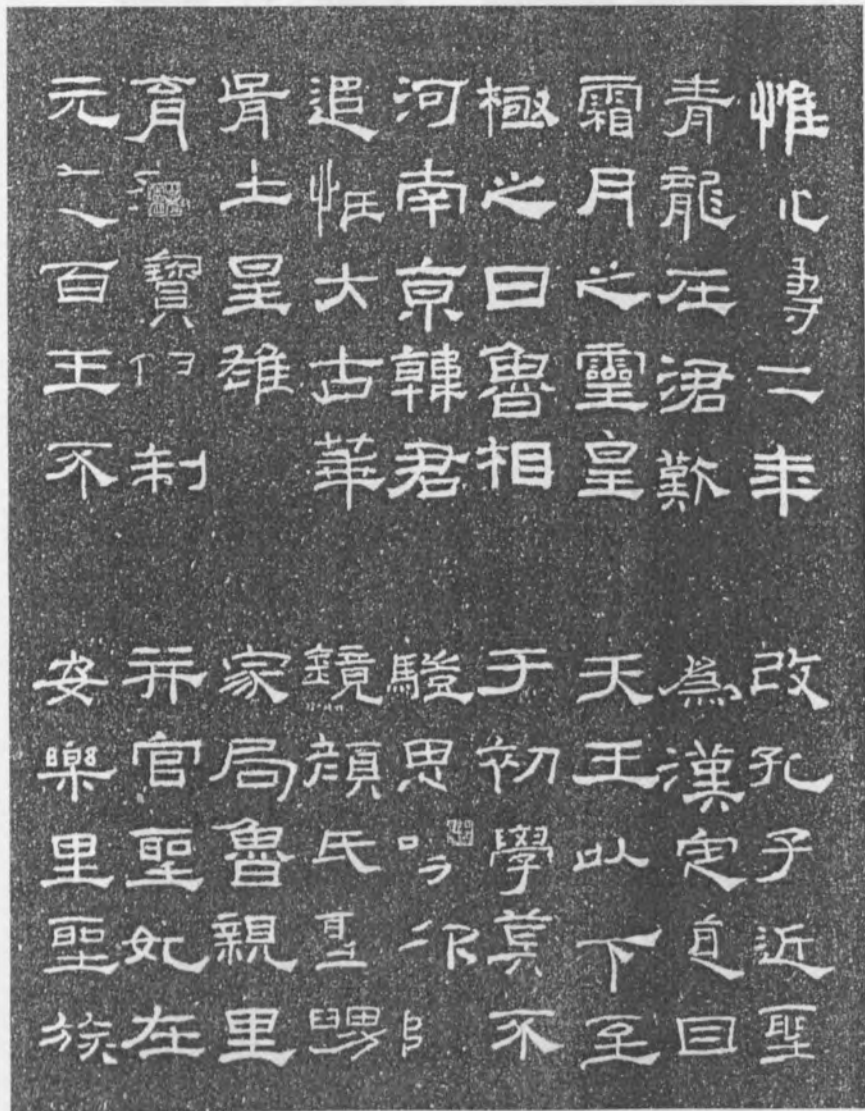


Plate 2: One of the exhibition calligraphy which is engraved in stone in the Dan Fu Museum in Teochew

Source: Teochew Dan Fu Musium (Chaozhou Dan Fu Wenwu Yuan).



Plate 3: One of the exhibition calligraphy which is engraved in stone in the Dan Fu Museum in Teochew

Source: Teochew Dan Fu Musium (Chaozhou Dan Fu Wenwu Yuan).

天積眾精以自剛聖
 人精眾臣以自強天
 序曰月星辰以自光
 聖人序爵祿以自明
 天所以剛者非一精
 之力聖人所以強者
 非一賢之德也故天
 道務盛其精聖人務
 眾其賢春秋繁露
 立元神語邵亭書圖

陽之精氣曰神陰之
 精氣曰靈神靈者品
 物之本也而禮樂仁
 義之祖也而否治
 亂所興作也陰陽之
 氣各盡其所則靜矣
 偏則風俱則雷交則
 電亂則霧和則雨陽
 氣勝則散為雨露陰
 氣勝則凝為霜雪陽

之專氣為電陰之專
 氣為霰霰電者一氣
 之化也
 辛酉十月之望節
 書曾子天圓

律居陰而治陽居
 陽而治陰歷律疊相
 治也其間不容髮
 同上既望邵亭明
 變書圖

Plate 4: One of the exhibition calligraphy which is engraved in stone in the Dan Fu Museum in Teochew

Source: Teochew Dan Fu Musium (Chaozhou Dan Fu Wenwu Yuan).



Plate 5: One of the exhibition calligraphy which is engraved in stone in the Dan Fu Museum in Teochew
 Source: Teochew Dan Fu Musium (Chaozhou Dan Fu Wenwu Yuan).

CHAPTER 4

BACKGROUND AND POLICIES OF CHINA'S ECONOMIC REFORM

An exploration of the background of China's economic reform in 1978 and the policies and strategies that were adopted by the Chinese government to facilitate the inflow of Ethnic Chinese capital into China is necessary as a starting point for an understanding of what has resulted in the influx of Ethnic Chinese investment in China and the role of the Ethnic Chinese in China's economic development. The most important issue of China's modernisation has been the concern of its intellectuals in the past 150 years or so, and what to borrow and learn from foreign countries and what elements of China's essence to retain have been among the key issues of debate among those dedicated to the strength and prosperity of China.¹ It has a long history of Ethnic Chinese who dedicated to China's modernisation, for instance, and in the Singapore Chinese Chamber of Commerce which was founded in 1905 by Zhang Bishi, the Chamber and Zhang developed close economic ties with China and helped to mobilise Ethnic Chinese capital in the service of Qing economic modernisation.²

Background of China's Economic Development Strategies

The "Open Door" Policy

The "open door" policy implemented under the leadership of Deng Xiaoping after 1978 was a major departure from the self-reliance of the centrally-planned economy, which was, to a large extent, responsible for the backwardness of the economy in Mao's era. During that period, Deng Xiaoping strongly upheld the "open door" policy for China's economic development and explained in various occasions. He discussed the history in China and stated:

Isolation prevents any country's development. We suffered from this and so did our forefathers. You might say it was an open policy of a sort when Zheng He was sent on voyages in the western oceans by the Ming Emperor Zhu Di (who reigned from 1402 to 1424). But the Ming Dynasty entered a

¹ Cheng, Joseph Y. S., *China: Modernisation in the 1980s*, The Chinese University Press, Hong Kong, 1989, p. Preface.

² Yen, Ching-hwang, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press Singapore, 2002, Introduction, p. xi.

decline with the death of Emperor Zhu Di and China was subjected to foreign aggression. In the Qing Dynasty, during the reign of Kang Xi (1662-1722) and that of Qian Long (1736-1795) there was no open policy to speak of. Isolation lasted more than 300 years, from the middle of the Ming Dynasty (1368-1644) to the Opium War (1840). Counting from the reign of Kang Xi, it was almost 200 years. As a result, China fell into poverty and ignorance. After the founding of the People's Republic, we did open our country to the outside world during the First Five-Year Plan period, but only to the Soviet Union and East European countries.³

Deng reinforced his determination to adopt the open-door policy by stating:

We have decided to follow an open policy both internationally and domestically. It is very important to open to the outside world. No country can develop in isolation, with its door closed. It would be impossible for China to achieve its first and second goals if it didn't open its doors to other countries, increase international contacts, introduce advanced methods, science and technology from developed countries and use their capital. Keeping its doors closed won't work. That is what we mean by pursuing an open policy internationally. Pursuing an open policy domestically means carrying out reform.⁴

In January 1975, former Premier Zhou Enlai stated the goal of realising the "Four Modernisations" in China before 2000 which was referred to the modernisation of agriculture, industry, science and technology, as well as national defence. Deng Xiaoping-the Deputy Premier developed the ideas of open-door in his speech on general policy in the same year, arguing that China's future depended on the improvement of production that could be developed by large import of foreign technology and funded through increased trade and foreign loan and investment. He commissioned the drafting of a series of economic development documents designed to achieve this goal. Some of his political initiatives were particularly expressed in one of the documents which was drafted by the State Planning Commission and highlighted by Deng at a State Council meeting. He enunciated:

We should introduce new technology and equipment from other countries and expand imports and exports. Foreign countries all attach great significance to the introduction of new technology and equipment from abroad.⁵

³ Deng, Xiaoping, "Speech at the Third Plenary Session of the Central Advisory Commission of the Communist Party of China", October 22, 1984, in Deng Xiaoping, *Fundamental Issues in Present-day China*, Foreign Languages Press, Beijing, 1987, p. 79.

⁴ Deng, Xiaoping, "Expanding Political Democracy and Carry out Economic Reform", main points of a talk with Vice-President Ali Hassan Mwinyi of the United Republic of Tanzania. April 15, 1985, *ibid.*, p. 108.

⁵ Deng, Xiaoping, *Selected Works of Deng Xiaoping (1975-1982)*, Foreign Language Press, Beijing, 1984, p. 44.

However, Deng's voice was drowned by the radicals who insisted on economic development through political revolution and national independence. It was not until Deng Xiaoping regained power after the death of Mao Zedong and the downfall of the "gang of four" that the issue of "Four Modernisations" was brought back to the forefront. The Third Plenum of the Eleventh Central Committee of CCP endorsed the "open door" policy with the aim of achieving recovery from the economic disruption of the Cultural Revolution. Deng stated that:

China is now carrying out a reform. I am all in favour of that there is no other solution for us. ... So in 1978, at the Third Plenary Session of the Eleventh Central Committee, we formulated a new basic political line: to give first priority to the drive for modernisation and strive to develop the productive forces.⁶

During that time, Deng Xiaoping who emerged as China's paramount leader condemned the "Gang of Four" and repeatedly stressed the importance for China's modernisation:

We have waged a bitter struggle against the Gang of Four over the question of whether the four modernisations are needed or not. The Gang made the senseless statement that the day the four modernisations programme is realized will mark the day of capitalist restoration. Their sabotage brought China's economy to the brink of collapse and led to a constant widening of the gap between us and the countries with the most advanced science and technology. ... The key to the four modernisations is the modernisation of science and technology. Without modern science and technology, it is impossible to build modern agriculture, modern industry or modern national defence. Without the rapid development of science and technology, there can be no rapid development of the economy.⁷

Although China had substantial foreign loans from Japan and other world banking institutions such as the World Bank, it was very cautious of how foreign loans were used. The "Law of the People's Republic of China on Joint Venture Using Chinese and Foreign Investment" passed in July 1979 showed that the Chinese authorities were determined to keep control of the utilisation of foreign capital when granting legal status to foreign investment. The Joint Venture Law imposed direct Chinese managerial control over Foreign Investment Enterprises

⁶ Deng, Xiaoping, "We Shall Speed up Reform", remarks to Stefan Korosec, member of the Presidium of the Central Committee of the League of Communists of Yugoslavia, June 12, 1987, in Deng Xiaoping, *Fundamental Issues in Present-day China*, Foreign Languages Press, Beijing, 1987, p. 187.

⁷ Deng, Xiaoping, "Speech at the Opening Ceremony of the National Conference on Science", On March 1978, in Deng Xiaoping, *Speeches and Writings*, Pergamon Press, 1984, pp. 40-41.

(FIEs) to prevent them from falling into foreign control. For example, tax holidays, a form of incentive to foreign investors, was only offered to those joint ventures which were able to satisfy requirements for exports and technological developments, and the approval of investment projects for wholly foreign-owned enterprises (WFOEs) was conditional on their use of advanced technology and on the ratio of product exported.⁸ In other words the Chinese law aimed at ensuring that foreign investment promoted both exports and technological modernisation.

In 1980, four Special Economic Zones (SEZs) in Shenzhen, Zhuhai, Shantou and Xiamen in Guangdong and Fujian were established.⁹ They shared similarities with Export Processing Zones and Free Trade Zones in other parts of the world that were primarily designed for labour-incentive and export-orientated industries.

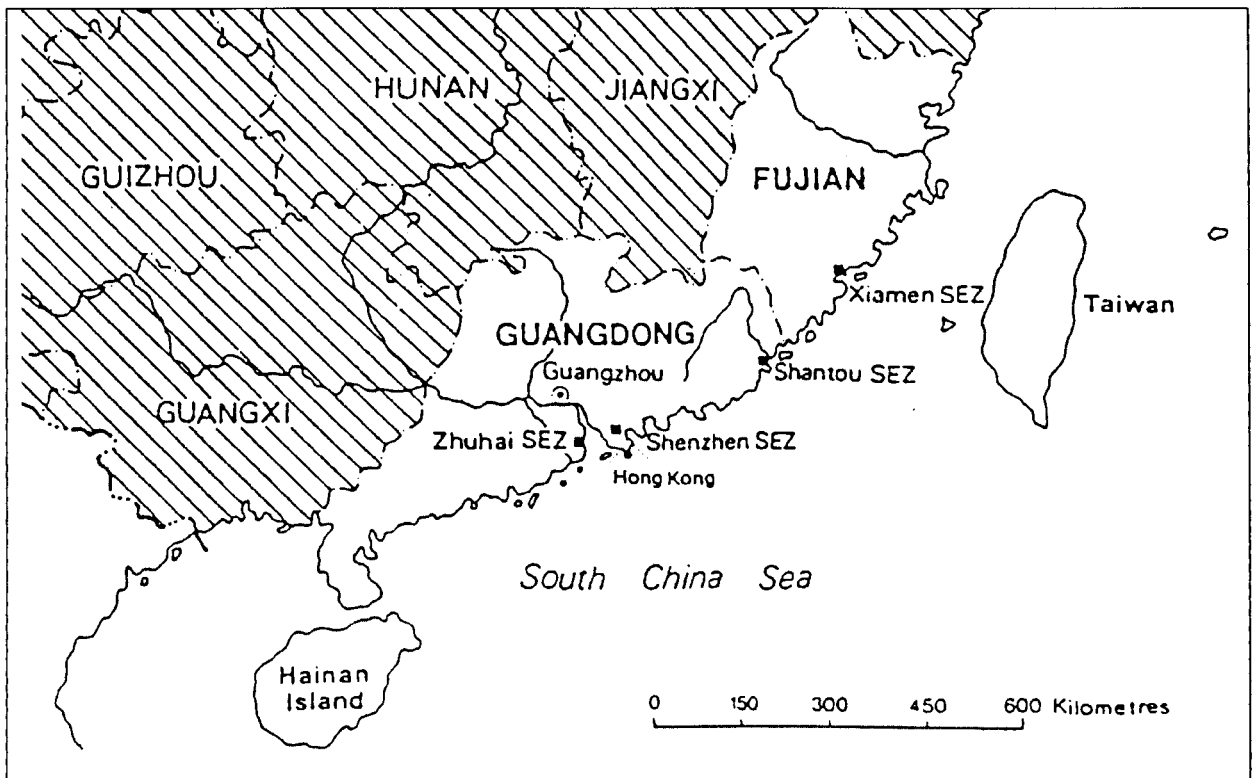


Figure 4: Location of China's Special Economic Zones

Source: Chossudovsky, Michael, "China's Open Door Policy", in Leung Chi-keung and Chin, Steve S. K. (eds.), *China in Readjustment*, Centre for Asian Studies, University of Hong Kong, 1983, p. 236.

⁸ Lee, Chyungly, "Foreign Direct Investment in China: Do State Policies Matter?", *Issues & Studies*, Vol. 33, No. 7, July 1997, pp. 40-61.

⁹ The establishment could be effectively dated to the early months of 1979. Naughton, Barry, *The China Circle: Economics and Electronics in the PRC, Taiwan and Hong Kong*, Brooking Institution Press, Washington, D. C., 1997, p.91.

But the SEZs was also aimed at developing commerce, service sectors, tourism, real estate and education.¹⁰ With the aim of attracting foreign investment and experimenting with the market economy, the establishment of the SEZs was a crucial step that symbolised the beginning of the economic reform and China's aim of integrating itself into the world's market economy. It led to the subsequent coastal development strategy and further opening in central and western China. All of these policies and strategies followed Deng's guidance and designs. He said:

In the meantime, the policy, the policy of opening China's doors to the outside world has produced the results we hoped for. We have implemented that policy in various ways, including setting up special economic zones and opening 14 coastal cities.¹¹ The utilization of foreign investment capital in a planned way and the promotion of a degree of individual economy are both serving the development of the socialist economy as a whole.¹²

The Strategy of Mao's Era

In the Mao's era, Chinese economic system was based on a concept of fast economic growth centred at heavy industry development. After the founding of the People's Republic of China on the first of October 1949, the Chinese Communist government adopted this strategy as a way to achieve the goal of rapid industrialisation so that China could catch up with advanced countries. However, at that time, the capital-intensive nature of heavy industry contradicted the capital-scarce nature of China's endowment structure. It was impossible to accelerate the development of heavy industry through the normal market mechanism. In the case of China, therefore, the government artificially suppressed prices of raw material, wages and prices of daily necessities, so that to reduce the costs of developing heavy industry. In this distorted macro-policy environment, resources had to be allocated through a highly centralised planning mechanism.¹³

¹⁰ Shen Chong and Xiang Xiyang, (eds), *Shinianlai, Lilun, Zhengce, Shijian-Ziliao Xuanbian (si)*, [Ten Years: Theory, Policy, Practice-Selected Information Vol. Four] Qiushi Publishing Company, Beijing, p. 122.

¹¹ Deng, Xiaoping, "We Shall Speed up Reform", remarks to Stefan Korosec, member of the Presidium of the Central Committee of the League of Communists of Yugoslavia, June 12, 1987, in Deng Xiaoping, *Fundamental Issues in Present-day China*, Foreign Languages Press, Beijing, 1987, p. 190.

¹² Deng, Xiaoping, "Speech at the National Conference of the Communist Party of China", September 23, 1985, *ibid.*, p. 128.

¹³ Lin, Justin Yifu *et al.*, *The China Miracle: Development Strategy and Economic Reform*, The Chinese University of Hong Kong, The Chinese University Press, Hong Kong, 1996, pp. 289-295.

In 1949, when the People's Republic of China (PRC) was established, the Chinese Communist leaders faced the decision of selecting an appropriate development strategy and choosing the proper administrative institutions to organize China's economic construction and development in order to catch up with the advanced countries. They chose the heavy industry-oriented development strategy. The strategy not only reflected the intuitive wishes of the political leaders, but also the result of the surrounding political and economic environments both inside and outside China at the time. Before the economic reform in 1978, China's economy was poorly developed. In general, heavy industries are extremely capital intensive and the construction of a heavy industry project requires a long gestation. In the early stage of heavy industry-oriented development in a developing country, a lot of the equipment and technology has to be imported from advanced countries. At that time, there was little possibility of mobilising large funds for investment in China. Exportable goods in China were limited, the foreign exchange rate was dearth, and the market-determined exchange rate was high. In sum, the economic surplus was very small. The solution for Chinese government was to make an institutional arrangement to lower the barriers to the development of heavy industry to suppress the interest rate, foreign exchange rate, prices of energy, agricultural products, raw materials, and wages etc. Therefore, a macro-policy environment characterised by distorted factor and product prices was formed to facilitate the development of heavy industries.¹⁴

Therefore, an economic system was formed to promote the heavy industry-oriented development in an agrarian, capital-scarce economy. This system included a macro-policy environment that distorted the prices of factors and products, a highly centralised resource-allocation mechanism that controlled the flow of material in the economy, and a micro-management institution that deprived enterprises of autonomy at the time.

Why did the leaders of Chinese Communist Party in the Mao's era choose the heavy industry-oriented development strategy to promote overall industrialisation and development? There were several key factors for the adoption of this strategy. The logic behind and the process of choosing China's development strategy was

¹⁴ *Ibid.*, pp. 50-55.

similar to the logic employed by former Soviet Union during a similar period at that time in its history. Even though, this was not exactly the same, China selected a strategic goal and economic developing model similar to those used by the Soviet Union due to the conditions or environment that China faced which were similar to those faced by the former Soviet Union.

For the purpose of a better understanding of the background that Chinese Communist leaders chose the heavy industry-oriented development strategy, one needs to review the arguments that took place in the debate of industrialisation during the 1920s in the Soviet Union. In 1921-1924, the implementation of the New Economic Policy was based on Lenin's ideas to quickly revitalise the national economy of the Soviet Union. However, at that time, the Soviet Union's economic structure was characterised by a backward agricultural economy with millions of poor peasants. In this situation, there was a debate between the economists and national leaders concerning how to accumulate the capital for industrialisation and what kind of mechanism to adopt to develop former Soviet Union's economy. The representatives of the two camps in the debate were the hyper-industrialisation camp led by Preobrazhenski and the coordinated development camp led by Bukharin.¹⁵ Bukharin argued that the improvement in agricultural labour's productivity and the increase in the commercial ratio of agriculture would be the basis for industrial accumulation and development. He pointed out that industrialisation could not be accelerated by sacrificing the interests of the peasants and capital for industrialisation should depend on industry itself and on the normal methods of accumulation, such as imposing explicit taxes and attracting deposits. He strongly advocated that national economic planning could not be isolated from the function of the market mechanism, and the peasant economy should be put on the track by means of establishing market links with it. He stressed that the development in agriculture would create a huge market for industrialisation and the development of light industries would increase the demand for the products of heavy industry.¹⁶

Preobrazhenski, on the other hand, argued that the planning mechanism and the market mechanism were in direct conflict. Therefore, the state should use its

¹⁵ A discussion of the debate, see Davies, R.W., *The Industrialisation of Soviet Russia*. Vol. 3: The Soviet Economy in Turmoil, 1929-1930, Harvard University Press, Cambridge, Massachusetts, 1989.

¹⁶ *Ibid.*

monopoly power to engage in unequal exchange between industrial and agricultural products as a way to levy heavy taxes on the non-socialist economic sectors, to implement inflationary policy etc., in order to obtain the required accumulation for industrialisation. He stressed that the market mechanism was not allowed to perform its functions, in order to achieve the purpose of accumulation for industrialisation. This theory of the economists in the hyper-industrialisation camp greatly affected the traditional socialist model of economic development in the later period. At the time, the Soviet State Planning Commission formulated the first growth model for the socialist economy, based on Marxist and Leninist thoughts on the law of preferential growth of productive materials. According to this model, economic development depends on the closed circulation and push of metallurgy, machine-building, and subsidiary industries, that is the so-called heavy industry complex, whereas agriculture passively only provides capital and labour force for industrial growth.¹⁷

Another factor for the selection of a heavy industry-oriented development strategy was the consideration of international views on economic development of heavy industry. When China's leaders analysed the economic structure of advanced countries, they saw the modern industries implied huge heavy industries, and the large proportion of heavy industries in an economy showed its development and strength. Walter Hoffmann uses ratio of the industry of consumption materials, namely, light industry to the industry of capital materials, that is heavy industry as the indicator for the level of industrialisation which known as the Hoffmann Coefficient. He suggests that the level of industrialisation in an economy is positively related to the weight of heavy industries in its economy and concludes that, the more industrialised an economy is, the larger is the share of heavy industry in that economy.¹⁸ At the time, China's political leaders believed that the adoption of a leap forward strategy to develop heavy industry was necessary to win the race for economic development and for quickly turning China into a developed country.

One more key reason for Chinese leaders to choose this strategy at the time was the outbreak of the Korean War. The war posed a serious threat to Chinese

¹⁷ Hywel G. Jones, *An Introduction to Modern Theories of Economic Growth*, McGraw-Hill, New York, 1976, pp. 113-122.

¹⁸ Hoffmann, Walter, *Growth of Industrial Economics*, Manchester University Press, Manchester, 1958. pp. 18-72.

Communist regime. Chinese government decided to mobilise its army and join the war. At the same time, the Communist regime still engaged a military confrontation with the Kuomintang, (Chinese Nationalist Party) that occupied the island of Taiwan in the South-eastern part of China. These military and political situations called for the Chinese Communist Party to rapidly improve its defence and strengthen its ability to mobilise their military force. Moreover, the United State and Western countries adopted policies of economic embargo and political isolation to cut off China's international exchange and trade. These political, economic and military situations forced China to quickly establish a self-contained and comprehensive industrial structure. Therefore, developing heavy industries to skip the intermediate stages of economic development and leap forward to a higher level of industrialisation were at its core. The Chinese leaders' choice reflected the constraints in the international economic and political situation. The adoption of this development strategy resulted in China's low GDP. The leaders in Beijing had to choose economic reform to attract foreign investment and technology transfer.

Renew the Ties to Attract Ethnic Chinese Investment

Source of Capital and Technology

The location of the four Special Economic Zones (SEZs) raised the question why China chose Guangdong and Fujian as priorities in its economic reform. The location of the SEZs underlined China's strategy to link itself to the world's market economy via the Ethnic Chinese, particularly those in Hong Kong, Taiwan and Southeast Asian countries, by reactivating the traditional role of Ethnic Chinese as a source of capital and technology which can be traced back to the Qing Period.¹⁹

The emigration of Ethnic Chinese began in the Ming Dynasty with the resettlement of Chinese merchants in Southeast Asian trading ports. It continued in the 17th century with thousands of Ming sympathisers to Taiwan and the flow of emigrant labour around the world in 19th and early 20th centuries. In the mid-

¹⁹ Harding, Harry, "The Concept of "Greater China": Themes, Variations and Reservations", in Shambaugh, David (ed.), *Greater China: the Next Superpower?* Oxford University Press, Oxford, 1995, pp. 18-21.

20th century, Hong Kong, Taiwan, Southeast Asia and North America became destinations for a flow of political refugees and a stream of students and scholars from the PRC.²⁰ Although a number of Ethnic Chinese chose to leave Mainland China for economic or political reasons, they remained emotionally linked to their motherland. From the late Qing until the Japanese occupation in 1940s, the economic, social and political impact of Ethnic Chinese on their ancestral places was profound. Remittance from the Ethnic Chinese to support their dependents, relatives and friends, to rebuild houses and sometimes the whole village, to establish schools and new markets and to build roads and bridges was a common practice.²¹ The practice of remittance was also encouraged by the Chinese government in the 1950s when China received some twenty-five thousands *guiguo huaqiao* - the returned Ethnic Chinese - who returned to China to participate in China's reconstruction voluntarily, for study or were compelled to come back by their countries of residence.²²

The official utilisation of the capital of Ethnic Chinese (*huaqiao*), and their expertise was first adopted by Qing government.²³ In 1883, the Qing government started to pursue policy of soliciting *huaqiao* capital with the aim of using their capital to replace foreign capital in China's economic development so as to ward off the rising threat of Western and Japanese imperialism. *Huaqiao* leaders were recruited into the Qing bureaucracy with the recognition of their economic potential and special knowledge or skill that were needed in China and with the aim of pleasing fellow *huaqiao* who would be attracted to invest in China. Other *huaqiao* were given official titles or ranks according to the capital that they raised to start new enterprises.²⁴ The Qing government's strategy was successful at the time.²⁵ The concern for China from *huaqiao*, nevertheless, was not reserved solely for the preservation of the Qing government. They turned into a source of national

²⁰ *Ibid.*

²¹ Woon Yuen-fong, "The Responses to Rural Reform in an Overseas Chinese Area: Example from Two Localities in the Western Pearl River Delta Region, South China", *Modern Asian Studies*, Vol. 31 February 1997:31-59, pp. 33-55.

²² Godley, Michael R., "The Sojourners: Returned Overseas Chinese in the People's Republic of China", *Pacific Affairs*, 62:3 (Fall), 1989: 330-352, pp. 332-338.

²³ Zhuang, Guotu, *Zhongguo Fengjian Zhengfu de Huaqiao Zhengce*, [The Overseas Chinese Policies in Imperial China], Xiamen Daxue Chubanshe, Xiamen, [Xiamen University Press], Xiamen, 1989, pp. 266-286.

²⁴ Yen, Ching-hwang, *The Role of the Overseas Chinese in the 1911 Revolution*, Southeast Asian Studies Programme, Nanyang University, Singapore, 1978, pp. 10-11.

²⁵ Zhuang, *Zhongguo Fengjian Zhengfu de Huaqiao Zhengce*, [The Overseas Chinese Policies in Imperial China], pp. 266-286.

strength and a dynamic modernising force in China in the 1911 Revolution led by Dr. Sun Yat-sen, who was a *huaqiao* of Guangdong origin and was mainly funded by *huaqiao*. For example, a Hong Kong merchant, Li Bo made donations to support Sun's Revolution that totalled up to \$ 1 million and was his entire fortune.²⁶ Subsequently, "*Aiguo aixiang, jianguo jianxiang*" (love the motherland and construct the motherland, love the hometown and construct the hometown) was a common goal among the Ethnic Chinese.²⁷

Today, the majority of the Ethnic Chinese over the world can trace their origins back to the two southern provinces of China, Guangdong and Fujian, which are known as *qiaoxiang*, the ancestral places of the Ethnic Chinese. This was why the Chinese government chose to establish the first Special Economic Zones in these two provinces. Shenzhen and Zhuhai are adjacent to Hong Kong and Macao; Shantou has close links to Ethnic Chinese populations, including a community in Hong Kong that originated in Shantou; Xiamen lies opposite Taiwan and is only a few miles away from the coastal islands controlled by the Nationalist government at that time.²⁸ This vast, geographically-diverse Ethnic Chinese community of about 51 million people which, in 1990 produced an annual output of more than US\$ 450 billion - equivalent to the gross national product of China itself - was one of the most dynamic forces for economic changes in the world.²⁹ By connecting China's economy with this borderless economy - the Ethnic Chinese business networks, China's policy - makers envisaged the Ethnic Chinese would be able to bring 'home' capital and business talents to turn a backward nation of 1.3 billion people into a modern quasi-market economy.

This vision became clearer when China failed to attract large scale high-tech capital investment from the United State and Japanese trans-national corporations (TNCs) in the late 1970s. China tried hard to impress the TNCs by improving the

²⁶ Hong, Sisi, *Xinhai Geming yu Huaqiao* [The 1911 Revolution and the Overseas Chinese], Renmin Chubanshe, Beijing, [People's Press], Beijing, 1981, p. 15.

²⁷ Sinn, Elizabeth, "Xin Xi Guxiang: A Study of Regional Associations as a Bonding Mechanism in the Chinese Diaspora: The Hong Kong Experience", *Modern Asian Studies* 31 February 1997:375-397, p. 389.

²⁸ Sung, Yun-wing, "The Economic Integration of Hong Kong, Taiwan and South Korea with the Mainland of China", in Ross Garnaut *et al* (eds.), *Asia Pacific Regionalism: Reading in International Economic Relations*, Pymble, N.S.W.: Harper Educational Association with the Australian-Japan Research Centre, 1994, pp. 381-387.

²⁹ EAAU, *Overseas Chinese Business Networks in Asia*, East Asia Analytical Unit, Department for Foreign Affairs and Trade, Commonwealth of Australia, 1995, p. 1.

investment climate. Over 200 joint venture legislations were passed, and huge amounts of capital were spent by the state in infrastructure construction. Concessions such as cheap factory sites, low rates of taxation, low wages and tariff exemptions were granted to the TNCs. Despite this, TNCs remained unwilling to bring in high-tech capital investment, complaining about unnecessary regulations, bureaucracy, and other operational problems.³⁰ While the TNCs invested just enough to maintain footholds in the PRC, the Ethnic Chinese investors developed cordial relationship with their motherland and expanded their investments rapidly as a response to China's strategy of renewing the cultural and economic links with them.

Injustice Case and Renewing the Ties

Clearly, the importance of the Ethnic Chinese to China's economic development was not lost in Deng Xiaoping and other leaders. However, China's normal contacts including commercial contacts with Ethnic Chinese communities were profoundly disrupted due to the political division in 1949.³¹ The ties between China and the Ethnic Chinese were broken during the Cultural Revolution, and returned Ethnic Chinese and their institutions at home were regarded as ideologically suspect and undesirable because of their "bourgeois" background and overseas connections.³² As Professor Wang Gungwu stated that:

During the Cultural Revolution years in 1966-1976, most of them were affected by backlash against the few privileges they had been given in early years, and many were accused - together with almost everyone who had been abroad before 1949 - of having "overseas connections" (*haiwai guanxi*). Their privileges were taken away from them and remittances from, or any other kind of contact with, their relatives abroad were discouraged. There were many personal tragedies, especially when their patriotic motives for returning were impugned and their every action since their return to China regarded with suspicion of anti-socialism. Although *Guiqiao* (returned Ethnic Chinese) and *Qiaojuan* (relatives of Ethnic Chinese) were not singled

³⁰ Hsiao, Hsin-Huang Michael *et al.*, "Ascent through National Integration: The Chinese Triangle of Mainland-Taiwan-Hong Kong" in Ravi Arvind Palat (ed.), *Pacific-Asia and the Future of the World System*, Westport Greenwood Press, 1993, pp. 135-139.

³¹ Harding, Harry, "The Concept of "Greater China": Themes, Variations and Reservations", in Shambough, David (ed.), *Great China: the Next Superpower?* pp. 20-21.

³² Chang, C.Y., "Overseas Chinese in China's Policies", *The China Quarterly*, (82) June 1980:281-303, pp. 281-292.

out for unjust treatment, what befell on them left terrible scars and also had an altogether negative impact on their friends and relatives overseas.³³

Actually, unjust treatment toward returned Ethnic Chinese happened in the very early years of the PRC.

*An Injustice Case of the South China Enterprise Pty Ltd*³⁴

It is illustrative that this is one of the so-called “Four Big Cases of Injustice” in Guangdong. In 1950, a group of patriotic Ethnic Chinese from Hong Kong and Macao visited China as returned overseas Chinese. Huang Changshui, the Chairman of Hong Kong Ethnic Chinese commerce and industry club, and also a leader of ethnic community in Philippines led the group to conduct a business tour of the Southeast provinces of China. With rich business experience and possessing huge capital, they had a strong desire of helping China to build its economy. After the tour, they expressed their hope to invest in some lines of business in Guangdong to Deng Wenzhao, who was a deputy leader of the Commerce Department of Guangdong province at the time and was also an old friend of them when they worked together as a united front in Hong Kong for the democratic revolution. Therefore, a plan for establishing a new company that used Ethnic Chinese capital was drafted, and it was submitted to Premier Zhou Enlai and Liao Chengzhi, who was the Director of the Overseas Chinese Affairs Bureau in China’s State Council, for approval. Both Zhou and Liao were greatly interested in the project. Soon after, the State Council of PRC approved the proposal that allowed them to register a joint public-private company with 15 years’ permit of operation. The State Council also allowed the company to manage businesses in different provinces and areas in China.

A meeting between Deng Wenzhao and some top Chinese businessmen from Hong Kong, Macao and Southeast Asia was held on the October 1950 and a constitution of the proposed company was drafted with a decision to collect 1 billion *yuan* RMB (*Renminbi*) as capital. The call for the investment received enthusiastic response in the Ethnic Chinese communities. In February 1951, the

³³ Wang, Gungwu, *China and Chinese Overseas*, Singapore Time Academic Press, Singapore, 1993 p. 228.

³⁴ Li, Qingyong, *Huaqi Yuananan Shimo*, [The Whole Story of an Injustice Case of the Southern China Enterprise Pty Ltd], *Yuehai Tongxing*, [Same Heart in the Southeast China Sea], January 1991 Chinese Communist Party, Guangdong Committee United Front Department Press, January 1991, pp. 31-33.

proposed company with its sufficient capital commenced its business. This was a first big corporation in Southern China with predominant Ethnic Chinese capital 70% of the company's capital came from Hong Kong, Macao and Southeast Asia, and 30% derived from different state-owned enterprises. Because of business experience and ample capital, the company experienced a great success with export amounting to 21.5 million Hong Kong dollars and setting up more than ten medium-sized factories within two years. It also provided 19 million *yuan* RMB to support the constructions of Beijing Xingqiao Hotel and Guangzhou Nanfan building. The Department of United Front of Central Chinese Communist Party Committee praised the company as an example of successful joint public-private enterprises at the time. The minister Li Ruihan instructed Guangdong government to sum up and report the company's achievement.

However, in July 1953, a staff of the company sent a letter to a government authority and alleged that it was involved in money laundering of HK\$ 1.5 million that had violated the China's policy of foreign currency control. This was in fact a concoction. Influenced by "left wing" thinking that strongly insisted the dictatorship of the proletariat, the chief officers of the company were regarded by some local staffs as spies and capitalists. It was claimed that the company had committed three crimes. First, the capitalists took over the power of leadership and combined public capital to gain personal profit. Second, the company adopted capitalist way, and engaged in speculation and profiteering to procure huge profit. Third, the company violated the regulation of foreign currency control policy and committed money laundering amount to HK\$ 3.68 million. More than 70 members of the company were charged with different levels of punishment. As such, a successful company that contributed greatly to China's economic development was wrecked by the left influence. After the Third Plenum of the Eleventh Central Committee of CCP, many shareholders both within and outside China sent many letters to request China's authorities to re-open the case. In the November 1980, Chinese government redressed the case with a report concluding that previous accusations of this overseas Chinese company were unjust. Similar unjust cases to Ethnic Chinese, returned Ethnic Chinese and their relatives were countless. As a consequence, the Chinese government has sought to correct injustices and make restitution to these *Guiqiao* and *Qiaojuan*.

What were the tactics of the Chinese authorities to renew the ties with Ethnic Chinese and to encourage them to respond to China's new ventures?

As a first step to win over the hearts of the Ethnic Chinese, the Chinese government showed its desire to correct the erroneous policies during the Cultural Revolution toward returned Ethnic Chinese.³⁵ It was intended to correct the injustices they suffered which had had a terrible negative impact on both the *guiqiao* and their relatives and friends abroad. The new policy toward the returned Ethnic Chinese allowed the relevant authorities to redress thousands of cases of wrongfully accused as spies, class enemies and leftists, and to return or to compensate them for their properties that were confiscated during the period. Great efforts were made to solve problems of housing, employment and education for the returned Ethnic Chinese.³⁶

Government officials played an active role in renewing the ties. Ethnic Chinese became officially regarded as an important force for the four modernisations of China.³⁷ Many prominent Ethnic Chinese received VIP (very important person) treatment when they were invited to visit China. For example, the famous Hong Kong entrepreneur Li Ka-shing (Li Jiacheng) was invited by the central Chinese government to attend a series of National Day celebration in 1978. He was warmly received by top Chinese leaders including Deng Xiaoping who reassured him that Chinese leaders would firmly carry out the open door policy.³⁸ Such VIP treatment from the Chinese government was able to foster good will and made up for the Ethnic Chinese lack of high political profiles and respect in their resident countries and thus facilitated the promotion of the reestablishment of cultural and economic bonds.

Attempts to reach Ethnic Chinese were made more intensively at the local level, especially in Guangdong and Fujian. These activities went beyond solving

³⁵ Chang, C. Y., "Overseas Chinese in China's Policy", *The China Quarterly*, (82) June 1980, pp. 281-285.

³⁶ Sinn, Elizabeth, "Xin Xi Guxiang: A Study of Regional Associations as a Bonding Mechanism in the Chinese Diaspora. The Hong Kong Experience", *Modern Asian Studies*, No. 31, February 1997, pp. 388-389.

³⁷ This official recognition was expressed at the National Conference on Overseas Chinese Affairs (qiaowu huiyi) in 22-28 December, 1978 by Liao Chengzhi, the former head of Overseas Chinese Affairs Commission. See: Shen Chong and Xiang Xiyang, (eds.), *Shinianlai, Lilun, Zhengce, Shijian Ziliao Xuanbian (si)*, [Ten Years: Theory, Policy, Practice-Selected Information Vol. Four], Qiushi Publishing Company, China, 1988, p.48.

³⁸ Fan, Sheguan and Li Xiedian, *Li Jiacheng de Chengong Zhi Lu* [Li Ka-shing's Road to Success], Hong Kong Publishing Pty Ltd, Hong Kong, 1991, p. 171.

problems related to the returned Ethnic Chinese. The local governments knew that regional sentiment was as strong as, if not stronger, than national sentiment. The local officials managed to get in touch with various *tongxianghui* - the associations for the people from the same hometown - same country or same village - and *shanghui* - the chambers of commerce. These organizations were keen on renewing ties with their families and their hometowns, and they played a role as a bridge between China and overseas. As a result, there were repeated influxes of Ethnic Chinese tourists to their hometowns, where a wide range of traditional and cultural activities naturally stirred up much nostalgia and “nation-building” enthusiasm.

The tactics worked well. Both the national and regional sentiments have borne fruit in the form of remittances to families, relatives and friends; donations to welfare projects, construction of roads and bridges and investments. No wonder Li Ka-shing was a major contributor to welfare projects such as Chaozhou Hospital and the Shantou University and a prominent investor in many places in China. The opening up of China offered the Ethnic Chinese a new arena to give full play to their talent and to become a driving force in China’s economic transformation, despite political difference and uncertainty.

Moreover, the underlying political goal of establishing SEZs was accomplished. The economic integration of China and Hong Kong to some extent has facilitated the smooth transition where more Hong Kong people see their future linked to China. This confidence is demonstrated by the long-term investments made by many Hong Kong businesspersons in China. It is also shown by their multibillion-dollar investment in Hong Kong itself, stretching beyond the Hong Kong handover in 1997.

The adoption of the open-door policy allowed the traditional role of the Ethnic Chinese as a source of capital and technology to be reactivated. The Chinese government successfully renewed the ties with the Ethnic Chinese in order to win their support for China’s modernisation. The call for economic support from the motherland was a strong pull as a result of cultural links. However, economic motivation was a most important factor for many Ethnic Chinese investors. It was the combination of these factors that enabled a large amount of Ethnic Chinese investment to flow into the SEZs and to expand nationwide. The Chinese decision and policy makers envisaged that the Ethnic Chinese not only possessed economic

strength, but also with intangible assets such as management experiences, intellectual property and business networks that would be a great benefit to the nation's economic development.

The action of the Ethnic Chinese investors to respond quickly to China's call was first triggered by economic motive. The inauguration of China's "open door" policy coincided with the need for the Asian Newly Industrialised Economies (NIEs) to shift from labour-intensive manufacturing to capital-intensive and skill-intensive activities, due to the rapid increase of wage and production costs in those economies. This left them with the capacity to invest in transferring labour-intensive manufacturing elsewhere. Secondly, the traditional spirit of "going home" never waned even though the new generation has largely integrated with Western culture. This is because the trace of kinship is constantly emphasised from generation to generation, the Ethnic Chinese have always felt the cultural, linguistic and often familial pull of the place they came from. Finally, by cultivating this spirit, the Chinese authorities successfully promoted new policies and business dealings to attract investment from these entrepreneurs.

How did these Ethnic Chinese entrepreneurs invest and develop their enterprises in China? The story will be unfolded in the following few chapters.

CHAPTER 5

ETHNIC TEOCHEW CHINESE MULTINATIONAL FAMILY BUSINESS IN THE WORLD

- A CASE STUDY OF THE CHAROEN POKPHAND GROUP¹

Introduction of Charoen Pokphand Group

CP Group is one of the Asia's leading conglomerates in agri-business with 250 companies in 20 countries. These countries include Japan, Indonesia, Korea, Malaysia, Cambodia, Vietnam, Myanmar, Taiwan, India, Singapore, China, Hong Kong, Belgium, Germany, Turkey, South Africa, also Middle East UAE and United States of America.² Over 80 years of growing and development, the group achieves its US\$ 13 billion annual turnover and annual revenue in excess of US\$ 9 billion with more than 100,000 employees worldwide.³ The business activities expanded from seeds to agro-industry, aquaculture, international trading, petrochemical, real estate and land development, marketing and distribution, automotive and industrial products, finance and telecommunications.⁴

History of CP Group

The origin of the CP Group can be traced to the founding of the Chia Tai Chung Shop in 1921 by Chia Ek Chor (Xie Yi Chu) and his brother, Chia Seow Whooy (Xie Shao Fei).⁵ The name of Charoen Pokphand in Thai language represents "commodity development" and this aim has been the benchmark of CP Group's

¹ Much of the information and material about CP Group in this study were obtained during 10 days between 20/9/2002 to 30/9/2002 staying with Vice President Li, Wenhai of Chia Tai Group (CP Group in China knows as the name of Chia Tai Group).

² CP Group, "About CP Group: Global Network", http://www.cpthailand.com/about_main_global.htm Viewed 6 January 2003.

³ CP Group, "About CP Group: Corporate Overview", http://www.cpthailand.com/about_main_overview.htm Viewed 6 January 2003.

⁴ Pananond, Pavidia and Zeithaml, Carl P., "The International Expansion Process of MNEs from Developing Countries: A Case Study of Thailand's CP Group", *Asia Pacific Journal of Management*, VOL. 15, 1998, p. 167.

⁵ *Ibid.*

expansion and diversification into new areas and markets of production in the world. The lotus flower has been the logo of Charoen Pokphand Group since 1953. The lotus is recognized as a symbol of harmony, purity, virtue and integrity, imparting an aura of composure, quality and orderliness.⁶ Through the 1950s, the growing US economic patronage of Thailand quickened the economic pace. The Thai government policy to develop agricultural exports and drive the agrarian frontier through the upland created new opportunities in crop processing and exports. The Chia (Xie) family, which had begun importing Chinese seeds in the pre-war period, built mills to convert the new crops into animal feed, and then developed an integrated chicken farming business which became Thailand's largest business empire, Charoen Pokphand (CP) Group.⁷

In 1963, Dhanin, the youngest son of Chia Ek Chor became general manager of his family business. Although Dhanin was the youngest among the sons of Chia Ek Chor, he was the most outgoing and his close relationship with political leaders could have been the strength that gained him the leadership of their family business.⁸ Dhanin Chearavanont stressed the direction of CP Group: "It is one of our business philosophies that our activities must not only contribute to the Group's profit but also seek to improve the living standards in the economies in which we operate and to foster businesses complementary to our own."⁹

CP Group's outstanding family business achievement attracts worldwide attentions. Even the famous Harvard University Business School has chosen it as a case study. In 1992, the school case study on CP Group stated:

Over the past two decades, Dhanin had transformed his small family seed and animal feed business into a global agribusiness giant. A man of principle, he said he is guided by an ideology of always thinking about the greater good of the majority. ... Dhanin brought integrated poultry production to Thailand in the early 1970s. Since then, he had helped farmers dramatically improve their standard of living, contributed substantially to Thailand being a net food exporter.¹⁰

⁶ Editing Unit, "Feature: About CP", <http://www.asianvendors.org/trade/thailand/magazine/200011/featured200011.html> Viewed 6 January 2003.

⁷ Baker Chris and Pasuk Phongpaichit, *A History of Thailand*, Cambridge University Press, New York, 2005, pp. 152-153.

⁸ Pananond and Zeithaml, "The International Expansion Process of MNEs from Developing Countries: A Case Study of Thailand's CP Group", p. 170.

⁹ Chearavanont, Dhanin, Chairman's Statement in C.P. Pokphand Co. Ltd. 1991 Annual Report.

¹⁰ CP Group, "About CP Group: Case Studies", < http://www.cpthailand.com/about_main_case.html > Viewed 6 January 2003.

In 1995, Harvard Business School's case study on CP Group commented again:

The transfer of technology lay at the heart of the CP Group. The company viewed itself as a provider of technology to parties that had limited access. The technology could originate from the CP Group itself or from a third party. Often CP looked outside for companies to provide technology and then formed strategic alliances to facilitate the transfer. ... By 1995, there was no denying that Asia was becoming a major market area and would soon demand more goods and services than traditionally developed countries. Moreover, for the first time it was becoming clear that being an industry leader worldwide would no longer require leadership in North American markets.¹¹

The principal founder of CP Group was Chia Ek Chor who was born on twenty-second of November 1896 in a poor peasant family in Pengzhong village of Waisha District of Chenghai County in Guangdong province. His grandfather was Chia (Xie) Shang, and his father was Chia (Xie) Chengfa. Chia Ek Chor was the eldest among the sons of his family. His second brother was Chia Seow Whooy and youngest brother Chia (Xie) Shao Bai. The local gangsters often bullied and humiliated them due to their poor background. Chia Ek Chor only received several years schooling because he was too poor to continue his education. His original name was Jinqian, but he changed his name to Ek-Chor (Yichu 1896-1983) for good luck. In Chinese the new name was to change his originally poor situation.¹²

According to the information provided by CP Group itself, the business started in 1921 in Bangkok, Thailand. We can see an old photo of a tiny shop via website.¹³ This tiny seed shop had laid the foundation for the development of CP Group in future as a splendid story. These two Teochew brothers Chia Ek Chor and Chia Seow Whooy set up small seed shop named Chia Tai Zhuang importing vegetables' seeds from their hometown Chenghai County of Shantou. Traditional Chinese culture put the emphasis on promoting family interest, and Chia brothers hoped their family business was to get bigger and bigger. For the reason of

¹¹ *Ibid.*

¹² Chen, Xun Xian, "Xie Yichu Sheng Ping Dalue", [A Brief Biography of Chia Ek-Chor] in Guangdong Shen zheng xie wen shi zhi liao wei yang hui, Shantou shi zheng xie wen shi zhi liao wei yuan hui, [Guangdong Political Consultative Conference Committee of Culture and History Document Collection and Shantou Political Consultative Conference Committee of Culture and History Document Collection (eds.), Guangdong wen shi zhi liao di 76 ji, [Guangdong cultural and historical document Vol. 76.] *Chaoshan Junyan*, [Teochew Outstanding Businessmen] Guangdong Renmin Chubanshe, Guangzhou, [Guangdong People's Press], Guangzhou, 1994, p. 205.

¹³ CP Group, "The CP Story", http://www.cpthailand.com/about_main_history.htm Viewed 6 January 2003.

harmony with Thai people, Chia Er Chor also adopted a Thai family name Chearavanont to indicate that they were fully assimilated.

There are at least two versions on why these two Teochew brothers migrated to Thailand from their hometown. One suggests that it was due to the cyclone that ravaged the Teochew region on the the second day of August 1922 in Teochew.¹⁴ Another version claims that it was due to the rise of the Chinese Communist movement that led the Chia brothers to migrate in 1949.¹⁵ In the study of the history of the Teochews, we found at that time, a famous Communist leader Peng Pai started a radical peasants' movement by killing landlords and distributed their land to peasants.¹⁶ In pursuit of business opportunities to get rid of the poverty and relief from political tensions at home, both claims are acceptable for their migration to Thailand. On the March of 1950, Chia Er Chor and his wife visited their hometown. In recognition of his agribusiness success, he was appointed by the local government as a deputy head of a farm owned by Chenghai County in Teochew region. In 1966, he went abroad again.¹⁷

Before starting his Chia Tai Chung business in Thailand, Chia Er Chor and his business partner set up a small textile factory in his hometown in 1921 to pursue his entrepreneurial dream. Unfortunately, on the second of August in 1922, a cyclone hit Teochew region and destroyed his factory together with other houses, crop and cattle etc. More than 80,000 people lost their lives, with some villages being totally devastated.¹⁸ In the winter of 1922, Chia, Er Chor took his only leftover capital to buy some vegetable seeds and went to Thailand to open a tiny shop.¹⁹ This tiny vegetables' seeds shop Chia Tai Chung was quickly becoming known for best quality and reliability among Thailand's farmers. The younger brother Chia Seow Whooy (b.1905 Xie Shao Fei) stayed in Thailand, and Ek Chor

¹⁴ Wang, Mian Chang, "Xie Yi Chu yu Zhengda Jituang de fazhang ji Jinying", [Xie Ek Chor and Chia Tai Group's development and management] in *Chaoshan Juuyan*, [Teochew Outstanding Businessmen] p. 189.

¹⁵ Caulkin, Simon edits the Management page of the Observer, "Charoen Pokphand – An Intricate Web of Companies that Grew from a Few Seeds", *Management Today*, September 1996, p. 67.

¹⁶ Teochew Encyclopaedia Editing Committee, *Chaoshan Baike Quanshu*, [Teochew Encyclopaedia] Chinese Encyclopaedia Press, Beijing, 1994, p. 408. and Hofheinz, Roy Jr., *The Broken Wave – The Chinese Communist Peasant Movement, 1922 - 1928*, Harvard University Press, Cambridge, Massachusetts, 1977, pp. 144 – 170, and p. 252.

¹⁷ *Ibid.*, p. 652.

¹⁸ Wang, "Xie Yi Chu yu Zhengda Jituang de fazhang ji Jinying", [Xie Ek Chor and Chia Tai Group's development and management] in *Chaoshan Juuyan*, [Teochew Outstanding Businessmen] pp. 189-204.

¹⁹ Chen, "Xie Yichu Sheng Ping Dalue", [A Brief Biography of Chia Ek-Chor] in *Chaoshan Juuyan*, [Teochew Outstanding Businessmen], p. 206.

traveled to promote his business between Thailand, China, Hong Kong, Malaya and Singapore. In Thailand, his family business expanded and branched out to Hat Yai, a major city in Southern Thailand in 1939, and Singapore and Penang.²⁰ For the sake of smooth business operation in Thailand, the family of Chia Er Chor adopted a Thai family name.

The CP Group's first company Chia Tai Seeds and Agricultural was established in 1951, being involved in seeds, fertilizer importing, in return, exporting pigs and eggs to Hong Kong. The information provided by CP Group itself showed that in 1953, the Charoen Pokphand Feedmill, and Charoen Pokphand Store opened for business by Jaran Chearavanont, Chia Ek Chor's eldest son, marked the first step towards an ongoing quest for vertical integration in the years ahead and pattern for the CP Group's later development.²¹ In 1958, they reorganized the traditional Chinese trading house to a private limited company Chia Tai Co. Ltd., and began substantial development into agro-industry. Thai government economic promotion policies effectively facilitated their business. The group was able to quickly extend their business from feed-mill industry to crop growing, broilers breeding, livestock slaughtering, foods processing and exporting the finished food products.²² Between 1950s and 1960s, CP Group's main activity apart from trading was animal feed-mill. Diversification away from animal feed-mill began in 1961 when Jaran and his Taiwanese friends started a gunny bag factory. The increased market demand for gunny bags came mainly from Thai commodities exporters. Chia Tai Company invested in the feed-mill industry in 1967 and began its major advance into the agro-industry. During that time, Thai government implemented an active pro-business policy that provided an excellent opportunity for the company to grow. It thus employed the strategy of the "whole dragon" (*yi tiao long*),²³ and was able to extend its business operations rapidly from crop growing, feed-milling, broiler stock breeding, slaughtering, and food processing, selling and exporting their finished food

²⁰ Pananond and Zeithaml, "The international expansion process of MNEs from developing Countries: A Case Study of the Thailand's CP Group", p. 167.

²¹ CP Group, "About CP Group", <<http://www.cpcnet.com/aboutus.html>> Viewed 6 January 2003.

²² Suehiro, Akira, "Modern Family Business and Corporate Capacity in Thailand: A Case Study of the CP Group", in *Japanese Yearbook on Business History*, Vol. 14, 1997, p. 39.

²³ When I visited the vice president of Chia Tai Group (CP Group in China's name) Li Wenhai, who repeatedly mentioned this business' stratagem of CP Group.

products.²⁴ In 1968, CP Group established Bangkok Feed-mill Co. with registered capital of 31.4 million baht. It was the largest feed-mill in Thailand at the time and was the largest investment of CP Group during that period.²⁵

In 1970s, the CP Group became one of the largest agribusiness groups in Thailand, embracing around 60 associated firms. Most of their associated companies and factories were set up by Chia family with no significant financial support from abroad. But what enabled the CP Group to build its vertically integrated production system in the feed milling and broiler chicken industries was a joint venture with American firms, which produced parent stocks for broiler chickens. In agri-business, similar to the hybrid-type seed industry, parent and grandparent stock for the broiler chicken usually requires an advanced technology as well as a large amount of capital for research and development (R&D). At that time, the world market for parent stocks was monopolized by three breeding firms that were backed up by giant multinational enterprises (MNEs). At the beginning, the CP Group and other manufacturers of broiler chickens in Thailand were forced to import all of their parent stocks from abroad. In 1971, the CP Group decided to move into this field to complete its vertically integrated production system for development. For this purpose, Arbor Acres (Thailand) Co., Ltd. was incorporated as a joint venture with Arbor Acres Farm Inc., the American agri-business giant, which was the world's largest producer of parent stocks. The predominance of the CP Group in the broiler chicken industry has been confirmed by this joint venture, and proven the group's excellent development strategy.²⁶

During that period, the growth of agribusiness groups was a direct product of cooperation among the four major economic forces: local exporters of agricultural products, leading commercial banks, multinational enterprises, and the government. One important element was the entrepreneurship and innovative capability that younger leaders have outstandingly shown in the introduction of new technology, the improvement of their management system, and the development of new markets and new products in agribusiness. These are the key elements that brought about the rapid growth and success of agribusiness in

²⁴ Suehiro, "Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group", p. 39.

²⁵ Pananont, and Zeithaml, "The International Expansion Process of MNEs from Developing Countries: A Case Study of the Thailand's CP Group", p. 169.

²⁶ Suehiro, *Capital Accumulation in Thailand: 1855- 1985*, the Centre for East Asian Cultural Studies, Tokyo 1989, p. 230.

Thailand, and the CP Group, for example, adopted the policy of actively recruiting talents from outside the family. Shortly after the death of the founder, Chia Ek Chor in 1983, his son Dhanin started reorganising their corporate activities which embraced at least 60 firms. Companies were strategically re-grouped according to the type of business and were reorganised into seven independent organizations which were respectively supervised by experts. Thus, management control of the Chia family was principally confined to the final decision-making stage involving the strategy and activity of the CP Group as a whole. Furthermore, CP Group decided to reincorporate one of their subsidiaries as a public limited company in the stock market to overcome the limitation of traditional family business ownership by the end of 1984.²⁷

Background in Thailand

It is impossible to state CP Group history in depth without reference to Thailand's social background and economic history. One key feature of the economic development in Thailand during 1950s was the alliance of Ethnic Chinese business leaders with Thai political leaders.²⁸ Why was this situation created in Thailand in 1950s? The history of Thailand at that time provides the answer. Although anti-Chinese sentiments and policies were relatively less than in other Southeast countries such as Indonesia and Philippines, some discriminatory policies against the Ethnic Chinese were implemented. The "Thailand for the Thai" has been the most important slogan during the second Phibun era. Since 1948, Thai government have tightened control on alien, especially Ethnic Chinese business, and have given special privileges to "Thai enterprises" as part of an extensive program to bring the country's economy under Thai control. There were two aspects of the program: business control and the expansion of governmental and semi-official enterprises, with widespread corruption in official circle and the government restrictions. Ethnic Chinese business leaders had to choose economic co-operation with high-ranking Thai officials.²⁹ Thai political leaders needed the business knowledge of the Ethnic Chinese entrepreneurs to reform and manage

²⁷ *Ibid.*, p. 271.

²⁸ Pananont, and Zeithaml, "The International Expansion Process of MNEs from Developing Countries: A Case Study of the Thailand's CP Group", p. 169.

²⁹ Skinner, *Leadership and Power in the Chinese Community of Thailand*, Cornell University Press, Ithaca, New York, 1967, pp. 186-187.

many inefficient state-owned enterprises set up during the 1940s. The business knowledge is as important as some Teochew Ethnic Chinese stick to the principle: “Teach them to eat but do not teach them how to do things.”³⁰

It is necessary to provide some factual information on the restriction and pressure to which Ethnic Chinese businessmen in Thailand were subjected to till 1952. In February 1949, the practice of restricting occupations to Thai nationals was revived under the Occupational Restriction Act that was promulgated in that month barring aliens from ten occupations. Even though a few of these restrictions affected some of the prominent Ethnic Chinese businessmen, their major impact was on smaller Ethnic Chinese entrepreneurs in service lines and artisan. In September 1951, the Thai government announced its intention of recovering the shipping business from alien hands, most of them controlled by Ethnic Teochew Chinese businessmen and drew up plans for the establishment of a Thai training school for this purpose. In February 1952 it was revealed that the government would no longer approve the title transfer of sawmills to aliens, most of them were Ethnic Chinese and would require that any new sawmill be capitalized at least 75 per cent by Thai nationals. It was learned that the Ministry of Agriculture would bar aliens again from operating private wharves by refusing the renewal of licenses in March of the same year. In May of that year, an assemblyman from Loei publicly pressed for reservation of rubber, tin, rice and timber industries for Thai nationals. The Deputy Minister of Interior instructed all local governors to encourage Thais to enter business and stressed that the Ministry of Economic Affairs would reserve for them the rights to sell local products such as oils, matches and refined sugar. The Thai Cabinet decided in principle to monopolize the marketing of vegetables, fruit and eggs. These policies seriously affected the Ethnic Chinese business in Thailand at the time.³¹

In 1951-1952, Thai government's pressure steadily mounted on Ethnic Chinese with regard to owning and leasing real estate, and it vitally affected the top Ethnic Chinese leaders. As Ethnic Chinese were largely involved in plantation, these policies seriously affected Ethnic Chinese business. In 1952, the government tightened the control over the aliens who purchased or leased land in

³⁰ Skinner, *Leadership and Power in the Chinese Community of Thailand*, p. 114.

³¹ *Ibid.*, pp. 176-198.

the names of their children, wives or other relatives with Thai nationality. Commodity price control was another type of Thai government's pressure on Ethnic Chinese businessmen. In February 1952, a joint proclamation of the Ministries of Interior and Commerce was broadcasted, warning merchants against taking advantage of the increase in government salaries, railway freights, and official rice prices by raising commodity prices. Leader Lin, an acting chairman of the Chinese Chamber of Commerce was summoned to the Ministry of Commerce (later changed to Economic Affairs) and asked to submit a list of Ethnic Chinese merchants whom the Thai government could call for a discussion of the problem of commodity prices. On the same month, the Act in Control of Consumable Goods was promulgated, empowering the government "whenever required by circumstances" to place any "items of daily necessity" under strict control.³²

Under this new law, the use or sale of any such items could be prohibited. The quantity of such goods acquired or kept in possession, time and the place and circumstances for selling such goods could be subject to the authority's discretion. In March 1952, enforcement of the Act in Control of the Consumable Goods was declared for metropolitan Bangkok, with machines, textiles, fuels, building materials, foods, beverages and industrial and agricultural implements specified as "items of daily necessity". Retailers of these goods were required to place tags on all of these items and merchants failing to co-operate in lowering prices might be deported. All of these threats were to indicate the unremitting government pressure on Ethnic Chinese businesses in 1951-1952. Among Ethnic Chinese businessmen, no one knew when his particular line of business might be reserved for Thais or subjected to complete control, when the lease of his shop or title to his business property might be challenged, or when his business might be raided by police. In these circumstances, squeeze, bribery and the payoff had become common features of Ethnic Chinese business functioning in Thailand during that time. Corruption involving police and revenue officials' extortion of Ethnic Chinese merchants was so common under the circumstances. For instances, an Income Tax Section chief received bribes simply by keeping his account books of important Ethnic Chinese business corporations for months until a proper gift of enough money was received. Thai inspectors commonly squeezed Ethnic Chinese

³² *Ibid.*

business proprietors simply on the ground that the industrial equipment was incomplete according to law. In Bangkok, it was publicly conceded that many Ethnic Chinese merchants whose businesses had been raided because they did not offer enough money to the right government officials. Some Ethnic Chinese business leaders who had failed to secure the backing of prominent Thai government officials had themselves been arrested. For instance, in April 1952, nine merchants were arrested on smuggling charges, Leader Huo was arrested on charges that later appeared to be groundless. Therefore, the necessity for more effective measure to obtain business security became a mandate of Ethnic Chinese business leaders. The most effective and popular solution to this was to enlist the permanent support of influential Thai government officials by effecting formal business alliances with them in order to obtain business security.³³

During the early Jakkri reigns, the commercial co-operation between members of the Thai elite and Ethnic Chinese shippers and traders was primarily a Teochew-Thai phenomenon.³⁴ The Ethnic Chinese business leaders and some merchants accomplished these measures in several ways. Firstly, they reorganized their major companies and invited top government officials and other members of the Thai elite on the boards of directors. This resulted later that Cabinet members in CP Group are more than Cabinet members in government due to CP Group's ability to absorb many former and current Members of the Cabinet. Secondly, companies were organized on a cooperative and reciprocal basis, whereby Ethnic Chinese merchants provided the capital and entrepreneurial knowledge and skill while Thai officials supplied protection for the Ethnic Chinese, official privileges and even government contracts. Finally, Ethnic Chinese businessmen with Thai citizenship joined semi-official Thai companies, corporations and industrial enterprises in a managerial capacity to seek better cooperation.

By the end of 1952 and 1953, tens of Ethnic Chinese business leaders were managing Thai or Sino-Thai enterprises, and many Thai elite were invited to serve on the boards of Ethnic Chinese corporations in a "protective" capacity. For instances, the Bangkok Bank, originally a Teochew Ethnic Chinese enterprise owned by Chin Sophonpanich; (Chen Bi Cheng) was reorganized in 1953 with the

³³ *Ibid.*

³⁴ Skinner, *Chinese Society in Thailand: An Analytical History*, Cornell University Press, Ithaca, New York, 1962, p. 46.

Minister of Economic Affairs as chairman of the board, General Jaophraya Ram Rakhop as vice-chairman, and directors of the board included Brigadier-General Siri Siriyothin, Deputy Minister of Economic Affairs; Brigadier-General Praman Adireksan, Deputy Minister of Communications and Industries; and Police Lieutenant-Colonel Phansak Wisetphakdi. At the time, Chin was among the world's richest Ethnic Chinese, one of the top five most powerful leaders of the global Teochew community. He built the biggest private bank in Southeast Asia, one of the most profitable in the world, and was the personal banker for everybody who was someone in the Bangkok military regime. Chin was not the only Ethnic Chinese businessman making use of high-level connections with Thai government officials.³⁵

In 1952, leaders Hou and Niu, together with Secretary to the Minister of Economic Affairs, Colonel Chalit Chunhasirilak established the Thai Rice Supply Company. The Pork Syndicate of twenty-nine pork concerns, mostly Teochew Ethnic Chinese was one of several Sino-Thai syndicates formed under government auspices in 1952 and the Thai Gold Syndicate of the "Big Twelve" Ethnic Chinese gold companies, again majority of them were Teochews, was founded on the initiative of Police Director-General Phao and Deputy Finance Minister Prayun. In the Thai struggle to participate in the business, all factions had played the anti-Chinese theme of a "Thailand for the Thai". Many of the Ethnic Chinese corporations had formally included Thai officials on their boards by 1953, and practically, all of the important corporations established in Bangkok in 1951-1953 were co-operative Sino-Thai ventures involving Thai government officials and Ethnic Chinese business leaders. The development of Sino-Thai business co-operation at the elite level was the outcome of Thai pressure on Ethnic Chinese businessmen in the spirit of economic nationalism. As for the Ethnic Chinese businessmen, it was a case of business power in search of political protection. As for the Thai elite, it was political power in search of legitimate sources of wealth and business control.³⁶

These business developments of Ethnic Chinese business leaders and Thai elite were made possible because the Thai military and political figures that came to power with Phibun in 1948 needed an economic base to bolster their military

³⁵ Skinner, *Leadership and Power in the Chinese Community of Thailand*, pp. 186-198.

³⁶ *Ibid.*

and political power. This kind of active participation of government officials in business at the time was seldom seen in other countries.³⁷ CP Group did not hesitate to cultivate such relationships with the Thai government, when Dhanin, current chairman of CP Group completed his study in a commercial school in Hong Kong.³⁸ After 1963, he became a general manager to his family business.³⁹

Development of CP Group's Business

Joint Ventures

In 1973, CP Group extended its business operations by joining with the USA-based Arbor Acres Farm Inc, the American largest agribusiness corporation selling most advanced agribusiness product around the world. When Arbor Acres Farm Inc. planned to expand its market in Asia, it chose Thailand because it was predominantly an agricultural country. At that time, CP Group was unable to raise fast-growing local chicken for export markets. In its early stage of development, the CP Group had neither Western managerial skill nor modern advanced technology in chicken farming; it depended on American company to produce parent stocks. Arbor Acres Farm Inc. chose the CP Group as a business partner because the group held a good reputation and a large farmer's network. CP Group combined Arbor Acres advanced agro-industry technology and breeding programs to achieve its business expansion by increasing its market share in the domestic market and Asian markets. This joint venture with Arbor Acres was in line with Dhanin's business strategy of linking with foreign companies that had a mature expertise in the fields of interest to CP Group. Advanced scientific technology brought about dramatic change, and the productivity increases were huge with day-old little chicks growing into about 2 kilogram broilers chickens only in six to seven weeks instead of the previous three to four months.

The reciprocal relationship between these two businesses parties allowed CP Group and Arbor Acres continued to expand into a series of companies involved in expertise on livestock breeding, agro-business production, processing and

³⁷ *Ibid.*

³⁸ Reporting team, "The Feature of ASIA 2002, Mr. Dhanin Chearavanont", <http://www.nni.Nikkei.co.jp/fr/Nikkei/inasia/future/2002/2002pro_chearavanont.html> Viewed 6 January 2003.

³⁹ Pananond, and Zeithaml, "The International Expansion Process of MNEs from Developing Countries: A Case Study of the Thailand's CP Group", p. 170.

marketing. By the end of 1979, CP Group controlled 40% of animal feed production. A trading company, CP Intertrade, was set up for the need of increased trading activities at the same time. In the broiler chicken industry, the CP Group owned and operated 5 feed mills in 1981, and produced 777,000 tons, or 50% of the total production in Thailand. The group also dominated the production of commercial chicks, 37% in 1982, slaughtering 30% of the total production in 1982, and export of finished products.⁴⁰

CP Group's business continued to expand and production increased rapidly. After about 10 years success of the venture with Arbor Acres, by 1984 CP Group claimed to be the world's fifth largest producer of animal feed with 15,000 employees and in conjunction with 100,000 contracting farmers in 11 countries.⁴¹ Also at the end of the 1970s, the CP Group introduced the same vertical integrated system it used in the broiler industry to its prawn and pork industries to develop its business.⁴² To suit the increasing agro-business productivities, CP Group established two slaughterhouses on the outskirts of Bangkok that were capable of processing seven thousand chickens per hour. By 1988, CP Group covered one-third of day-old chicken farms in the nation. As a result of CP Group business development, Thailand domestic consumption of chicken increased, chicken farmers were earning steady incomes and the low-cost mass production techniques contributed to Thailand's national earning of foreign exchange and Thai economy. Thailand's total export of frozen chicken jumped from 27,000 tonnes in 1981 to 95,000 tonnes in 1987. CP Group had about 25% of Thai chicken exports.⁴³

In 1973, Thailand's broiler chickens found a market in Japan, and then quickly increased with annual export growth rates of 66% between 1975 and 1985.⁴⁴ Japan became a large importer of CP Group's chicken where boneless chickens imported from the group had a substantial stake in competition with drumstick chickens imported from the United States of America. CP Group's ventures in

⁴⁰ Suehiro, *Capital Accumulation in Thailand: 1855 - 1985*, p. 232.

⁴¹ Friedland, Jonathan, "Seeds of Empire", *Far Eastern Economic Review*, April 20, 1989, pp. 46-47.

⁴² Suehoro, "Modern Family Business and Corporate Capacity in Thailand: A Case Study of the CP Group", p. 39.

⁴³ Sricharatchanya, Paisai, "Not just Chickens Feed", *Far Eastern Economic Review*, March 3, 1988, pp. 58-59.

⁴⁴ Suehiro, Akira, *Capital Accumulation in Thailand: 1855- 1985*, the Centre for East Asian Cultural Studies, Tokyo 1989, pp. 267-270.

China also play a substantial role in the export of chicken meat to Japan.⁴⁵ As a result of CP Group's business expansion, the number of its feed-mills increased to seven and producing 500,000 tons of animal livestock feed per year.⁴⁶ The group innovatively created a new form of business in Thailand.

In Thailand more than elsewhere in the world, four of the six largest banks were controlled by Ethnic Chinese families especially Teochew Chinese. The CP Group substantial development in the chicken production industry at the time owed to the financial support of the Bangkok Bank, the largest bank in the region. As business networks played a significant role in Ethnic Chinese business, the group paid great efforts to cultivate these connections in order to strengthen its bargaining power in tendering for new contracts at that time. In Thailand, the Ethnic Chinese business has been allowed greater possibilities and even government support for their business development. The Ethnic Chinese in Thailand had found a workable formula with Thai political elite. The CP Group had taken full advantage of this political connection to win government's new projects. It also took advantage of new economic policies implemented by the government such as the expansion of export activities under export-orientation policy and the import substitution industrialization policy which benefited the group's initial diversification expansion.

By 1992, Thailand had become Asia's largest chicken exporter with 167,000 tons being exported. However, because of increased feed costs due to adverse seasonal weather conditions and a temporarily saturated market as a result of competition from Brazil and China,⁴⁷ the price of chicken slumped but it had little effect upon the group's well-being, as it controlled a considerable share of China's chicken production. Even though CP Group's global networks were able to offset the slump in prices without any real effect on the group profits, it helped to foster a business strategy of diversification in its development. Nevertheless, agribusiness remained the core of the CP Group's business activities as the Charoen Pokphand feed-mill recorded its sales of US\$ 978.5 million in 1995, providing the company a net profit of US\$ 50.8 million. The finance accounting

⁴⁵ Bangkok Post, June 1, 1997.

⁴⁶ Sricharatchanya, "Not just Chickens Feed", *Far Eastern Economic Review*, March 3, 1988, pp. 58-59.

⁴⁷ Handley, Paul, "The Falling Price of Success", *Far Eastern Economic Review*, April 29, 1993, pp. 48-50.

figures for CP Group in 1994 showed that the agribusiness remained at 59% of CP Group's total revenue.⁴⁸ However, there were bright spots in other areas of CP Group's processed food that entailed boiling, steaming, roasting and frying farm-raised chicken and shrimp, adding sauces and flavourings, then freezing the product for export. In the kitchens of Asia's advanced countries of Japan, Taiwan, Singapore, South Korea and Hong Kong, consumers tossed them in a saucepan, on a grill, or into a microware oven, for a couple of minutes of reheating before eating. These countries consumed increasingly more Asian processed foods from abroad, and CP Group was able to take advantage of this huge market. It started the frozen-chicken export industry, spawning dozens of Thai imitators, and had been working on further-processed foods since 1987. It dominated further-processed foods exports to Japan, which itself supplied 95% of the multi-billion dollar market.⁴⁹ The general manager Wisade Wisidwinyoo of CP Food Products said that the move to further-processed foods was a natural one. Whereas CP Group once sold de-boned chicken to Japan for reprocessing into skewers of yakitori or karaage nuggets, it now undertook those steps itself, some in a joint venture with Japan's Takeda group. CP Group was looking beyond Japan, exporting prepared fish to Singapore, and spring rolls, prawns and *dim sum* to Singapore, Hong Kong and Taiwan. It also exported further-processed chicken to the EU and pre-roasted chickens to the Middle East.⁵⁰

Thai government policies to promote export-orientated industries had a significant impact upon the CP Group's horizontal diversification expansion of its business operations. After the import substitution policy had begun to stagnate, the Thai government replaced it with the policy of export-orientation, encouraging business to export. During the 1980s, the World Bank also promoted private sectors growth in the regions. CP Group took advantage of the new opportunities for expansion into aquaculture business of shrimp market. In 1991, an American company, US-based Cobequid chose CP Group as a joint venture business partner for entry into Asian aquaculture market, due to the group's success. Soon after the joint venture, Cobequid and CP Group established Aqua Health Asia in Bangkok

⁴⁸ Vatikiotis, Michael, "From Chicken to Microchips" *Far Eastern Economic Review*, January 23, 1997, pp 38-44.

⁴⁹ Handley, Paul, "Processed Profits: Thai Firms Stake Claims to a Huge Market", *Far Eastern Economic Review*, Vol. 156, No. 17, 29 April 1993, pp. 48-50.

⁵⁰ *Ibid.*

as a scientific research centre and concentrated its research on shrimp culture and industrial development, as Cobequid's business strategy was to capitalize upon modern technology of Aqua Health Asia and take advantage of the large commercial networks of CP Group. Thai government body National Scientific and Technology Directorate supported Aqua Health Asia's researchers by sponsoring them as part of its working group to conduct research on shrimp disease prevention and culture. CP Group has been producing shrimp and fish feeds since 1970s, and the move to more processed foods was a natural development for the group to supply a convenient food product for export to Japan, Hong Kong Singapore and Taiwan where higher expenditure for processed food. Thailand exported large quantity of shrimp and chicken meat to these countries.⁵¹

Emphasis on Technology Development

CP Group is constantly putting its emphasis on scientific research in order to take advantage of most advanced technology. Competition was always intense in agrobusiness. One of the best solutions is using modern technology to boost production and lower the cost. In 1988, when shrimp price slumped, it forced everyone in the industry affected to look at the structure of the industry. Farmers knew that they needed to start to use more scientific farming methods. Shrimp feed producers acknowledged the relationship between farmers' survival and the price and effectiveness of the feed sold to them. The Fishery Department of the Ministry of Agriculture was aiming to produce 300,000 tones of shrimp a year by 1992, and it decided to plough ahead with high growth in the industry. CP Group's research showed that it could slash production costs to the point where shrimp can emerge as a viable fast-food item. Three major groups in Thailand were driving the expansion by developing large, vertical integrated prawn operations. At the time, CP Group, which already held half of the feed market, was focusing on the two ends of the chain, i. e. inputs on the one hand, and processing and exporting on the other. It had developed an annual shrimp feed-mill capacity of 300,000 tons, and was researching ways of boosting feed conversion ratios. In its experiments, it had achieved feed conversion ratios of as

⁵¹ *Ibid.*

low as 1.5:1 namely; 1.5 kg of feed can produce 1 kg shrimp, and average 1.8:1 against general industry capacity of 2:1. Three research and training farms with significant productive capacity to boost the production had trained 40 farmers who could choose either work their own farms to supply CP Group's operations or work in CP Group's farms. CP Group was developing Thailand's biggest processing capacity that can handle 100 tons of shrimp a day. At the same time, the group had a joint venture with the Mitsubishi Group raising prawn larvae to sell to farmers that helped with downstream marketing in Japan.⁵²

From the beginning of its business-building, Dhanin sought out foreign partners for their technical expertise, teaming up first in agribusiness with Arbor Acres Farm Inc. and Dekalb Genetics Corporation of the United States. In the later years, some leading multinational corporations from telecom giant Nynex Corp. to PepsiCo, joined hands with CP Group that enabled the blend of Western management and technology with Dhanin's impeccable Asian political connections.⁵³ The driving principle that Dhanin had learned from his father, Chia Ek Chor, was to offer the customers value of their money. Dhanini recalled that "My father tried to find the best quality seeds, so the customers never bargained down the price". In the early stage of their business, he introduced refrigeration for chicken retailers in Thailand. Now the CP Group's feedmills are at the cutting edge of agribusiness. The group puts its emphasis on seeking strategic partners from around the globe to provide best technology.⁵⁴ A number of these top-flight technology companies were multinational enterprises. These MNEs played a role in supplying agribusiness groups with both high-level production technology and know-how for developing new markets abroad, and the joint ventures with foreign capital under the control of the CP Group was a typical case. The group's major foreign partners were Arbor Acres Farm Inc. (US) in producing parent stocks for chicken breeding, Mitsubishi Corp., Ltd. (Japan) in breeding large-sized shrimp (black tiger prawn), and Dekalb Agresearch Co., Ltd (US) in developing a hybrid-type variety of maize for CP rapid business development.⁵⁵

⁵² Handley, Paul, "Proliferation of Ponds", *Far Eastern Economic Review*, Vol. 146, No. 40, 5 Oct 1989, p. 98.

⁵³ Dan Biers *et al.* "Back to School for Thailand's CP Group Head", *Far Eastern Economic Review*, 8 April 1999, pp. 10-14.

⁵⁴ Vatikiotis, "From Chicken to Microchips", *Far Eastern Economic Review*, Vol. 160, No. 4, 23 Jan 1997, pp. 38-44.

⁵⁵ Suehiro, *Capital Accumulation in Thailand: 1855 - 1985*, p. 270.

*Education and CP Group's College*⁵⁶

Confucian emphasis on education also influences CP Group's business development. The group has established its own college to educate staff and develop its human resources. On one hand, the group can reduce the cost for fostering skilful staff, and on the other, the college can provide systematic training to meet the corporations' needs. CP Group established its own college Chia Tai College in 1984 after the board of directors approved this decision. The college undertook a task of training and nurturing specialists for the group and its subsidiary companies. Since its establishment and development, it attracted international attention among scholars and entrepreneurs. The public recognizes the college as a good model for international enterprises having their own educational institution.

All the staff of CP Group has possessed high school or equivalent qualifications. The college goes through a strict examination to choose high achievement students who are working in the group for at least five years and under age of 45. They are required to sit for an examination with approval of the heads of the departments or sectors. About 85 per cent of students come from the group's different subsidiaries over the world. They work in the forefront of different kinds of jobs in different manufacturing, research and managerial departments. They have clear aims with high motivation to master latest scientific knowledge and newly advanced technology, and implement them in their jobs.

The research and training of the college are focused on the most urgent needs of the group's various departments and subsidiaries and to provide direct services for efficient management and to increase productivity. The college offers courses relating to the group's core business that included agricultural development, livestock husbandry, ecology and environment protection, modern food processing and distribution of agricultural and livestock products. The college employed high quality academics in these fields, and more than fifty professors and associate professors with different expertise and experiences are listed on its staff. Some of them have been working with the group's different departments and obtained international reputation in their respective fields. Those teaching

⁵⁶ Li, Wenhai the vice president of Chia Tai Group provided these materials and information.

staff who are working in the group's forefront possessed not only rich experiences of producing products but also teaching. Therefore they taught students theories in conjunctions with practice. The features of the college's teaching were practical, functional and aimed at the group's urgent needs. Students strongly favoured these methods of teaching and master both skill and knowledge.

More than one hundred new students are enrolled in the college every year. They are required to go through both written and oral examinations. The college holds the view that interview is important, as it not only provides an opportunity to assess the student's academic standard and working experience, but also comprehends the student's sense of responsibility to the group and their interest in further education. The principle of choosing students is quality rather than quantity. The college designs all the courses and plans according to the business demand and production situation of the group and then submits to the board of CP Group for approval. The board always pays great attention to these teaching plans and discusses them at length in the board meetings. The group and its college consider the practical teaching and learning are the most important way of fostering human resource with innovative ideas. The college carries out those teaching plans approved by the board in close cooperation with many different departments, companies and factories of the group. Because CP Group is one of the largest multi-national conglomerates with world-class standards, the practical training of its trainees in the group's first class industrial and commercial bases around the world outside the campus of the college, helped foster best managers of the enterprise.

Cultural Influences on CP Group's Development

Cultural influences on CP Group's business development have appeared very strong. The case of CP Group has illustrated traditional Chinese culture with Confucian emphasis on family value and other factors such as network, personal trust etc.

Dhanin, the patriarch of Thailand's largest corporate empire, stands out from South-East Asia's business culture. He is a Buddhist and has always blended typically Asian ways of thinking with his own idiosyncrasies. He loves cock-fighting, but insists on making the sport more humane by putting little boxing

gloves on the sparring rooters. He is a strong believer in *Feng Shui*, and has been known to consult face readers before hiring executives. Dhanin and his brothers were raised with Confucian value of family solidarity, so they would never put the company above the family. He also shows a flexible attitude of loyalty to Thailand. Family members speak their Teochew dialect at home, and there are claims that Dhanin's Mandarin sounds better than his Chinese-accented Thai. He has never tried to hide his roots. Dhanin is also a proud Thai citizen, adorning office walls with portraits of the royal family and showing off the pin on his lapel, which was put there by the king himself in recognition of his contribution to Thai economy. Dhanin is humble enough to realize that he must forever keep learning and changing. Whether the subject is the latest food-production technology, shift in health consciousness among consumers, or new management fads touted by globe-trotting consultants, Dhanin claims to listen. It is this attitude that has helped CP Group win accolades as one of the best-run international conglomerates in Asia.⁵⁷

A Model of Ethnic Chinese Family Business

Although CP Group has 250 companies, only few of them are public-listed companies. Most of its companies are private companies. The group's management to both of its private and public companies still control and remain in the hands of Chia (Xie) family. Dhanin Chearavanont (Xie Guo Ming) and Sumet Jiaravanon (Xie Zhong Ming, Dhanin's third elder brother) are directors of every company in CP Group. They hold controlling interests in CP Pokphand and its subsidiaries. Through family members interwoven into the control of the companies is a strategy popularly adopted by Ethnic Chinese family businesses. For instance, Pakeman Co. Inc. is the holding company for CP Pokphand in which Dhanin has a 40% interest along with his brother Sumet who retained a 35% interest, while Dhanin and Sumet also retained a 50% and 45% interest respectively in Charoen Pokphand Holding Company Limited which has a substantial interest in CP Pokphand. According to information provided by the CP Group itself, there are totally 250 companies in the group but only 13 are listed

⁵⁷ Lee, Josephine, "Fowl Play", *Forbes*, 17 March 2003, pp. 78-79.

companies.⁵⁸ As most Ethnic Chinese family businesses are always controlled by family members, control of CP Group has remained within the Chia family with directors of companies cross-linking with other CP Group's companies to maintain a tightly family run international conglomerate. Charoen Pokphand Group Co. is a holding parent company overseeing and commanding all domestic and foreign companies businesses operation whilst Charoen Pokphand Co. is responsible for Thai-based companies' businesses operation. In those annual reports of CP Group's listed companies, this illustrated the tight rein held by the Chia family and trusted old friends who are long term high ranking employees of the group. Although family members had tight control over CP Group's businesses, we saw in the middle of 1970s the group had started to recruit non-family professional managers into the executive board of the group, and they sat together with family members and trusted long-time employees. This demonstrated the group's business philosophy of combining Eastern values with Western managerial expertise. It is an important factor in the success of many Ethnic Chinese businesses.

Like modern Western business, Ethnic Chinese family business seeks most of its capital for expansion and diversification from stock markets. Access to capital market through stock exchange is required by security and investment laws that companies have to provide greater divulgence of their business operations. Although the CP Group had already achieved its business success, it started in 1984 to float some of its companies on Thai stock exchange due to the increasing needs for capital. It further developed its business with new divisions that included agribusiness anchor, property development, petrochemicals, wholesale and retail marketing, international trading, industry, fertilizers and aquaculture. Capital obtained strongly supported the group's rapid diversification and expansion, but its control still remains in the hands of the family members.

Ethnic Chinese family businesses in Southeast Asia have usually concentrated on the commercial and financial sectors in their host countries in the region as these business areas have been natural progressions from their earlier status as traders and middlemen described as "comprador capitalists". However, The CP Group's successful business development exemplified the new business strategies

⁵⁸ CP Group, "About CP Group: Corporate Overview", http://www.cpthailand.com/about_main_overview.htm Viewed 8 January.

pursued by many Ethnic Chinese family businesses in the East & Southeast Asia and some in Europe and America. CP Group's successful story is not an isolated case among Ethnic Chinese businesses. Most of these Ethnic Chinese businesses have produced capital-rich companies capable of becoming regional conglomerates that play important role in the development of region's economy. The group's management style illustrates the concentration of decision-making in the hands of close family members that has become one of the features of Ethnic Chinese businesses particularly in the business of Ethnic Teochew Chinese. More interesting, when I interviewed the vice president Li Wenhai of Chia Tai Group in China, he told me even though CP Group has employed more than 100,000 employees including many professionals of different races ranging from Thai, Chinese, Indonesian Moslem to Anglo-American and German etc., it becomes a real multi-cultural and multi-racial international conglomerate whilst the top level management meetings are always conducted in Teochew dialect.⁵⁹ The CP Group has started its stages of family business development beginning with the original "rags to riches" success of the founding father, Chia Ek Chor incorporating the traditional Chinese cultural traits of a strong family value, business networks, perseverance, frugality and diligence to insist on the internationalization of their family business. The strategic planning and foresight shown by the group has meant that this conglomerate has been able to diversify rapidly by being one of the earliest Ethnic Chinese family business companies to adopt advanced Western management techniques. Its achievement is evident in its expansion into markets around the world and its predominance in Thai domestic market.

In the development history of the CP Group, after 1950s, the actual management of the core business was transferred from the founders to the second generation team of which the important members included Dhanin, Sumet, Charan and Montri in the family line of Ek Chor Chiarawanon, and Prasoet and Wanlop in the family line of Choncharoen Chiarawanon. Prasoet entered the Chia Tai Store at the age of fifteen and has served as an important partner in the group since 1951. He became the husband of the eldest daughter of Choncharoen.⁶⁰

⁵⁹ Li Wenhai, the vice president of Chia Tai Group provided these materials and information, during stayed with him in September 2002.

⁶⁰ Suehiro, "Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group", pp. 45-46.

The business acumen and entrepreneurial skill of family members with the strategy of cultivating large networks between Ethnic Chinese, governments, farmers, foreign corporations and financial institution are the important elements of the group's success. A most important strategy is retention of ownership and management in the hands of family members. According to corporation legislations, a person can control company's affairs through having the voting power at a general meeting to appoint a majority of the company's directors or to secure the passage of other ordinary resolutions. A company is taken over when the power to control the company's affairs is attained by a person or a group of persons acting collectively. Take Australian corporations legislation as an example, relevant securities and investment law section 610 (1) a person's voting power in a body corporate is: person's and associates' votes x 100% divided by total votes in body corporate, where person's and associates' votes is the total number of votes attached to all the voting shares in the body corporate that the person or an associate has a relevant interest in it. Also the section 606, control a company is to control shares carrying more than 20% of the total voting power.⁶¹ Although, legislations have changed and different countries have their different corporation's legislations but have similar principles, so does Thailand. We saw CP Group acted very cautiously concerning these matters. Unlike other Ethnic Teochew family controlled businesses such as Bangkok Bank that listed their companies in stock market much earlier, the CP Group was only in the second half of the 1980s, to list some of its companies on the Thai stock market, in which the Chia family members owned the majority of shares. For examples, 61% of Charoen Pokphand Feedmill, 64% of Bangkok feedmill, 82% of Charoen Pokphand Produce, 70% of Advance Pharma, 68% of CP Feedmill and 58% of Bangkok Livestock Processing companies' interest were controlled by Chia family members. They become associates to hold the majority of the voting power via their relevant interests in a body corporate. This strategy makes it impossible for others to take over the companies.⁶²

CP Group's management style partly accounts for the group's success. Again, Dhanin's East and West formula is the key: Reinforcing the importance of family,

⁶¹ *Australian Corporations Legislation*, Butterworths, 2000, pp. 754-759.

⁶² Suehiro, "Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group", p. 48.

he has arranged a plan to put his sons in charge of new and risky ventures in order to sharpen their business skills. His eldest son Suphakit is chief executive officer of the Thai cable-TV operation, UTV. Younger son Supachai is a board member of TelecomAsia. However, he has learnt from a team of experts from outside the family and clan to manage the group's business to balance its business operations. For instance, Ajva Taulananda, TelecomAsia's president has held two deputy-minister portfolios in the Thai government. Wallobh Vimojvanich, president of Telecom Holding, has done stints as a consultant for America's National Aeronautics and Space Administration and as an associate professor of electrical engineering at George Washington University.⁶³ But Chia family members are always in control of a decision-making on some important matters such as issuing shares, options and convertible notes with how many voting power attaching to them etc. They continue to control the balance of the voting power making it impossible for others to take over, unless the whole group collapses and goes into administration or liquidation. It is unlikely that Ethnic Chinese family businesses would fail due to their global expansion. Therefore, the finding of this study contradicts the theory of family businesses that concluded the decline of family business is inevitable.

Promotion of Image and Listed Companies

One of the CP Group's business strategies for its expansion is to promote its public image in order to acquire equity capital in the stock market. The CP Group realizes the importance of promotion of its public image by actively participating in social development and setting up foundation. In Thailand, with the objective of following the activities initiated by HM the King of Thailand, various projects were organized by CP Group including development of youth and farmers, creation of Buddha images etc. to fulfil its social obligation. In China, from 1980, Chia Tai Group sponsored the establishment of schools, hospitals, sport complex in Shantou and Chenghai – the Teochew hometown. It has also contributed to the establishment of the "Chia Tai Broiler Development Centre" of China Agriculture University, Zhejiang Agriculture University and Agriculture University of South China; and sponsored education projects of Beijing University. As its public

⁶³ Vatikiotis, "From Chicken to Microchips" *Far Eastern Economic Review*, Vol. 160, No. 4, 23 Jan 1997, pp. 38-44.

image lifted to its peak, it was accorded with international honour. On June 18, 1996 Dhanin and two CP Group officials were granted an audience in the White House with Bill Clinton, President of the United State. Two years earlier, in January 1994, Former US President George Bush was invited to visit Thailand as the guest of CP Group. On January 19, the Bangkok Post published a photograph of Bush arriving at Don Muang airport greeted by Dhanin. On January 20, Bush attended a champagne breakfast at the Oriental Hotel to celebrate the opening of the CP Group's new paint factory. In November 1996 Neil Bush, one of President Bush's sons established a "joint venture consulting company" with the CP Group, according to the Financial Times of London.⁶⁴ Ironically, unlike these presidents holding the power only in the elected period, these Ethnic Chinese businessmen are described by some scholars as metaphor of ungrounded or new Asian emperors. The famous Harvard University business school also states in its case study that Dhanin had helped farmers dramatically improve their standard of living, contributed substantially to Thailand's export.⁶⁵

Along with capital acquisition, strong cross linkages between those public companies, subsidiaries and private companies of the group illustrate the importance of business networks.

The first company of CP Group that listed with Bangkok Stock Exchange was Bangkok Agro-Industrial Products Co. It underscored a new business trend that family business opening up to the public. Until 1988, three subsidiaries of CP Group went public. The group planned that over the next ten years, that most of the group's 30 or so active domestic units would follow. The executive claimed that using the stock market to raise funds was more a new strategic consideration than necessity, since CP Group had no difficulty in borrowing. One of the two companies listed in December 1987, Charoen Phophand Feed-mill Co. ran an integrated livestock operation in Hai Yai of the southern Thailand, and it expanded to Bangkok for a duck-feather processing plant. The second company listed at the same time was the Bangkok Produce Merchandising Co. (BKP), a Bangkok-based trading firm. It bought materials such as rice bran, maize and fishmeal from rural areas and sold to both group and non-group mills. From

⁶⁴ Dan E. and Corn David, "Influence Peddling, Bush Style", <http://www.moldea.com/Bush-China-hypocrisy.html> Viewed 8 May 2001.

⁶⁵ CP Group, "About CP Group: Case Studies", http://www.cpthailand.com/about_main_case.htm Viewed 6 January 2003.

January to September 1987, BKP turnover exceeded Baht 3.8 billion, and was targeted as CP Group's third integrated-business arm for northeast Thailand. It planned to spend 300 million Baht to promote farm crops and to build a 200 million Baht chicken slaughterhouse. Given CP Group's aggressive growth plans, its new business strategy to acquire capital on the stock market increased. As a financial analyst in Bangkok pointed out that there was a limit to the amount of capital a family-run business operation could generate, the logical course of action was to turn to the public and CP Group obviously had taken such action.⁶⁶

On 27 July 1987, Charoen Pokphand Feedmill (Taiwan), or CPF, listed its stock on the Taiwan Stock Exchange. It was one of a small number of Taiwan listing companies controlled by foreigners. The firm issued new stock to raise money for an expansion project in Nantou County in Southern Taiwan. CPF was established in 1977 with an initial capital of US \$1.05 million, listing in Taiwan Stock Exchange added 28.6 million shares of stock to the local exchange at an underwriting price of NT \$27 a share. Taiwanese government encouraged the company to list because it was controlled by ethnic Chinese. Since then the company's stock has risen to about NT \$70 a share. Even though the company was listed and became a public company, the Chia family in Thailand that started the business still holds 55% of the company's stock, while the remaining 45% was held by Taiwan local shareholders, of which only 12% was traded actively. This strategy is to ensure that the control of the company is firmly in the hands of the Chia family which is a key feature among public companies of Ethnic Chinese.⁶⁷ From CP Pokphand annual reports, we saw its initial market capitalization stood at about US\$ 69 million, but this had dramatically increased to US\$ 600 million by the end of 1991. CP Group further expanded its business activities into Western economies, and in 1997, Charoen Pokphand Feedmill had purchased a 49% share of Alabama-based Charoen Pokphand (USA) Inc., a subsidiary of the group which ran a fully integrated broiler chicken processing operation, even though it was difficult for Ethnic Chinese companies to enter Western economies. However, the degree to which the CP Group sought was building up a reciprocal

⁶⁶ Sricharatchanya, Paisai, "Funds for a Growing Family: The First Subsidiaries are Listed on the Thai Stock Market", *Far Eastern Economic Review*, Vol. 139, No. 9, March 3, 1988, pp. 60-61.

⁶⁷ Moore, Jonathan, "Feeding Public Interest: Charoen Pokphand Raises More Money in Taiwan", *Far Eastern Economic Review*, Vol. 139, No. 9, 3 March 1988, p. 61.

relationship between its businesses partners after Western investors eagerly wanted to establish joint ventures in Thailand and Southeast Asia. The capital raised was used to help finance the firm's diversification into the downstream business of making feed, raising and slaughtering chickens. It was a vertical integration in which CPF was to build a partially automated slaughterhouse and established a wholesaler to sell their product to local grocery retail stores. The company has already had a joint venture with a Dutch company, SHV Holding NV, and a local investment company in a food wholesaler business.

Diversification and Globalization

CP Group's Diversification into New Business

Before 1990s, the group had already started its business plans for diversifications. In 1988, Charoen Pokphand Feedmill, a listed company of CP Group, initiated a jointed project with Minebea Co of Japan, a world leader in electronics, together with a string of minority local partners, including companies affiliated with Crown, the Bangkok Bank and Democrat Party leader Bhichai Rattakul. It was in line with the Thai government's investment-promotion objectives and its products of electronic parts and computer peripherals were for export.⁶⁸

In the 1970s, economic analysts predicted that Thailand's peasant society would be transformed into a society of commercial farmers and landless labourers by population pressure and the power of the market, especially in advanced areas like the central region. But around 1980 in Thailand, the emphasis of the economy shifted away from agriculture, and by 2000, agriculture accounted only ten per cent of GDP and seven per cent of exports. Once Thai economy was no longer driven by agriculture, the government's attention and private business investment were redirected elsewhere, and the CP agribusiness conglomerate turned to diversify investment into telecommunications.⁶⁹ CP Group became a key player in 1990s in the telecommunication industry in Thailand when the Thai government privatized the telecommunications. Through its extensive networks especially with Thai government and military connections, CP Group was able to grasp this opportunity to form a company, Telecom Asia and won the contract to install

⁶⁸ Sricharatchanya, Paisai, "Mixed Results from Following Government Objectives", *Far Eastern Economic Review* Vol. 140, No. 26, 30 June 1988, p. 62.

⁶⁹ Baker, Chris and Pasuk Phongpaichit, *A History of Thailand*, Cambridge University Press, New York, 2005, p. 212.

telephone system in Bangkok district, though dissent and confusion surrounded this contract in April 1991. On 25 September 1990, the 150 billion *baht* (US\$ 5.93 billion) telecommunication project was awarded to CP Group and British Telecom.⁷⁰ It was considered the most worthwhile contract granted to British Telecom and the CP Group in the Thai infra-structural firmament to install two million new telephone lines in Bangkok and one million in rural areas.⁷¹

In Thailand, private operation of telecommunications expanded rapidly since 1988, and this reflected the response both to rapid advances in technology and to surging demand that outstripped the capabilities of state-run operators. Thai government planned investment in the next five years since 1991 by the public and private sectors was likely to amount to around US \$ 10 billion.⁷² With the backing of Nynex, a New York based telecommunication giant that held 18.5% interest of Telecom Asia,⁷³ it expanded its business rapidly in Asia. In February 1993, it signed a contract with AT&T (Thailand) and AT&T Network Systems for the supply of plant services and transmission equipment for 350,000 lines. Later, it also signed joint ventures with the governments of China, Nepal and Vietnam for the development of telecommunications. Telecom Asia set up a wholly owned subsidiary Telecom Holdings that was responsible for the operation of television and new telecommunication ventures. The modern technological operations have focused on satellite and underwater cable TV in 1994. In November 1993, Telecom Asia was listed on the Thai stock exchange and became one of the largest public-listed companies in Thailand. The industrial analysts supported the CP Group's foresights that the potential market for pay TV companies in Thailand was as large as two million households. Telecom Holding's aim was to compete with the Hong Kong-based Star TV through its satellite connections, and it had the Communications Authority of Thailand as its business partner.⁷⁴

Dhanin argued that telecommunications moved the group upstream from agribusiness and producing food for body to food for the brain. His son, Supachai

⁷⁰ Tasker, Rodney, "Thailand: Chat chai Survives the Latest Factional Wrangles: Vested Interests", *Far Eastern Economic Review*, Vol. 150, No. 41, 11 Oct 1990, p. 19.

⁷¹ Westlake, Michael, "Mean Streets: Bangkok - From Boom to Blight", *Far Eastern Economic Review*, Vol. 150, No. 48, 29 Nov 1990, p. 56.

⁷² Westlake, Michael, "Industry 3: Asia's Poorer Countries in Technology Leap: The Big Switch", *Far Eastern Economic Review*, Vol. 151, No. 10, 7 Mar 1991, p. 45.

⁷³ Vatikiotis, "From Chichen to Microchips", *Far Eastern Economic Review*, Vol. 160, No. 4, 23 Jan 1997, pp. 38-44.

⁷⁴ *Ibid.*

Chearavanont, promoted to head the group's telecoms flagship, Telecom Asia said that telecom fits into the CP Group portfolio because it is a mass-consumed product.⁷⁵ Dhanin also stated that the push into telecommunication is as natural as CP Group's move from chicken feed to fried chicken, and said: "Human beings need food. But also need food for the brain, like cable television, education and news. Once we have established production, we'll find a market."⁷⁶ Traditional beliefs have not stood in the way of technological achievement. Dhanin is the driving force behind CP Group's hi-tech ventures. After just four years in the telecoms business, TelecomAsia completed one of the largest privately funded infrastructure projects in the world by installing 2.6 million telephone lines in Bangkok and selling over one million of them. Although some people say CP Group does too much. Dhanin refutes these critics by saying that they do not understand what CP Group is doing, and his strong argument is that by moving into telecom, the group made a strategic shift into a service in which demand outstrips supply, and by teaming up with Nynex, Misui and Siemens, quality of the telecommunication is assured.⁷⁷

In October 1996, the Newbridge Networks Corporation news released that when the first stage of installation of large-scale digital data networks with intelligent bandwidth management capabilities was completed in Bangkok. As CP Group offered telecommunications that are more sophisticated, including a data transfer system. TelecomAsia was able to sell services on the network to Bangkok Bank, Thai Farmer's Bank, Siam Commercial Bank, Krung Thai Bank, General Finance & Securities Public Co. Ltd and all major financial institutions in Thailand. CP Group's strategy of vertical and horizontal diversifications echoed the group's philosophy of "benefit to country, people and enterprise".⁷⁸

CP Group pays greater attention to modern sciences and emphasises its strategy of applying advanced technology and technological expertise to business development, but this strategy can sometimes be realized through joint venture with foreign companies. After having successfully persuaded farmers to cultivate jasmine rice, the group joined with Japan's Satake Company to introduce a

⁷⁵ Dan, Biers, *et al*, "Back to School for Thailand's CP Head", *Far Eastern Economic Review*, April 8, 1999. pp. 10-14.

⁷⁶ Vatikiotis, "From Chicken to Microchips", P. 38.

⁷⁷ *Ibid.*, pp. 38-44.

⁷⁸ CP Group, "Chia Tai Companies", http://www.chiataiagro.com/company/company_e.html Viewed 15 June 2001.

sophisticated rice mill and four combine harvesters for letting to farmers that reduced labour costs of rice production by approximate 70%. The rice-growing program was for both business and rural development. The group always expounds its philosophy that farmers are an important part of the group's business activities as they buy a wide range of the group's products and provide the group with raw materials for feed-mills, rice production chicken raising etc., as described in the group's slogan "company plus farmer". In addition to its vertical integration of the core agribusiness enterprises, CP Group also undertook horizontal integration of its businesses that included the establishment of 7-Eleven chain stores, wholesale outlets and supermarkets, whilst these businesses became crucial for its business development as marketing networks in the distribution and selling of CP Group wide range products. The business strategy of CP Group is called "a whole dragon" (*yi tiao long*). "Everything here is linked: CP owns each stage of the food chain, from the farms where they're raised, to the shops and restaurants where the meat is sold."⁷⁹ More creatively, even unrelated products can be linked into a chain. The linkage between TelecomAsia and CP-owned Seven-Eleven convenience stores in Bangkok serves as a good example. TelecomAsia sells its telephone lines at these retail outlets, and anyone can buy a phone line, seven days a week, 24 hours a day. Once hooked up to a TelecomAsia line, a subscriber can install CP Group's cable-TV service. Customers will soon be offered a personal handy phone option as well.⁸⁰

Globalisation

CP Group has had a splendid achievement and profound effect not only on the agribusiness enterprises of the Thai Economy, China's economy and Southeast Asia's economy but also on its successful expansion to other business areas. Its agribusiness not only has chicken consumption increased dramatically in Thailand and China, but also increased in other countries in the Asian region such as Japan. According to June 1, 1997 Bangkok Post report, Japan was the largest importer of Thai chicken that imported 114,822 tons from Thailand in 1995. Japan also imported chicken meat from CP (Chia Tai) Group in China that played an important role in exporting chicken meat. The CP Group demonstrated its

⁷⁹ Vatikiotis, "From Chichen to Microchips", pp. 38-44.

⁸⁰ *Ibid.*

predominant position in this business in the region by the market share in chicken products ranged from around 80% in Thailand to 38% in Indonesia and about 20% in China. In 1988, when Laos started to open its doors for foreign investment since the 1975 communist victory, the Laos government drafted the first foreign-investment code to attract foreign capital to develop its economy. It was reported that the CP Group, the giant agro-industrial conglomerate was helping Laos to develop its livestock and animal feed industries and at the same time expanded the group's business into this neighbouring country.⁸¹

The CP Group business' principle of a mutual benefit to each business partner assists the group in its efforts to expand its business globally. The following tables are partial list of its global business network and overseas business partners:

Table 5.1 Global Business Network⁸²

ASIA	
Thailand	Integrated agro-industrial operations Integrated aquaculture operations Seeds production Marketing and distribution (CP-7-eleven, Lotus Supercentre) International trading Telecommunications, multi-media Real estate Petrochemicals
Indonesia	Feed mill, breeding, slaughterhouse Integrated aquaculture operations
Korea	Trade representative office
Japan	Trade representative office
Malaysia	Feed mill, breeding, slaughterhouse
Cambodia	Feed mill, Trade representative office
Vietnam	Feed mill Trade representative office
Myanmar	Feed mill Trade representative office
Taiwan	Feed mill, breeding, slaughterhouse Trade representative office
India	Feed mill Trade representative office
Singapore	Feed trading
China	(See Chapter 6)
Hong Kong	Trade representative office

⁸¹ Hiebert, Murray, "Investment: Opening the Door Slowly—Laos Circulates a draft Foreign-investment Code", *Far Eastern Economic Review*, Vol. 140, No. 26, 30 June 1988, p. 64.

⁸² CP Group, "Global Network", www.cpthailand.com/about_main_global.htm Viewed 6 January 2003.

Turkey	Feed mill, breeding, slaughterhouse
EUROPE	
Belgium	Trade representative office
Germany	Trade representative office
NORTH AMERICA	
U.S.A.	Integrated agro-industrial operations Trade representative office
AFRICA	
South Africa	Trade representative office
MIDDLE EAST	
UAE	Trade representative office

Table 5.2 Overseas Business Partners⁸³

Business	Partner	Country of Origin	Type of Venture
Agro-industry	Arbor	U.S.A.	Poultry
	Acres		
	Avian	U.S.A.	Poultry
	Continental Grain	U.S.A.	Feed Mills in China
	Meiji	Japan	Milk products
Aquaculture	Indo-Aquatics	India	Shrimp
Seeds	Dekalb Genetics	U.S.A.	Seed Corn
Marketing	Southland	Japan	7-Eleven
	Tesco	U.K.	Retail
	Gerber	U.S.A.	Baby Food
Telecommunications	NYNEX (now Bell Atlantic)	U.S.A.	Telecommunications
	Orange Plc	U.K.	Mobile Services
	Siemens AG	Germany	Telecommunications
	NEC	Japan	Telecommunications
Petrochemicals	Solvay cie	Netherlands	Petrochemicals
	Corovin	Germany	Non-woven fabrics
	GmbH		

CP Group actively opens the world market for its products as well as for the development of Thailand's agricultural business, agro-industry business and aquaculture business.

After 1997 Asian Financial Crises

After the Asian financial crisis, CP Group immediately undertook drastic restructuring and downsized its business by concentrating resources in its core business. The group transferred profitable sectors of its retail business to foreign partners and then re-invested from its petrochemical industry.⁸⁴ It was back to school for CP Group's chairman Dhanin, he invited a university professor for a

⁸³ CP Group, "Overseas Business Partners", www.cpthailand.com/about_main_partners.htm Viewed 6 January 2003.

⁸⁴ Suehiro, Akira, "Family Business Gone Wrong? Ownership Patterns and Corporate Performance in Thailand", Asian Development Bank Institute Working Paper No.19, May 2001, p. 20.

tutorial and spent 90 minutes peppering him with questions about international law. Among the late-career lessons was the need for fiscal conservatism and a sharper focus on core industries. He sold stakes in his retailing and manufacturing concerns, including 11% of his profitable 7-Eleven convenience chain stores to cut his stakes to 65%. CP Group's response had been to cut costs, limit future borrowing, and consolidated core businesses. Dhanin instituted two new policies for his group by ordering the group's companies to cut their debt levels to no more than two-thirds of equity and guaranteed the group's holding companies must be debt-free. In addition, the group consolidated 11 Thai agribusiness subsidiaries, including six previously unlisted ones, which under one of its main public vehicle - Charoen Pokphand Feedmill Plc. In addition, he promoted political and financial reforms in Thailand in the hope of speeding up a return to growth of its business again. However, CP Group's officials pointed to the group's flourishing Thai agribusiness ventures and said that the group's turnover increased in 1998 with Thai export rose 21% to US \$400 million despite the problems of some subsidiaries.⁸⁵

The group also streamlined all agro-industry-related firms, including shrimp culture and processing, feed milling, processing of broiler-chickens and swine to reorganize them into Charoen Pokphand Foods PLC (CPF) in December 1998. After this reorganization, CPF became a holding company to supervise its operations in its core business to attract foreign investors. The result of this corporate restructuring was that CPF successfully attracted foreign investors, who took about 39% of total shares, and promptly improved its financial indicators of debt and equity ratio, net profit margin etc. CPF also promoted information disclosure and decided to increase its board members from 10 in 1996 to 16 in February 1999 by including two new independent directors, Professor Atthasit Wechachiwa and Asa Sarasin. The Chia family, ultimate owner of the CP Group continued to keep control over ownership and management of CPF. On the Board of CPF, 4 out of 16 directors came from Chia family members, 9 out of 16 came from long-time employed staff in the CP Group. The Charon Pokphand Group Company, which is a non-listed holding company, also holds 31.4% of the total interests of CPF. They control majority of the voting right in order to prevent take

⁸⁵ Dan, Biers, *et al.* "Back to School for Thailand's CP Group Head", *Far Eastern Economic Review*, April 8, 1999, pp. 10-14.

over by other shareholders. Even after the Asian financial crisis, CP Group, an innovative modern family business has not easily given up control of its listed companies.⁸⁶ This modern type of family ownership is commonly found in Ethnic Chinese businesses. According to the findings of Suehiro that family businesses in themselves were not a major cause of the financial crisis and have not hindered recovery. Taking into account the significant and important role that family businesses have played in Thailand's non-financial sectors, the better and more rational way was to introduce ways of revitalizing existing family businesses to support sustainable growth as CP Group did. It typically showed that owner-families frequently exert control over publicly traded companies through their private holding companies and family-owned investment companies.⁸⁷

In 2000, the *Far Eastern Economic Review* reported that the CP Group has returned to the top of the Review 200 line-up after a one-year hiatus in the No. 2 slot. Before the Asian financial crisis, like that of many Thai companies, the group's focus was blurred during the boom days, resulting in high debt levels for many investments that lacked synergy with its agricultural core business. During three years restructuring and improving since the Asian financial crisis, the group chose a number of new foreign investments in many of its subsidiaries, while many Thai corporations kept foreign buyers away from their debt-burdened assets. The group's open attitude kept most of the group's credit lines fluid during debt-restructuring negotiations. Central to the restructuring effort had been a renewed emphasis on food production and processing. In turn, that allowed the group to simultaneously downsize and expand its business operations. Also, deeper business synergies were taking root as a result, the group moved aggressively into more value-added agribusiness including export-oriented venture by exporting its newly launched Thai fast-food restaurant, Bua Baan, which serves only CP Group's processed foods. The group intended to turn Bua Baan into a global franchise in the style of McDonald and KFC.⁸⁸

In 2001, the CP Group again led the business pack in Thailand in the Review 2000. It was building a successful domestic-retailing venture with British giant

⁸⁶ Suehiro, "Family Business Gone Wrong? Ownership Patterns and Corporate Performance in Thailand", Asian Development Bank Institute Working Paper No.19, May 2001, p. 20.

⁸⁷ *Ibid.*, p. 21.

⁸⁸ Shawn W. Crispin, "Back to the Farm", *Far Eastern Economic Review*, December 28 2000, pp. 90-91.

Tesco, and planned to develop Shanghai's biggest shopping complex, Super Brand Mall. It was also involved in another new venture in telecom industry CP Orange, and partnered with Europe's Orange Group. CP Group's core agribusiness remained a solid foundation, combined with diversifying investment, particularly in China.⁸⁹ Food business was included in the group's core business, and it played a key role in the stabilizing overall situation of CP group during the Asian financial crisis. The president of the group Dhanin was gratified and explained that when the storm came, food business in our group gained profit more adversely, because many competitors collapsed. The market demand has not decreased; hence, we expanded our market share, the ratio of profit increased from five per cent before the financial crisis to fifteen per cent after it occurred.⁹⁰

During the Asian financial crisis, many Asian countries except China suffered different economic problems. This was because the Chinese government implemented a strict policy of foreign currency control. Therefore, those companies that invested in China were relatively unaffected. CP Group was one of them and its profit from investment in China substantially increased.

⁸⁹ Tasker, Rodney, "Team Player", *Far Eastern Economic Review*, December 27, 2001, pp. 82-83.

⁹⁰ Chen, Shaobo, Southern Chinese News, *People's Daily*, (Chinese Edition), March 2, 2001, p. 2.

CHAPTER 6

BUSINESS DEVELOPMENT OF CP (CHIA TAI) GROUP IN CHINA¹

Introduction of CP Group Business in China

CP Group in China was named as Chia Tai Group. According Shanghai Star's report on 6 of September 2001, Chairman of the board of the Chia Tai Group, Dhanin Chearavanont, claimed that he had invested about US\$ 4 billion in agribusiness, biochemistry, car and locomotive industry, land and real estate, marketing and distribution in China.² This amount appears to be less than US\$ 5 billion that the group invested in 1995, two years before the Asian financial crisis.³ The group was the first foreign investor to invest in China. When the People's Republic of China began to carry out its open door policy to attract foreign investment in the late 1970s, CP Group was ready to invest substantial capital and technology resources in this huge potential market.

CP Group's core business in China is agribusiness. According to the report of Chia Tai (China) Investment Co., Ltd., there are eight kinds of agribusiness in the group.

1. Feed Business

The group introduced advanced feed production equipments from the United States of America and Denmark and established more than one hundred modernized feed mills in China. Chia Tai Group utilized various advanced technology from all over the world to adopt different formulas for different animals in different growth phases in response to animal nutrition requirements. These feed mills produce a range of feed products including swine feed, broiler feed, duck feed, cattle feed, fish feed, shrimp feed under "Chia Tai" brand. High

¹ Li, Wenhai provided part of the information in this chapter.

² Chen Qide, Shanghai Star, 2001-09-06. [Http://www.chinadaily.com.cn/star/2001/09/06/bz10-2.html](http://www.chinadaily.com.cn/star/2001/09/06/bz10-2.html) Viewed 7 January 2003.

³ Ampalavanar-Brown, Rajeswary, "Overseas Chinese Investment in China-Patterns of Growth, Diversification and Finance: The Case of Charoen Pokphand", *The China Quarterly*, September 1998, No. 155, p. 611.

quality of feed results in high survival rate, high feed efficiency and consequently high economic performance.

2. Chicken Business

Chia Tai Group adopted modernized breeding and hatching equipments from the United States and Canada. The “AVIAN” meat-type chicks are hybrid bred and imported from the United States. The parent stockbreeder chicks and commercial day old chicks are of good hereditary guaranteed. Through scientific farm management and a strict veterinary epidemic prevention program, the survival and hatching rates are higher. Furthermore, the chicks are tough in disease resistance and are fast growing. The performance is extremely remarkable and adapting to the Chinese environment.

3. Chicken Meat Processing Business

All Chia Tai Group processing plants and meat further processing factories adopted advanced technology and imported equipments from the Netherlands, USA, Denmark, and Japan for Slaughtering, processing, refrigerating and packaging. All of food processing companies had passed ISO9000 and ISO14000 Standards, and production processing is conducted according to HACCP standard. The broiler farming module of “Company + Farmers” supported farmers with unified farm management and a strict program of veterinary epidemic prevention, all these ensure the food processing factories with qualified, healthy and safety broilers with stable supply quantity. The whole processing factory is refrigerated at different suitable temperature for cooling and quick-freezing section, which can guarantee the freshness, nutrition and flavor of the meat. Under “Chia Tai” brand it offers more than 100 varieties of fresh chilled chicken, frozen chicken, further processed meat and cooked foods. They are rich in protein and delicious, low fat and free from chemical residuals, matching the demand of modern lifestyle, well accepted all over China and exported to overseas markets.

4. Duck Business

From 1997, Chia Tai Group began its duck business in Hebei and Jiangsu. Today the company has achieved an integrated business from feed production to duck parent stock, hatching, duck farming, slaughtering, meat processing and feather

downing processing for both export and domestic markets. Duck meat products under Chia Tai Group taste tenebrous and delicious, high in protein and nutrition, low in cholesterol and fat. They are processed with advanced technology under stringent sanitary control and are classified as “Green Food”. They are well accepted in both domestic and export markets. Downing products under “Chia Yu” brand such as downing clothes, quilt, cushion and bed cushion are popular in the market.

5. Swine Business

Chia Tai Group had set up grand-parented boar farms in Hubei and Henan provinces to develop swine business. In 2000, Xiping Ecological Agriculture and Swine Breeding Exemplary Village in Henan Province was established to assist farmers to adopt scientific breeding and farming technology in order to improve cultivation structure so that peasants could leave poverty and enjoy better living and joining as new members of new farmer in the 21st century.

6. Aquaculture Business

Chia Tai Group firstly established an aquaculture-breeding base in Hainan province, introduced advanced world-classed technology and equipments. Then, feed mills, fish fry farms and shrimp farms were established to produce and sell high quality aquatic feed, unisexual Tilapia fry, Red Ruby fish fry and shrimp.

7. Seed Business

Chia Tai Group installed automatic seed processing equipment forming an integrated processing line including harvesting, drying, threshing, cleaning, grading, packing and storage to process high quality hybrid maize seed. The group also established vegetable seed breeding base to produce and sell variety of high quality vegetable seed.

8. Biochemistry Business

Chia Tai Group also established biochemistry factories in Henan, Guizhou and Fujian provinces to produce CTC, DCP and L-Lysine, which are well-accepted in China's market and overseas markets.⁴

CP Group's investments in China with 213 subsidiaries of the group spread all over the country except Qinghai province. The number of its employees in China exceeds 80,000 nationwide and the group's annual sales turnover is more than 30 billion RMB. Its business expansion in China enables CP Group to claim over 400 subsidiaries around the world with nearly 200,000 employees.⁵

Early Stage

CP Group's most important specialisation was in Chinese agribusiness. The group moved into feedmill production in China as soon as China carried out the open door policy and soon expanded into the rearing of poultry and hogs as well as the aquaculture of prawns and fish across the Chinese countryside. CP Group had advanced technology in these sectors, and had major advantages through these joint venture sectors with state, collective and private enterprises.⁶ Chinese leader Deng Xiao Ping stressed the importance of agricultural development:

Agricultural growth hinges first on policy and second on science. There are no limits to the development of science and technology or to the effect they can have. Seed, fertilizer and diversification all have great potential for development. Other things being equal, improved seed varieties will lead to a marked increase in production. ... The feed industry too must be developed. In addition to the application and development of relevant science and technology, plenty of organisational work is needed to improve seeds and promote the feed industry.⁷

⁴ Chia Tai Group, "About Chia Tai Group", http://www.chiataiagro.com/company/epsy_e.html?cp=i Viewed 8 January 2003.

⁵ CP (Chia Tai) Group, "About Chia Tai (CP) Group", www.epgroup.cn/english/web/ctbrief.asp Viewed 21 July 2006.

⁶ Ampalavanar-Brown, "Overseas Chinese Investment in China-Patterns of Growth, Diversification and Finance: The Case of Charoen Pokphand", pp. 624-626.

⁷ Deng, Xiaoping, "Decide on Major Construction Projects, Make Proper Use of the Talents of Scientists and Technicians", October 14, 1982. A talk with a senior comrade of the State Planning Commission, in Deng Xiaoping, *Fundamental Issues in Present-day China*, Foreign Languages Press, Beijing, 1987, p. 7.

In 1979, the CP Group, under the name of Chia Tai Group established its first feed-mill in Shenzhen Special Economic Zone (SEZ) of Guangdong, as a joint venture with US-based Continental Grain Corporation. On the record of the Bureau of Industry and Commerce Administration of Shenzhen, it shows the first foreign investing corporation in the SEZ, and the company's registration number is 0001. Thereafter, Chia Tai agro-industry business gained the support and trust from Chinese government and local communities. After continuous hard-work, an integrated production and management system was set up that gradually improved agro-industry business including feed production, poultry and aquacultures breeding, slaughtering and food processing. It also entered successfully into the domain of seeds breeding and biotechnology, marketing etc. Since 1979, more than 100 projects were invested by Chia Tai Group in China that spread out wildly in all provinces and autonomous regions except Tibet and Qinghai. These projects have promoted rapidly local agro-industry's development. Chia Tai Group has successfully implemented its business philosophy of "benefit to country, people and enterprise" and to create a triple win situation, win-win-win to every party joining in the business development. While assisting farmers to be well-off, and meeting consumers' demand, the group responded to the Chinese government's call of "vegetable basket program" to supply high quality and cheap food for people, to improve diet structure, and to raise general living standard. At the same time, the group sponsored various education projects of many universities.⁸ For instances, the group sponsored Beijing University, Fu Dan University and Beijing Agricultural University for the education programme. Since its coming to China, the CP Group has been growing together with the reforming and opening of China. As Dhanin's saying: "world talents, world knowledge, no boundaries".⁹ The group actively expanded its business to respond to Chinese government's call for agricultural development

Chinese leader Deng Xiao Ping showed his concern about China's agricultural development and stated that "To quadruple agricultural production we must depend primarily on diversification. There are two obvious directions to take: one is to develop animal husbandry and the other is to develop forestry and growing of

⁸ CP Group, "About Chia Tai Group", www.chiataiagro.com/company/company-e.html Viewed 7 January 2003.

⁹ CP Group, CP (Chia Tai) Group, "About Chia Tai (CP) Group", www.cpgroup.cn/english/web/ctbrief.asp Viewed 21 July 2006.

fruits. We should expand the raising of cattle, sheep, chickens and fish in the suburbs of large and medium cities. The state can provide support in the form of good breeding stock and feed. The whole nation should attend to feed processing. Several hundred modern feed plants should be built. Feed production should be treated as a sector of industry, and a major one.”¹⁰ CP Group first joint venture in China in 1979 was proven to be a vital factor in the expansion of CP Group’s businesses. In 1984, CP Group operated a small feed-mill and a poultry farm and opened a pig farm in Shenzhen. When Thai Foreign Minister Siddhi Savetsila visited Beijing in July, the group signed a US\$ 5 million joint-venture agreement with the Beijing municipality to build a second animal-feed factory. Other investment projects of the group included modernization of many feed-mills and extension of trading and agribusiness operations to other provinces in China. All of the group investments in China were undertaken by its affiliate Chia Tai International Investment in Hong Kong.¹¹

CP Group’s involvement in China’s pig industry was based on extensive marketing research. According to a report in *Far Eastern Economic Review*, pork was a serious business in China, and a sensitive consumer product as illustrated by public outcry about high pork prices and rationing in cities. The number of pigs in China was enough to rivet the attention of industry executives around the world. By 1988, China had 340 million pigs and made up 41% of the world’s pig population that produced 17.6 million tones of pork a year. With higher rural and urban incomes, more pork was being eaten. China’s per capita pork consumption shot up 19% in 1987, according to the State Statistical Bureau of China. Increased demand had strained an already over stretched production and marketing system, making urgent the improvement of pork supplies. Chinese government had embarked on efforts to upgrade pig production, which was dominated by some 10-12 million inefficient small-scale pig farms. Chinese authorities were turning to foreign agribusinesses to help them develop commercial pig farms. The government’s aim was to raise production in suburban areas to increase pork supplies for Chinese cities and to expand its export industry beyond Hong Kong

¹⁰ Deng, Xiaoping, “Our Work in All Fields Should Contribute to the Building of Socialism with Chinese Characteristics”, January 12, 1983. Main points of a talk with senior comrades of the State Planning Commission, State Economic Commission, and the department in charge of agriculture, in Deng Xiaoping, *Fundamental Issues in Present-day China*, p. 13.

¹¹ Sricharatchanya, Paisai, “Beware of the Relative Wanting Gifts”, *Far Eastern Economic Review*, Vol. 126, No. 47, 22 Nov 1984, pp. 51-52.

and Macau into the lucrative Japanese market. Through its subsidiary, CP Pokphand Hong Kong, to have a joint venture in Southern China with Continental Grain, the giant US grain trader and hog-raiser, CP Group set up the pig farms and feed-milling in Guangdong. It expanded rapidly by forming its regional network of feed-milling, pig-raising and poultry operation in China. Its new plan was to establish a large pig farm on Hainan Island, China's largest island. The venture helped to solve China's problems with pig diseases, the single biggest hindrance to export of Chinese pork to the lucrative Japanese market. Chinese pigs and those in the Thailand and Philippines were susceptible to foot and mouth disease. As a result, Japanese quarantine regulations barred imports of uncooked pork from these countries. Controlling this kind of pigs' disease, especially for a continental country such as China was very difficult. The task was made more difficult because the Chinese government refused to admit that Chinese pigs contracted the disease. CP Group set up pig farms on isolated Hainan Island that made it easier to control the spread of the disease.¹²

In 1988, according to the report in *Far Eastern Economic Review*, CP Group was finalizing with the Chinese authorities a string of joint-venture investment projects on Hainan Island worth a total of 2.6 billion Baht (US\$ 103.175 million). Again, through a Hong Kong subsidiary, it operated an extensive network of animal-feed and poultry production units in China. The projects in Hainan Island involved integrated farming and processing of shrimp and hogs, plus petrochemical and cement production.¹³ Its Hong Kong subsidiary also negotiated with the US fast-food chain Kentucky Fried Chicken to form a joint venture for a Kentucky outlet in Shanghai. As the group already had operated a string of animal-feed plants and chicken-related facilities in China, including a semi-automated slaughterhouse in Shanghai, it could readily supply chickens to the Kentucky outlet.¹⁴ In 1989, the group applied a third Hong Kong Stock Exchange listing company, Conti-Chia Tai, a joint venture between US-based Continental Grain and CP Group, which operated farms and feed mills in China's Guangdong province. The new company planned to join C.P.Pokphand and Yue Hwa Chinese

¹² Goldstein, Carl, "Peking Pins Hopes on Hi-tech Piggeries", *Far Eastern Economic Review*, Vol. 142, No. 44, 3 Nov. 1988, pp. 102-104.

¹³ Reporting Unit, "Intelligence, China-bound Thais", *Far Eastern Economic Review*, Vol. 142, No. 46, 17 Nov 1988, p. 13.

¹⁴ Reporting Unit, "Intelligence, Hatching Plans", *Far Eastern Economic Review*, Vol. 139, No. 1, 7 Jan 1988, p. 9.

Products, a company owned by China's Guangdong government.¹⁵ By 1990, CP Group emerged as the largest feed producer of broiler chicken and animals, fish and prawn in China.¹⁶

Success of investment in China led to the company in the special economic zone of Shenzhen from a feed-mill and a chicken farm to poultry and swine operations in fifteen locations throughout Guangdong province by 1991. In the 1991 CP Pokphand annual report, we saw the CP Pokphand Co. that located in Hong Kong had become an important flagship of CP Group's overseas business activities, especially in China. This Hong Kong based company largely mirrored the business strategies of its foundation companies in Thailand. It vertically integrated agribusiness and trading business in China, Thailand, Indonesia, Turkey and Hong Kong. Its business activities included animal feed production; animal husbandry; meat and prawn processing; trading in a wide range of agricultural commodities; products and equipment; motorcycle production and related business activities.

By November 1993, the group developed its business into 40 agribusiness projects, 13 of them were large joint ventures with Multi-National Enterprises (MNEs) of the United States of America and the local and regional authorities of Chinese government. The group consolidated its business development through its five subsidiary companies: Shengzhen Chia Tai Conti Zhengdai Feed, Shanghai Dajiang, Beijing Chia Tai Feedmill, Nantong Zhengda Animal Poultry Aquatic Products, and Nantong Chia Tai Livestock and Aquatic Products. The group joined with Shanghai Songjiang County Feed and Livestock Company to establish Shanghai Dajiang in 1985 with an initial investment of US\$ 18 million divided equally in shares between the two parties. Shanghai Dajiang was the first agricultural venture to be listed on the Shanghai Stock Exchange to become a public company. Beijing Chia Tai Feed-mill was the largest feed-mill manufacturer in China and one of the earliest foreign joint ventures in Beijing. CP Group formed this company in October 1984 and held a contract for 35 years with an investment of US\$ 10 million. It produced and sold 720,000 tons of feed per annum by July 1987, accumulating revenues and fixed assets valued at one billion

¹⁵ Reporting Unit, "Intelligence: Agribusiness Listing", *Far Eastern Economic Review*, Vol. 144, No. 14, 6 April 1989, p.9.

¹⁶ Ampalavanar-Brown, p. 625.

yuan (renminbi), 150 million *yuan* in profit after paying tax of 41 million *yuan*. It increased its annual turnover to 217.5 million *yuan* in 1992, gaining a gross profit of 32 million *yuan*, and with total assets of 111.4 million *yuan*. It became a major animal feed supplier in Beijing area. In Guangdong, Chia Tai Conti with assets of almost 28 million *yuan* (not including land value) also recorded high profits of 3,470,000 *yuan* with turnover of 91 million *yuan* in 1991. The group achieved a steady growth in its agribusiness.¹⁷

In 1994, Chia Tai Group added a further fifteen agribusiness ventures into its portfolio and has expanded agribusiness ventures in every province in China except Qinghai and Tibet. The success of the group's penetration into a relatively new China market indicated the group ownership of these projects ranging from 28% of Beijing Poultry Breeding to 100% owned of Qingdao Chia Tai with an overall net profit after tax from all ventures totaling RMB 657.7 million in 1994, and accounted for 41% of CP Pokphand's consolidated profit. In 1994 CP Pokphand, with an 89% increase in consolidated turnover, proved that its strategy of further expansion of agribusiness operation in China was very successful.¹⁸ In the same year, the CP Group, emerged from Thailand into the Asian regional economy, and it became the largest investor in China with more than seventy operational projects. Its net revenue from these investments exceeds US\$ 500m per annum. Its business achievement demonstrates that both Fortune and Forbes magazines have ranked the Chia (Chearavanont) family among the richest business families in the world in the 1990s.¹⁹

In the period between 1985 and 1995, the CP Group contributed 33 per cent to the overall profits of its agribusiness in China. The group's agribusiness sectors alone accounted for sales revenues of HK\$ 3 billion by 1996. In 1994, China consumed three billion chickens, among them 300 million were provided by CP Group while it also exported 220,000 tons of chicken meat. Because of CP Group's feed-mill sectors held 33 per cent of the entire China's animal feed market it was able to reap the benefits of economies of large scale and hence influenced the market prices at the time. Its share in total poultry sales rose from

¹⁷ Ampalavanar-Brown, pp. 625-626.

¹⁸ CPP Annual Report 1994, p. 26.

¹⁹ Tracy, Noel and Constance Lever-Tracy, "A New Alliance for Profit: China's local industries and the Chinese diaspora", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 78.

14.7 per cent in 1989 to 1992 of 41.6 per cent. Its ten broiler farms contributed 30 per cent of China's entire poultry exports. The group contributed to China's poultry export business substantially.²⁰

Diversification

Chia Tai Group carried out the strategy of diversification into unrelated areas of business in China including industry, property development such as Chia Tai Group's 49% interests in Shanghai Ek Chor Motorcycle Company and Shanghai Ek Chor General Machinery Company Limited indicating the group's successful diversification into industrial sector in China. The industrial enterprises of Chia Tai Group consolidated through a 33% increase in production of motorcycles by Ek Chor China Motorcycle Co. that became China's fourth largest motorcycle producer while Shanghai Ek Chor Machinery Company became the largest manufacturer of automotive air conditioner compressors at the time.²¹

However, during that time, China's high inflation rates caused a decline in operating income through administrative and Shanghai local overheads that resulted in production costs increased. These industrial sectors were still to increase its production of automotive parts on the Mainland China's market because of the rising Japanese yen that increased the cost of imported parts and components from Japan. In June 1993, Chia Tai Group's subsidiary Ek Chor China was floated on the New York Stock Exchange raising US\$ 85.6 million. In China, Chia Tai Group's Shanghai Dajiang, an associated company with Ek Chor China, was also listed on the Shanghai Stock Exchange in November of the same year in order to acquire public funding. The success of Chia Tai Group's investment in China since its initial investment in Shenzhen in 1979 shows that Dhanin's business philosophy has been based on sound business practice and well-researched market information. The most innovative aspect of his success has been the rapid diversification into both vertically integrated agribusiness and horizontally different commercial areas in a newly opened semi-market economy. The group's agribusiness remained the cornerstone of its business operations, while its new business such as retailing, manufacturing, and property development had been well established. Chia Tai Group's business in China developed rapidly,

²⁰ Ampalavanar-Brown, pp. 626-627.

²¹ *Ibid.*

according to Asia week on August 29, 1997 report, Chia Tai Group had about 20% of China's chicken market and 10% of the feed-mill industry. At that time, the group was the only foreign investor that had been granted a license to open a finance company in China. It provided financial support for agricultural ventures. The group also purchased large areas of land to construct shopping malls for the expansion of its retailing business. It responded the call of "Vegetable Basket Program" (*cailangzi gongcheng*) by Chinese government to provide advanced technology and innovative management in agribusiness that fundamentally benefit Chinese people.²²

The group had also undertaken extensive management training and provided modern technological courses for employees and farmers in China as its emphasis was placed upon long-term prospects and future developments.

Development of CP (Chia Tai) Group Business in China

Core Business

By 1993, CP Group had 39 feed-mills and a number of chicken and pig farms, two motorcycle factories, some of Kentucky Fried Chicken franchises and real estate spread across China. The group's aggressive expansion poised to reap the benefits of China's economic growth as China's consumers eat more chicken, buy more motorcycles and pursue a more affluent lifestyle. However, it went through rough patches in China's rapid modernization, and the breadth of the group's business in China meant that it was uniquely exposed to the vicissitudes of China's boom-and-bust cycles. Some companies of CP Group had been hit hard by the sharp devaluation of the *renminbi* during 1992 and 1993. At the same time, some real estate projects had to be delayed in the face of Vice-Premier Zhu Rongji's campaign to cool down the overheating economy. The group had more practical experience in starting up joint ventures and better track record than any other foreign companies doing business in China. In 1993, C.P. Pokphand executive vice president Tony Asvaintra estimated that the group's assets in China

²² CP Group, "About Chia Tai Group", www.chiataiagro.com/company/company-e.html Viewed 15 March 2001.

total some US\$ 1.3 billion.²³ CP Group's rising stake in China was further evidence of the crucial role that Ethnic Chinese entrepreneurs are playing in China's economic rebirth. About 80% of the US\$ 54 billion in foreign direct investment in China since 1978 has come from Hong Kong, Taiwan or other Ethnic Chinese.²⁴

The CP Group dominated agribusiness market in Thailand in the early 1980s. It pronounced that expansion into overseas market was a natural step for a growth-oriented business development. It is true that one of the hallmarks of Ethnic Chinese companies' success in China is an ability to operate in its underdeveloped legal environment where many things done relying on personal connections, namely *guanxi*. A common language and culture helps, and so does a willingness to play by the rules that would not necessarily be taught at Harvard Business School. Therefore, these factors have given the Ethnic Chinese a competitive advantage over their business rivals who come from Western countries. The group always has joint venture with local government sectors. Most of the group joint ventures were 50/50 split with mainland partners, in some cases with the provincial grain bureau and in others with the city or county government. Tony Asvaintra explained that the group often cemented ties with local officials by hiring them as either the group or joint venture employees. The group generally provided technology and management skill together with international market for its products, while the local partner must get things done in production. In 1993 Conti Chia Tai International had five feed mills, four broiler breeder facilities, a feed pre-mix mill and two hog-raising farms in Guangdong province. Its flagship was the most profitable agribusiness enterprise, Shenzhen feed-mill, which was classed as a wholly foreign owned cooperative company. Only a 67 hectares site of land was controlled by a Chinese partner, Shenzhen Development, a local government owned company. Conti Chia Tai paid the Shenzhen government owned sector 15% of earnings as a goodwill that incurred since the joint venture started in the early 1980s.²⁵

By 1993, CP Group had already possessed more than 200 companies worldwide that had revenues of US\$ 4 billion. In China, its burgeoning empire

²³ Goldstein, Carl, "Full Speed Ahead", *Far Eastern Economic Review*, 21 October 1993, pp. 66-67.

²⁴ *Ibid.*, p. 67.

²⁵ *Ibid.*

started its core agribusiness operation and boasted a 4% share of China's feed market.²⁶ In 1993, the group's agribusiness in animal feed accounted for more than 50 per cent of CP Group's interests in China.²⁷ It planned to reach 10% share of China's feed market during the next five years. The group brought benefit to the improvement of China's agric-industry was evident in Asvaintra's statement that "with our technology, improved breeds and lower costs, our natural advantages over inefficient stated-owned producers become more and more obvious."²⁸

By 1997, the group had 130 joint ventures in China, mainly agribusiness with agric-industrial operations across China. The group made a sizable portion of its estimated total US\$ 7.6 billion revenues in China.²⁹ CP Group's company Lotus Ek Chor Trading (Shanghai) opened its first retail chain of fast food store in Shanghai in 1997. By 2000, four more Lotus superstores had opened in the Shanghai area. At the time, the firm also had 12 Lotus fast food store operating licenses in China with eight in Shanghai and the rest destined for locations in Zhejiang and Jiangsu provinces. The group planned on expanding strongly its retail food chain in China. Each Lotus store required a total investment of about 100 million *yuan* RMB, i.e. about 1.209 million U.S. dollars. The four already opened Lotus stores average sales of about one million *yuan* RMB, i. e. 120,000 U.S. dollars per day.³⁰ The group had also marketed its Lotus brand rice in China where a potential largest market for rice consumption in the world.

From raising day-old-chicks to retailing fast food, that is one of CP Group's business strategies of integration of its core agribusiness. The group employed business development strategy of both integration and diversification effectively.

Diversification and Integration

One of CP Group's main strategies was diversification and integration. Many people have difficulty to understand CP Group's bold business plan because they

²⁶ *Ibid.*

²⁷ Ampalavanar-Brown, p. 634.

²⁸ Goldstein, "Full Speed Ahead", p. 67.

²⁹ Vatikiotis, Michael and Fairclough, Gordon, "The Vision Thing: C.P. Group Grows outside Its Core Business", *Far Eastern Economic Review*, Vol. 160, No. 1, 2 January 1997, p. 96.

³⁰ Reporting Unit, "Thai Agribusiness Giant to Expand Retail Chain in China", Xinhua News Agency, November 1, 2000, p1008304h8819, Infotrac, Adelaide University ASAP Article A66489717.

do not know the secret in its business. These secrets included who was in the Chinese government to support these projects, and how much financial sources CP Group could obtain. Also, how advanced the expertise and hi-tech its joint venture partner possessed etc.³¹ The group's joint ventures with Chinese state-owned sectors created an integrated structure for feed mills, feed pre-mix mills, broiler-breeder facilities, pig-raising facilities, fish farms and prawn farms. Further, the group's enduring good relationship with provincial grain bureaus in 26 provinces exploited China's existing distribution channels.³² Its strategy was to use local authorities with local market information and shared business risk.³³

The group's diversification into manufacturing of motorcycles and machinery was in the mid 1980s to respond to China's fast economic development. The group's Shanghai Ek Chor was listed on the New York Stock Exchange in 1992. Its growth was spectacular between 1991 and 1994. It produced more than half a million motorcycles each year and its profits rose by 72 per cent. The number of motorcycles produced in China rose from 406,000 to 8 million in a 10 years period from 1983 to 1993. CP Group's contribution accounted for a third of this total figure. In the case of motorcycle manufacturer Luoyang Ek Chor, the business partner was China North Industries Group (Norinco), the Chinese defence industry's biggest conglomerate. The growth of Luoyang Northern Ek Chor Motorcycles was even more impressive. In 1993, its turnover was 623 million *yuan* RMB and assets increased to 424 million *yuan* RMB. Beijing Ek Chor Motorcycles also performed very well with export sales of US\$ 2.39 million in 1992 and profits of 830 million *yuan* RMB in total since its beginning. It was an equity-sharing venture with Norinco (China North Industries). CP Group's diversification also included manufacturing of machinery particularly car components and air conditioner compressors. In 1990, Shanghai Ek Chor General Machinery was established with investment of US\$ 5.95 million contributed by both CP Group and the Chinese partner. It experienced a significant growth with an output of 200,000 sets of compressors and had a turnover of 142 million *yuan*

³¹ When I interviewed Li Wenhui, Chia Tai Group's vice president, he explained this point of view.

³² Ampalavanar-Brown, p. 627.

³³ Oi, J. C., "The Role of the Local State in China's Transitional Economy," *The China Quarterly*, 1995, No. 144, pp. 1133-1148.

RMB profit of 25.8 million *yuan* RMB in 1991. It used Japanese technology from Sanders to introduce sophisticated compressor manufacturing techniques.³⁴

The two factories of motorcycle--Shanghai Ek Chor and Luoyang Ek Chor - in a northern province of Henan had a strong performance to grab a 15% share of the Chinese market. Despite attempts at increased production by other makers, demand for motorcycles far exceeded supply at that time. One reason for the success of the motorcycle venture was a fine appreciation for a very simple machine that can be used for carrying people or goods. The companies produced two models of motorcycle. The 125 cubic centimetres model was based on Japan's Honda technology, but the big seller was a 250 cubic centimetres model based on a motorcycle imported from Czechoslovakia. By 1993, motorcycle ownership in China was about seven for every one thousand people, and it would rise to 20 to 30 for every one thousand people in near future. In comparison with Taiwan, the island's roads were bursting with more than seven million motorcycles, against a population of only twenty million at that time. Taking Taiwan as an example, the prospects for products growth explained why Shanghai Ek Chor was building a new plant in Shanghai's Pudong development district that would add another 200,000 motorcycles and 400,000 engines to the other two existing plants' capacity of producing 250,000 units.³⁵ In 1996, Chia Tai group set up a new US\$118 million motorcycle plant in Shanghai's Pudong. Thai Crown Princess Maha Cakri Sirindhorn was the guest-of-honour at the opening ceremony. The inauguration sent a strong signal back to Thailand: CP Group, with its vast array of investments was helping Thai companies to do business in China.³⁶

The operations of the Conti Chia Tai feed-mill and chicken farm in Shenzhen showed the CP Group's ability to bring hi-tech management techniques to China's backward agricultural sector, and further integration of its agricultural products into retailing. The group's agribusiness integration owes its beginning to the strategic alliance with two US-based companies Arbor Acres in 1970 and Avian Farm in 1980. CP Group also imported parent pig stock from Belgium and Holland to develop its own three cross-breed "superior hybrid" pigs.

³⁴ Ampalavanar-Brown, pp. 627-629.

³⁵ Goldstein, "Full Speed Ahead", pp. 67-68.

³⁶ Vatikiotis Michael, "Follow the Leader: Charoen Pokphand Introduces Thai Firms to China", *Far Eastern Economic Review*, Vol. 159, No. 39, 26 September 1996, p. 70.

The group's agro-industry operations are fully integrated, horizontally and vertically. Its business operations take in animal feed production, breeders, farming systems, meat processing to food production. Its very successful value-added products are pouring both in the international and local markets.³⁷ More intriguing was the land that Shenzhen Development owned, but CP Group and Conti Grain held the land-use rights for another 20 years after 1993. When the joint venture between CP Group and Conti Grain started in 1983, it was in a far corner of the Shenzhen Special Economic Zone. When the pace of urbanization speeded up especially in Shenzhen, the land was rezoned for residential and commercial rather than industrial use. The vice president and general manager Lee Chien-chen estimated the land's value at US\$ 500 million. The development plan was to convert the state-owned company Shenzhen Development's 15% existing profit sharing arrangement into a more substantial equity stake, in return for development rights to the site of land. This story exemplified what one Hong Kong broker called, "Dhanin's Midas touch", that adroit step of early-bird investment, a keen eye and foreseeable business acumen for sites with future development potential was a hallmark of the CP Group approach to business development in China as well as in Thailand and other countries.³⁸ Among CP Group's business development, property development involving land has played a substantial role which is a strategy of diversification as well.

Property Development

One of CP Group's diversification in China was investment in industrial and commercial real estate, showing Ethnic Chinese traditional fondness for property development. In 1992, CP Group announced a US\$2 billion development on a prime riverfront site just across the Huangpu River in Shanghai's Pudong district. Pudong was the number one development priority for the Chinese central government. Shanghai Fortune World Development joined with CP Group to develop the site. The Fortune World complex included international-class offices, hotels and shops. The Hong Kong Fortune, a subsidiary of CP Group acting as a leading partner in the project, paid the amount of several hundred million *yuan*

³⁷ CP Group, "Agribusiness", www.cpthailand.com/webguest/agribusiness.aspx Viewed 28 July 2004.

³⁸ Goldstein, Carl, "Landed Gentry", *Far Eastern Economic Review*, 21 October 1993, p. 69.

RMB to relocate the Shanghai city government, for the project's first-phase clearance for the 40 hectares site. During that time, the Shanghai Communist Party secretary Wu Bangguo declared that the project was a top priority in Shanghai city development. The strong support and assistance from Shanghai government came as another indication of CP Group's ability to gain top-level Chinese government support. In this joint venture, CP Group's Hong Kong Fortune was a Hong Kong-listed company controlled by Dhanin and his elder brother Sumet Jiaravanon, CP Group's business partner Shanghai Lujiazui Finance & Trade District Development Corp., held a 50% share and controlled the land, the venture had a 70 years lease.³⁹

Before 1991, CP (Chia Tai) Group had invested some real estate projects in Shenzhen and Shanghai. After Deng Xiaoping's South China trip in 1992, the group's property development accelerated. The group's subsidiary Hong Kong Fortune - in a joint venture with Shanghai stated-owned companies developed the Pudong district of Shanghai. In Shenzhen it invested in the Honey Lake Village and also in the Zhujiang Delta, Dongwan. In the Liaoning province of North-eastern China, it developed five properties with initial cost of US\$ 287.2 million.⁴⁰ An early resort investment in the Honey Lake Village in Shenzhen including hotels, luxury villas, park and golf course with a partner of Chinese local authority. At the same time in Guangdong, two big CP Group's property development projects were at work, and one was the Shenzhen Honey Lake resort and a country club. CP Group paid US\$ 64 million for the land-use rights, and its associate company Orient Telecom & Technology (known during an earlier incarnation as Chia Tai International) had a joint venture with Shenzhen Development to build a 2.4 million square metre luxury resort. Another was the Tongsha resort project in Dongwan city of Guangdong, where Orient Telecom planned to build a mixed resort and residential complex. In May 1995, Chia Tai Group had 40 joint ventures in construction and real estate investment worth US\$ 4 billion in Beijing, Shanghai, Kunming of Yunnan province, Zhuhai and Shenzhen of Guangdong province.⁴¹ By 1995, CP Group's Hong Kong Fortune had major projects in China including shopping complexes in Guangzhou,

³⁹ *Ibid.*, pp. 69-70.

⁴⁰ Ampalavanar-Brown, p. 633.

⁴¹ *Ibid.*

Tianjing, golf course in Shenzhen and Shanghai, luxurious apartments in Pudong, office-buildings in the Lujiazui-finance trade zone of Shanghai of which alone costed US\$ 28 million. Even though Chinese government tightened regulations on property construction and real estate investment in order to control inflation, and the Chinese State Council imposed a new value-added tax on profits from sales of real estate at that time, the group was still able to overcome these constrains by engaging in the top priority projects such as development of Pudong district in Shanghai. Although in July 1993, the Chinese central government launched a nationwide crackdown on speculative real estate projects and other investments deemed unnecessary to slow down the overheated economy, CP Group's property development projects in Guangdong were in abeyance in sometime, the group was to overcome economic uncertainties and developed its real-estate projects later on.⁴²

In China, property development was not CP Group's core business. However, by 1997 the group had six big projects totalling more than US\$1 billion in investment and a number of smaller property development projects.⁴³ One of CP Group's mega construction projects was the biggest shopping centre in China, the Super Brand Mall. This US\$ 335 million mall locates in Shanghai's Pudong, just across the Huangpu River. One of the CP Group's joint venture company Kinghill, the mall's developer was counting on a WTO-inspired boom in Shanghai's business when the mall's construction work was nearly completed. When the next door's convention centre hosted the summit of Asia-Pacific Economic Cooperation (APEC) forum leaders, Super Brand Mall housed high-class boutiques. The largest Internet Centre in Shanghai is located in this 13-story building, also included trade exhibitions, an auditorium and art cinemas. When Shanghai's leaders talked up the city as a world-class metropolis to match Tokyo, London and New York,⁴⁴ CP Group never hesitated to participate in Shanghai city's development.

⁴² Goldstein, "Landed Gentry", pp. 69-70.

⁴³ Yatsko, Pamela, "Model Partner", *Far Eastern Economic Review*, 23, January 1997, P. 45.

⁴⁴ Reyes, Alejandro, "Special Issue: China: The Next Long March", *Asia Week*, March 30 - April 6, 2001, pp. 28-35. Infotra, Adelaide University ASAP Article A72742411.

Further Expansion

Further expansion and diversification of CP Group's investment in China covered petrochemical industry that included manufacturing of plastics and retailing. Since China first opened its retailing sector to foreign participation in 1992, CP Group carried out an ambitious business plan involving in the creation of a chain of department stores, warehouse clubs, hypermarkets, luxurious shopping malls and large shopping complexes. In 1992, the group established three major retail operations in Shanghai, and the number increased to 14 by 1995 with a turnover of US\$13 million in Shanghai alone. The Group's retail business in Beijing also had turnover of US\$ 9 million in the same year. It was involved in food and non-food retailing and marketed imported and domestic manufacturing products in joint ventures with the local government authorities of Shenzhen, Beijing and Shanghai. Even though China's native companies dominated retailing sectors, CP Group's alliance with the state and municipal authorities in the major cities of China was crucial to its success in retailing business.

By 1997, the group expanded a total of 55 hypermarkets. It used retailing as a value-added function to its manufacturing and farm products in China. This was the integration of the "whole dragon" business stratagem. Its own poultry and prawn farming were large enough to ensure quality and reliability to its own retailing supply. The group's retail sector sold its chickens, its Reeb brand beer, its cosmetics of La Fontaine brand and its pharmaceutical products etc. Although the group faced competition from large, diversified retail conglomerates such as Shanghai Department Store No. 1 and Shanghai Hualian, which were owned by municipal and provincial authorities, Commerce Bureau. They encountered difficulties in distribution due to poor management though they had the advantage of state subsidies. Watson Supermarket chain and Wal-Mart Store Inc. were CP Group's other serious competitors. CP Group and Makro, the Dutch discount retailing corporation applied Western marketing techniques in wholesale and retail. They managed well to stretch its marketing structures to expand market coverage of food and non-food, imported and domestic goods. These retail stores, hypermarkets and shopping malls were balancing the variety of goods sold, strengthening the group's distribution network for its agric-industrial products and

generated valuable revenues.⁴⁵ As the Chinese government induced foreign investors to invest directly into technology-intensive sectors, CP Group's business diversification and expansion were timely, as they had responded positively to Chinese government's needs. The group enthusiastically involved in petrochemical industries, power generation plants and telecommunications.

During CP Group's business expansion and diversification in China, one of its strategies was joint-enterprises with Thai business partners. Their joint projects included plastics, paint, furniture and gypsum. In 1992, CP Group brought medium-sized Thai cosmetics manufacturer SSUP into China with an initial investment of US\$ 4 million to build a cosmetics factory. CP Group and SSUP each had a 45 per cent stake in the joint venture, the rest 10 per cent held by Xin Long Hua Co. a Shanghai municipal government owned sector. In 1994, the factory began cosmetics production. The sales of this cosmetics venture had grown rapidly. Its "La Fontaine" line of cosmetics ranked 10th in sales volume with a value of 15 million *yuan* RMB (US\$ 1.8 million) in 1995 and 25 million *yuan* RMB in 1996. The company planned to sell one lipstick to every woman in China every year, the Super Grand Mall and retail outlets in Shanghai widely sold these cosmetics products. The group also invited a major plastics producer in Thailand, SriThai Superware together with a local Chinese partner to start a plastics plant in Shanghai, and it manufactured plastics parts for CP Group's Xingfu motorcycles and beer crates for the group's Shanghai Mila Brew, which brewed Reeb and Tiger beer. The group was eager to expand its industrial and commercial base in China and the push to bring in new Thai money was aimed at winning concessions from Chinese government, particularly the Shanghai municipal government. In 1996, one of CP Group business expansion in China involving Thai partner was the US\$ 100 million joint venture with a Thailand's financial corporation to provide financial support mainly for businessperson who involved in Sino-Thai businesses.⁴⁶ Thailand's largest brewer was among the Thai co-investors with CP Group to enter China's market. In 1996, Boonrawd Brewery had teamed up with CP Group to upgrade a state-owned beer factory in Nanning city of Guangxi province in Southern China. It was to produce "Wusanli" brand

⁴⁵ Ampalavanar-Brown, p. 629.

⁴⁶ Vatikiotis, "Follow the Leader: Charoen Pokphand introduces Thai firms to China", p. 70.

beer for local market. Before that CP Group had already established a brewery in Shanghai to produce beer for local consumption that grew 20% a year.⁴⁷

One of CP Group's new businesses was e-commerce. MallAsia, a CP Group's subsidiary used several internet portals to attract Chinese consumers, particularly those in Shanghai. The e-commerce business operation complemented the group's conventional business and had an estimated 30 million internet users, of whom six million were in Shanghai. Its website named MallAsia.com was launched as a marketing wing for the biggest shopping centre in Super Grand Mall in Shanghai when the mall was opened. The website provided information in both Chinese and English. Since CP Group invited many Thai furniture, leather goods and clothing manufacturers etc. to open stores in the Super Grand Mall, they offered their products through the website to Chinese consumers. The group had also registered another website targeting China's market namely Sand and ThaiFoodMart.com.⁴⁸

CP Group's business diversification and integration demonstrated its organizational flexibility to obtain most advanced technology and latest skill through joint ventures and expanded from one industry to another. Its success was a profound process that was not only simply due to the benefits of economies of scope, but also to its management structure. More importantly, its policy of fair-share of profits with business partners obtained their long term and wholeheartedly cooperation. Its business scale in agribusiness structurally led to vertical integration with marketing and distribution ventures, which in turn assisted its products differentiation to suit the market demand. To ensure its market competition ability, CP Group always purchased or licensed production techniques to various joint venture contracts and frequently using these business ventures to diversify both product and domain.⁴⁹

By 1997, the CP Group had a diverse portfolio business in China, from manufacturing, animal feed, motorcycles and cosmetics to semiconductors and property development. In each of these business areas, other foreign investors might have considered risky. However, the chairman of CP Group Dhanin had blended three elements he considered essential for business success in China. He

⁴⁷ Vatikiotis Michael and Fairelough, Gordon, "The Vision Things: C.P. Group Grows Outside Its Core Business", *Far Eastern Economic Review*, Vol. 160, No. 1, 2 January 1997, p. 96.

⁴⁸ News reporting Unit, "CP Group to Expand Business in China via Internet", Xinhua News Agency, November 1, 2000 p 1008306h9215, Infotrac, Adelaide University ASAP Article A66493254.

⁴⁹ Ampalavanar-Brown, pp. 629-633.

explained: “The size of the market in China speaks for itself, but good relations with the Chinese government and a flair for new technology are essential for success. It must be technology that is useful to China.”⁵⁰

The following table is a partial list of CP Group’s subsidiaries in China:

Table 6.1 CP Group’s Subsidiaries in China⁵¹

<i>ANIMAL FEED BUSINESS</i>	Changsha Chia Tai Co., Ltd. Chengdu Chia Tai Co., Ltd. Chia Tai Conti (Denghai) Co., Ltd. Chia Tai Conti (Panyu) Co., Ltd. Chia Tai Conti (Shantou) Co., Ltd. Chia Tai Conti (Shekou) Co., Ltd. Chia Tai Conti (Zhuhai) Co., Ltd. Chia Tai Conti Group Chia Tai Yongji Enterprise Co., Ltd. Chia Tai Yueyang Co., Ltd. Chuzhou Advance Feed Tech Co., Ltd. Chuzhou Chia Tai Co., Ltd. Dalian Chia Tai Enterprise Co., Ltd. Dunhua Chia Tai Industrial Company Ltd. Fuzhou Da Fu Co., Ltd. Guangzhou Chia Tai Industrial Co., Ltd. Guang An Chia Tai Co., Ltd. Guangdong Chia Tai Conti Co., Ltd. Guanghan Chia Tai Feed Tech Co., Ltd.
<i>FARMING BUSINESS</i>	Beijing Chia Tai Animal Husbandry Co., Ltd. Beijing Livestock Breeding Co., Ltd. Chengdu Chia Tai Co., Ltd.
<i>AQUACULTURE BUSINESS</i>	Hainan Chia Tai Livestock Co., Ltd.
<i>SEED PRODUCTION BUSINESS</i>	Guizhou Chia Tai Enterprise Company Hua Zhong Chia Tai Co., Ltd. Jiangsu Chia Tai Seed Co., Ltd. Pucheng Chia Tai Biochemistry Co., Ltd. Quanzhou Daquan L-lysine Co. Ltd.
<i>CONSTRUCTION MATERIALS</i>	Nanning Chia Tai Construction Materials Co., Ltd.
<i>REAL ESTATE</i>	Chia Tai Land Development Co., Ltd. Super Brand Mall
<i>FINANCE</i>	Business Development Bank Chia Tai Enterprise International Company Ltd. Chia Tai International Finance Co., Ltd.
<i>CATERING</i>	Shanghai Chester’s Grill Food & Drink Co., Ltd. Shanghai Chia Tai Food Co., Ltd.

⁵⁰ Vatikiotis Michael and Fairclough Gordon, “The Vision Thing: C.P. Group outside Its Core Business”, p. 96.

⁵¹ CP Group, “Subsidiaries”, www.cpgroup.cn/english/web/subcorpintdetails Viewed 28 July 2004.

	Beijing Chia Tai Food & Dring Co., Ltd. PHARMACEUTICAL ABH Natural Products Co., Ltd. An Kang Chia Tai Pharmaceutical Co., Ltd. Chia Tai Freda New Packaging Resources Co., Ltd. Chia Tai Pharmaceutical Group Chia Tai Qingchu Bao Pharmaceutical Co., Ltd.
RETAIL	7-Eleven Lotus Supercentre
CT FOODS	Chia Tai Food Product (Shanghai) Co., Ltd.
AUTOMATISM	Luoyang Northern EK Chor Motorcycle Co., Ltd. Zhanjiang Deni Carburettor Co., Ltd.
MEDIA	Shanghai Chia Tai Hour TV Program Production Co.
OTHERS	Chia Tai (China) Investment Co., Ltd. Chia Tai Unotel Hotel Management Ltd. CP Biochemistry (Shanghai) International Trade Representative Office ECI-Metro Investment Co., Ltd. Nan Ning Wan Tai Brewery Co., Ltd.

Ethnic Chinese Entrepreneur and the Combination of East and West

Combination of East and West

CP Group has adopted the principle of combining with the best of East and West. The Chairman and chief executive of CP Group and president of Chia Tai Group (China), Dhanin stated that backward countries should not do backward things otherwise they can never catch up with developed countries. Why can Chia Tai Group rapidly develop to become the king of breeding chickens, king of pig raiser, king of prawn producing and king of corn growing in China? Around the world, CP Group is widely recognized to be on the top of the prawn business. A vital factor is the group emphasis on applying most advanced technology in prawn production. It employed most talented scientists and professionals in these fields.⁵² Following this formula of combining the best of West and East, Chia Tai Group has established more than 120 enterprises in China. These projects have promoted local agric-industry's development. Agribusiness is still at the heart of Chia Tai Group's business activities today. The president of Chia Tai Group,

⁵² Li Wenhai, a vice president of Chia Tai Group in China provided these information and materials.

Dhanin said, with its food companies accounting for nearly 70 per cent of the group's annual revenue, therefore, agribusiness remains its core business in China.⁵³

The group's agribusiness fully exploited the potential mass consumption in China and other countries, while many of its competitors were unable to compete in this market. China's state-owned enterprises lacked technological innovation and organizational competencies. CP Group smartly employed its "whole dragon" strategy together with this business development principle of combining Eastern culture with Western technology and marketing, forward and backward integrations to suit China's mass consumption market. The group's feed mill production and chicken, hogs, prawn breeding sectors etc. were integrated forward into food retailing on its own food chain stores. Its shopping malls provided further advantages in retailing its own products.⁵⁴

Dhanin's East-and-West formula underpins the group's success. He extols a business philosophy that combines the best of the two culture.⁵⁵ CP Group paired local and Chinese knowledge and marketing skills with imported technology from the West. This formula worked extremely well. Since 1971, CP Group had worked with Arbor Acres an American agribusiness giant to improve seed production, and succeeded in securing superior parent stocks for chicken breeding. Thereafter, the group had possessed advanced technology in feed-milling and in broiler chicken production through Arbor Acres in Thailand, and transplanted in China. In 1985, the group started a joint venture with Mitsubishi, a Japanese industrial giant, to develop techniques for breeding large-sized prawns and for eradicating diseases affecting aquaculture. The establishment of the Shrimp Culture Research Centre enabled CP Group to explore and develop intensive environmental-friendly shrimp cultivation as a model for other countries, especially in China. This development made the group the world's largest exporter of black tiger shrimp.⁵⁶

⁵³ Chen, Qide, Shanghai Star, 6 September 2001. www.chinadaily.com.cn/star/2001/0906/bz10-2.html Viewed 7 January 2003.

⁵⁴ Ampalavanar-Brown, pp. 624-626.

⁵⁵ Vatikiotis, "From Chicken to Microchips", *Far Eastern Economic Review*, 23 January 1997, p. 38.

⁵⁶ CP Group, "Agribusiness", www.cpthailand.com/webguest/agribusiness.aspx Viewed on 21/07/2006.

Since 1984, through Dekald Agresearch, an American company, CP Group had developed hybrid types of maize which were suitable for Asian weather conditions and increased production dramatically. Also through links with American chemical and pharmaceutical companies, the group was able to specialize in fertilizers and pharmaceutical products that related to crop growing and animal breeding. The integration of Western technology in production provided the group competitive advantage. Western technology has been a crucial component of CP Group's business in China because that is what the country needs. The joint venture with American agribusiness giant Continental Grain was only a beginning, and since then the group operated feed-mills in 26 out of 30 provinces in China with animal-feed sales to grow to 10 million tones by 1997 from 3.7 million in 1994. In 1995, the group invested US\$27.1 million in Kopin Corp., a hi-tech electronic research and development company in Massachusetts USA, and it also searched for a semiconductor company on the American west coast. The activity reflected Dhanin's desire to bring semiconductor-wafer fabrication into either China or Thailand. The group was acting as a technology broker for China. When China needed cheap mass transport in the form of motorcycles, but lacked advanced technology to improve production, CP Group brought in Honda - a Japanese world leader in motorcycle - to set up China's most advanced motorbike venture Ek Chor Motorcycle. Furthermore, the group preferred to seek partnerships with West companies such as Ford and Nynex of U.S. and Dutch brewer Heineken in other types of business venture.⁵⁷

The formula of combining East with West was also applied in retailing expansion. Makro, the Dutch discount retailing corporation was CP Group's partner in its retailing business in China. For the expansion of hypermarkets and Value Clubs, the group had American partners Neil Bush and Koll to deal with property management and construction.

In 1995, when the group wanted to build a 240,000 square metre of world-class nine-story shopping mall in Shanghai's Pudong, Koll, a California-based construction giant was chosen through the introduction of Neil Bush, a son of former President George Bush. It provided a wide range of services from construction to property management to retail. Koll realized that it was a golden

⁵⁷ Vatikiotis, "From Chicken to Microchips", pp. 38-42.

opportunity to partner with CP Group which possessed profound knowledge of the Chinese market, a wide array of contacts, good relationship with Chinese high-ranking officials, and plenty of potential real estate business etc. Koll was prepared to do things following the respect of Chinese culture, namely, the CP way that included paying close attention to *feng shui*-Chinese geomancy. For instance, the work on one section of the mall must start at 3:45 in the morning in order to protect its harmony. *Feng shui* was foreign to Koll, but it was prepared to incorporate *feng shui* in its planning and construction process.⁵⁸

In the case of building Grand Mall in Shanghai Pudong, the CP Group provided a typical case of combination of Eastern culture and the Western professional expertise. The Chinese personal connection (*guanxi*) and trust played a crucial role. *Guanxi*-based business strategies appeared at work in the group's business development. When the group wanted to build a pedestrian overpass connecting its massive retail project, the Grand Mall in Pudong with a nearby ferry terminal, it went right to the top leader in Shanghai. The Chairman Dhanin Chearavanont of CP (Chia Tai) Group sat down with Shanghai Mayor Xu Kuangdi and explained the walkway's benefits. Xu endorsed the 150-meter overpass; the project was suddenly on Shanghai's bureaucratic fast-track and became a small part of CP Group's investment in China. It is just an example of how Dhanin got things done in China with his *guanxi* network with which CP Group was able to navigate the treacherous business waters in China. The Eastern cultural expertise that CP Group possessed was the key to attract strategic partners like Koll that helped CP Group widen its new markets in China.⁵⁹

For a West company like Koll, with no China experience, jointing venture with an established partner CP Group was a great way to develop its business in China. Many Foreign Service companies spend months in China searching for a project. Koll had one right off the bat: managing the development and operation of Chia Tai Riverfest, the 240,000-square-metre, Grand Shopping Mall CP Group opened in Shanghai Pudong where the project arose from Dhanin's desire to develop and run a world-class shopping mall in China. CP Group at first tried to manage the US\$300 million project by itself but found the task too daunting. Therefore, the group needed a professional help from the West. In 1995, Neil

⁵⁸ Yatsko, "Model Partner", P. 45.

⁵⁹ *Ibid.*

Bush brokered the partnership between CP Group and Koll that was able to provide a wide range of services, from construction to retail to property management. From Koll's perspective, it was an excellent opportunity that CP Group had offered. With CP Group's knowledge of the local market and a wide array of contacts, the company's prospect for business growth in China was bright.⁶⁰

Ethnic Chinese Entrepreneur and Family Business

The Chairman and President of CP (Chia Tai) Group, Dhanin is a sagacious businessman with special acumen. This is evidenced in many cases of CP Group's business operation. Since 1994, CP Group has been six times listed No. 1 and 3 times No.2 among Thailand's enterprises by the magazine *Far Eastern Economic Review* in its REVIEW 200 polls on the leading companies of Asia. In September 2003, Dhanin Chearavanont, the CEO of the group was nominated by American magazine *Fortune* one of the 50 most powerful people in business of the globe, and in October 2005, he was nominated by *Fortune*, as one of the 25 most powerful people in business of the whole Asia.⁶¹

As an Ethnic Chinese entrepreneur, Dhanin has possessed not only Schumpeterian entrepreneurial characteristics, but also Ethnic Chinese entrepreneurial characteristics with strong influence of traditional Chinese culture. Yen Ching-hwang has aptly defined an Ethnic Chinese entrepreneur:

As a man brings capital, labour and management together and creates an enterprise. He possesses a capitalist attitude – the love for money and pursuit of profit, courage to take initiatives and risks, and the determination to implement new ideas, and a strong will to succeed. He must also possess foresight, business acumen and imagination that would contribute to the success of an enterprise. Apart from these qualities, he must also be innovative and be able to lead, to communicate and to manage a successful enterprise. He is not just a creator, but also the perpetuator of an enterprise.⁶²

⁶⁰ *Ibid.*

⁶¹ CP Group, "About Chia Tai (CP) Group", www.cpgroup.cn/english/web/ctbrief.asp Viewed 21 July 2006.

⁶² Yen, Ching-hwang, "Hakka Chinese in Southeast Asian History" in the Collection of the 3rd International Conference on Hakkaology, Singapore, 1996, pp. 16-17. And *Haiwai Huaren de Shehui Biange yu Shangye Chenzhan* [Social Transformation and Commercial Growth of Overseas Chinese] Xiamen University Press, Xiamen, 2005. pp. 98-99.

In his keynote speech on the 3rd International conference on Hakkaology, Yen further explained the definition of “Overseas Chinese entrepreneur” by stating that:

They were endowed with foresight and were willing to take risk to create their modern enterprises. In the course of creating wealth, they succeeded to integrate the best of the Confucian values with Western business practices and technology so as to found their business empires.⁶³

By applying these concepts of Ethnic Chinese entrepreneur and Ethnic Chinese entrepreneurship to the study of CP Group case, there is no doubt that Dhanin has exactly possessed these Ethnic Chinese entrepreneurial qualities.

Although CP Group’s business rapidly developed in China mainly through joint ventures with state and foreign multinational enterprises, the group’s business was still a family business in which “the fruits of the business remain within that group, being distributed in some defined way amongst its members.”⁶⁴ Ethnic Chinese family businesses in China with strong family values have enthusiastically promoted and developed their businesses in their ancestral homeland.

CP Group’s major investment companies in China were dominated by family ownership. Chia (Xie) family held 61 per cent of the equity in Charoen Pokphand Hong Kong, which was a flagship to invest in China’s business and 65 per cent in Chia Tai International as well as 22 per cent in Hong Kong Fortune according to the annual reports of these companies in the early 90s. Although these percentages of family holdings had varied later, the family never lost control.⁶⁵ In the entire constellation of 250 companies in the group, Dhanin and his elder brother Sumet were directors in every company in the group, though some technocrats held executive positions. The main parent company, Chia Tai Seeds (Bangkok) expanded and diversified into a range of related and unrelated companies. They included feed-mill production, poultry rearing, meat processing and manufacturing, telecommunications, infrastructural projects and property development etc. The CP Group’s business expanded through the creation of interest of family member majority-owned subsidiaries and affiliated companies in the group. Family ownership existed in all its companies around the world,

⁶³ *Ibid.*, p. 18. And *Ibid.*

⁶⁴ Suehiro, Akira, “Modern Family Business and Corporate Capability in Thailand A Case Study of the CP Group”, *Japanese Yearbook on Business History*, No. 14, 1997, p. 31.

⁶⁵ Ampalavanar-Brown, p. 621.

particularly in China. For instance, in Shanghai Dajiang, the family held 51.5 per cent of the equity and the Chinese partner held 48.5 per cent. In more than 20 subsidiaries of Shanghai Dajiang in the 1990s, this parent company held between 95 and 100 per cent of their equity. Chia family dominance was repeated from Shanghai Ek Chor Motorcycles and the other companies in the retailing, petrochemical industry and real estate to all the companies in the group. As for the public listed companies such as Shanghai Ek Chor Motorcycles, Chia family members, especially Dhanin and his brother Sumet controlled the majority of the holdings. The two brothers and other family members have become companies' associates, according to CP Group's structure and corporation law, and have possessed controlling voting power. Therefore, according to the laws in different nations and regions, no matter in which country, CP Group is still a family dominated group, Chia family retains ownership and control. This family management strategy makes it very difficult for other to take over the group's companies.

To unravel the details of Chia family control in so many companies of the group is extremely difficult, one of the reasons is that their holdings in the companies always change. However, no matter what kind of change occurs, the Chia family never gives up the principle of family control. CP Group strategically grouped its subsidiaries according to different type of different business. This functional separateness was identifiable. For example, Charoen Pokphand Feedmill registered in Bangkok maintained its hegemony over the agribusiness sector through finance, provision of equity, technology, information and marketing. Telecom Holdings carried out a similar function in the group's telecommunications development in Asia. Its experts supervised the specialist divisions, mutual possession and multiple links contributed to its cohesion of the family ownership. In China, Charoen Pokphand Hong Kong and Chia Tai (China) Investment Co. Ltd exercised family control and played the major roles to expand through joint ventures and through the networks of Chinese private and state-owned enterprises. A flexible response to a centralized decision-making structure always remains in the group. The goal of various companies to co-ordinate

training, acquire technology, marketing and investment was achieved through appointment of high quality experts and technocrats around the world.⁶⁶

Family business in modern commercial world actually does not decline. In both of the West and East, it seems that members of family business are reluctant to abandon this principle. When American Walton family of famous Wal-Mart Stores Inc. negotiated a joint venture with Chia family of CP Group in 1996 to open retail chain stores in China, they failed to achieve an agreement.⁶⁷ Even though there were many differences over locations, merchandising etc. the main obstacle was equity control. Neither Walton family, nor Chia family were prepared to abandon the principle of family control over the equity holdings.⁶⁸

Ethnic Chinese investment in China has played a crucial role in China's economic development. One of the Ethnic Chinese investors - CP Group – has a very special contribution to China's agricultural development and modernisation. Next chapter discusses its significance and impact on these developments.

⁶⁶ *Ibid.*, pp. 621-624.

⁶⁷ *Ibid.*, p. 629.

⁶⁸ When I visited Li Wenhai, he talked about this matter.

CHAPTER 7

CP GROUP'S CONTRIBUTION TO CHINA'S AGRICULTURAL REFORM AND FOOD SECURITY

CP Group and China's Agricultural Reform

By 2000, CP Group as an agribusiness giant had some 170 companies in China of which at least one hundred were related to agribusiness.¹ The group made substantial contribution to China's agricultural reform that pushed forward with its market-oriented amelioration.

In China, agricultural reform initiated at the end of 1978. At the Chinese Communist Party's Third Plenum of the Eleventh Central Committee, held in December 1978, the party leadership put revolutionary politics and class struggle aside and carried out series of reforms to make the nation wealthy and powerful. China's agricultural reform began with agricultural decollectivisation.² During that time, Deng Xiao Ping stated:

Since the Third Plenary Session of our Party's Eleventh Central Committee, we have formulated a policy of invigorating the domestic economy and opening to the outside world. Our goal cannot be attained without this policy. We began with the countryside. Eighty per cent of our population lives there. China's social stability and its economic development depend above all on the development of the countryside and the improvement of rural living standard.³

In the early stages, the reform returned the farming responsibility to households and increased state purchase prices for agricultural products that led to obvious improvements in agricultural production. When the Chinese government pushed forward with market reform after 1985, problems occurred in agricultural performance. These problems presented a dilemma to China's reformers after 1985. It was broadly agreed amongst government officials and economists that the

¹ News Reporting Unit, Chinese Xinhua News Agency News, "Thai Agribusiness Giant Sees More Opportunities in Post-WTO Chinese Market", Xinhua News Agency, November 3, 2000 p1008307h9756, Infotrac, Adelaide University ASAP Article A 66566209.

² EAAU (East Asia Analytical Unit), Department of Foreign Affairs and Trade of Australia, *China Embraces the Market: Achievements, Constraints and Opportunities*, Department of Foreign Affairs and Trade of Australia Commonwealth of Australia, 1997, p. 299.

³ Deng, Xiaoping, "The Magnificent Goal of Our Four Modernizations, and Our Basic Policies", October 6, 1984. An interview with Chinese and foreign delegates to a symposium on China's economic co-operation with foreign countries, in Deng Xiaoping, *Fundamental Issues in Present-day China*, Foreign Languages Press, Beijing, 1987, p. 68.

ultimate objective of reform was to develop a market economy for agricultural products in which producers and consumers would make their own decisions, and resources would be allocated to sectors according to supply and demand. China had not yet established market mechanism, and it had experienced more than thirty years of central planning economy. During that time, Chinese economy was one of institutional distortions that affected all of the economic activities, including property right, price determination, decision-making, production and consumption.⁴

One of the most important agricultural reforms was the focus on household responsibility, which was more effective than the previous commune system, and this agricultural reform was regarded as “the second revolution” in Chinese countryside. It saw the rapid growth of agricultural out-put and increased productivity.⁵ In China, the main objective of economic reform was to establish a market economy, and agricultural reform was an important part of the whole reform process. This reform not only resulted in farmer’s income growth and welfare improvement but also sent a strong signal to the world that China began to embrace market economy, and China should accommodate in the world economy.⁶

Pre-Reform Period

To assess the significance of CP Group’s contribution to the agricultural reform in China, it is necessary to trace the relevant background of China’s agriculture in the pre-reform and reform period.

In 1952, China adopted a Stalinist-type development strategy in which the goal was to build as rapidly as possible the capacity to produce military materials and capital goods. At the time, China’s capital was extremely scarce and the voluntary saving rate was far too low to finance the high rate of investment in heavy industry sought by this development strategy. A policy of low wages for industrial workers was adopted to facilitate rapid capital accumulation. The Chinese government compensated urban workers with inexpensive food and

⁴ Huang, Yiping, *Agricultural Reform in China Getting Institutions Right*, Cambridge University Press, Cambridge, 1998, pp. 1-11.

⁵ Garnaut Ross and Ma, Guonan, “The Third Revolution”, in Garnaut Ross *et al.*, (eds.), *The Third Revolution in the Chinese Countryside*, Cambridge University Press, Cambridge, 1996, p. 1.

⁶ Huang, p.16.

necessities. Therefore, a strict food rationing system was instituted in 1953 and continued into 1990s, and a compulsory grain procurement policy was imposed on rural population in order to secure the food supply for rationing. The traditional farming institution in rural China for thousands of years prior to the founding of the People's Republic of China was based on family unit. Agriculture was the main source of raw materials for many industries, such as food processing and textile. In the early 1950s, agricultural stagnation not only affected food supply but also had adverse impact on industrial expansion. Independent family farm was viewed as lack of the capacity for labour-intensive investment projects such as irrigation and flood control. Collectivization of agriculture was regarded by the Chinese government as the answer to these problems and as a convenient vehicle for the procurement of agricultural products. Before implementation of the collectivization, peasants were encouraged and induced to join the different forms of co-operatives on a voluntary basis. In 1958, the "people's commune", which consisted of about 30 collectives of 150 households was forced on peasants by Chinese government.⁷

In the pre-reform period in China, agriculture was seen as the major supplier of resources required for industrial development. There were three key features in agricultural institutions to facilitate resource flowing from agriculture to industry. Those were the unified purchase and market system, collectisation of agricultural production and an inward-looking approach in economic development. First, the Chinese government instituted the unified purchase and marketing system to transfer resources directly between sectors and regions to guarantee necessary agricultural supplies for the development of the heavy industry. The system was a series of policies ranging from agricultural production plans to prices and regulations in relation to the procurement and marketing of agricultural products. The state's low purchase price was the key element of the unified purchase and marketing system in which state could supply food and other agricultural products to the urban consumer markets at low prices so that the Chinese government ensured that the industrial sector was able to sustain low production costs. The Chinese government then re-invested the extra profits generated by the industrial enterprises. In the pre-reform period, the Chinese central government controlled

⁷ Lin, Justin Yifu, "Success in Early Reform: Setting the Stage", in Garnaut *et al.*, (eds.), *The Third Revolution in the Chinese Countryside*, pp. 13-15.

more than several hundred agricultural products by the unified prices purchase system that not only obtained important agricultural products, but also restricted rural and urban free markets.⁸

During that time, the Chinese government used the collectivization in an attempt to modernize agriculture, with a view that the individual and small-scale household farming was an inefficient farming institution that prevented Chinese agriculture from adoption of modern production technologies and the growth of productivities. However, the collectivization did not realize the ambition of Chinese government to industrialize the nation as rapidly as possible. The commune system that was the highest form of collectivisation mobilising mass labour in the construction of agricultural infrastructures such as roads and reservoirs, failed to accumulate huge amount of capital. The pre-reform economic development strategy let the Chinese government to anticipate that agricultural production would grow as quickly as required by the industrialization without the need to make huge capital investment.

The third major feature was an inward-looking approach in economic development. After the Chinese Communists took power in 1949, Western countries led by the United States adopted a policy of blockade to isolate China economically and politically. It was impossible for Chinese government to choose an open door policy at that time. The only bloc that China could trade with was the Soviet Union and Eastern Europe, which pursued same economic development strategy. Therefore, the possible choice for the Chinese government was an inward-looking approach in its economic development. At the beginning of 1950s, China was a densely populated country with abundant supply of labour which could be turned into capital with the spirit of self-reliance (*zili gengsheng*), China could achieve its development goal. In the period before 1960, the former Soviet Union and after 1960 Japan were the only outside suppliers of equipment and machinery for China's heavy-industrial development. This inward-looking approach eliminated many opportunities for agricultural producers and curtailed the prices in comparison with relative high prices in the international markets. These three key features of the pre-reform agricultural institutions were closely related to each other and collectively implemented by the heavy-industry-oriented

⁸ Huang, pp. 156-160.

economic development strategy.⁹ Although the pre-reform agricultural institutions helped the Chinese government to build a large-scale industrial sector, it was a failure at economic efficiency and agricultural growth. In the reform period, the Chinese government made efforts to change almost every aspect of those pre-reform agricultural institutions.

The Household Responsibility System

After 1978, the introduction of a household responsibility system of production in China's rural commune was intended as a managerial reform, which would increase incentives to peasants and reduce the costs and complexities of collective management.¹⁰ Between 1978 and 1983, the agricultural reform in China successfully transformed collectives to household-based farming and produced record-breaking grain output, overcoming the food shortage experienced since the 1950s.¹¹ The post-reform productivity gain caused the change in government policy that introduced the household responsibility system (HRS). That was a strong argument in favour of privatization, and it suggested that the communal system of farming was very inefficient, because peasants had little incentive to exert effort on it.¹²

Although the system was small in scale when compared with the commune system in China, it was an efficient institution to reduce transaction costs and promoted productivity. There were three reasons for the new HRS. Firstly, the system avoided negative impact brought about by egalitarian distribution system that reduced the marginal return to any given effort. Secondly, agricultural collectives had many disadvantages, one of which was the difficulty in monitoring peasant's efforts. It was extremely costly to monitor each part of the production process. Therefore, shirking was a common fact in agricultural collectives. Thirdly, the old distribution system established under production teams did not

⁹ *Ibid.*

¹⁰ Findlay, Christopher, *et al*, *Policy Reform, Economic Growth and China's Agriculture*, Development Centre of the Organisation for Economic Co-operation and Development, OECD 1993, p. 15.

¹¹ EAAU, *op.cit.*, p. 299.

¹² Colin, Carter, "Institutional Reform and Agricultural Productivity Growth in China", in Findlay, Christopher *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, London, 1999, pp. 208-216.

provide sufficient incentives for team leaders to monitor peasant's efforts carefully.¹³

Deng Xiaoping's 1978 reform did not follow any well-designed blueprint, and did not intend to challenge the basic socialist system; rather it aimed at correcting "leftist errors" of the past. As a result, the reform was pragmatic, and it refocused attention on improving living standards and tried to catch up with developed countries.¹⁴ At the beginning of the reform, the Chinese government did not intend to introduce the household responsibility system. The official position at that time maintained that the production team was to remain the basic unit of production management and accounting. The government prohibited peasants to subdivide collectively owned land and delegation of production management down to individual households. Notwithstanding, a small number of production teams first and later with blessing of local authorities, began secretly to try out the system of contracting land, other resources and output quotas to individual households. They brought cheers for harvest because crops in yields were far larger than those of other teams a year later. The central authorities of China gave full official recognition of the household responsibility system as a universally acceptable mode of farming in 1981.

At the initial farmland distribution, land was first classified into several different grades and a household obtained about 1.2 Chinese acres with about 800 square meters. Generally, peasants had a three years short-term contract to use the land which was found to have detrimental effects on the incentives to invest in land improvement and soil fertility conservation. In order to resolve these problems, the Chinese authorities introduced several new policies in 1983. Since then, a farming household was allowed to exchange its labour with other households and to employ a limited amount of labour for farm work. In 1984, the authorities allowed farming leasehold to be extended to 15 years giving peasants better incentives for soil conservation and investment.¹⁵

The implementation of household farming under the household responsibility system that produced surprising output and agricultural productivity because it avoided those problems mentioned above. The Chinese government also made

¹³ Huang, pp. 157-161.

¹⁴ EAAU, *op.cit.*, p. 20.

¹⁵ Lin, Justin Yifu, "Success in Early Reform: Setting the Stage", pp. 18-23.

significant efforts to reform the unified purchase and marketing system by raising state purchase prices and introduced free markets for agricultural products. This measure of increasing state purchase prices was crucial for the growth of agricultural output in those years as it gave peasants sufficient incentives. At the beginning of the reform, free markets were not widely available and increased state purchase prices raised peasants' marginal returns, resulting in higher levels of agricultural inputs due to state prices still served as effective marginal prices.¹⁶

The Chinese government gradually opened rural and urban fairs as markets for agricultural products on the condition that state procurement quotas would be fulfilled and slowly released some less important agricultural products from the influence of state plans. Market mechanism step by step played an increasing role in the determination of the structure of agricultural production during the reform period. In order to pursue the establishment of free market in China's agricultural reform, in 1985 the Chinese government abolished the unified purchase and marketing system for all agricultural products except grain, cotton and edible oil. The adoption of the open door policy was a big change in Chinese government policy that resulted in extraordinary export growth with about twenty per cent increase annum from 1978 to 1994. The government also gradually loosened restrictions on imports and exports of many agricultural products. After the distortions to agricultural production institutions were corrected and the gaps between state and the market prices narrowed, and the increase in output prices and more direct linkages between farmers' effort and their reward, Chinese peasants increased their inputs both in quantity and quality and raised agricultural output as well.¹⁷

The rapid spread of the household responsibility system across all provinces in China significantly increased productivity and precipitated profound institutional change in rural areas, culminating in the dissolution of the commune system.¹⁸

Incompleteness of the Agricultural Reform

China's agricultural reform remained incomplete. Since China has 22 per cent of the world's population but only 7 per cent of the world's arable land, the Chinese

¹⁶ Huang, pp. 159-163.

¹⁷ *Ibid.*

¹⁸ EAAU, *op.cit.*, p. 20.

government believed it should continue to intervene in basic food crop production and marketing to ensure food security.¹⁹ Even though, agricultural reform in China increased productivity and stimulated growth in the agricultural sector and contributed significantly to rural economic development, it was still incomplete in many aspects. New mechanisms to encourage investment in agriculture were not established and the reform was constrained by land tenure contracts. Since peasants did not own the land, which still belonged to the collectives, they were reluctant to make long-term investment in the land. This led to a widespread decay of agricultural infrastructure. It was difficult to concentrate land into the hands of a small number of skilled peasants, and it restricted further increase in productivity.²⁰ However, China could opt for internationally competitive agriculture based on its comparative advantage. The government could decide to internationalize agriculture before prices climbing higher and it became politically difficult to wind subsidies back, as was the case in Europe and Japan.²¹

During the “second revolution” of China’s agricultural reform with regard to household responsibility, its incompleteness was a factor that hampered further growth of agricultural productivity. Although introducing free market and removing the unified purchase and marketing system, the Chinese government did not build effective measures to cushion the economy from the fluctuations that occurred due to the incomplete reform. The government resumed its old administrative measures in the face of sharp changes that it could not sometimes control. Hence it created difficulties for decision-making by producers and consumers and increased uncertainties in market. Notwithstanding the open door policy was one of the major reforms contributing to China’s rapid economic development, there was less change in the agricultural sector and less progress in the reform of the inward-looking approach for agriculture. The Chinese government worried that the internationalization of its agriculture may increase the instability of China’s domestic market and would create difficult adjustment problems for peasants.

Unlike the “shock therapy” adopted in the former Soviet Union and Eastern Europe, economic reform in China was termed a “crossing the river by touching

¹⁹ *Ibid.*, pp. 299-300.

²⁰ Huang, pp. 159-163.

²¹ EAAU, pp. 299-300.

the stone”, i.e. a “gradual approach”. It seems that the gradual approach had its advantage that policy mistakes could be corrected quickly at every stage of the economic reform to avoid wide negative impact. Agricultural reform in China proceeded from easy to more difficult policy reform. The government introduced policy reform at earlier stages and called for further reforms at later stages.²² The agricultural reform process was far from complete. Further reforms included: the development of marketing institutions that would promote the development of national markets for agricultural products; access to new varieties of grain and other technical inputs would raise yields; more secure land tenure and land transfer arrangements.²³

Although the gradual approach sometimes can delay reform process by moving forward and backward, so far it has been relatively successful. It seems that this was a natural result in a painful process of China’s economic reform stretching the period of its economic transition. It allowed the reform to continue to move forward while minimizing any negative impact. Thus, not only it had increased agricultural productivity but also promoted China’s rapid economic development.²⁴ After the reform, free wholesale markets for agricultural products began to operate outside the planned system and in competition with it. Such markets had important social, economic and political effects. This change led to the resurgence of cultural and social ties based on market contacts, and to the development of private merchants who made a living out of the sale of market commodities. Before the reform, such people had been classed as capitalist speculators and were suppressed. Now they were seen as providing an essential service and playing a positive role in promoting efficiency of the market.²⁵

After the agricultural reform, China has been a food exporter, as the value of other food exports exceeded the value of grain imports. Exports of meat, fish, vegetables and fruits have grown rapidly since the mid 1980s, in line with China’s comparative advantage in non-grain food production.²⁶ CP Group’s products such as chicken and prawn were a substantial proportion of China’s export of non-grain food products.

²² Huang, pp. 158-163.

²³ Findlay, *et al*, p. 12.

²⁴ Huang, 163-168.

²⁵ Findlay, *et al*, p. 19.

²⁶ EAAU, pp. 320-322.

Domestic markets for agricultural products including grain had been opened up in China in which producers and consumers were subject to any changes in the market determined by supply and demand. Further reform in China to internationalize the agricultural sector was good for China's economic development.²⁷ CP Group was playing an important role in this reform process. Internationalization of agriculture helped China to increase agricultural productivity, increased income growth and food security.²⁸ The question was how to make China's agricultural policy fit into this international setting. The continued rapid growth of China's exports required a stable and expanding international market where multilateral trade arrangements can play a role. China's inward-looking agricultural policy not only counteracted its overall reform objective, but also made other economies reluctant to accommodate it within international institutions because under the auspices of the Asia Pacific Economic Cooperation and the World Trade Organization, an individual economy as a member of the organization is disciplined by the conventions and international rules. The international community imposed some requirements that actually can facilitate China's smooth integration into the world economy. It is very important for China in achieving integration into the world economy. If China fails to do so, it will lose the co-operation that China currently receives from many economies and reduce its probability of maintaining rapid growth.²⁹

Chinese government strongly encourages foreign investment in agriculture and food industry. However, the bulk of foreign investment came in the form of foreign loans rather than foreign direct investment (FDI). For example, over US\$ 4 billion was borrowed from the World Bank and Asian Development Bank for agricultural projects from 1979 to 1995. FDI in agriculture by Ethnic Chinese grew rapidly from 1991 to 1995. By 1995, Taiwan investors spent US\$ 0.9 billion in more than 2000 agricultural production and processing projects, most of which were export-oriented food and agri-business.³⁰ In the past decade, the East Asian experience has demonstrated that those countries that co-operated closely and trade intensively with China greatly benefited from China's rapid economic growth. The liberalization of agricultural trade in China resulted in gigantic

²⁷ Huang, p. 164-170.

²⁸ *Ibid.*, pp. 160-161.

²⁹ *Ibid.*, p.163-170.

³⁰ EAAU, pp. 322-323.

agricultural imports from the rest of the world, while China's exports grew more rapidly.³¹ A number of Western and Chinese experts, including policy makers are concerned to ensure China will not confront a major shortfall in food production that international trade cannot meet.³² This could create price fluctuations. As Huang points out those unstable cotton trade policies in China created fluctuations in the world cotton market, and China's grain policies are likely to have similar effects in the future if China's agriculture is not integrated into the world market.³³ The liberalization of agricultural trade will bring welfare and income to benefit China. It is necessary for the establishment of both the efficient agricultural sector and the effective market economy that China needs in achieving further integration into the world market. It involved the "third revolution", i.e. the freeing of markets for farm products and the linking of domestic markets and international markets in Chinese countryside.

CP Group's contract farming was extremely suitable for the household responsibility system and was widely accepted by farmers because of the clear relationship between efforts and rewards. Since the group's first investment in China, it started contract farming experiment in Guangdong and later spread to other provinces. In fact, the household responsibility system was an institutional experiment undertaken by the Chinese government that first permitted the adoption of various special management systems to contract different agricultural work to groups, individuals and households. Then the contracting of output was allowed. When the government realized that the household responsibility system was the most effective and accepted production institution, it moved quickly to adopt it as a national policy.³⁴ In the late 1980s, the Chinese government intended to reform its grain marketing policy but lacked knowledge as how to proceed. In 1988, it carried out reform of non-staple foods to gain experience of how production and markets would be affected. At the same time, about a dozen experimental zones (including some administered by the central and some by local governments) were established to try out different approaches to reform

³¹ Huang, pp. 163-170.

³² EAAU, pp. 314-320.

³³ Huang, 163-170.

³⁴ *Ibid.*

grain policy, in order to accumulate important knowledge for the “third revolution” in 1992.³⁵

Contract Farming

Ethnic Chinese enterprise is one of the most important factors keeping the economic reform process in China going.³⁶ The ability of the Ethnic Chinese to cooperate with Chinese local governments in the areas where domestic economic reform was at its strongest was at the heart of the Ethnic Chinese success in China. It also clearly illustrated one of the ways in which advantage passed from scale to flexibility in the commercial world.³⁷ The transplantation of “contract farming” to China by CP Group provides a good example. In Thailand, the CP Group innovatively introduced contract farming for farmers based on household units. As mentioned above, the Harvard Business School in a case study praised the group for increasing farmers’ income dramatically. Since the CP Group started business in Guangdong in the early of 1979, the group brought its “contract farming” there with advanced management and bore great result. Some of the trends identified in Guangdong emerged later elsewhere in China especially in densely populated coastal provinces. The powerful tendency for rising incomes to increase demand for high-value food and to encourage specialization in high-value production such as chickens and pigs has led to large reductions in grain acreage and output.

Meanwhile, CP Group plays an important role in the forefront in these regions. It is a key to the strategy of the group: building a modern, integrated industry in a country of peasant families with a few chickens in a shed out-back. Its strategy boils down to taking Western technology and adapting it to the environment of developing countries. That is what it does best as a company. According to Allen Andersen, vice-president of US agribusiness giant Conti Grain’s Asian agri-industrial division that China’s first modern feed-mill was set up by a Pokphand-Continental Grain joint venture, Conti Chia Tai international.

³⁵ *Ibid.*

³⁶ Tracy, Noel and Constance Lever-Tracy, “A New Alliance for Profit: China’s local industries and the Chinese diaspora”, in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 65.

³⁷ *Ibid.*, pp. 70-71.

At that time, there were no other companies whose layouts size, formulations of animal feeds and quality control were up to modern standard. With specially formulated feeds, chickens and pigs fattened in half the time if the animals were fed the less-nutritious mixes produced from China's state-owned feed-mills. These special feeds were distributed to contracting farmers that resulted dramatic change in farmers' income. Starting from the first feed-mill in Shenzhen in the early 1980s, after a decade business operation, CP Group's feed-mills, chicken and pig farms, meat processing and packing plants spread across China's 23 provinces in 1993. The sales of its poultry products have increased rapidly year by year. The group was doing both growing chickens by its own and letting farmers grow them from one-day-old chicks. However, it did not really prefer to be in the business of raising broilers chickens itself. Rather, the company preferred to go through contracting farming to provide the day-old chicks to local farmers, along with the feed, to be bought back seven weeks later when those chickens reached a size fit for slaughtering. This contract farming system was largely introduced into China by CP Group and warmly welcome by Chinese farmers.

Tracing back the group's creation of "contract farming", after 1955, the family feed business was well developed and it enabled CP Group to set up its branch in Hong Kong in 1959. The purpose for setting up the Hong Kong branch was partly because the political atmosphere in Thailand had been unstable and the Thai government was strongly anti-Chinese at that time; and partly because Hong Kong was becoming an important centre for distributing their products into China.³⁸ By the end of 1960s, the CP Group became an important player in the animal feed industry in Thailand, holding 90% of the market.³⁹

The CP Group creatively introduced a system of contract farming in Thailand by which day old little chickens were provided to chicken farmers along with the most advanced feeding technology. Chicken farmers were required to sell the grown chickens in turn to CP Group's company under a reasonable price set in the contract. Farmers were happily able to buy seeds, soy- beans and maize etc., from Chia Tai companies and sold their primary produce to CP Group's other companies. After processing in their factories, the group distributed their products

³⁸ Pananond, Pavida and Zeithaml, Carl P., "The International Expansion Process of MNEs from Developing Countries: A Case Study of Thailand's CP Group", *Asia Pacific Journal of Management*, VOL. 15, 1998, pp. 169-170.

³⁹ *Ibid.*, p. 170.

to markets for retailing. The establishment of feed-mill factory was CP Group's initial step at vertical integration that has become a hallmark of the development of its agribusiness operation. The combination of Western technology and Chinese cultural value of trust, the creative contract system of farming together with strong financial backing provided by the Bangkok Bank enabled the C P Group to have a "break through" in the development of their businesses during that time.⁴⁰ CP Group's pioneering system of contract farming improved Thailand's animal-husbandry techniques while at the same time bound farmers to the group's products.⁴¹ This innovative method has its important impact on many farmers' living standard as well as CP Group business development. Since the group invested in China, the contract farming system was introduced and accepted by many Chinese farmers.

*A Case of Contract Farming*⁴²

In the process of "contract farming", for instance, in China's Hebei province Xiang Yang district, the group established a company named Xiang Fan Chia Tai in a joint venture with local collective sector. The group introduced a new system that involved and benefited both the company and farmers. The company engaged thousands of contract-farmers to produce agricultural products or livestock breeding. CP Group provided the best seeds of maize, fertilizer and a range of services that included expert advice in free seminars, 24 hours hot line telephone inquiry, and an internet discussion board to help farmers to resolve technical problems. During the harvest, the group's service car could approach any farmer who asked for help at any time. When crop harvest, the group bought back maize to produce animal feed in their livestock feed mill. Maize is a high yield grain and its production is higher than rice and wheat. America is a well-known producer of maize and its average per *mu* production is more than 60% higher than China. Therefore, China must promote maize produce and increase its production. To provide good seeds and incentive to farmers in order to promote their motivation

⁴⁰ Sricharatchanya, Paisai, "Not Just Chichen Feed", *Far Eastern Economic Review* March 3 1988, pp. 58-59.

⁴¹ Vatikiotis, Michael, "From Chicken to Microchips", *Far Eastern Economic Review*, Vol. 160, No. 4, 23 Jan 1997, pp. 38-44.

⁴² Li, Wenhai, the vice president of Chia Tai Group provided this case material.

is crucial.⁴³ The CP Group provided world-class maize seeds for farmers in order to allow the production achieved as high as American production.

For those farmers breeding livestock, the group provided same services. When chicken grew up to about four pounds broiler, the group bought them back to produce processed food for local and international markets. Most processed food were exported to international market such as Japan, South Korea and Europe, and part of them was sold in the group's shopping mall or fast food chain stores and local market. The group business' strategy - a whole dragon - worked well in China, and it enabled the group to hold a competitive edge in the intense competitive market.

In recent years in Xiang Yang district alone, the group distributed more than 5 million copies of latest agronomy and advanced technology materials to farmers, and fostered more than 1,000 model farmers to whom other farmers can learn from. To develop technology on agriculture is very important for Chinese agriculture. On the technological change, some scholars like Findlay and others conclude that research and development can clearly play an important role in driving output in the grain sector. "A more developed seed market may also contribute to an improved performance in terms of seed use at the farm level."⁴⁴ CP Group has actively involved in these activities.

When the group bought back the products from the contracting farmers at reasonable price, the farmers received substantial income and lifted their living standard. In China, farmers are traditionally limited in access to advanced technology and international markets. In this process, farmers effectively use modern technology, dramatically increase their productivity and income, and reduce their market risk. They do not have to worry about the problems in production and marketing of their products. In order to encourage farmers to become more productive, the group together with the local government provided "Chia Tai Harvest Award". More than 600 farmers won the award in recent years.

⁴³ Wu, Xianzhi, Fazhang Yumi Shengchang Shi Zhai Bixing [Development of Maize Production is a Must] in Chinese Ministry of Agriculture (ed.), *Research into Agricultural issues in China*, Beijing, Nongye Chubanshe, Beijing, [Agriculture Press], Beijing, p. 115.

⁴⁴ Findlay, Christopher, *et al* "The Implications of Grain Market Reform for China's International Grain Trade: An Overview", in Christopher Findlay *et al* (ed.), *Food Security and Economic Reform*, Macmillan Press Ltd, London, 1999, p. 224.

The CP Group created a triple win situation that benefits farmers, government and company.⁴⁵

Since CP Group started its business investment in China, the Group was largely involved in China's agricultural reform because its core business was agribusiness. The implementation of the household responsibility system and state price reform from 1978 to 1984 promoted agricultural production. China's grain production per person has increased by close to half since the agricultural reform of 1978, giving it substantial amount of grain to be converted into livestock products. However, agricultural growth in the first half of the 1980s bequeathed some problems. As grain output experienced extraordinary growth and created huge grain surplus, it became a nationwide imposing burden on both farmers and Chinese government. Given the existing institutional settings, peasants' income could not be raised without further policy changes. The Chinese government adopted an effective way in 1985 to diversify farmers' activities in order to continue farmers' income growth by encouraging them to produce non-grain and non-agricultural products.⁴⁶

CP Group co-operated with the Chinese government in every step, and it introduced non-grain products not only in chicken and pig contract farming but also in prawn feeding and tea planting.

Contribution to the Third Revolution in Chinese Countryside and Food Security

The Third Revolution in Chinese Countryside

As we know that the first revolution in the Chinese countryside was the land reform implemented in the "liberated areas" and extended throughout China after the establishment of the People's Republic of China in 1949 and the second revolution was the decollectivization of agriculture and the shift to the household responsibility system as a basis for agricultural production. The freeing of markets

⁴⁵ CP (Chia Tha) Group's vice president Li Wenhai provided these materials and information.

⁴⁶ Huang, pp. 156-165.

for farm products and the linking of domestic markets and international markets was the third revolution in Chinese countryside.⁴⁷

The origins of the third revolution in China's countryside can be traced back to as early as the beginning of 1985 when the Chinese government first tried to abolish the central planning system in the rural economy and to introduce market mechanisms for all agricultural products. A package of reform policies was implemented to replace the unified purchase and marketing system for agricultural products. It provided free markets with eliminating mandatory purchase quotas for grain and cotton and replaced by a combination of contract and market purchases. For the first time in more than thirty years, the Chinese central government allowed Chinese peasants to make their own decisions on how much and what to produce according to the market demand. It was the first time; private commercial agents were allowed to enter the urban markets for agricultural products including poultry and meat, fruits and vegetable etc. with prices determined in the markets. The government also considered that livestock production was an important activity to absorb domestic grain surplus and to increase value-added in agricultural production. From 1991, the government made significant progress in domestic market reforms for a number of important agricultural products including grains and oilseeds. Unlike the second revolution, this third revolution is not a clear-cut event which takes much longer, and follow a more difficult path and is far from accomplished.⁴⁸ Nevertheless, reforms introduced in 1985 and in the following few years that played an important role in the rise of free markets were largely successful that they maximized peasants' choices from producing of a few kinds of crops to a wide range of agricultural and non-agricultural products. After the reform in 1985, peasants gained considerable freedom of choosing to participate in some of the opportunities that were previously unavailable to them.⁴⁹

In the process of the third revolution, the major progress in breaking up the old system of planned procurement and distribution and in establishing a new and relatively free market for almost agricultural products was made between mid-

⁴⁷ Garnaut Ross and Ma Guonan, "The Third Revolution", in Ross Garnaut *et al* (eds.), *The Third Revolution in the Chinese Countryside*, Cambridge University Press, Cambridge, 1996, pp. 1-2.

⁴⁸ Huang, Yiping, "Completing the Third Revolution", in R. Garnaut *et al.*, (eds.), *The Third Revolution in the Chinese Countryside*, pp. 27-35.

⁴⁹ *Ibid.*

1991 and mid-1993 for the first time since the Chinese Communist Party came to Power.⁵⁰ In fact, the effort of introducing free markets for agricultural products after 1985, was only half of the “third revolution” and was not a clear-cut success as was the “second revolution”. It did not expand to the other half with linking of domestic markets to international markets. It led to some serious macro-economic problems occurred in 1994. China’s domestic prices for many grain products including wheat, rice and maize exceeded international prices and added to the overall inflation. Actually, the third revolution involves a great deal of adjustments in production and marketing structure.⁵¹ As Huang points out the successful completion of the third revolution will largely depend on the success of the internationalization of domestic agricultural markets.⁵²

Technology

Internationalization involves not only market mechanism, but also technology. Advanced technology applying to agriculture can efficiently convert feed into meat that save grain and provide more nutrition for customers. A study gives a list of available estimates of the feed-meat conversion ratio. For example, 4:1 to 7:1 for pork, that is, 4 kg to 7 kg feed grain to produce 1 kg pork, 2:1 to 3.8:1 for poultry, that is 2kg to 3.8 kg feed grain to produce 1 kg poultry. Pork is the most “grain-intensive” meat product.⁵³

Though the group owned large-scale chicken farms and other farms, it preferred to contract to farmers together with most advanced technology. Previously, 4 kilograms chicken feeds only produced a kilogram chicken in average, but with application of new technology, the ratio was improved to 1.8 to 1. That means 1.8 kilograms feed produced a kilogram chicken. Study shows that using best animal feeding techniques could save the average urban consumer 43 kilograms and the average rural consumer 23 kilograms of grain per year, a national saving of 35 million metric tons of grain per year in China.⁵⁴

⁵⁰ Garnaut and Ma Guonan, “The Third Revolution”, in Ross Garnaut *et al* (eds.), *The Third Revolution in the Chinese Countryside*, p. 2.

⁵¹ Huang, “Completing the Third Revolution”, pp. 30-35.

⁵² *Ibid.*

⁵³ Wu, Harry X., *et al*, “Grain Demand”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, pp. 68-69.

⁵⁴ EAAU, p. 320.

CP Group has not only possessed advanced technology in animal production but also in grain production. The group has carried out its “three benefits” philosophy of benefiting country, people and company, contracting out to tens of thousands of farmers. A new and creative business operation style is being extended to China’s rural areas where best corn seeds, fertilizer and little day-old chickens together with chicken feeds are provided to the farmers.

The group also organizes a series of business development activities that include selection for Chia Tai Harvest Prizes winners to encourage farmers to raise production. Farmers were promoted as “model farmer for applying Chia Tai scientific technology”, who would share their experience of success with new contract farmers. This new style of business operation in China largely benefits a considerable number of peasants. Firstly, the group has greatly reduced their market risk. Previously, peasants faced greater market risk because they had little knowledge about market and lack of capacity to do market research. They were forced to sell their products in local markets at very low price during harvest time. The group provided this new contracting system that set a reasonable price to collect grown up chickens and corn. The “whole dragon” strategy effectively gets rid of agents or middlemen, that is to say that from the tail of the dragon such as the breeding of little day old chicken to the head of the dragon such as selling the finished products in its owned supermarkets. Thus, the group has controlled all the process of the products from the beginning to the final stage that minimize running cost. Farmers have substantially increased their income and do not have to worry about problems such as market risk, technological barriers, feeds etc.

Secondly, the group’s agribusiness operations have changed the structure of China’s backward rural agricultural system that enables farmers to be guided by market orientation. The group has provided flexibilities to different farmers depending on their different conditions and circumstances. It has taken into consideration of all of these conditions such as weather, traditional farming method, farmers’ family size, financial condition, farm conditions, personal condition and education etc, and arranges a most suitable plan for different farmers to effectively increase their productions. Thirdly, the group has helped to accelerate China’s modernization of agriculture, because it has provided most

advanced technology to its operation in Chinese countryside. The group has a large pool of experts ranging from corn and rice growing, to chicken breeding and raising prawn and pig producing etc. to provide useful services. All of these have brought about a great change in China's countryside where peasants/farmers account for about 80% of China's population. In a country where too many farmers with too little land, one of the most important and fundamental achievements must be the peasants' change of their economic conditions and improvement of their social status. This achievement is substantially attributed to the Ethnic Chinese investment in China that is responsible for substantial of China's direct foreign investment. Among the Ethnic Chinese investors, Teochew Chinese appeared to have made a significant contribution to China's economic development.

In China, a crucial contribution to the extraordinary expansion of agricultural output in the reform period has been the change in the incentive structure of farm households. This leads to specialization of various regions in production of agricultural commodities best suited for them. Crops are produced according to climate, seasons, household situations and land utilization, and are coordinated with consumer demand. Price is free to rise, attracting produce from more distant places as market demand increases.⁵⁵ Therefore, this process allows agricultural products effectively integrated into world markets. For example, in the coastal areas, the group introduced "contract prawn farming", and distributed this prawn product in international markets. The ultimate objective of agricultural reform is to develop an agricultural market economy in which consumers and producers would make their own decisions, resources would be allocated between sectors according to relative prices and market prices determined by demand and supply. Since the importance of grain-fed meat in food consumption is becoming greater, new research and technology transfer in the meat sector could have significant implications for the outlook for reducing food grain consumption and for China's trade in grain.⁵⁶ The Ethnic Teochew Chinese agribusiness giant CP Group takes a leading role in developing technology and assisting China's farmers in the agricultural reform.

⁵⁵ Garnaut, Ross and Ma, Guonan, "The Third Revolution", p. 6.

⁵⁶ Wu, Harry X., *et al*, "Grain Demand", p. 76.

Arable Land in Proportion to Population

In China, despite the fact that economic reforms have brought about unprecedented development in the rural economy, the scarcity of arable land in proportion to huge population remains a major constraint. “Worse still, during the reform period, the area of arable land diminished rapidly owing to the expansion of non-agricultural activities and housing construction.”⁵⁷ The small farm size makes it difficult for peasants in countryside to increase their scale of production. Unlike USA or Australia, specialization in China’s grain production is handicapped by scarcity of its land resources.⁵⁸ The concern was heightened by the questions over the world’s capacity to feed China raised by Lester Brown, despite the fact that his analysis has exaggerated its figures and impact. Given this concern, the PGRS -provincial governor responsibility system - appears as a predictable administrative response to problems in grain supply and marketing in China.⁵⁹ The Central Committee of CCP and the China’s State Council adopted a series of measures on the grain issue in 1995. These included the PGRS and the “vegetable basket” plan for urban mayors.⁶⁰ CP Group responded to the Chinese government’s call for “vegetable basket program”, and actively participated.⁶¹

In Chinese history, the fear of famine is deeply embedded in the memories of China’s citizens. Older Chinese citizens suffered greatly before 1949, and nearly all adult citizens can remember the hunger pains resulting from food deficits during the 1958 to 1961 period of the Great Leap Forward.⁶² By 2020 to 2030, China’s population will nearly reach 1.5 billion. The average arable land per capita will be only about 1.2 *mu* (1 *mu* = 666.66 square meter), much less than the average per capita in the world. Development of poultry and other animal food as an alternative instead of grain is very important. Moreover, the average per capita

⁵⁷ Yang, Hong, “Self-Sufficiency and Regional Specialization”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, p. 129.

⁵⁸ *Ibid.*, pp. 130-139.

⁵⁹ *Ibid.*, pp. 140-144.

⁶⁰ Guo, Shutian, “The Relationship between Grain Prices and Inflation”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 60.

⁶¹ CP Group, “Chia Tai Companies”, http://www.chiataiagro.com/company/company_e.html Viewed 7 January 2003.

⁶² Crook, Frederick W., “The Impact of China’s Grain Reserve System on Import Demand”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, pp. 200-201.

land only 1/3 of the world's average.⁶³ Furthermore, in the mid 21st century, the average per capita arable land in China will be less than 0.9 *mu* and the population will be over 1.6 billion. Because China has 21% of the world's population, the conflict between resource and population is very serious.⁶⁴

Some researchers in the Chinese Academy of Sciences have identified a number of strategies that will contribute to growth in output. Production in per unit yield growth is important, foreign varieties are reported to have yielded in some places 30 to 50 per cent more than Chinese varieties. CP Group's distributed best seeds that came from foreign varieties to farmers that significant increased yield. Solving problems of land degradation in China is a priority. Land degradation is in many areas caused by the excessive use of chemical fertiliser. A related management is to use more organic fertiliser and to grow green fertiliser on fallow land. There is 0.53 billion *mu* of land in China which is now classified as "marginal", of which about 30 per cent could be converted into farm land. In addition, grain is an input into animal production. "Efforts could be made to raise the protein content of maize for example. Breed improvement might also raise the efficiency with which grain is used."⁶⁵ CP Group's agribusiness operation in China substantially solved these problems. The "whole dragon" strategy of CP Group is not only applying to marketing, but also to production. For example, the organic fertiliser from the chicken farms can be used in maize growing on the cheap marginal or fallow land that would be gradually converted into farm land. For China's natural condition that lacks fertile farm land, CP Group's contribution has special importance.

World population reached an estimated 5.3 billion in 1990, increasing 75 per cent from 1960 to 1990. In the next three decades, world population is projected to increase by a further 50 per cent. Despite the projection of slower population growth, world population will increase by 2.8 billion in this period and will provide a formidable challenge to world agriculture, especially to China where there are too many people with too little land. Although Chinese population

⁶³ National Condition Analytical Unit, Chinese Academy of Sciences, Research Reports of National Condition, No. 2, *Kaiyuan yu Jieliu* [Tap New Source of Supply and Reduce Consumption], Kexue Chubanshe, Beijing, [Science Press] Beijing, 1992, p. 3.

⁶⁴ National Condition Analytical Unit, Chinese Academy of Sciences, Research Reports of National Condition, No. 4, *Jiyu yu Tiaozhan*, [Opportunity and Challenge] Kexue Chubanshe, Beijing, [Science Press] Beijing, 1996, p. 122.

⁶⁵ Findlay, *et al*, *Policy Reform, Economic Growth and China's Agriculture*, pp. 52-54.

growth is expected to slow from 2000 to 2010, the population in China will continue to grow until about 2030, when it will stabilize at around 1.6 billion.⁶⁶ In China over the past decade, about 800,000 hectares per year of total of 134 million hectares of cultivated land was lost to industrial and residential developments. “If China reclaims its 14.7 million hectares of reclaimable land at a rate of 500,000 hectares per year, total reclaimable land will be exhausted by 2030”.⁶⁷ This is one of the reasons why I have chosen agribusiness giant CP Group as a case study. Its achievement is of great importance to benefit China’s economic development and Chinese people. The group’s research tools complement traditional crop and livestock-breeding programs and reduce the time required to produce a new crop variety or animal trait. It continues to search for the greatest potential for increasing crop and livestock yields. Yield increases become more important and this pattern of resource use is evident today,⁶⁸ and CP Group’s contribution to the change of food consumption patterns is significant.

Pattern of Consumption

In the 1970s to 1980s, the average per capita consumption of protein, fat and carbohydrate in China, especially consumption of animal protein is lower than all the countries except Bangladesh.⁶⁹ After the Mid-1980s, the nature of grain demand and consumption was beginning to change, because there were to be a shift to greater indirect consumption of grain and more demand for meat and other animal products. This is one of the solutions to the problems of food security and was seen to lie in the transformation of grain into meat. “It was also expected that agricultural production would further diversify from its former dominant focus on grain output.”⁷⁰ Since the grain market reform in 1991, the change in per capita consumption in urban China has been clearly reflected in the decline in the direct consumption of grain. It reflected from 135 kg per head in 1985 to 95 kg per head in 1996, and the rise in consumption of pork, other meat, eggs and aquatic

⁶⁶ EAAU, pp. 318.

⁶⁷ *Ibid.*, pp. 314-315.

⁶⁸ Mitchell Donald O., *et al*, *The World Food Outlook*, Cambridge University Press, Cambridge, 1997, p. 57.

⁶⁹ Guo, Shutian, *Duanque yu Duice: Zhongguo Liangshi Wenti Yanjiu*, [Shortage and Countermeasure: Research into Grain Issues in China] Beijing: Zhongguo Renmin Daxue Chubanshe, Beijing, [The People’s University of China Press], Beijing, 1988, p. 41.

⁷⁰ Findlay, Christopher, *et al* “Food and Profit: the Political Economy of Grain Market Reform in China”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, p. 10.

products such as fish and prawn. “These changes reflect the impact of price and income changes; examining the determinants of patterns of consumption in Chinese urban household.”⁷¹

The direct effects of the expected increase in the rate of urbanisation in China reduced the consumption of grain. In addition, what they call “the level of market development” has an important effect on patterns of consumption. In rural areas, where markets were not developed well, where there was relatively low rate of access to refrigeration and where there were high transactions costs for buying processed products, consumption patterns remain relatively more concentrated on direct grain consumption. In China’s urban areas, the availability of these services and the lower transactions costs led to lower relative prices for processed products at the household and a relatively greater rate of consumption of processing animal meat. This consumption pattern will change in households that continue to live in rural location, as the marketing infrastructure develops, and the process of urbanisation in China accelerates this change.⁷²

Furthermore, some researchers estimated income and price elasticity of demand for grain-based foodstuff also differ significantly. They have found that demand for grain-based foodstuff like meat, eggs, fish and so forth is much more income-elastic in rural areas than in cities. This is because these foodstuff are more likely to be luxury goods in rural areas and the current consumption level of these goods in the rural areas is much lower than that of the urban area.⁷³ Also, meat output from ruminant animals increased, which boosted the food supply without large increases in grain consumption. China’s poultry meat production increased from less than 1 million tonnes in 1980 that was less than 8 per cent of total meat consumption to over 7.5 million tonnes in 1994 with more than 17 per cent of total meat consumption. Because chickens are efficient grain-to-meat converters, this trend saved large quantity of grain. Since the early 1980s, specialists have introduced pig breeds that are more efficient in converting grains

⁷¹ *Ibid.*, pp. 13-14.

⁷² Wu, Harry X., *et al*, “Grain Demand”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, pp. 63-68.

⁷³ *Ibid.*

to pork and improved feeding techniques, which has shortened the feeding period. All of this, in turn, has also saved grain.⁷⁴ CP Group takes a lead in these areas.

When we research on the world food outlook, we find that in high-income economies, consumers are looking for “healthier” foods and are reducing consumption of red meats and animal fats. The health concern about cholesterol and fats in red meat is a widely cited explanation for the decline in red meats consumption in high-income economies.⁷⁵ CP Group takes the lead in producing white meat such as prawn and chicken to suit the international markets demand. It has contributed to change pattern of food consumption. It improves people’s diet structure in China. Although, the per capita consumption of animal protein in China has increased, it still has a big gap between developed countries and China, especially those farmers.

Some economists consider that the one billion China’s farmers are the largest gold mine in the world. Once they have higher disposable incomes, they will not only consume more food of animal meat to save grain but also provide huge market for steel to build houses, computers for business and household uses, cars for transport etc. It means that China needs more iron ore from Australia to produce steel, needs more cars from Japan and other countries, and needs more computers from computer companies around the world etc. It will have an important impact on the economic development in the world.

Globalization

China is now a member of the World Trade Organisation (WTO) that will expand China’s export and production of under-priced agricultural products. Increasingly, open trade in agricultural products will force adjustment in Chinese agriculture, and contraction in production of some items. It is desirable that China expands import and undergoes substantial structural change in its agricultural sector in the process of general trade liberalisation. It will be costly for Chinese development in agriculture if this path is avoided. Nevertheless, it is undoubtedly pressure for resisting structural change, as there have been in other countries with low per

⁷⁴ Grook, Frederick W., “The Impact of China’s Grain Reserve System on Import Demand”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, pp. 170-177.

⁷⁵ Mitchell Donald O., *et al*, *The World Food Outlook*, 1997, p. 73.

capita endowments of agricultural land as their incomes have grown.⁷⁶ What CP Group does is to accelerate this process in Chinese agriculture development to resolve these problems. However, increases in agricultural prices in China are likely than in international market prices if domestic agricultural markets remain largely isolated from international markets because of rising marginal costs of production and increasing demand for consumption in a rapidly growing agricultural per capita resource scarce economy resulting domestic agricultural prices rise.⁷⁷

China's population density is much higher than the world average and its agricultural area including pastoral area, forestry and arable land is very small on a per capita basis. Therefore, China cannot be expected to have a comparative advantage in agricultural production as its per capita incomes rise towards those in industrial countries.⁷⁸ Furthermore, its arable lands are small in size in comparison with other countries such as Australia, United States of America and Canada. These conditions cause China to be lack of comparative advantage in agricultural production.

There are some agricultural economists and bureaucrats strongly favour agricultural protection in China. However, agricultural protection creates adverse effects on production consumption and trade, because the distorting domestic terms of trade by artificially agricultural prices prevents China's economy from fully exercising its comparative advantage. Since international agricultural prices can be expected to remain steady in the next decade, adjustment costs incurred by wheat and maize farmers will be gradually allowing farmers either to pursue alternative crops or to find jobs in non-agricultural sectors. In sum, China requires the co-operation of the international communities to integrate into the world food economy.⁷⁹

In the case of food security in China, more foreign firms than domestic companies are likely to invest in the food-processing sector in China, including meat production. Lu Peng, a researcher contributes an important observation that international free trade in agricultural products including grain may lead to the

⁷⁶ Garnaut, Ross and Ma, Guonan, "The Third Revolution", pp. 6-7.

⁷⁷ Garnaut Ross, *et al*, "A Turning Point in China's Agricultural Development", in Ross Garnaut *et al* (eds.), *The Third Revolution in the Chinese Countryside*, pp. 186-193.

⁷⁸ *Ibid.*, pp. 192-193.

⁷⁹ *Ibid.*, pp. 195-197.

exchange of “food for food”. Export of other manufactured items may generate the foreign exchange required to finance the growth in grain imports in free trade, and exports of other foods will increase. Referring to Lester R. Brown’s argument which concludes that China can not feed itself, Lu argued that the answer to the question of who will feed China is that China will feed itself but will achieve this through international trade namely globalization. The development by Lu of his argument shows that the sources of export income to finance grain imports might actually emerge from within the food sector itself. Taking a wider view of food security, it has some important implications. It has the potential to turn China away from a protectionist path and to pursue its comparative advantage in food production.⁸⁰ CP Group has played a role contributing to the deliberation of these issues of the “third revolution” in Chinese countryside and food security.

Even though CP Group from Thailand invested US\$ 5 billion in China, and is one of the largest foreign investors, the proportion of foreign direct investment in China from Thailand is small in comparison with Hong Kong. It is a common feature of the Ethnic Chinese business that always starts from a very small-scale family business. No matter CP Group of Chia family in Thailand or Cheung Kong Group of Li family in Hong Kong that have been developed into international conglomerates. Since the commencement of China’s economic reform in 1978, a number of small-scale family businesses have poured into China from Hong Kong, and among them Ethnic Teochew Chinese have done well. How do they operate in China? What is the difference between Hong Kong Teochew Chinese investors investing in their hometown and Taiwanese investors investing in Pearl River Delta? In order to have a full analysis from different perspectives, a study will be following in the next chapter.

⁸⁰ Findlay, Christopher, *et al* “The Implications of Grain Market Reform for China’s International Grain Trade: An Overview”, in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, pp. 235-236.

CHAPTER 8

HONG KONG BUSINESS INVESTMENT AND DEVELOPMENT IN CHINA

A Case Study of Small to Medium Scale Ethnic Teochew Chinese Business

China's international trade has experienced an unprecedented growth. FDI has become one of the most important contributors to this trade growth, and its importance is increasing over time. With the focus on the successful business surrounding Hong Kong and China during the period of 1978-2003, a large number of Hong Kong companies have been actively in bridging trade and investment between China and the outside world. The role of Hong Kong has been vital to the success of China's export drive. Some 70% of the cumulative values of US\$ 58.1 billion in foreign direct investment (FDI) commitment to China during the 1980s came from Hong Kong and was mostly directed to export oriented industries in the coastal provinces, Guangdong in particular. In 1990s, over 75% of Hong Kong's offshore investment was in China and Hong Kong had been the source of two thirds of total FDI in China, contributing greatly to its foreign exchange income and providing expertise in management, marketing, information, and advisory services for China. One prominent feature of trade and investment was the shift of Hong Kong's manufacturing into China in outward processing operations. A substantial proportion of export based on processing activity was generated in Special Economic Zones (SEZs) over the years and such activity has spread to business outside the SEZs. The outward processing scheme has proved to be enormously successful. By July of 2003, foreign direct investment in Shantou (Teochew) city was more than 13.7 US\$ billion, most of them came from Ethnic Chinese investors and mainly from Ethnic Teochew Chinese companies.¹

There are more than one million Ethnic Teochew Chinese in Hong Kong. Among foreign direct investment into Shantou Special Economic Zone, the

¹ Reporting Unit, News, <http://www.dahuawang.com/ztxw/wxb/show.asp?no=244&type=2> News' Office of the Shantou People's Government. Viewed 25 August 2003.

capital that came from Hong Kong was approximate 80% of the total amount of FDI in that area.² These Hong Kong enterprises varied in sizes from small, medium to very large. For small and medium Teochew investors, the attraction to invest in the Mainland China was the access to cheaper labour and land in order to maintain their strategy of labour-intensive manufacturing for the world market.³ Seeking low wages in order to reduce production costs and increase competitiveness is therefore the main motivation of FDI in China.

In 1990s, the developed country investors such as from US and Japan tended to invest in more capital and technology intensive industries, and mainly for the purpose of targeting Chinese domestic market, while Ethnic Chinese investors tend to look for more labour-intensive manufacturing industries with export-potentials. Although CP Group was one of the largest foreign investors in China, FDI from Thailand during the time was less than one percent, while FDI from Hong Kong had held the dominant position, accounting for about 58 percent of total, followed by Taiwan, accounting for about 8 percent. Ethnic Chinese investments are mainly in labour-intensive activities as well as small in scale and relatively low in technology, but it is a major source of FDI to boost China's international trade, particularly to promote its export, and has been very successful.⁴

Numerous small and medium sized factories were pouring into China from Hong Kong and Taiwan. There are some 40,000 Taiwanese firms operating in China, mostly small and medium sized. The transplantation of Taiwanese supplier networks to Mainland China was almost complete; due to the short psychological distance that provides a cosy environment for small investors.⁵ Among foreign

² Leng, Dong, "Hawai Chaoren zai Shantou de Touzi", [Ethnic Teochew Chinese Investment in Shantou], in Chuang Guotu *et al* (eds.), *Zhong Guo Qiaoxiang Yangjiu*, [The Studies of Ethnic Chinese Hometown in China], Xiamen Daxue Chubanshe, Xiamen, [Xiamen University Press], Xiamen, 2000, p. 309.

³ Smart, Alan, "Getting Things Done Across The Hong Kong Border: Economic Culture in Theory and Practice", in Leo Douw, Cen Huang and Michael R. Godley (eds.), *Qiaoxing Ties: Interdisciplinary Approaches to "cultural Capitalism" in South China*, Kegan Paul International London and New York in Association with International Institute For Asian Studies Leiden and Amsterdam, 1999, p. 164.

⁴ Sources: Various issues of Editorial Board of the Almanac of China's Foreign Economic Relations and Trade, *Zhongguo Duiwai Jinji Maoyi Nianjian* [Almanac of China's Economic Relations and Trade], Zhongguo Shehui Chubanshe, Beijing.

⁵ Chen, Tain-Jy and Ying-Hua Ku, "Networking Strategies of Taiwanese Firms in Southeast Asia and China", in Gomez, Edmund Terence and Hsiao, Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p. 164.

investment in China, these small investors contributed substantial amount in total foreign investment capital. Numerous small investors from Hong Kong went into China to establish their factories. Several factors that accounted for these Hong Kong entrepreneurs to move their manufacturing plants to the Mainland China included rising wages, labour shortages, land prices, restrictions on overtime work, and stricter environmental protection. Nevertheless, they have relatively few advantages over large multi-national conglomerates such as CP Group. As Smart points out that the Hong Kong entrepreneurs who set up small and medium factories in China are small capitalists, but as small investors *per se* they have relatively few advantages over large trans-national conglomerates and the advantages that they have are a willingness to accept the risky profits, as well as what and who they know in China.⁶

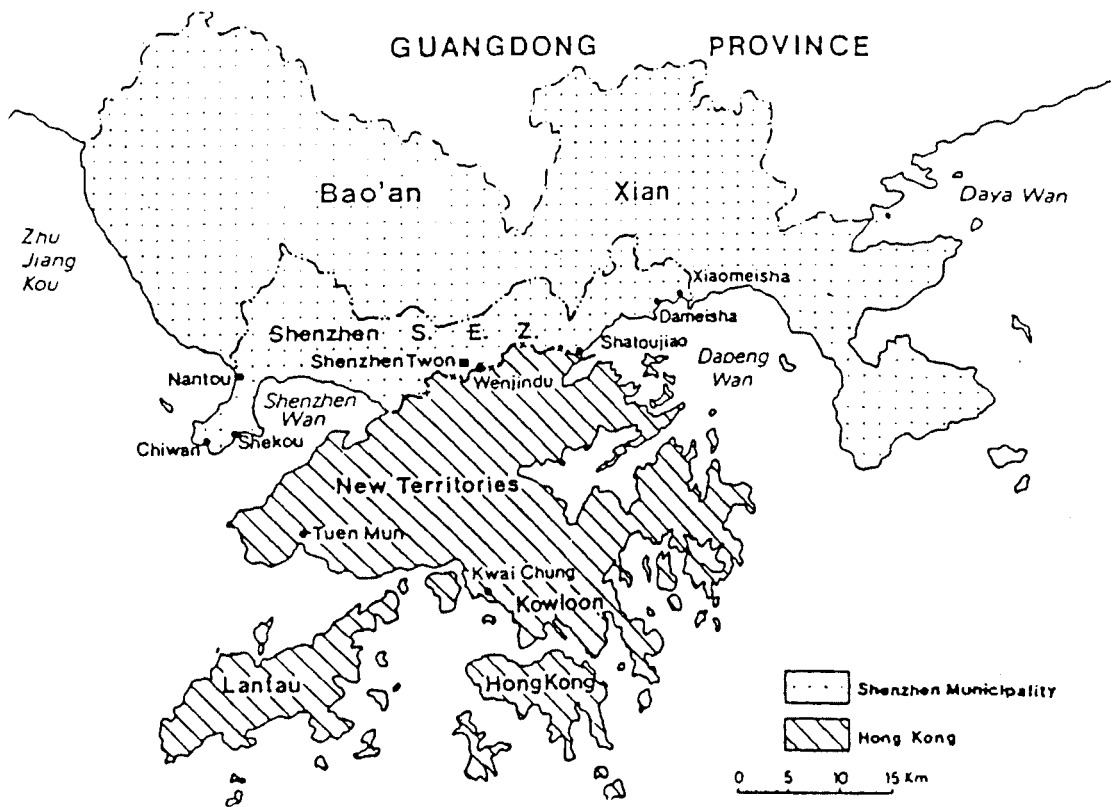


Figure 5: Locations of Hong Kong and Shenzhen Special Economic Zone in Guangdong

Source: Chossudovsky, Michael, "China's Open Door Policy", in Leung Chi-keung and Steve S.K. Chin (eds.), *China in Readjustment*, Centre for Asian Studies, University of Hong Kong, 1983, p. 236.

⁶ Smart, Alan, "Getting Things Done across the Hong Kong Border: Economic Culture in Theory and Practice", in Leo Douw, Cen Huang and Michael R. Godley (eds.), *Qiaoxing Ties: Interdisciplinary Approaches to "cultural Capitalism" in South China*, p. 179.

*A Garment Factory Based in Hong Kong*⁷

When I conducted field research in China, I had investigated some small and medium sized Ethnic Teochew Chinese enterprises based in Hong Kong and visited many Ethnic Teochew Chinese investors. What struck me most was the case of a garment factory that possessed an industrial building and employed more than one thousand workers in their main factory, plus more than two thousand sub-contract workers who worked in several satellite factories. The factory was owned by a Teochew Gu couple (*Gu fuqi*) who established their garment factory in 1982 in Hong Kong. It was a typical small family business which Hong Kong people labelled, “*Shanzhai*” (fortified mountain village) factory, i.e. a tiny factory with initial six people including the two owners, one master and three skilled workers. The owners escaped to Hong Kong from Mainland China during the Cultural Revolution by illegally crossing the China-Hong Kong border. Because their parents belonged to one of the “black five categories” - landlord, rich farmer, anti-revolutionary, bad member and right-wing member - and also had foreign connections (*Haiwai Guangxi*). They suffered humiliation and maltreatment during that period, and were prepared to take a risk to escape from Teochew - their hometown like many others. They were among the few lucky ones who succeeded to cross the border into Hong Kong to seek refuge with their relatives.

They started a new life in the colony as factory workers. The Gu wife learnt an excellent skill in garment making and observed the process of garment manufacturing in a big garment factory. At the same time, she cultivated a good friendship with her boss, masters, technicians, skill workers and a wide range of friends in the garment manufacturing industry. This paved the way for her to start her own business. The first step she took was to become a garment sub-contractor. The initial sub-contract order came from her old boss; and the master of garment making and a skill worker from the factory came to her support. Both of them were of Teochew origins, and were considered to be “*tongxiang*” to her that they were prepared to help her to run business. This “*tongxiang*” affinity appears to be a common feature of Ethnic Teochew Chinese entrepreneurs in the course of their founding and development of their businesses overseas. The famous Teochew

⁷ These sources of information came from my fieldwork.

entrepreneur Li Ka-shing, started his Cheung Kong plastic factory in 1950, with only two Teochew people in his tiny workshop.⁸ Today, Li not only controlled a multi-national conglomerate - Hutchison, his Cheung Kong Holding employs some 180,000 people in 42 countries.⁹

The Gu couple of this tiny garment factory had sub-contracts with big factories to produce garments in which the big factory provided materials and designed samples. The materials were of high quality such as silk and genuine animal leather and the products were exported to USA and European markets that required high standard of workmanship. Although the risk was higher than manufacturing other kinds of cloth, it provided much higher profits. In garment industry, these silk and leather garments are termed as “fine goods” that are to be differentiated from “rough goods” such as ordinary cloth. Unlike “rough goods” that sometime are produced thousand dozens according to one designed sample. The “fine goods” are produced in small quantity in order to increase their value in the markets. Usually, the sub-contractors are given very short period to deliver orders because these high-valued goods must be exported in time for overseas seasonal market. If the season is over, these garments are devaluated sharply. Because the manufacturing periods are so short for an order, many owners and managers of small garment factories are reluctant to sign such sub-contracts unless they possessed good management skill. It was easily to involve them in compensation for breaching the contract or problems of quality etc. Under these huge pressure and very difficult circumstances, however, the Teochew Gu couple, owners of this garment factory decided to take the risk to establish their business.

At its initial stage in mid-1980s, the factory was a tiny family workshop in their living unit. The Gu couple lived and worked in less than one hundred square metres. It was located at the out skirt of Kowloon. There were three bedrooms and a lounge in the unit. They used two bedrooms as a workshop and one bedroom for family living, and they used the lounge for storing materials and a cutting machine. It is difficult to imagine, how they could manufacture such high-valued garments in such poor conditions. A relative of the owner was in charge of cooking, shopping, preparing food for all workers and escorting Gu’s son to and

⁸ Xia, Ping, *Li Jia Cheng Zhuan* [Li Ka-shing Biography], Zhuo Jia Chubanshe, [Authors Publishing House] Beijing, 1993, pp. 39-40.

⁹ Rex Jory, “Scar sella’s Surprise: I’m Leaving Adelaide”, *The Advertiser*, February 23, 2005, pp. 1-2.

from school. The situation was extremely difficult, but the Gu couple and their workers united as one family, eating and working together everyday to overcome difficulties. After several years, the tiny factory increased to ten workers and business grew by leaps and bounds. However, the Gu couple could not expand their business further due to high costs of space and wages in Hong Kong. Due to the competition and future expansion, they decided to move their business to the mainland.

Shifting to China

In 1988, the Gu couple rented a place in Shantou Special Economic Zone and recruited twelve workers in their new factory. They were aware of a difficult task for producing “fine goods” of valuable garments. Hence, they selected these new workers carefully through introduction by relatives and close friends. All of the new workers possessed the skills of making ordinary garments but nobody was able to make this kind of silk and leather of high quality garments. Inevitably, training was necessary for these new workers. At the beginning, nearly everyone was unable to achieve the required standard as every new worker sewed the line of silk thread on the silk material was crooked that was a common problem when making such a silk garment. The couple were facing tremendous pressure and difficulty at the initial stage to handle many management problems. Luckily, all of these new workers were enthusiastic in learning and practising. After a short period, everyone mastered this new skill and achieved a required standard and speed.

After two years in operation, the garment factory had about sixty workers and the Gu couple expanded and rented a new place for their manufactory. As a part of expansion programme, they also sent masters of making garment and senior skilled workers to some factories in Shantou district to foster skilled workers in these satellite factories for sub-contract jobs. In 1992, the production of this factory was about thirty times than the initial stage with more than three hundred workers in satellite factories and about eighty workers in their own Shantou factory to produce these high-valued garments. In Hong Kong, the Gu couple boldly took orders and signed contracts for their business and carried out a very

sophisticated and strict management. They gained huge profits in only several years.

During that period, the couple bought a new site in Hong Kong for a factory where workers were only cutting material, ironing and shaping garments. The ready-cut materials were transported to the Shantou garment factory for processing. They were packed into big linen bags - according to different designed samples before leaving Hong Kong. Normally, one linen bag could fill more than one hundred sets of ready-cut pieces. The transport cost from Hong Kong to Shantou was relatively low in comparison with the cost of labour in Hong Kong where one worker's wage can employ more than ten in China. Hence, the Gu couple was able to accumulate a considerable sum of capital for buying new machines, equipment and industrial building to develop their business.

According to the data compiled by the International Textile Manufacturers Federation, labour cost in manufacturing in China only represented 5 -10 per cent while the figure was between 30 and 55 in the United States.¹⁰ When the Gu couple shifted their factory from Hong Kong to China, hourly wage for skilled personnel of weaving in China was much lower than in Hong Kong. This was the most important factor to explain why so many Hong Kong garment factories were moved into China.

In the end of 1992, the Gu couple bought a new site in an industrial building in Shantou with more than two hundred sets of sewing machines and a whole range of the process' equipments. These machines and equipments were made in Japan with most advanced functions. In 1993, when production expanded, they employed some more new workers, again through introduction by existing workers and relatives and friends. Nearly all of the original group of workers who started in 1988 and 1989 remained and became permanent senior skilled workers and semi-masters of making garments. At that time, there were more than two hundred workers in the Shantou garments factory, though some new workers were not Teochews, the core of permanent workers had always been dominated by Teochew speakers. By 1996, nearly one thousand workers in the satellite factories in Teochew district were doing sub-contract works for their garments factories in Hong Kong and Shantou.

¹⁰ Murphy, Katharine, "Losing the Thread on China", *The Australian*, May10 2005, p. 24.

The Gu couple put personal connections and trust as the first priority to run their business. For the expansion of its production, they needed to have sub-contractors and satellite factories for their business development. They emphasised *guanxi* rather than factors of distance, location and skill. The furthest satellite factory was about eighty kilometres from their Shantou factory, but the sub-contractor was their relatives and had a special relationship with them. This satellite factory was located in a mountain village, and was set up in a broken old temple where the villagers conducted their ancestral worship. The sub-contractor used part of the temple for training new workers, and the Gu couple sent a skilful master to conduct training sessions. Soon after the training was completed, the tiny village factory started to produce these high-valued garments. A special problem arose because mosquitoes were much more in that mountain area. Since the silk material was made of silkworm and mosquitoes stuck on these silk materials and to shit on them. Once the materials were damaged by mosquitoes' shit, no cleaning chemical could get rid of the dirt. A simple and special method was employed to resolve this problem. The Gu couple gave every worker a bag to fill the materials then tightened the mouth of the bag in order to prevent mosquitoes from entering. Since mosquitoes do not like to stick on the material that was under sewing, and could not fly into those bags, hence this problem was resolved. In running their business, the Gu couple needed to resolve many problems from capital to mosquitoes, and these difficulties fostered good relationship between them and the sub-contractor. The cost for labour in the mountain area was much lower than other satellite factories in Teochew district, and the couple just tried their best to maximise the profit. When I visited the mountain village factory in the summer of 1991, I could not believe that the place was so beautiful, valuable garments that sold in American and European luxurious shops were manufactured for the major part from such a simple and crude factory. The skilful workers in the factory were paid very little and the Gu couple gained a huge profit through its investment in China. This was one of the reasons to explain why the Hong Kong investors poured into China for investment. The pursuit of cheap labour was the main motivation of these investors.

Furthermore, Ethnic Chinese investors fostered numerous private enterprises, many of which were owned by their relatives, namely *Qiaoshu Qiye* to cooperate with them. These private entrepreneurs were highly motivated to learn from their

rich overseas relatives to make money for themselves and for their next generation. In addition, one of the most important factors in the decision to become an entrepreneur was the desire for more independence and responsibility for oneself, which also indicates a desire for more individual and social room to manoeuvre. A study shows that the percentage of those who expressed this wish was higher in more developed regions than in poorer areas. Self-fulfilment was of the most important aim in life mentioned.¹¹ The owner of the factory in the mountain village in Teochew area is a good example. These private enterprises have developed dramatically and have become a substantial economic force in China. Until the mid-1990s, entrepreneurship was not an issue in China, only since the revival of private economic activities and their subsequent momentum have new entrepreneurs begun to emerge.¹² The implication in the cooperation between Ethnic Chinese and mainland private entrepreneurs have brought about a great impact on China's economy as well as social and political change in whole nation.

Further Development

In 2002, when I visited the Shantou garments factory again, it had expanded to a whole industrial building with more than one thousand workers. The most important development was that the Gu couple had already set up shops and warehouses in some cities in America and Europe. From 1992 to 2002, they increased the orders directly from American and European companies and cut back "middlemen" in Hong Kong to maximise their profits. Like many other Teochew businesspersons, they pursued the "whole dragon" business development strategy that removed middlemen's role. In this way, they were able to closely watch and survey the American and European markets regarding fashion and garments. In Teochew district, they had sub-contractors with more than two thousand workers in satellite factories to produce garments. Besides manufacturing "fine goods" of high-valued fashion garments, they also produced

¹¹ Heberer, Thomas, "The Role of Private Entrepreneurship for Social and Political Change in the People's Republic of China and Vietnam", , in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 103.

¹² *Ibid.*, p. 101.

general garments and cloth. The next step for development was the emphasis on the promotion of their brand name and products.

From a tiny workshop to a medium-scale enterprise, the business development showed that the couple's business was still a family business. A number of their relatives worked in the company and they were given important positions such as accountants, tellers, cashiers and security guards in order to prevent stealing. Family value and personal trust played a significant role in its business development. However, there are two sides of a coin; family business gave rise negative elements such as nepotism etc. Family business is the common feature of ethnic Teochew business. From small and medium-scale enterprise such as this garment company, to large multinational conglomerates such as Dhanin's CP Group and Li Ka-shing's Hutchison Whampoa and the Cheung Kong Group remain in family control. Since Ethnic Chinese business played an important role in China's economic development, the main reasons for them to invest in Mainland China are critical issues to be examined further.

Reasons

When the Gu couple shifted their factory from Hong Kong to China, hourly wage for skilled personnel of weaving in China was lower than present. This is the most important factor to explain why so many Hong Kong garment factories were moved into China. Low wage for labour is noted in all industries, especially those labour intensive enterprises for producing labour intensive product such as garment, toy and furniture.

Hong Kong industries have moved production to the mainland with the same hope as those Taiwanese industries and other overseas investors. First, they were attracted by abundant supply of cheap labour. Second, low-cost of land and other reduction in factory costs were followed by the prospect of selling products in vast Chinese domestic market.¹³ To the small and medium Ethnic Chinese investors, the advantages of investing in the mainland was also perceived in terms

¹³ Schak, David C., "Culture As a Management Issue: The Case of Taiwanese Entrepreneurs in the Pearl River Delta", in Leo Douw, Cen Huang and Michael R. Godley (eds.), *Qiaoxinag Ties: Interdisciplinary Approaches to "cultural Capitalism" in South China*, Kegan Paul International London and New York in Association with International Institute For Asian Studies Leiden and Amsterdam, 1999, p. 247.

of language and shared cultural patterns of social interaction, including an understanding of *guanxi*, face and gifts.

Since the geographical proximity is positively related to the investment intensity between countries, the propinquity between China and the East and Southeast Asian regions, particularly Hong Kong and Taiwan implies that it was one of the reasons for these investors going into Guangdong and Fujian. The Ethnic Chinese business was increasingly in the access of goods manufactured in China to international markets, evidenced by the quite disproportionate volume of China's export trade that passes through Ethnic Chinese marketing channels into world markets. It has built on the momentum with an increased movement of small, medium-sized and even some large-scale manufacturing enterprises into China.¹⁴

Labour Management and Market

However, investors had found that the skills, attitudes of workers and work habits were quite different from what they had experienced in Hong Kong. Though labour cost per worker was lower, productivity levels were below those of Hong Kong workers. A problem was corruption that capricious charges and fees along with insatiable corrupt officials increased competition and difficulties in making reasonable profits. Not all faced the same problems or to the same degree but no informant when talked to in China felt that everything was running smoothly. They all acknowledged that the improvement was necessary to operate successfully in China.

After some interviews and casual conversations with Hong Kong businesspersons in China, I found that it was labour problem that more frequently occurred than corruption and ad hoc fees. Because such problem was unexpected and because Hong Kong Teochew investors felt that the quality of mainland Chinese workers differed greatly from that of Hong Kong workers. The quality of Hong Kong workers went through a vast metamorphosis since 1950s. During 1950s and 1960s, many workers in Hong Kong relatively had low skill levels with

¹⁴ Tracy, Noel and Constance Lever-Tracy, "A New Alliance for Profit: China's local industries and the Chinese diaspora", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 65-67.

a lack of understanding of the importance of quality standards and meeting deadlines of shipment. Under an international business environment, the situation had greatly changed. Many small and medium-scale companies came increasingly under the discipline of the international market. The quality of labour force improved as education levels rose from primary school to middle school to achieve international standards. After that time, Hong Kong won the international reputation of good quality products especially toys and garments by 1980s, its reputation of prompt delivery of quality goods was made possible in part by an enthusiastic, productive, committed and efficient workforce. There was room for mainland workers to learn and improve their skills.

In terms of efficiency of labour, China was apparently superior to Southeast Asia; without language barriers for Ethnic Chinese investors, it was much easier for Hong Kong or Taiwanese firms to transfer technologies and to organise production in China. The incentive to work overtime was also stronger among Chinese workers, making the production scheduling more flexible. Abundant labour supply there also created room for expansion of production in their manufacturing activities.¹⁵

Worker Recruitment

Since Hong Kong investors coming to China to operate their companies were mainly motivated by taking advantage of cheap and plentiful labour to reduce cost, labour issue thus becomes a focus of my field research. Interviews reveal big differences between Hong Kong and Chinese workers in their respective work practices. In China old socialist economic system gave rise to the “big rice pot” (*daguofan*) mentality. Under China’s socialist system, companies were not driven by the bottom line and there was little pressure on workers to be productive. They were also brought up under the socialist practice of giving workers a very limited task to do in order to gain full employment.

When an enterprise was established, one of the most urgent problems for these Hong Kong investors was labour management. Generally speaking, these

¹⁵ Chen, Tain-Jy and Ying-Hua Ku, “Networking Strategies of Taiwanese Firms in Southeast Asia and China”, in Gomez, Edmund Terence and Hsiao, Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004. pp. 168-169.

entrepreneurs had operated previously in Hong Kong, now employed more workers in Mainland China than they did in Hong Kong. But the expectations and patterns of labour relation were very different. Personalism was very important in this labour relation, and asserting the benevolence of the boss and the obligations of the workers were parts of this process. Emphasis on personal ties in recruitment and management in Ethnic Teochew Chinese businesses involved the use of an available resource. Employees who possessed personal ties with the employer reduced the risk of theft and costs of employment.

Many of these small factories started with twenty workers. The workers were employed by the business owners based on kinship ties. The case study of this garment factory started with twelve workers but increased ten more very soon. Their relationship based on reciprocity that meant the employers got much more advantage than the employees in every aspect, though labour effort was based on positive agreement by each of the parties concerned over the mutual. Coercion was not directly applied to these employees where cultural commonalities and social ties provided a degree of trust in which it was easier to construct employment relationships based on this kind of asymmetrical reciprocity. Local networks organised according to employees' native village, county or province were a key principle within the structuring workforce in their factories. The emphasis on localism as a strategy of domination obscured the ways in which reliance on such ties improved and undermined effectiveness and managerial control. One of these Hong Kong Teochew businesspersons' social capitals was trust.

The Ethnic Chinese businessperson, particularly Teochew entrepreneurs have been quite successful at generating an effective balance between the employers and employees. In China, institutional and legal weaknesses have been compensated through this balance on labour use of interpersonal relationships. This kind of social interaction provided a variety of ways in which inappropriate rules and institutions could be avoided via this relationship. In this regard, Ethnic Teochew Chinese invested enterprises provided sufficient evidence of the ways in which cultural forms and expectations made both feasible and apparently sustainable. Community obligations of Teochew society could be kept from undermining the ability to build outside linkages and take advantage of new opportunities. However, Hong Kong small and medium Teochew enterprises were

concerned with the employees' personal habits and mentality. One of their approaches was to promote the sentiment in the slogan, "regard the factory as our own home" and "earn the money together". Most of these investors preferred what they called a (*rendao*) humanist approach to treat workers with respect and expecting them to reciprocate that respect by working hard for the factories like work for their own home and share the profit. "Of course, there are cases where Chinese employers exploit their employees, but they are the exception rather than the rule."¹⁶

Although, labour costs are so much cheaper in China than in Hong Kong, many ethnic Teochew investors found difficulties in their quest for profit. They listed four major factors. Firstly, Hong Kong skilled labourers were more efficient, and their products were of high quality, which required less remand. In comparison, the Chinese skilled labourers in the mainland were less productive, and their products were inferior. This problem was more obvious when their factories operated in China in the early period. Secondly, investors normally needed to provide workers with meals and lodging, as well as medical care, because most workers were not local residents who came from other provinces. Therefore, higher administrative costs that employer in Hong Kong did not have to pay. Thirdly, although labour costs were lower overall, other costs in the mainland were higher. Telecommunication was an obvious one. Compared with Hong Kong which enjoys the reputation of best telephone service with low cost, the mainland telephone charges, especially for overseas calls were very expensive. Since supply of electricity was less reliable, a number of factories had their own generating equipments. Teochew local government made great effort to improve the investment environment including telecommunication, transportation and electricity supply, and the problem was largely resolved. Nevertheless, there was still room for improvement. Fourthly, the mainland factories also entailed extra costs for Hong Kong skill masters who sometime needed to work in the companies' mainland factories. In addition to their higher wages, they enjoyed free board, free travel and a good deal of free entertainment. Hence, the expenses of their visits or secondments added to the costs of the mainland factories.

¹⁶ Yen, Ching-hwang, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press, Singapore, 2002, p. 22.

Ethnic Teochew Chinese businesses in Hong Kong were largely made up of small and medium scales enterprises, many of which were established by people who started with few resources. After they grew and prospered, the effect of their success inspired many of their employees, who left and started up their own business, often making or processing products that had been made in the companies they worked. A case study in this chapter illustrates one of the features of Ethnic Chinese business culture that is “everyone prefers to become a boss”. The owners of this garment factory knew very well and envisaged these problems to arise and they cleverly handled them smoothly.

In a comparative perspective, unlike Taiwanese investors in Mainland China, Hong Kong investors enjoyed regional proximity. Taiwanese companies’ administrative cost was higher than that of Hong Kong’s, when they operated their factories in Mainland China. They needed three offices in these different locations: the mainland factories; the Taiwan home office where orders were processed and other business were taken care of and a Hong Kong office to take care of shipping, foreign exchange finance, remittances etc.¹⁷ Since business between Taiwan and mainland was more and more open, investors abandoned Hong Kong offices step by step.

Workers’ View

In the course of my interviews and casual conversations with a number of workers, managers and owners of the enterprises in China on the topic of industrial relationships, many Chinese workers, like their counterparts elsewhere in Southeast Asia and East Asia, regarded employers in different degrees as exploiters.

At the beginning of the open door of China, a number of ethnic Teochew entrepreneurs preferred to invest in Guangdong including their hometown Shantou. As mentioned above, the reason for this was largely due to the perceptions of similarity in cultural practice and language. Many owners of small and medium enterprises were low in education levels and had difficulty to deal directly with foreign firms due to their lack of proficiency in foreign languages. Another common feature was most of them were mature age operators. Unlike

¹⁷ Schak, “Culture as a Management Issue: The Case of Taiwanese Entrepreneurs in the Pearl River Delta”, p. 244.

their younger generations, they had good connections with their hometown. Generally speaking, Hong Kong investors at the early stage were unprepared for what they found about mainland workers' skill levels and had to make adjustments in how to manage them. Since mainland workers were used to "big rice pot", they were slow and were not prepared to work hard. Many said that Chinese workers had to be supervised constantly otherwise, they worked even slower. However, my research proved otherwise, and it varied according to different management methods. In the case study that I have analysed in this chapter, the Gu couple adopted a way to link units of production to wages, e.g. one dollar for one item of cloth made. A veteran worker could earn more than a lazy worker's earning. But this method was subject to a process of quality checking. In comparison of the Gu couple's method, they were using piece rates whenever work done can be credited to an individual. Using piece rates was an efficient method, since piece workers' average earnings were higher than waged workers in other garment factories, and good piece workers made much more than slow ones did, therefore, workers tried their best to improve their skill.

To estimate a piece rates and make a price for every piece required a profound skill. Because the designs changed frequently, the manager asked a high skill level worker and a low skill level worker to make a garment, and he estimated an average time for making one garment. For example, two hours for making one garment following one designed fashion sample, if the average earning for workers was 1,500 *yuan (renminbi)* a month, i.e. 50 *yuan (renminbi)* a day, then the piece rate could be estimated at 10 *yuan (renminbi)* for making that garment. Division manager was in charge of these tasks and often needed to estimate the piece rates for different samples. Because most tasks were done in the factory by hand, the productivity of individuals could be counted, and they were paid by piece rates instead of monthly wage. Although at the beginning, some workers emphasized on speed over good work in order to earn more money. However, the quality control was very strict, once a work could not pass the quality check; the worker needed to spend much more time to amend and remake it and resulted in a big loss. Hence, even those very smart and high skill-level workers would ensure the quality rather than quantity. Since most of the workers were hired through introduction of relatives and friends, they needed to consider their "face" (*mianzi*). In addition to these basic elements, the training and education not only stressed

the quality control but also emphasised on moral obligation. Thus, the whole process of productions in this garment factory appeared quite successful. Most workers did not understand the importance of standard and the quality of their work so that the company could make money and they could be paid, and they considered that they were exploited by the employers. This wrong perception was due to the fact that they were under socialist education for a long time, and they thought that all employers were exploiters.

Another common problem regarding mainland workers was their working attitude. Many of them came to Guangdong from other provinces to work for a period and earn a sum of money, then went back home to settle. They did not consider that they worked in the factories as a way to learn skills or begin a career. Only a very small percentage took these opportunities to build a career. While the majority of them jumped from one factory to another in order to earn a bit more wages. Therefore, they lacked loyalty with the companies. In the case study in this chapter, I have found that the Gu couple tried very hard to go through friends and relatives to select employees for their factories.

It was true that the mainland workers only cared for the jobs to which they had been assigned and completed only that particular task; they did not help others.¹⁸ The different working attitudes between mainland workers and Hong Kong workers were the result of work practices fostered by the socialist education system, i.e. the “big rice pot” mentality. Under China’s socialist system, companies were not driven by the bottom line and there was little pressure on workers to be productive or to care for products quality. Many Chinese workers were also brought up in the socialist practice of sharing work that was to give workers a very limited task to do in order to let more workers to be employed. There was a common practice among the mainland workers to guard their knowledge and skill in order to keep their employment. Veteran workers were unwilling to teach new ones in fear of losing their own jobs, because new workers were paid much less than veteran workers. Some workers were lazy and did not care for the products because they considered their boss were exploiting them.

¹⁸ *Ibid.*, p. 250.

For those Hong Kong and other foreign investors, the earlier they came to China to operate their factories, the more labour problems they encountered. To resolve these problems the Hong Kong managers and bosses adopted some sophisticated management strategies. Paying wages on the basis of unit task (piece rate) was a good method, and it motivated workers to work harder and earn more. The recruitment of workers through “*guanxi*” encouraged them to help each other and learn from each other. In the case study considered in this chapter, the Gu couple adopted this method that helped resolve the problem of high worker turnover rate. In the initial start-up period of establishing a new factory, it was common that the turnover rate could reach more than ten per cent per month. After several years of operation no serious problems were found in many factories.

In this case study, the manager – Mr. Gu told me that the worker turnover rate was very low in his factory, because most of the workers were concerned about their “face” (*mianzi*). If they moved to another factory without any good reasons, they would be embarrassed to face their relatives and friends, unless serious matter such as maltreatment occurred. Generally speaking, it would not happen. Even when some workers had some urgent matters to attend such as serious illness or death of a family member back home, they returned to their works as soon as the matters were over. On these occasions, the manager often allowed them going home immediately and paid their wages even though they were absent. In this case study, there was one exception that a female worker learnt very hard by staying with a job in the factory for five years until she was able to handle all the processes. Then she went back to her hometown, about ninety kilometres away from Shantou to get married and started her own small garment factory. She became a sub-contractor and her factory became one of the Gu couple’s satellite factories.

Since the Gu couple in this case only employed Teochew district workers, the problem of “hometownner” feelings (*laoxiang guannian*) did not occur in their factory. Unlike those big factories especially operated in the Pearl River delta where these particularistic feelings toward people from one’s own area of origin carried a hostility toward others because they came from different provinces of linguistic and dietary variations that workers encountered several times each

day.¹⁹ The Gu couple selected those who had more influences and good reputation among their fellow workers as foremen. Problem of stealing that happened in other factories also occurred in this garment factory, materials and half-finished garments were often missing. To resolve this problem, they changed their management methods by registering collection of materials among individual worker. For example, a worker could produce ten garments a day, and then allowed her to get ten garments' materials a day to register. If she lost any of these materials, she had to pay for it. This method made the workers cautious about these silk or leather high-value materials, and solved the problem of stealing.

Unlike those Taiwanese managers who were dissatisfied with personal habits of the mainland workers in the Pearl River Delta, where workers did not tidy their dormitories,²⁰ the Gu couple employed sophisticated management methods to solve this problem. They often invited some guests to visit their factory and workers' dormitories. In order to impress their guests - a number of them were garment orders providers - they strictly required workers to keep the factory and the dormitories clean and tidy. Workers took turns to clean factory and dormitories where they worked and lived. Because most of them were kinsmen and kinswomen, relatives or friends, and they worried about their "face" (*mianzi*), so they did these jobs as good as possible. If other workers complained about their works, they would feel extremely embarrassed. Relatively speaking, these workers were ninety-five per cent female, only five per cent were male. Therefore, the problems in other factories such as spitting and littering did not happen in this factory and their dormitories. Lee Ching Kwan has different findings that when he carried out ethnographic research in two factories owned by the same electronics enterprise in Shenzhen and regarded female workers as "maiden workers", of which the notion emphasized young women's single status, immaturity, imminent marriage, short-term commitment to factory work in Shenzhen, low job aspirations, and low motivation to learn skills.²¹ It seems to me that different managers with different management skills to manage workers with different characters who come from different regions in different industries produce

¹⁹ *Ibid.*, p. 251.

²⁰ *Ibid.*, p.253.

²¹ Lee, Ching Kwan, "Factory Regimes of Chinese Capitalism: Different Cultural Logics in Labour Control", in Aihwa Ong and Donald M. Nonini, (eds.), *Ungrounded Empires: The Cultural Politics of Modern Chinese Transnationalism*, Routledge, New York, London, 1997, pp. 118-124.

different outcomes. In my case study during my fieldwork regarding workers' attitude and clean habits, I have found that most of female workers in Gu couple's factory had long-term commitment and high motivation to learn skills. The factory manufactured high quality garments required higher standard of hygiene and cleaner condition. The problem of spitting and littering or untidying often occurred in factories where most of the workers were male and from different provinces. Also these factories produced products that did not require high standards of cleanliness and hygiene such as plastic, metal and electronic products.

Like the workers in the Taiwanese owned factories in the Pearl River Delta, the workers in Shantou were hard-working. But many of them lacked both practical and moral education such as honesty, loyalty and hard work, etc. This was mainly due to the Cultural Revolution that attacked family ties, traditional virtues, and destroyed the education system in the 1960s and 1970s. Increasingly, many Chinese on the mainland shared this view that the lack of a widely accepted moral system is a serious problem.²² In my case study of this chapter, the Gu couple were fully aware of these problems and tried their best to overcome them by using their new management strategy.

Nearly all of the foreign investors employed a common management strategy to resolve these problems by way of education. Managers and foremen and forewomen held regular classes to teach workers moral obligations and work related skills. The Gu couple considered that it was of special importance to their business and spent a great deal of money to employ some veteran masters from Hong Kong to teach the workers in Shantou. They preferred to take both humanist and disciplinary approaches, i.e. treating workers with respect and expecting them to reciprocate by working hard for the factory; imposing strict disciplinary measures with bonuses for good work, fines for bad work and sacking for those who failed several times to perform.

These small and medium-scale Hong Kong Ethnic Teochew Chinese investors realized that doing businesses in China could generate huge profit or involve risks in the light of border-crossing complexities of business operation. Those who

²² Schak, "Culture as a Management Issue: The Case of Taiwanese Entrepreneurs in the Pearl River Delta", p. 254.

could manage their businesses effectively and overcome the risks had the potential to make handsome profit. Nevertheless, these involved cultural resources and required tact. Hong Kong investors were not “foreigners” but *tongbao* – compatriots - and could contribute more to China’s modernization than other foreigners. Unlike non-Chinese, ethnic Teochew and Hong Kong Chinese entrepreneurs who pioneered investment into China were relatively easier and less risky due to their ability to exploit social and cultural resources more effectively than foreigners, though did not always succeed. Ethnic Teochew Chinese investors had simultaneously utilized personal trust, networking, common cultural understandings and social connections to overcome difficulties and met the challenges rather than simply relying on the business practice of cross-border. Cultural proximities as resources had made contributions to the rapid economic development and to the successful integration of China into the world economy.

Opening China’s Domestic Market

Hong Kong ethnic Teochew investors like other overseas investors were not only looking for plentiful supply of cheap labour and other reductions in production costs, but also because of the attraction of the vast domestic market in China. It was also important for the owners of small and medium scale enterprises to believe that the Chinese in Hong Kong and the mainland could communicate effectively and shared some common cultural traits that it would be easier for them to operate business and sell their products there.

Opening China’s domestic market for these Hong Kong investors’ products was one of the motivations for them to invest in China that ranked third in the order to abundant supply of cheap labour and low cost of land. At the beginning, most investors did not go to China with the primary aim of selling products in China’s domestic market, but to reduce the business running cost in order to export their products to foreign markets. Since China’s living standard improved and purchasing power increased, they were aware of the huge potential of the mainland market and started to sell products to local consumers. However, the Chinese government levied a tax on all imported materials that were not re-exported at the time. If the foreign investors wanted to sell their products in China, they had to pay tax named “*bushui neixiao*”, which means to compensate

the tax for domestic selling. This imposed tax made their products uncompetitive with those from Mainland China's companies. Since FDI was a phenomenon in China, multinational firms were dispersed geographically and were mostly export-oriented. They were designated as exporters and afforded export incentives and were required to report any domestic sales, while in turn they were liable to severe tax burdens and penalties if such materials were not eventually exported after processing. The strict regulations and the associated "red tape" discouraged export-designated multinationals from selling domestically in China.²³

A good method to sell goods in China's domestic market was to create a joint venture with a local company. Many foreign companies, large, small or medium-sized adopted this way to sell their goods. It was common that small and medium-sized companies were unwilling to share control of their companies with people with whom they had not built up a relationship of trust. They were more likely to enter into joint ventures with close kin living in the region or close relatives and friends, and they believed that without a relationship of trust, the joint venture could not succeed. However, many of them had their core businesses in manufacturing goods for export; their inability to sell in domestic market was not a serious concern. A number of Hong Kong Teochew businesspersons went around by registering companies in their relatives' names to establish a joint *qiaoshu qiye* - Ethnic Chinese relatives' enterprises. Using this method, they did not miss the opportunity and achieved their goal of selling their products in the domestic market. Since China step by step recognises and fosters the private sectors, these kinds of enterprises become more and more important in China's GDP growth. Only in Shantou city, for example, by the end of 2002, there were 10,987 "*qiaoshu qiye*", with more than 20 billion *yuan* RMB value of output annually.²⁴

²³ Chen, Tain-Jy and Ying-Hua Ku, "Networking Strategies of Taiwanese Firms in Southeast Asia and China", p. 164.

²⁴ Huang Kungzhang and Zhang Yinglong (eds.), *Hua Qiao Hua Ren Yu Zhong Guo Qiao Xiang de Xian Dai Hua*, [Ethnic Chinese and the Modernisation of Their Hometowns in China] Zhong Guo Hua Qiao Chubanshe, Beijing, [Ethnic Chinese Publication of China], Beijing, 2003, p. 94.

Cultural Influence

Most of the Ethnic Chinese investors in Mainland China are inclined to promote the merits of both traditional Chinese and Western cultures in their businesses practice. The influence of culture on business operation has been attracting a great deal of attention. However, theories of post modernity are diverse and internally divided. A number of theorists argue that postmodernism as essentially hyper-modernism, a speeding up of some of the tendencies of capitalism that had been tamed by the modes of social and economic regulation constructed in the Fordist regime of accumulation. It simply releases the creative destruction of capitalist profit seeking in new ways that create niches for more flexible ways of producing goods and services. The changes in the international division of labour seem to favour subcontracting, and network-type organizational structures. It is reasonable to suggest that Ethnic Chinese who have been prominent in business in Southeast Asia, and who have retained network-relations of one kind or another would be well-placed to take advantage of the new division of labour in production in the region. They argue for the feasibility of a wide range of economic possibilities that almost any kind of economic model can work, as long as the people concerned believe in it.²⁵ Actually, despite minor variations across societies, most Ethnic Chinese do appear to share a common business culture. The conventional view of Chinese business culture underscores the fact that Chinese business ties are often coupled with and structured by pre-existing social ties in the form of *guanxi* networking – one of the most enduring and definitive features of Chinese business culture.²⁶

However, Gomez opposes this view, and is not in favour of that:

The “family firm” and intra-ethnic national and transnational connections (or *guanxi*) and networks are said by such studies to play a crucial role in capital formation and accumulation. These two modes of business and social organization, family firms and intra-ethnic networks are said to underlie the so-called “Confucian ethic”, a perennial theme of culturalist studies, which use it as a key explanatory tool in analysing Chinese enterprise.²⁷

²⁵ Smart, “Getting Things Done Across The Hong Kong Border: Economic Culture in Theory and Practice”, p. 174.

²⁶ Chang, Ly-yun and Tony Tam, “The Making of Chinese Business Culture”, in Gomez, Edmund Terence and Hsiao, Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p. 24.

²⁷ Gomez, Edmund Terence and Gregor Benton, “De-essentializing Capitalism: Chinese Enterprise, transnationalism, and identity”, in Gomez, Edmund Terence and Hsiao, Hsin-Huang

He presents a case study to show that although there has been much overlap in the areas in which leading Chinese capitalists from East Asia invest in Britain, there is little evidence that they are linked by interlocking stock ownership and directorate ties. While investment in Britain by Ethnic Chinese from East Asia has been growing, there is no evidence that they seek to establish business ties with British Chinese, that Chinese from different Asian countries have forged joint-ventures in Britain, or that British Chinese have been awarded sub-contracts or serve as suppliers to Chinese investors from Asia. In short, there is little evidence that when Ethnic Chinese groups cross borders for investment purposes, common ethnic identity serves as an important mechanism for promoting business cooperation. Even Ethnic Chinese capitalists from the same country have shown no inclination to conduct joint business ventures in a foreign setting in that country.²⁸ He further points out:

Whether firms remain within a production network depends ultimately on their ability to produce quality components at the cheapest possible price in order to maximize profits and economies of scale for everyone concerned. ... Once the contractors find cheaper sub-contractors in the host country, they start to change partners or suppliers.²⁹

My case study points to the contrary. The Gu couple chose the longer distance sub-contractor based on trust and *guanxi*. They considered that even if some nearby sub-contractors would save transport cost, if trouble arose due to mistrust, the business would cost more. Their views were accepted by many Hong Kong Teochew investors. There is no strait application of traditional Chinese culture on modern Chinese business because different Chinese entrepreneur in different business situation would adopt different strategies and management measures, but the common Chinese cultural influence on these Ethnic Chinese entrepreneurs cannot be denied.

Networks

The essence of *guanxi* networking is that a person can capitalize on reciprocal obligation and trust in relationship to facilitate the exchange of favours and informal influences. The mobilization of a kinship tie to bring about a desired

Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p. 2.

²⁸ *Ibid.*, pp. 12-13.

²⁹ *Ibid.*, pp. 5-6.

outcome, such as a job offer, private financing, or political support, is a form of *guanxi* networking. “Indeed, *guanxi* networking in Chinese business entails strong social embeddedness.”³⁰ Although different ethnic groups have their networks and *guanxi* in the world, the Ethnic Chinese business culture is based on Chinese culture which is quite different from Western and other cultures. In this case study, the Ethnic Chinese entrepreneurs have been able to gain the advantage in operating flexibly and informally and on a small scale closely resembles their normal business practices. These Chinese businesses tend to be conducted through a series of personalized networks based on trust, which are given substance by long-term relationships for trustworthiness and reliability, rather than in the open marketplace or in an institutional framework. What makes these networks tick is their overlapping nature and influence. They based initially on things like dialect groups, clan associations or place of origin, or alternatively on old school or university friends, but given substance over time by business association. Networks are an essential part of the Ethnic Chinese success in China. For instance, getting to the local official in a township or village, who can open the necessary doors, can be achieved through them.³¹ Professor Chan Kwok Bun’s and Tong Chee Kiong’s study of Singaporean Chinese doing business in China and stress: “In China, *guanxi* is fundamental to business, a fact the Singaporean businessman has learned not to ignore.”³²

Chan also points out that:

There is perhaps an observable enthusiasm on the part of ethnic Chinese in adopting particular traits and practices associated with being Chinese – including the cultivation and usage of business networks among themselves in an excessively intense manner, possibly a unique Chinese characteristic.³³

Applying networks appears very flexible, for example, a distinctive feature of foreign direct investment (FDI) patterns adopted by Taiwanese firms is the important role of networking relationships. Traditional theory asserts that FDI is an attempt by large and powerful firms to exploit economic rent in a foreign

³⁰ Chang, Ly-yun and Tony Tam, “The Making of Chinese Business Culture”, p. 24.

³¹ Tracy Noel and Constance Lever-Tracy, “A New Alliance for Profit: China’s local industries and the Chinese diaspora”, pp. 71-72.

³² Chan Kwok Bun and Tong Chee Kiong, “Singaporean Chinese Doing Business in China”, in Chan Kwok Bun (ed.), *Chinese Business Networks: State, Economy and Culture*, Prentice Hall Nordic Institute of Asian Studies, Singapore, 2000, p. 82.

³³ Chan Kwok Bun, “State, Economy and Culture: Reflections on the Chinese Business Networks”, *Ibid.*, p. 4.

market. However, in Taiwan, relatively small firms defy traditional theory by investing abroad without any apparent firm-specific advantage to generate economic rent, since their investment is governed by a desire to preserve, exploit, and expand the network relationships with their buyers and suppliers. These investors take advantage of network resources to overcome their shortage of internationalisation assets, maintaining access to Taiwan's local networks to support their overseas operations. They are seeking to establish linkages with domestic networks in the host nation to enhance production efficiency and to improve their position in the international markets. Therefore, they are enthusiastic to invest in Mainland China to achieve their goal.³⁴

Management Model and Private Sector

Chinese Cultural influence on business management also appears strong in Gu couple's business. As mentioned in chapter 3, the new entrepreneurs in Mainland China have readopted a traditional Chinese organizational model, which Professor Schlevogt, calls "Web-based Chinese Management" (WCM). The Gu's management was practised by emphasising traditional Chinese culture with a high degree of centralization of power in their hands, and a flexible leadership style. Their focal factory in Shantou has extensive networks, and facilitates close ties with family members, who might otherwise search for employment elsewhere. They emphasised family-related values, and the importance of trust-based relationships. With regard to *guanxi*, they emphasised family-based relations, as the study by Schlevogt shows.³⁵

In regards to management issue, this case study shows that the transfer of management ideas from Ethnic Chinese back to the mainland exemplifies the cooperation between Mainland China and the Ethnic Chinese. This traditional Chinese management practice together with the associated Confucian principle of emphasising family-based values have returned to China.³⁶ It shows that Chinese entrepreneurs can now perform in an interconnected way both overseas and on the

³⁴ Chen, Tain-Jy Chen and Ying-Hua Ku, "Networking Strategies of Taiwanese Firms in Southeast Asia and China", p. 151.

³⁵ Schlevogt, Kai-Alexander, "Chinese Entrepreneurship and Resilient National Development", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 85-89.

³⁶ *Ibid.*, pp. 96-97.

mainland.³⁷ The collaboration between the Hong Kong Gu couple and their business counterparts in Mainland China created a *guanxi*-based business network for business operation and contributed to the economic growth.

The emphasis on family values creates valuable social capital for the Gu couple's business, which helps to reduce costs. Their business dealings with other enterprises in the network are based on trust and good faith without contract, and costs are very low. Since their business concept is influenced by traditional paternalistic ideas, their enterprise as like a "big family" in which Mr Gu and the owners of the satellite subcontractors' private enterprises act like a father to look after the employees who then work for the enterprise with unselfish devotion as other studies show.³⁸

Some scholars claim that the key elements behind the new reorganisation of capitalist social relations indicating the increased importance of the connections between local histories and specific culture. My study has added to such claim. In this case study, we saw that the network of associations in the community was quite important to involve in their business operation. Since investors' reliance on laws and institutions was less viable, the role of culture became particularly apparent in these across borders' economic co-operations. In these circumstances, culture can be seen as an active process related to both hegemonic institutions and individual interests with strong influence on the economic developmental process. They employed in common practices of interaction provided alternative ways to generate the personal trust and understanding that was important for business co-operation and effective to productivities. In these cross borders business operations to invest into Mainland China, the Hong Kong entrepreneurs and managers employed a great deal of tact and management skill to emphasize the common interests to downplay the conflicts in the differences between two different societies. Indeed culture does play a significant role in the complexities of border-crossing business practices. Culture can provide resources that allow people under different political systems to co-operate despite complete divergences in the conventions and laws in the social arena. Although culture does not determine economic outcomes, it is important especially in these special

³⁷ *Ibid.*, pp. 84-85.

³⁸ Heberer, "The Role of Private Entrepreneurship for Social and Political Change in the People's Republic of China and Vietnam", p. 103.

economic situations. When the business rules vary on each side of the border, to operate business smoothly requires culture as resource to develop ways to handle the incompatibilities and conflicts, and this case study has shed some lights on this issue.

Doing business in a socialist country with uncertainties and contradictions in the society, Ethnic Chinese entrepreneurs co-operated ever more smoothly with their mainland partners than other foreign investors and made joint enterprises more profitable. Teochew Chinese merchant culture has strong influence among ethnic Teochew group and businesses persons. It is true that the contemporary world economy provides a set of opportunities for group organised as the Chinese tend to do, and while on average the Ethnic Chinese have been more successful in capitalizing on these opportunities than many other people of less developed countries where most citizens still earn wages rather than doing business.³⁹

The case study in this chapter illustrates the arguments about economic culture and its strong influence on Ethnic Chinese investors. One of the characteristics of this family business is as Redding states that the frequency of the family enterprise and the strengths are offered by the overlap between household and enterprise.⁴⁰ Moreover, what special about Ethnic Chinese business is that: "it retains many of the characteristics of small scale, such as paternalism, opportunism, flexibility, even to very large scale."⁴¹

As mentioned above, the Hong Kong bosses were relatives of Ethnic Chinese (*qiaoshu*) previously, but now they are Ethnic Chinese investors from overseas. The main motivation for these investors was seeking cheaper labour and land, but not for nostalgia. Even some of them suffered mistreatment in China after the opening China's door, they continued to invest capital and do business in China. Since the crackdown of the "gang of four" in 1977, and carried out the policies of protection of Ethnic Chinese and their relatives as well as attraction of their foreign capital to invest into China in 1978, the situation for Ethnic Chinese and their relatives in China had largely been improved. To what extent had the

³⁹ Smart, "Getting Things Done across the Hong Kong Border: Economic Culture in Theory and Practice", p. 178.

⁴⁰ Redding, S. Gordon, *The Spirit of Chinese Capitalism*, De Gruyter Sahlins, Masshall, Berlin, 1990, pp. 143-163.

⁴¹ *Ibid.*, p. 3.

situation regarding Ethnic Chinese and their relatives been improved? I will analyse it in the next chapter.

CHAPTER 9

PROTECTION OF ETHNIC CHINESE AFTER 1978 IN CHINA

The Ethnic Chinese invests into Mainland China with an economic objective to access cheaper labour and land in order to obtain profit for their business. Despite many Ethnic Chinese and their relatives previously suffered discrimination before China's economic reform, especially during the Cultural Revolution, they still invest in their motherland. This is because that the advantages of gaining economic benefit outweigh the disadvantages. The protection of their rights in China after 1978 added another attraction to Ethnic Chinese investors. No matter how strong their feelings for their ancestral land in China, prospective Southeast Asian Chinese investors, like their counterparts in Hong Kong and Taiwan will not invest in China unless they have a chance to make a profit. Their decisions to invest are determined by profit and market potential; and in this, they have a competitive advantage over other investors because they are familiar with Chinese language and culture.¹

Since the Ethnic Chinese were important to China's economic development after China's open door, one aspect of China's policy was to protect them and their relatives in China. However, maltreatment of Ethnic Chinese and their relatives were still common especially in some districts where corruption and extortion were rife. One of the most serious problems in urban China was the conflicts between residents and local governments who owned real estate companies. When these companies attempted to expropriate residents' houses, the conflicts always occurred. Since many Ethnic Chinese and their relatives were relatively rich in China, their houses and land were much bigger than others. They often become the targets of some real estate companies. In some cities in China, some of them suffered maltreatment at the hands of local officials even after the Cultural Revolution. It was very difficult to collect original and corroborative evidence to analyse these problems due to official cover-up of some local and

¹ Yen, Ching-hwang, "Ethnic Chinese Culture in Southeast Asia: Continuity and Change", in Yu Chungshun (ed.), *Ethnic Chinese: Their Economy, Politics and Culture*, The Japanese Time, Tokyo, 2000, p. 237.

district governments. Some studies only relied on anecdotal evidence that were not quite persuasive and there remains a gap in the field of research. This case study provides some corroborative evidence that were collected in my fieldwork in China.

The Problem

The most important issue regarding the protection of Ethnic Chinese and their relatives in China was housing. Before 1978, due to the “left” policies that insisted on proletarian dictatorship, a large number of houses belonging to Ethnic Chinese and their relatives were seized, occupied or confiscated by the Chinese government. After 1978, especially at the beginning of 1990s, the Chaozhou and Shantou governments in the Teochew areas actively carried out and put into effect the “Act of Protection for the Interests of the Ethnic Chinese and Their Relatives in the People’s Republic of China”. By 1994, the Chaozhou government almost returned all the occupied properties to the Ethnic Chinese and their relatives. However, the owners only received the right of ownership on the paper, which was somewhat merely a nominal property right; in reality, most of those illegal occupants still stayed put even though local government had arranged alternative housing for them. The local government was compelled to take evict actions against them to ensure the properties to be returned to the rightful owners. By the end of 1996, Chaozhou government successfully evicted 2,053 households in city area and towns who unlawfully occupied Ethnic Chinese and their relatives’ houses.²

In March of 1985, the Shantou government held a meeting to enforce the directives of the Central Committee of the Chinese Communist Party of returning Ethnic Chinese houses in rural areas. By the end of 1999, the government had returned 1,655,000 square metres of houses to Ethnic Chinese and their relatives in rural areas. At the end of 1996, the Shantou government returned property right of ownership to those Ethnic Chinese and their relatives amounting to 700,806 square meters that made up 70.2% of the entire task at the time. At the same time,

² Huang, Kungzhang and Zhang Yinglong (eds.), *Hua Qiao Hua Ren Yu Zhong Guo Qiao Xiang de Xian Dai Hua*, [Ethnic Chinese and the Modernisation of Their Hometowns in China], Zhongguo Huaqiao Chubanshe, Beijing, [Ethnic Chinese Publication of China], Beijing, 2003, p. 96.

the government returned the right of using their houses to these owners amounting to 412,689 square meters that made up 41.3% of total figures. The differences between the returning of property right and returning of using the property right was that former only recognised on paper, while latter can be physically occupied by the owners. By the end of 2000, the Shantou government returned both the property right of ownership and the right of using their houses amounting to 605,111 square meters, and made up 80.2% of the entire task.³ In the famous Chenghai city where is the hometown of many well-known Ethnic Teochew Chinese entrepreneurs including the Chia family of CP Group, the government made great efforts to complete this difficult task. Since 1984, through sixteen years' efforts, by September of 1999, the government had completed the task of returning housing property right to Ethnic Chinese and their relatives.⁴ While the old problem of Ethnic Chinese houses have been resolved step by step, new problem of legal and property rights of Ethnic Chinese and their relatives have continually occurred. This is largely due to some local officials' graft and economic crimes for seeking personal gains.

PROTECTION OF ETHNIC CHINESE IN THE PAST

Historically, the majority of Ethnic Chinese not only suffered discrimination in the foreign countries, but also being maltreated in their homeland. In the past, as professor Yen precisely describes that “thousands upon thousands of poor peasants who were popularly known in the West as “coolies” were induced or sold to the new world. The increase in the number of overseas Chinese, either through contract labour or free emigration, created some problems for the Ch'ing government. Many were ill-treated or killed in foreign lands, and in the 1870s their treatment became an international scandal”. “The fate of overseas Chinese was not much better; they were used as an important source of cheap labour and were discriminated against. From one perspective, overseas Chinese were men and losers of the two worlds. They lived in one but carried the burden of the two. On the one hand, they were discriminated against by foreigners because they carried the culture and values of the old China; they were invariably regarded as

³ *Ibid.*, pp. 97-99.

⁴ Cheng, Qiao, *Chenghai shi Wangcheng Luoshi Qiaofang Zhengce*, [Chenghai City Completed Its Task to Redress the Policy of Returning Housing Right to Ethnic Chinese] <http://www.chaorenwang.com/cxnews/qwgz/4.htm> Viewed 24 December 2002.

culturally undesirable and racially inferior, and they bore the brunt of attacks on China. On the other hand, they lived and experienced something new and different from the old Confucian culture, and because they had received some foreign influence, they were regarded by their home government as potentially dangerous.”⁵ The conventional understanding is that after the reform implemented in 1978, Chinese government had changed its policies and attitude towards Ethnic Chinese. Although there were series of government’s actions to restore the relationship and renew the ties with the Ethnic Chinese, some local officials still ill-treated Ethnic Chinese, their families and their relatives because of self-interest, corruption and parochialism.

It has been a long history through the Ch’ing (Qing) dynasty, the Cultural Revolution and until now that some government officials or even government had treated returned Ethnic Chinese badly. From the social and cultural point of view, corruption has a long history in the Chinese society and after suffering social chaos from generation to generation, the ruling classes gradually became untrustworthy. Accordingly, Chinese people relied more on their own socio-political networks to get things done. Legal codes and disciplines always yielded to political power. Thus, China has a long history of “ruling by people” than of “ruling by law”.⁶

Between the late 1880s to the early 1890s, the Ch’ing (Qing) government realised the importance of promoting commerce and industry that were considered vital for the restrengthening of the ailing empire. In order to achieve this aim, the government had found that the Ethnic Chinese capital was important in China’s economic modernisation. To attract Ethnic Chinese merchants’ capital and protect them outside and inside China became a critical task. In 1900, the Ch’ing (Qing) government established the Kwangtung (Guangdong) provincial “Merchants Protection Bureau” in Canton (Guangzhou), and set up another regional bureau in Swatow (Shantou). One of the major functions of the Bureau was to look after the welfare of Ethnic Chinese while they were in China. The government hoped that it would effectively carry out the protection policy of Ethnic Chinese. The Bureau

⁵ Yen, Ching-Hwang, *Coolies and Mandarins: China’s Protection of Overseas Chinese during the Late Ch’ing Period (1851-1911)*, Singapore University Press, National University of Singapore, 1985, Introduction, pp. xiii-xiv.

⁶ Luo, Yadong, *Guanxi and Business*, World Scientific Publishing Co. Pte. Ltd. Singapore, 2000, pp. 206-211.

concentrated on the area of receiving complains and transmitting them to the local officials in order to look after the welfare of the returned Ethnic Chinese. Nevertheless, whatever good intention and move the government might have had in carrying out the protection policy, the Bureau did not measure up to the expectation of the government. Many internal weaknesses prevented the Bureau from protecting the returned Ethnic Chinese; and it was even turned into an organization for graft and extortion when the Bureau fell into the hand of corrupted persons. The case of the Amoy (Xiamen) Merchants Protection Bureau which was the first of its kind set up in the coastal provinces of China in that period, clearly demonstrated its serious mismanagement that the Ethnic Chinese in Southeast Asia had to send a petition to the Ministry of Commerce in December 1903 to complain. The officials of the Bureau extorted the returned Ethnic Chinese in many ways. Some of the petitioners had experienced these extortions themselves or their friends and relatives were victims. It was unlikely that this kind of complain had been made without evidence. It damaged the image of the imperial government among its overseas subjects. Actually, before the Ministry of Commerce received this petition, the imperial government had already punished its supervising official, Yennien, who was suspended from his office. The Ministry of Commerce reformed the Bureau and selected new appointees for various positions to ensure the functioning of the new Bureau in Amoy.⁷

The Ministry of Commerce was concerned about the safety and welfare of the returned overseas merchants because it had vested interest to attract more Ethnic Chinese to invest in China. When the returned overseas merchants came back to their home villages, some of them faced hostile local bullies who resorted to extortion. Some of them were bankrupt only a few months after their return. The Ministry had received complaints from Ethnic Chinese from time to time and after the Ministry memorialised the Ch'ing (Qing) Court on these matters, the Court issued an imperial decree with a stern warning that those local officials who had violated the instructions would be severely punished. Ironically, only one and a half years after the 1903 memorial, familiar features of Ch'ing (Qing) bureaucracy such as nepotism and corruption emerged again in the new Amoy Bureau of Commercial Affairs. Even though the effort of the Ministry of Commerce was

⁷ Chan, Wellington K. K., *Merchants, Mandarins, and Modern Enterprise in Late Ch'ing China*, East Asia Research Centre Harvard University, 1977, pp. 197-212.

praiseworthy, the outcome was deplorable. The Bureau collected a lot of money from the returned Ethnic Chinese and merchants, but had done nothing substantial to protect them. As a result, returned overseas merchants and Chinese continued to suffer from extortions, harassment and bullying.⁸

The defiance by local officials of the 1903 Court decree showed that the obstinate feature of corruption persisted. Many of them not only took no positive measure in providing protection, but also some of them even connived with local bullies and robbers to extort and rob the returned overseas merchants and returned Ethnic Chinese. Some well documented serious charges such as the cases of open robberies of the returned ethnic Chinese by Wang Kuo-jui and Yuan Ying-ch'i, Magistrates of Chao-an and An-hsi districts; and the use of local gangsters on his staff to commit robberies of returned ethnic merchants by T'an Tzu-chun, the Magistrate of Nan-an district. Despite the decrees of the Ch'ing (Qing) Court, the extortion and robberies of the returned ethnic Chinese did not ease during late Ch'ing (Qing) period. Worst of all, when the imperial government appointed a commissioner to investigate the local condition and operation regarding protecting returned Ethnic Chinese the commissioner soon had involved him in extortion and graft.⁹

One may presume that after China's economic reform was implemented and open door policy was carried out, the cases of extortion, robbery and maltreatment of returned Ethnic Chinese, their families' members and relatives would diminish or even disappear. The facts point to the contrary, and massive cases of abuse still remain in Chinese society. In 2003 and 2004, *Renmin Ribao Haiwaiban*, the *People's Daily Overseas Edition* - the mouthpiece of the Chinese government - called for complains against those illegal practice and corruption in property market from Ethnic Chinese because quite a number of them were victimised. The Chinese authorities also used people in different communities and Ethnic Chinese to help clean up and standardise China's property market.¹⁰

⁸ *Ibid.*

⁹ Yen, *Coolies and Mandarins: China's Protection of Overseas Chinese during the Late Ch'ing Period (1851-1911)*, pp. 270-277.

¹⁰ There appeared many times in the newspaper of the *Renmin Ribao Haiwaiban*, [People's Daily Overseas Edition], for examples: on the 20 December 2003, p. 7, and the 11 October 2004, p. 11.

Corruption was endemic in many Asian countries. China ranks high on the corruption list in published surveys of foreign business' persons and Chinese themselves. According to Rocca:

There has been little systematic research on corruption in China. Analyses so far often only reveal various cases of corruption and concluded by commenting on the retrograde aspect of the Chinese state.¹¹

Cases regarding maltreatment of Ethnic Chinese, their families and relatives to provide detail analysis, after Chinese government had carried out the "open door" policy were rare. This is because the record of such maltreatments would damage China's image and jeopardise its efforts of attracting Ethnic Chinese investment. Especially, those cases occurred in *Qiaoxiang* - the Ethnic Chinese ancestral home villages - would have shocked the Ethnic Chinese. This chapter provides a case study in depth to reveal that even ten years after the Cultural Revolution, a serious case of corruption and illtreatment of the Ethnic Teochew Chinese in famous *Qiaoxiang* - Shantou had occurred.

Corruption

According to the definition by James Scott, corruption is defined as "behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) wealth or status gains, or violates rules against the exercise of certain types of private-regarding influence".¹² Another definition defines corruption as "individual (especially bureaucratic) behaviour which deviates from the norm or violates rules specified by a given political context, with the motives for private gains accrued from his or her public roles."¹³ Corruption is perceptual, contextual, power-related, illegal or norm-deviated and intentional.¹⁴

In China's market reform, the emerging market economy had become intertwined with the command economy. A number of officials had been able to commercialise and profit from their bureaucratic control over the allocation of public resources such as land in the urban areas. Corruption seems to appear

¹¹ Rocca, Jean-Louis, "Corruption and its Shadow: An Anthropological View of Corruption in China", *The China Quarterly*, June 1992 (130): 402-416, p. 402.

¹² Scott, James, C., *Comparative Political Corruption*, Englewoods Cliff: Prentice-Hall, 1972, p. 4.

¹³ Luo, Yadong, *Guanxi and Business*, p. 196.

¹⁴ *Ibid.*, pp. 195-198.

within three related issues, each of which affects cultural references, groups, individuals and cultural references. Firstly there is the socio-cultural issue within which the norms of reference are established: such as the images of the “good model” officials, signs of authority and of social status. Secondly there is the socio-political issue which is all strategy giving access to power or the maintenance of power. Thirdly, the moral issue, because corruption is a question of conscience. Henceforth, government officials have to manage and administer their consciences as they do their careers, and the attitude that they adopt in a given situation will vary according to such factors as the individual, the period and the political stakes.¹⁵ Corruption has been one of the central factors affecting China’s social stability, economic reform and development for many years. The Office of Supreme People’s Prosecutor inspected and examined all prosecuting and anti-corruption officials at prefecture and county levels as part of a reshuffling program that aims to reinforce procuratorial and anti-corruption forces.¹⁶

This chapter provides a study to a method of examining the phenomenon of corruption related to a case of maltreatment and malversation towards Ethnic Chinese and their relatives in China. It is necessary to have an analysis about corruption in China during that period in order to understand what happened in the case. Chinese terminology *tan wu hui lu* and *tan wu shou hui*, two notions are linked. In general, *tan wu* - malpractices are cases in which state officials misappropriate public property by diverting funds, theft or swindling. In fact, things are more complicated, partly because the overlapping of power between the Chinese communist Party, the government and justice means that several authorities are prosecuting corruption offences. In 1982, the Standing Committee of the National People’s Congress defined economic crime as smuggling, seeking exorbitant profits, illicit currency exchange, stealing public property, speculation and profiteering, stealing and selling valuable cultural relics, and demanding or receiving bribes. In 1985, the Supreme People’s Court and the Office of Supreme People’s Procurator defined crime of corruption (*tan wu zui*) as activities by state

¹⁵ Rocca, p. 404.

¹⁶ Luo, pp. 203-205.

personnel who use their positions to acquire public property by misappropriation, embezzlement, fraud, theft, or other illegal methods.¹⁷

The study of this case involving fraud, extortion from Ethnic Chinese and their relatives, robbery of land where the Ethnic Chinese families lived shows that the thrust of Chinese reforms had been gradually to reallocate the possession of social resources. It had been a process of privatisation of judicially public assets by the power-holding stratum. Its most striking feature has been a glaring inequality in the distribution of national resources such as land. Several officials in this case made their fortunes not through technological innovation or industrial enterprises, but by reproducing and exploiting monolithic position of power to accumulate personal wealth. These cadres began to “love the market” and understood how to turn the power they wielded into the personal accumulation of wealth, beginning the process of recomposing themselves into a property-holding class.¹⁸

Since the case involving officials’ corruption and extortion from Ethnic Chinese and their relatives occurred in 1989, it is necessary to look at the situation, law and regulation regarding these matters during that time. In China, when government officials commit offences, the serious case would go through judicial system, and be prosecuted in courts, but members in Discipline Inspection Committee may play an important role.

In this case study, the government servant not only shirked his duty, but also misappropriated funds, violated the policy of protecting ethnic Chinese. He also broke financial and economic disciplines with speculation and profiteering from illegal acquisition of land and construction projects. These problems largely remained in property market even in recent years. For example, by August of 2004, Beijing Construction Committee exposed seventeen illegal construction projects, some of these projects belonged to some powerful property companies.¹⁹ Although, the Chinese government launches anti-corruption campaigns every year, and mobilizes national and local authorities for a few months, the corruption does not disappear but, on the contrary, takes on formidable proportion. In 1986,

¹⁷ Levy, Richard, “Corruption, Economic Crime and Social Transformation since the Reform: the Debate in China”, *The Australian Journal of Chinese Affairs*, Issue 33, January 1995, p. 4.

¹⁸ Rocca, pp. 405-416.

¹⁹ Reporting Unit, *Renmin Ribao Haiwai ban*, [People’s Daily Overseas Edition] 2 August 2004, p. 11.

the number of serious economic crimes increased by 54 per cent over 1985. After a clean-up campaign was begun in the last quarter of 1988, the number of big cases of embezzlement and bribery increased by 28.2 per cent. Between 1982 and 1988 an average per year of 22,000 cases of corruption and bribery were tried in courts and in 1990, the number reached 51,000. The Ministry of Supervision (*Jian cha bu*) investigated 23,645 cases of corruption and bribery in the first half of 1990, an increase of 129.9 per cent. These figures represented only 40 to 60 per cent of all the cases of corruption and bribery accepted by the Public Prosecutor's office (*Jian cha yuan*). However, in 1990, of 94,000 cases accepted, only 51,000 were filed for prosecution and investigation. In Guangdong, half of the corruption and bribery cases filed in the first 11 months were serious ones, and 62 district-level or higher officials were prosecuted. In the first half of 1990, according to the Ministry of Supervision, the court sentenced four state and ministerial officials, 48 from department (*ting*) and bureau (*ju*) and 738 from counties (*xian*) and district (*qu*), which represented an increase of 164 per cent in the number of officials above the county and bureau levels. In the same year in Tianjin, a big city near Beijing, there was an increase of 46 per cent in corruption cases involving section-level (*ke*) and above officials.²⁰ In my case study, the offender belonged to district (*qu*) and section-level (*ke*) officer.

Because of the economic reform in China, the emerging market economy has become intertwined with the command economy, and as a result, officials have been able to profit from their bureaucratic positions over the allocation and distribution of public resources. The two-tier price system was a typical example. At the beginning of 1980, some commodities were circulated at both a lower state price and a higher market price. This extended to land supply and other resources. The officials who controlled the allocation of or had access to these resources could profit greatly by acquiring them at lower state price and disposing them at market price. The officials could become rich through their control of land, real estate, machinery and other under-priced public assets that have become commoditized by market reform.²¹ This is why Chinese leaders always stress the importance of this matter by streamlining the policies and the control of land use.

²⁰ Rocca, pp. 406-408.

²¹ Wank, David L., "Private Business, Bureaucracy, and Political Alliance in a Chinese City", *The Australian Journal of Chinese Affairs*, Issue 33, January 1995, p. 67.

Chinese Premier Wen Jiabao repeatedly emphasised in the State Council meetings that government in different levels must strictly manage nation's land.²²

The bureaucracy's monopoly over the distribution of national resources such as land had created unfair competition and corruption. It also created a wide loophole for economic criminals to take advantage of state assets. This was the man in my case study, who created so call "rebuilding dangerous housing areas" as an excuse to rob the land and did not pay one cent for the land value, at the time he was only a section-level (*ke*) official. His company possessed only a name and a seal without capital to carry out property development. In spite of rules prohibiting the overlapping of public and private roles, and prohibiting the overlapping of administration and enterprises, the man utterly ignored these rules. It is true that building houses seems to be a common form of corruption and of using bribe money, and it is very common for subcontracting companies to give bribes to acquire building contracts. In 1990, as part of the fight against the construction of illegal houses, 9,000 officials were punished, 274 with penal sanctions, and the authorities imposed fines and confiscated a number of houses. Only in Guangdong, an inspection campaign revealed that of the 80,000 *mu* (one *mu* is 666.66 square meter) of constructed land, 46,000 *mu* were being used illegally.²³ This kind of problems always occurred and incorrigibly persisted in China. Even until recent years, for instance, by the end of 2003, the Ministry of Land and Resources investigated and took disciplinary action against those law-breakers involving misuse of land totalling 168,000 cases, in which 738 offenders were punished and 134 offenders were affixed the criminal liability to sentence.²⁴

In the allocation of permits and licences such as for new buildings and sites for operation, it was a spawning area for corruption. The most common form of corruption in China was the misappropriation of public assets or collective-owned assets. Some officials misappropriated fund from education that was already very scarce in China to buy cars, build apartment blocks and to carry out trade deals for themselves. According to the discipline of the Chinese Communist Party in China, the image of a cadre or official is an honest person of modest habits whose sole

²² Reporting Unit, *Renmin Ribao Haiwaiban*, [People's Daily Overseas Edition], News, 29 October 2004, p. 1.

²³ Rocca, p. 415.

²⁴ Reporting Unit, *Renmin Ribao Haiwaiban*, [People's Daily Overseas Edition], 6 December 2003, p. 7.

objective is to “serve the people” (*wei renmin fuwu*). Nevertheless, numerous cases of corruption illustrated that this slogan remained only in name. “Reading Chinese press; one gets the impression that it is only opportunity or the lack of it which determines whether an official is honest or corrupt in a social system that assimilates corruption as one of its mechanisms”.²⁵ For example, by the end of 2003, the Office of Supreme People’s Prosecutor held a meeting to arrange anti-corruption work for 2004 and put the emphasis on prosecuting those offences involving land, property, real estate and finance. The meeting revealed that from January to November in 2003, the Office of People’s Prosecutor placed serious cases of corruption, bribery and misappropriation of public fund on files for investigation and laid charges against the offenders that amounted to 16,472 cases, making up 53.4% of the total. Most of the offenders were leaders and officials in different levels of government and judiciary.²⁶

Due to many loopholes in China’s legal system, the “bureaucratic profiteering” which seeks exorbitant profits by relying predominantly on non-economic measures is rife. Also the “commercial” or “private” profiteering in the reforms is difficult to avoid in any commodity market.²⁷ Commercial law has been well established in Europe since 18th century that gives traders reasonable assurance on deals to be honoured. On the contrary, commercial law barely existed in traditional China, and the use of it usually indicated bad faith and created loopholes.²⁸

The resulting labyrinth of administrative units and procedures of loopholes created by preferential policies make it difficult for the central government to coordinate and exercise effective administrative control to local administrative units. The plethora of regulations opened up to local government created extensive opportunities for bureaucratic rent seeking. In addition, the local regulatory labyrinth that has sprung into existence in China allows local administrators to garner the assets of would-be entrepreneurs. A study of corruption found that the bureaucratic corruption was concentrated in the local bureaus and offices. China lacks an elaborate legal system. In a comparative

²⁵ Rocca, pp. 410-411.

²⁶ Reporting Unit, *Renmin Ribao Haiwaiban*, [People’s Daily Overseas Edition], 7 December 2003, p. 7.

²⁷ Levy, “Corruption, Economic Crime and Social Transformation since the Reform: the Debate in China”, p. 15.

²⁸ Luo, *Guanxi and Business*, p. 58.

perspective, some neighbouring countries of China such as Japan, South Korea and Taiwan depend on credible bureaucracies to enforce contracts. These high-performing economies ensured that civil servant appointments are based on job-related ability, so that the bureaucracy could be a neutral partner in the development.

Unlike China, the Chinese societies in Taiwan, Hong Kong and Singapore established corruption control authorities that stand outside political control as a means of stemming corruption. Today, China has already become a member of WTO and a constitutional basis for independent third-party enforcement of contracts is necessary for the system of impersonal exchange to work.²⁹ Since those corruption cases increased more, and the need to establish a rule of law and a civil service independent of party control is well appreciated within the party, Chinese leaders made an effort to establish property rights and the establishment of human rights in China also have begun. Chinese leaders are currently trying to dismantle the old planned economy and establish labour and capital markets, as well as rule-bound institutions in the development of a market economy. Although the Chinese government is actively attempting to erect the rule of law and its appropriate institutions, much of the party membership is connected with the privileged enclaves targeted for both economic and political reforms.³⁰

Although numerous Western authors have analysed various aspects of the transformation of corruption in China, few have analysed how the Chinese themselves have perceived and spoken on those problems. In analysing the strengths and weaknesses of the perceptions of corruption, a notion of corruption will be used as a form of interest articulation that flourishes when the formal political system is unable to cope with the demands made upon it. As a result, the term “corruption” to be used to represent both the corrupt acts of public officials, including those covered by the official Chinese definitions of corruption (*tanwu* and *fubai*) and speculation by officials (*guandao*). In addition, the acts of other parties covered by the Chinese terms economic crimes (*jingji fazui*) and, to some extent, unhealthy tendencies (*buzheng zhifeng*) are often used.³¹ In China, corruption robs the nation of precious resources that are plundered for private

²⁹ *Ibid.*, pp. 752-755.

³⁰ *Ibid.*, pp. 754-757.

³¹ Levy, pp. 1-4.

gains, impoverishes large masses and ruins chances of orderly economic and social development. Monumental corruption destroys human values, and acts as added tax on foreign direct investment and misdirects resources on a catastrophic scale.³²

A leading authority, the Central Party Disciplinary Inspection Commission which was restored in 1978 and strengthened thereafter, applied the rules and regulations across the board as part of the reforms and the fight against corruption. Chinese leaders tried their great efforts to fight against those economic crimes in order to secure public assets in the hands of state and ensure social stability. Thus, the publications of the leading Party organs repeatedly reiterate the positions of the national leadership: that the best ways to control or eliminate corruption are ideological and moral education, supervision by the masses and the press, harsher and uniform punishment for corruption. In addition, they are bringing the legal and administrative codes into line with the new realities.³³

In Shantou city in Guangdong, after the implementation of “open door” policy, the local government has done many good things to treat returned Ethnic Chinese, Ethnic Chinese and their relatives. However, a small number of local officials still maltreated Ethnic Chinese and their relatives. Among these cases, intimidation and coercion were commonly used to force them out of their residential houses. It was not surprisingly in China to have such cases, even until recent years, these kinds of cases continuously occurred and caused concern for Chinese leaders. In the morning of fourth of June 2004, Chinese Premier Wen Jianbao chaired a meeting of State Council to discuss problems about the restriction on the management of housing destruction and residents’ resettlement. The State Council instructed the authority of Hunan province to condemn and punish those offenders of Jiahe county involving in a case of destruction of houses and illegal use of nation’s land. The Party secretary Zhou Yuwu, and Deputy Party secretary and the head of Jiahe County Li Shidong were sacked. Others offenders received punishment as being investigated for their criminal liability to prosecute. According to Xinghua news in Beijing on the same day, those offenders’ conducts were similar to Yang’s case in Shantou in which the offender

³² Luo, p. 211.

³³ Levy, pp. 5-7.

did not have permission or falsified procedure for using nation's land and destruction of residents' houses.³⁴

The Land Law and the Case

Land Law

On the 25th of June 1986, the 16th Standing Committee of the Sixth National People's Congress passed "The Land Management Law of the People's Republic of China". This legislation provided legal basis for proper management and use of nation's assets and land. At the same year, the National People's Congress promulgated "the General Civil Law of the People's Republic of China" in which nation's land became huge social assets to be channelled into civil and commercial systems.³⁵ In order to prevent from loss of huge nation's revenue derived from land and to guard super-profits created from national land to flow into some enterprises and individuals pockets, many cities in China started to introduce new measures in which the right of using nation's land will be sold in auctions. In other words, land entered into market, and whoever pay the right price, would have the right to use that land. It was not only to increase nation's revenue as the owner of the land, but also to benefit the development of the market economy. In 1982, the authority in Shenzhen Special Economic Zone started to collect money from land users, the prices set in accordance with different areas in the city. In 1984, Guangzhou implemented the same policy. In 1988, Shanghai, Fuzhou, Xiamen, Haikou and many other cities followed.³⁶ Selling the rights for using nation's land to increase the revenue, therefore, becomes a very important financial source for the state coffer. The Chinese government's policy of employing economic leverage and legal measures to effectively manage the land was to strengthen the management of construction in the urban and rural areas. So that it could promote the healthy development and prosperity in the real estate and property market. The Chinese government continues these policies until now.

³⁴ Reporting Unit, *Renmin Ribao Haiwaiiban*, [People's Daily Overseas Edition], 5 June 2004, p. 1.

³⁵ Nan, Luming, and Zhiyue Xiao, *Zhonghua Renmin Gongheguo dichang falu zhidu - Tudi zhidugage ji tudi shiyongquan zhuran zhuangran*, [The Legal System of Land and Property of the People's Republic of China: Land System Reform, Sell and Transit Right for Using Land] The Legal Publication of China, Beijing, 1992, p. 11.

³⁶ *Ibid.*, pp. 27-28.

Moreover, the National People's Congress passed "the Amendment Act of the Constitution of the People's Republic of China" on the 12th of April 1988, further provided constitutional basis for paying money to buy the rights to use nation's land.³⁷ The Chinese government implemented the separation of right of owning land and right of using land, in order to establish and consummate the property market and to benefit whole nation by increasing government's revenue. Furthermore, it provided right economic conditions and market environment for a fair competition in urban industrial and commercial sectors to promote enterprises' in-depth reform. In short, whoever - foreign investors or domestic sectors - needs to use the land for whatever purposes, they must bid and pay for the right to use it. In fact, nation's land is a treasure house that provides countless capital for construction of the nation.

However, those economic criminals who try to illegally use nation's land to seek exorbitant profits always stare at this treasure-house, and attempt to make use of loopholes in regulations and legislations to occupy the nation's land, and transfer the huge profits into their pockets. In order to rob the land, they often bribed some officials to falsify documents and falsely claimed some best and most expensive areas as dangerous housing areas so that they can use the land without paying for it. Because of many loopholes in local regulations including tax exemption for rebuilding dangerous housing areas, these economic criminals not only occupied the best and most expensive land without paying one cent, but also enjoyed tax free, when they built and sold the new houses. Corruption's mode of expression is almost always covert. This is because of the nature of the corruptive operation. It is hidden, veiled, and underground in the informal arena and no formal written contract is delivered or only makes it ambiguous. It cannot be documented and is very difficult to use to prosecute an offender.³⁸ In the early 1990s, China's economic reform still lacked many of the mechanisms deemed necessary by conventional wisdom for a functioning market economy, and the property rights were poorly defined and haphazardly enforced. There were few horizontal channels for disseminating information on supply and demand, and the local bureaucracy was the dominant integrative structure in the social order.³⁹

³⁷ *Ibid.*, p. 30.

³⁸ Luo, pp. 197-198.

³⁹ *Ibid.*, p. 43.

The following case involved some offenders who were much craftier than the offenders of Jiahe County in Hunan province as mentioned above. On one hand, Teochew merchant culture nurtured many Ethnic Chinese entrepreneurs with acumen and on the other hand, it fostered some ingenious economic criminals. These corruptive conducts by these local officials more or less jeopardised the enthusiasm of Ethnic Teochew Chinese investing in their hometown, because some of the victims were Ethnic Chinese investors.

The Case Study

By the end of April 1989, in Shantou city of Guangdong province - a famous *Qiaoxiang* - a construction company owned by a district level government suddenly instructed a number of residents - most of them were returned Ethnic Chinese families members and relatives - to vacate their houses for redevelopment. The company Shantou Gongyuan District Gaohua Construction Company was a collective entity but owned by the district local government. In fact, the company was leased to a minor official named Yang Fangpu, but it still held a government office named, “The Fourth Office of Gongyuan District Old City Dangerous Housing Rebuild Command Post”. It overlapped Party, government and private enterprise that was prohibited by the Chinese government with a warning of “one team in a company with two signboards”, (*Zhengqi bufeng and yitao renma liang kuai paizi*).⁴⁰ However, Yang’s Gaohua Company completely ignored these rules.

In fact, Yang’s company was an “empty-shell” company (*kongke gongsi* or *pibao gongsi*) with only a company seal. In comparison with the case of Jiahe County, Yang committed much more serious offence. The case of Jiahe County involved its insufficient capital but obtaining bank certificate to develop properties. Yang led a group of his staff forcefully entered residents’ houses one by one and threatened them by saying: “We are representatives of district government and have got permission from city level government, whoever do not sign a paper to move out, after 30th of June, your house would be treated as an “un-occupied house” (*wu zhu fang*), at that time you don’t regret because the Party, local administrative government and military, namely police would come to

⁴⁰ See Guangdong government document regarding these policies.
www.gd.gov.cn/aspsamp/gd.gov/wj_title.asp?id=426 Viewed 31 January 2002.

demolish your house”.⁴¹ At the same time, Yang used tweeters to announce the threatening words of “carrying out detailed rules and regulations of destroying, removing, compensating and settling of Tong Yi dangerous housing area”,⁴² repeatedly from about 6:00AM in the morning to 11:30PM in the mid night. It was outrageous that a deputy section-level (*fu ke ji*) official could make rules and regulations without authorization and acted presumptuously. The detailed rules and regulations were totally in breach of and against the Constitution of the People’s Republic of China. Yang had no right to make such rules and regulations.

In clause 5 of chapter 2 of the rules and regulations, it required the owners to bring titles of certificate of their houses and household handbook (*hu kou bu*) to an appointed place to do the procedures of moving and settling, on which local owners must do it within two weeks and Ethnic Chinese overseas including Hong Kong and Macau compatriots must do it within one month, otherwise their houses would be treated as an “un-occupied house” (*wu zhu fang*), i.e. would be confiscated by Yang. In clause 14, it required residents to seek a place and move out by themselves, and those who complied, would be awarded five *yuan* RMB (less than one Australian dollar) per person per month. In addition, each person would be compensated one hundred *yuan* RMB (about 15 Australian dollars) for moving and settling. Those who really could not find a place to move could move to a temporary living site and received one hundred *yuan* RMB subsidy per household, but they had to pay rent for their temporary accommodation. In clause 17, it threatened those residents who delayed to vacate their houses; the office of Gongyuan District Old City Dangerous Housing Rebuild Command Post would boot them out of their houses. The document was dated on 20th of April 1989, and it was meant that by 20th of May 1989, Yang could use force to remove the residents who failed to comply and demolish their houses.

Firstly, Yang had no right to regulate these rules and regulations that contradicted the China’s Constitution, and infringed upon legislations relating to

⁴¹ See a copy of the petition from these returned Ethnic Chinese and their relatives in Appendix B: (1)-(4). I witnessed the scenes many times, interviewed them many times and keep a number of corroborative and admissible evidence including an original letter of complaint with many signatures of these ethnic Chinese relatives.

⁴² See, Appendix A: (1)-(5). I keep an original one, the paper of the document already turned yellow, and it was not printed in computing Chinese characters, but used old lead letter board to make the letterpress. The evidence can be proved by Forensic examination.

property, land, environment, protection of Ethnic Chinese and basic human rights. Secondly, Yang's company had not been qualified to enter property development and real estate market because it was a company with only a seal and with no capital. Thirdly, the procedure for the redevelopment of this area was entirely illegal. Yang's Fourth Office of the Gongyuan District Old City Dangerous Housing Rebuild Command Post backdated his action by filling a form to apply for this project on 3 June 1989 and the city-level office agreed to turn into a plan dated on 15 June 1989. Even if the city-level office agreed to turn into a rebuilding plan, it was only a plan. Yang must fulfil many conditions to suit the requirements. However, Yang had already carried out the plan in the second half of April 1989. Fourthly, Yang did not obtain any permit of construction of this site from the Construction Management Department of Guangdong Province Construction Committee. Fifthly, Yang did not acquire any capital or funds to put into his company's account to meet the requirements.

Under these circumstances, Yang ignored all of these and coerced many residents in that area to vacate their houses. At that time, the Shantou residents lived in average several square metres per person. Even most close relations like father and mother were unable to squeeze into quarters with their move-out sons and daughters or other relatives. How could these residents find a place to move in order to vacate their houses in time? Under huge pressure of noise pollution of more than 16 hours high volume tweeters abuse, the residents were of great grievance, because they really had nowhere to go. A resident, Wang Shulang who lived at No. 34 of Second Tong Yi Lane could not stand these maltreatments and hung herself, even though she already had applied to the authority for going to the United States of America to see her daughter Li Yingqun. Unlike other cities that some of the residents committed suicide in order to raise public awareness, such as typical cases in Tian An Men Square in which few residents burned themselves to death as well as Nanjing's resident Wong Biao,⁴³ and many other tragic suicides in Beijing and Nanjing as a result of forced re-location.⁴⁴ Wang Sulan hung herself in her house quietly, but the howling of her husband aroused

⁴³ Wang, Jiangming, "The Awareness of Upholding Rights and the Protection of Constitution among Chinese Society", *The International Chinese Newsweekly*, 23 November 2003, p. 33.

⁴⁴ Jiang, Xin, "More than Hundred Lawyers Organised Organizations to Help Residents Household of the Matters of Destroying and Vacating Their Houses in Shanghai", *The International Chinese Newsweekly*, 12 October, 2003, p. 94.

enormous anger and grievance among the neighbours, who went to see a lawyer, Cai Wenhai in Shantou University to plan to sue Yang.⁴⁵ The lawyer helped the residents to draft a petition with more than fifty signatures, and sent it to The Letters Complaints Bureau of the China's State Council and the China's Communist Party Central Discipline Inspection Committee.

The Petition

In the preamble of the petition, the petitioners pointed out they were extremely fearful of Yang's threatening words. They also pointed out Yang's so-called "The Fourth Office of Gongyuan District Old City Dangerous House Rebuilding Demand Post" infringed upon the legal rights of ethnic Chinese and their relatives. They complained that Yang did not obtain the permit of construction and he must follow the directives of the State Council to delay construction projects in order to cool down the overheated economy at the time.

They accused Yang for making a falsification to claim that Tong Yi area was dangerous housing zone where the rate of dangerous houses exceeded more than 90 per cent. In fact, those houses in Tong Yi area were the best houses in Shantou city. Thirteen out of fifteen houses were owned by Ethnic Chinese, and were occupied either by them or their relatives. Most of these houses were large, and the average living space was about twenty square metres per person. The content of the petition can be summarised as the following:⁴⁶

1. According to the State Council's directives of cleaning up investment on construction project, Yang's company is a collective unit, and his project is on the prohibited list. In compliance with the directives, it must stop its work; even the construction was in progress. Also, Yang did not obtain the permit of carrying out this project from the authority of province government; he should stop this project immediately.

2. Yang used a small part of a collapsed roof of the house at 6th of Tongyi First Lane as justification to claim the entire area are dangerous housing area. The houses in this area are solidly builded and well renovated, and most of the houses belong to Ethnic Chinese and their relatives. Since the policy for rebuilding the dangerous housing areas is tax free, the Chinese government stands to lose a big

⁴⁵ See Appendix C: (1)-(2), a draft of the lawyer's indictment/pleading.

⁴⁶ See Appendix B.

sum of tax revenue when the old city areas are rebuilt. According to the instructions of the State Council, the rebuilding of old city will stop for three years from 1988. (But for special needs to build a small number of houses in old city area, the project must be approved by provincial government.) Hence, we strongly request the government to stop Yang's conduct of resorting to deception, practising fraud and employing trickery to infringe the right of Ethnic Chinese and their relatives. His conduct will have a bad influence both inside and outside China.

3. According to the request of doing six aspects well on current task of the Central Committee of the Communist Party of China (CCCPC) and the State Council, the third aspect of the task is to require tightening investment and spending, reducing construction. Yang plans to build these houses and stores to be sold, and he runs counter to the instructions of CCCPC and the State Council. The small part of the collapsed roof in 6th of Tongyi First Lane can be repaired. If a little part of the roof collapsed in somewhere of the city, then claims as a large dangerous housing areas to rebuild, it would like the course of lectures of the Ministry of Justice says: "Everywhere are building projects in China, the scale spread very big and cause extreme damage to the economy." The Party's discipline and state law do not allow Yang's Conduct of seeking personal profit and ignoring public interest.

4. According to the "Constitution of the People's Republic of China", "the People's Republic of China protects the legitimate rights and interests of Ethnic Chinese and their relatives, and protects the legitimate rights and interests of returned Ethnic Chinese." "The state protects citizens' legitimate income and saving, and protects their ownership of legitimate house and property." "All of the laws, administrative regulations and local regulations must not contravene to constitution." However, the Fourth Office of Gongyuan District Old City Dangerous House Rebuilding Demand Post contravenes the constitution to draw up "The Rules of Tongyi Area Dangerous House Rebuilding, Residents' Removing and Compensation". To one's surprise, in clause 5, it lays down that whoever refuses to do the procedure and exceeds the time limit, whose house will be treated as "un-occupied" (*wu zhu fang*). We deem that Yang's conduct ignores constitution and it must be investigated.

5. When Yang signs contract with residents, he does not clearly write down clauses about what time the project can be completed, what level and direction of the compensating units to give back to the residents, whether other fees will be added or not etc. and go through notarisation to bear the economic responsibility. All of these infringe the rights and interests of the houses' owners and residents. These do not accord with relevant laws and regulations.

6. According to Yang's rebuilding Tongyi area project application form, we can conservatively work out that the small shopping store on the ground floor can be sold for 2.8 million *yuan*, the apartments can be sold for 2.48 million *yuan* after compensation to the residents. The cost for building house is 350 *yuan* to 400 *yuan* a square meter on average in the city. The cost of this building project is 1.93 million *yuan*, but Yang fraudulently claims that it cost 2.9 million *yuan*. Those old timber in the fifteen old houses is worth about 0.3 million. If deduct bonus for those residents who move out in advance, and settlement fees and discount for buying the apartments, Yang can get profit of 3.2 million. His *Gao Hua* construction company is a collective one, and it is an independent accounting unit in which contracts to Yang. He applies various measures to seek profit. For instances, the People's Congress and government of the city have policy to allow removing residents to buy units in preferential price, but Yang increases to commercial price. He also adopts the tactics of signing contract twice to make the contract ambiguous in order to confuse the logic, so that he can practise fraud. He entirely loses his qualification as a Communist Party member and a cadre of administrative section deputy chief. He is exactly a person by himself who hinders the building of the city.

We firmly support the government to administer economic environment and to rectify the economic order for building a city. We think that in the process of old city rebuilding, where the most dangerous and worst housing area is to damage the image of the city, where need to rebuild first. We strongly condemn Yang's conduct of using public office for private gain. We do not fear that he has a protecting "umbrella" in the district to harbour him. We believe that different level governments and authorities even nation's highest authority would investigate Yang's conducts.

When the petition was referred back to district government from Beijing, Yang and some local and district officials were greatly embarrassed. On the one

hand, Yang illegally robbed the land and put up three buildings. On the other hand, he falsified letters to claim that the residents agreed to construct the buildings. Some local and district officials harboured Yang because they had a share in the profits of Yang's business. After a meeting called by the district government to respond to the central government's criticism of Yang's conducts, Yang resorted to an extreme action of forcefully destroying those houses concerned. Before the action, Yang's office sent a warning letter to every household - including some overseas owners, such as the house of Li Shangzhu, an Ethnic Chinese lived in Canada - to vacate their houses otherwise they would face serious consequence.⁴⁷

In the afternoon of 29 August 1989, Yang led a contingent of about hundred people - including some heads of Gongyuan district of Shantou city and workers from rural areas - to enforce his instructions. Those who refused to move out were forced to sign a very simple agreement to allow him to demolish and rebuild. They came into the house of No. 10 of Tongyi First Land first, and moved furniture, books and kitchen equipments etc. out of the house. At the same time, his other supporters went house by house to force owners to sign the simple agreement of demolition. The owner of No. 10 Tongyi First Land refused to sign the agreement, but Yang's brother-in law Chen kunyuan dragged the old and frail lady - Ding Zhiyu on the floor out of her house.⁴⁸ Many neighbours witnessed this cruel act in tears. When some rooms of the house were cleared, workers started to smash the roof and wall of the house. Yang's action was brutal and inhuman. These Ethnic Chinese and their relatives that were forcefully removed from their houses by Yang constituted the first stage of Yang's construction project. Soon after, he forced out more residents in order to continue his second and third stage of his project. The total used land misappropriated by Yang amounted to about five thousand square metres with an estimated value of three million dollars at that time.

The victims of Yang's excessive abuse did not petition the central government again, because of the following reasons. Firstly, when these victims moved to other places, they did not know where they were and did not contact each other. Secondly, some of them sold their apartments that were to be compensated to

⁴⁷ See Appendix D and E.

⁴⁸ I witnessed the scene at the time!!

them in order to forget the terrible past. Thirdly, several owners were very sick and few of them already passed away, and some went abroad and never came back to the old site. Although few of them were still very angry about Yang's conducts, they felt that it occurred many years ago, and it was very difficult to get justice. In other words, justice had not been done in this case. Several years after this case occurred, the central government abolished these so-called "Dangerous Houses Reconstructing Demand Post" and a number of its offices in Shantou city. The government improved the real estate market by strictly enforcing rules and regulations. Today, property developers in China are required to apply for permits and certificates if they want to use nation's land and to remove residents. These permits and certificates include, "permit of plan of construction land", "approving document of construction land use", "certificate of using nation's land" and "permit for destroying houses" etc.⁴⁹

Historically, the majority of Ethnic Chinese and their relatives were discriminated against both inside and outside China. After 1978, Chinese government actively looked after Ethnic Chinese and their foreign investments in every aspect together with redressing policies to protect Ethnic Chinese and their relatives. The opening of China after 1978 witnessed great improvement by Chinese government to protect Ethnic Chinese and their relatives. However, some local officials sought their personal interests, and ill-treated Ethnic Chinese and their relatives as well infringed China's government policies. Although these Ethnic Chinese investors suffered maltreatments during the Cultural Revolution like the Hong Kong Gu couple, or even after China's open door, still invested and conducted business in China. In this case study, Li Shangzhu from Canada showed her willingness to continue her knitting wool garment factory in China. The reason was neither for loving their motherland nor for nostalgia, but for seeking lower cost of labour and land; the advantage of business they got outweighed the disadvantage they encountered. By examining the fact in this case study, it showed that there are room for improvement in China in order to effectively protect the property rights of Ethnic Chinese and their relatives. China's economic development should bring the development as freedom in which Ethnic Chinese already had been a long-term commitment in this process.

⁴⁹ Reporting Unit, *Renmin Ribao Haiwaiban*, [People's Daily Overseas Edition], 5 June 2004, p.1.

There were many reports and articles in *Renmin Ribao Haiwaiban* (the People's Daily Overseas Editions) concerning problems of property market in recent years. Some cases involving Ethnic Chinese and their relatives are noteworthy. Although China's economic development has achieved great success, the question to be asked is what is the purpose of economic development? As the Nobel Prize winner of economics in 1998, Amartya Sen points out, the ultimate purpose of the economic development is for human freedom.⁵⁰

⁵⁰ Sen, Amartya, *Development as Freedom*, Alfred A. Knopf, Inc., Random House, Inc., New York, 1999.

CHAPTER 10

FREEDOM AS DEVELOPMENT

Ethnic Chinese investment is an integral part of the process of China's economic reform and development. This reform and development is ultimately for the welfare of the Chinese people that is the development as freedom. The Chinese "open door" policy successful attracted foreign investment into China that resulted in Ethnic Chinese capital pouring into their motherland to make up substantial part of total foreign direct investment. China today is able to dominate world trade in manufactured goods. Ethnic Chinese enterprise is one of the most important factors keeping the economic reform process in China going.¹ As the Nobel laureate, Professor Amartya Sen, who won the 1998 Nobel Prize for economics² points out that the ultimate purpose of human being for development is for their human freedoms.³ Ethnic Chinese investment into China contributes to the striking development both economically and socially. However, part of Chinese people, especially peasants are to a large extent deprived from economic benefits. Until recently, development as freedom for the majority of Chinese people has been improved, after an outstanding economic achievement.

Good Results and Perspective

Good Results

In the economic development, the result is outstanding. In the first two months of 2005, China's export increased by 37% compared with the same period in 2004, to US\$ 95 billion. Sales to the US rose 22% to US\$ 26 billion and sales to Europe surged 29% to US\$ 30 billion. Japan which has notoriously protected its markets

¹ Tracy, Noel and Constance Lever-Tracy, "A New Alliance for Profit: China's local industries and the Chinese diaspora", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 65.

² The Nobel Prize Internet Archives, www.almaz.com/nobel/economics/1998a.html Viewed 6 May 2006.

³ Sen, Amartya, *Development as Freedom*, Alfred A. Knopf, Inc. Random House, Inc. New York, Fourth Printing, 2000, pp. 1-11.

also absorbed a 21% increase in import from China, to US\$11 billion.⁴ China is not only broadening its domination in textile and garment export, but also its export of technology. Technology shipment in January and February of 2005 jumped 27% compared with the same period of 2004, to US\$26 billion, and electrical equipment 30% to US\$20 billion. Benefiting from the abolition of global textile quotas from 2005, textile and garment export are about to take another step up. This is why I chose a garment factory as a case study in this thesis. In 2004, foreign-invested companies exported US\$ 339 billion of goods from China making up 57% of China's export. China will dominate world manufacturing as no country has ever done in economic history. China's international trade surplus in 2004 was US\$ 160 billion, compared with America's gaping trade deficit which exceeded US\$ 50 billion a month. Moreover, like America's deficit, China's surplus of international trade was growing fast. By the end of 2004, China's foreign exchange reserves exceeded US\$ 600 billion.⁵

"The idea of comparative advantage, formulated in 1817 by the English economist David Ricardo, is that trade is beneficial because stronger and weaker partners can specialise in what they do best, and overall efficiency increases."⁶ However, Ricardo's theory seems to be old in many aspects because it assumes that capital will not cross borders and trade can be very predatory. Like the US, China is a continental economy and the only viable option is to attract foreign investment, and to use foreign capital and international trade as a source of funds and expertise for its modernisation. Ethnic Chinese has played a pivotal role in China's economic development. More than two decades have passed, half of the miracle has already happened in China today. Two decades of "its economic growth approaching 9% a year has prompted the World Bank to comment that, even after discounting for some generous statistics, it is the fastest economic rise in history."⁷ China's economic development is now the centre of attention for international business.⁸

⁴ Wyngen, Gerry Van, "Super China Marches On", *Business Review Weekly*, March 24-30, 2005, p. 25.

⁵ *Ibid.*

⁶ James, David, "Half the Miracle Has Already Happened", *Business Review Weekly*, July 6, 2001, p. 44.

⁷ *Ibid.*

⁸ Garnaut, Ross, "China: New Engine of World Growth", in Ross Garnaut and Ligang Song (eds.), *China New Engine of World Growth*, Asia Pacific Press at the Australian National University, 2003, p. 1.

Perspective

According to business writer Ted Fishman of US, Mainland Chinese labour has beaten Western labour in productivity. Generally, they are cheaper and more reliable. The rise of China has changed all of the equations: economic and cultural. In 2004, China's economy was worth US\$ 1608 billion and it grew by more than 9 per cent with an estimated growth of more than 8 per cent for 2005 by the International Monetary Fund. In the same year, China also commanded a foreign reserve of US\$ 640 billion. China's manufacturing success has significant impact on global consumer markets. For example, eighty per cent of US retailer giant Wal-Mart's supplier factories are located in China. In 2003, Wal-Mart alone bought US\$ 15 billion worth of goods from China and the US had a US\$ 164 billion trade deficit with China. China has also become the biggest trade partner of Japan with trade totalling US\$ 170 billion. As for Australia, perhaps no country has gained more from China's economic development than Australia in the past decades in which trade with China has quadrupled.⁹

China not only does well in export, but also becomes an enormous consumer market. Domestic retail sales in China doubled in the decade to 2003 and are forecasted to double again by 2008 when China will approach Japan at US\$ 1200 billion.¹⁰ "Much of Asia, particularly Japan, has a mercantile strategy of selling aggressively into Western markets and hoarding, or simply wasting, the inflowing of its capital. But China is different. For one simple reason, China is too big to adopt a mercantile strategy".¹¹ In 2003, South Korea's and Taiwan's export to China began to exceed their export to the United States, while Japan's export to Mainland China, Hong Kong and Taiwan not only grows at annual rates of about 35 per cent but also exceeds its export to the US. It is necessary to understand in this respect that China's economy with its approximately 1.3 billion people is far larger than is generally acknowledged. According to government official estimate, the US has an annual GDP of US\$ 11,800 billion, which is about 10 times the size of China's US\$ 1300 billion economy. However, these figures do not properly reflect the far lower price level of Chinese market. "In terms of physical units of

⁹ Sheridan, Greg, "The China Rush", *The Weekend Australian*, Inquirer, April 16-17, 2005, p. 19.

¹⁰ Armitage, Catherine, "Retailers Eye Untapped Market", *The Weekend Australian* April 16-17, 2005, p. 21.

¹¹ James. David, "Half the Miracle Has Already Happened", p. 44.

production and consumption is not only growing by leaps and bounds but are already far larger than in the US".¹² Since 2001, China has produced and consumed about five times more cement than the US and its steel production capacity of more than 260 million tonnes annually which has doubled, and is larger than that of the US and Japan combined. However, China still needs to import steel to meet its growing demand. Its domestic reserves of iron ore cover the production of only about 90 million tonnes of steel, fuelling an appetite for iron ore from Australia and other countries. In the opinion of some observers, the Chinese economy is second largest in the world with about 60% of the size of U.S. economy.¹³

Since China's standards of living improved, due to the nation's economic development, the demand soars for industrial commodities as well as food products such as meat, fish, prawn, chicken, wheat, corn sugar etc. This explains why the model of "contract farming" which was introduced by the agricultural giant CP Group in China is significant. Especially, the nation has "the 800 million or so people in the Chinese countryside who languish on an average per capita income below \$US 350 a year".¹⁴ In comparison with the consumption of food products, for example, South Korea, Taiwan and Hong Kong have a per capita consumption of meat, fish wine, beer, sugar, coffee and dairy products eight to ten times larger than China's. With rising standards of living in China, food products richer in protein than rice will proliferate and put enormous upward pressure on food prices at a time of declining food production in China, because "after all, China's Achilles heel is lack of water, food and industrial commodities".¹⁵ Therefore, the use of limited resources such as water and land effectively to produce food is of great importance in China because of its huge population. CP Group's contribution in this area is of great significance.

There is no doubt that Ethnic Chinese investment plays an important role in China's economic development, but its importance has to be understood in a global context. Now China has contributed one quarter of global growth in output and international trade, and it has surpassed the United States as the world's largest recipient of direct foreign investment with annual levels exceeding US\$ 50

¹² Faber, Marc, "Hungry Dragon", *The Australian Weekend*, April 16-17, p. 31.

¹³ *Ibid.*

¹⁴ Armitage, "Retailers Eye Untapped Market", p. 21.

¹⁵ Faber, "Hungry Dragon", p. 31.

billion.¹⁶ The Ethnic Chinese investment constitutes a major part of FDI since 1990s. The financial dislocation in much of East Asia and Southeast Asia posed a serious challenge to China's economic growth. With its economic policies and strategies, it sustained its economic growth at rates above the 7.2 per cent that doubled output each decade and which has been an official target since 1980.¹⁷ However, China's economic success was built on a risky strategy of Keynesian fiscal expansion with a fixed exchange rate that has costs for systemic efficiency and long-term growth.¹⁸ Furthermore, rapid development of industry, service and foreign trade in recent years has reduced the proportion of agricultural revenue in China's coffers.¹⁹ At present, the goal of the Chinese government is to share economic fruits, to benefit its 900 million peasants through the development of a market economy, as there can be no harmonious society without the participation of its major body. The core of the Mainland Chinese issue is farming, farming areas and farmers - the three Fs.²⁰

Agricultural Development and Peasantry

China's economic development can be seen as a process of expanding the real freedom that Chinese people enjoy. As Professor Sen stresses:

Focusing on human freedoms contrasts with narrower views of development, such as identifying development with the growth of gross national product, or with the rise in personal incomes, or with industrialisation, or with technological advance, or with social modernisation.²¹

The ultimate purpose of economic development of Chinese people is for their human freedom. These freedoms partly depend on other determinants, such as political and social arrangements, health care, facilities for education, and political and civil rights, etc. Development of freedom requires the removal of major source of constraint, such as poverty, poor economic opportunities and social deprivation, as well as neglect of public facilities, intolerance or overactivity of

¹⁶ Garnaut, p. 1.

¹⁷ *Ibid.*, pp. 1-3.

¹⁸ *Ibid.*

¹⁹ Qiao, Tianbi, "Sharing Economic Fruits with 900 Million Farmers", *China Today*, Vol.54 No.5 May 2005, p. 14.

²⁰ *Ibid.*, pp. 13-14.

²¹ Sen, *Development as Freedom*, p. 3.

repressive states etc.²² Development as freedom needs to be improved by the majority of Chinese people, particularly those peasants who constitute about nine hundred million of China's population. All of the ancestors of Ethnic Chinese were nearly poor peasants who migrated from their ancestral home villages in Mainland China to overseas to seek fortune. Today, the majority of peasants in China are still very poor, but they have gradually improved economic status. About nine hundred million population of the peasantry in China is a huge gold mine, once their living standards have been lifted, their consumption power will cause a tremendous impact in world's economy.

One of the reasons to choose CP Group as a case study is the group has brought great economic contribution by transplanting the "contract farming" to China's countryside, and improved peasants' productivities as the Thai farmers did since 1970s. Harvard business school well documented this dramatic change of peasants' economic status in Thailand by increasing productivity and increasing income.²³ The Chinese peasantry was the beneficiary of the first phase of the reform. The initial family-contract system gave peasants a sense of being liberated. Notwithstanding, as the focus of the reform moved to urban areas, rural region have experienced increasingly serious problems. Many experts and scholars specializing in village and agricultural research have held this view in recent years, and some of them even claim that China's agriculture has now become an economic sector that yields no net profit. Chinese peasants are facing some fundamental problems.

Heavy Tax Burden

The first problem is that the Chinese peasants are under excessive economic pressure due to the heavy tax burdens imposed on them by the state. China's rural taxation system was formally established in 1958. According to statistics of the State Administration of Taxation, it shows that from 1949 to 2003, China's agricultural tax revenue amounted to 394.6 billion *yuan* RMB (US \$47.7 billion).²⁴ The Chinese government created a series of government apparatus for the administration of rural localities. This heavily expanded bureaucracy hosted

²² *Ibid.*

²³ CP Group, "About CP Group - Case Studies", http://www.cpthailand.com/about_main_case.htm Viewed 6 January 2003.

²⁴ Qiao, p. 14.

an increasing number of functionaries outside the realm of production, on the backs of a decreasing labour force. It is alleged that the taxes collected from agricultural production were often not enough to pay the bureaucrats, and they have turned to levying their wages directly on the peasants around them. Another burden on peasant households comes from corruption, as some local cadres try to show off their “achievements” or enrich themselves by launching infra-structural projects or construction, without considering what it meant for a peasant economy that has to foot the bill for these. Chinese peasants have suffered heavy taxes for almost half century. After 1949, Chinese government knew that if China was to develop, and industrialize, a period of capital accumulation was required. The burden of this capital accumulation unfairly fell on Chinese peasants. From 1953 to 1983, Chinese peasants contributed more than 600 billion *yuan* RMB (US\$ 72.6 billion) to China’s industrialization through state monopolization of the purchase and marketing of agricultural products, such as grain, rice and cotton on a distorted low prices.²⁵

Some experts in China have suggested abolition of taxes on agriculture in order to lift the burden of the peasantry. This policy has been gradually carried out after Hu Jintao and Wen Jiabao became China’s leaders. In March 2003, newly-elected China’s Premier Wen Jiabao cited that the “backward agricultural development and slow growth in farmers’ incomes” as the main challenges facing his administration. He also declared, “Our ultimate objective is to remove entirely the undue taxes and fees currently levied on farmers”. During the 2004 meetings of the National People’s Council (NPC) and the Chinese People’s Political Consultative Conference (CPPCC), Premier Wen Jiabao announced, “As from the beginning of this year, we will gradually reduce agricultural taxes at an average rate of one percentage point annually, with the ultimate aim of abolishing them altogether within five years”. After an unprecedented civil legislation, 26 provinces, autonomous regions and provincial level municipalities started to abolish agricultural taxes. The primary goal has already been realized. Furthermore, Wen proposed the complete abolition of agricultural taxes by 2006.²⁶

²⁵ *Ibid.*

²⁶ *Ibid.*, pp. 12-14.

Low Income

The second problem is the income from farming still remains very low. Since the huge size of China's rural population makes it impossible to modernise its agriculture by economies of scale, while current backward farming methods have virtually reached the limit of their output capacity. The combination of massive rural over-population and limited arable land is likely to make it for a long time all but impossible to increase the income of the peasants who still make up more than seventy per cent of China's 1.3 billion people. In these conditions, serious conflicts are increasingly breaking out between peasants and local administrations in rural areas. The bureaucratic tasks assigned to local cadres are in direct conflict with the interests of peasants. Every year, the collection of grain for state granaries, the distribution of tax quotas, caused lots of problems.

China feeds 22 percent of the world's population with only seven percent of world's arable land. Although the population of peasantry in China is huge, the peasant economy is small and generates low agricultural productivity. Therefore, it brings peasants with very low incomes. Too many people too little land is a fundamental problem impose on Chinese people. In 1945, Chinese scholar Fei Xiaotong published his work *Earthbound China* based on his field research and observation of rural areas. He pointed out that social turmoil in China has always related directly to rural areas and concluded that China was earthbound in terms of national economy and in social structure, culture and ethics.²⁷ In 1978, it was rural economic reform that ushered in China's reform and opening up. Between 1982 and 1986, the first document of the year issued by the Chinese central government concerned agriculture. By 1986, the average income of Chinese peasants had increased for seven consecutive years. However, since 1986, China began its urban economic restructuring. Chinese government policy was directed towards cities and put the emphasis on urban economic development. Chinese peasants were again obliged to make sacrifices like early in the 1950s that would enable the Chinese economy to achieve and maintain a high growth rate. Meanwhile, the development of the rural economy slowed down, and the growth in Chinese peasants' income increased very little. Although China's per capita

²⁷ *Ibid.*, pp. 13-14.

GDP in 2004 stood at US\$ 1000, the income gap between urban residents and rural peasants was widening, the disparity in their incomes was almost as much as seven to one. President Hu Jintao and Premier Wen Jiabao led the Chinese government to focus on solving social issues and conflicts between urban and rural areas arising in the course of rapid growth of the Chinese economy. Since 2003, the Chinese central government has introduced a series of reforms and measures designed to benefit 900 million peasants who make up about 70 percent of China's population.²⁸

Democratic Rights and Sharing the Fruits

The enforcement of the one-child policy led to a rash of incidents. For example, an article in *The New York Times* reports that a villager in China named Huang Fuqu, along with his wife and three children, was ordered out of his house. To the horror of all those who watched, the house was then blasted into rubble. On a nearby wall, the government dynamiters painted a warning: "Those who do not obey the family planning policy, i. e. "one child policy" will be those who lose their fortune".²⁹ This was similar to the case study in chapter nine in which a house owned by a relative of Ethnic Chinese was illegally destroyed by some officials of district level government.

Even though in recent years experiments with village elections have sought to meet the demand for peasants' democratic rights, in most cases they resulted merely in the form, not the substance of change. China's peasants have no guaranteed democratic rights. Only a minority of villages keep their administrative work open and transparent to the public. Many rural cadres commit fraud and corruptions. The worst is that quite a few local administrative powers have fallen into the hands of local bullies. It is estimated that the total unemployed and pauperised rural population together make up some 100 million people. Such a distribution of wealth is bound to lead to social instability. There will be an even worse problem facing peasants in the future, causing more social suffering. The increase in school fees will make it very difficult for the parents of children from lower social classes, let alone marginal strata, to pay for their education. Hence,

²⁸ *Ibid.*, p. 14.

²⁹ Tyler, Patrick E., "Birth Control in China: Coercion and Evasion," *New York Times*, June 25, 1995. in Amartya Sen, *Development as Freedom*, Published by Alfred A. Knopf, Inc. Random House, Inc. New York, Fourth Printing, 2000, pp. 219-220.

measures are required to stop the trickling down of poverty from generation to generation. Since the average per capita income is below \$US 350 a year for China's peasantry for many years of which explains why national average private consumption per head, though increasing rapidly, still barely clears \$US 500. China's annual per capita income passed the symbolic milestone of \$US 1000 per head only until 2003, "it will be another 45 years before it approaches Japan's \$US 34,000."³⁰ In several decades in the future, another 500 million peasants in China will move to the cities in search of a better life. Like the industrial revolution in Britain, urbanisation is inevitable in China. Because of its rapid economic development, and will result in a great impact on the world economy. Although development as freedom is slow in China, a large number of peasants have already freely moved from their home villages to city to seek a better life. For example, a 24-year-old Liao Kangning moved from a village in Sichuan province to Beijing in 2001 because of not enough to do on the tiny farm plot in his home village. In a suburb near the Beijing airport, he, his parents and some fellow villagers have leased a fifth of a hectare to grow vegetables. In the first year, Liao's family made seven times of their Sichuan income. However, "it is a dirt-poor, precarious existence. Their three-room shack, not 10 metre away from an electricity pylon, is smaller than some Australian bathrooms. It has walls one brick thick and a floor of scavenged tiles sitting on bare earth."³¹ One can imagine what some of the peasants' life is like in China.

Although Ethnic Chinese investment plays an important role in the economic development of China that has accounted for one quarter of global growth in output and international trade, there is still room for China to improve its performance to enrich its people particularly the peasants. The Chinese government proposed greater efforts towards building a harmonious and just society in which ensuring peasants' share in the fruits of national industrialization and urbanisation. Sharing the fruits of China's modernisation with peasants is vital for the maintenance of a sustainable, stable and coordinated economic development. President Hu Jintao said that in the early stages of industrialization it was an universal practice for agriculture to support China's industry and accumulate for its development. When industrialization advancing to an

³⁰ Armitage, p. 21.

³¹ *Ibid.*

appropriate level, it then needs industry and the urban economy to support agriculture and rural areas, thereby maintaining a coordinated economic development. A document issued by the Chinese government in which it called for greater efforts towards agricultural tax exemption and subsidies for farmers; greater support for rural infrastructure construction; greater financial support; greater input towards aid for rural poor and the development of rural social undertaking; more importantly greater support for agro-technological progress.³² It is obvious that CP Group's wide-spread advanced agro-technology and transplantation of "contract farming" in China since its door reopen has made substantial contribution to Chinese peasants and the society.

Even though China's economic reform has scored certain achievements and its economy has sustained rapid growth for two decades, the reform in China's political system needs to catch up with economic reform. Since some new social problems emerge, and in order to solve these problems, in 2005, the Chinese government put forward a new political concept: to build a harmonious society that was democratic and law-based, fair and just, trustworthy and friendly, full of vigour and vitality, secure and orderly, and in which people and nature are in harmony. In today's China, democratic election are becoming more standardized and institutionalized at the grassroots level in both rural and urban areas. Chinese Minister of Civil Affairs claimed that some 300,000 villages committees held elections for the first time. Substantial changes were taking place across all strata of China's society that were of specific benefit to the Chinese peasants.³³ The key for China is to solve the three Fs issues for 900 million peasants.³⁴

Better to Adopt Market Economy for China

Economic reform allows China's transition to a new style market economy. It seems that capitalist market economy works better than any other economic systems in human history. However, this economic model received severe criticism. Critics insist capitalism remains as an exploitative system that rewards unsound behaviour such as ruthlessness, greed, indifference to the fates of others,

³² Qiao, p. 14.

³³ Zhang, Xueying, "Changes that Begin at the Grassroots", *China Today*, Vol.54 No.5 May 2005, pp. 24-25.

³⁴ Qiao, p. 14.

and widening inequality. A market economy requires a supporting system of laws and regulations, as well as the desire of government to sponsor programs of social welfare, facilities for education and economic participation etc. provided these are kept within manageable and governable bounds.³⁵

In China, the road to set up private enterprises and become an entrepreneur was much more difficult. After Chinese Communists came to power in 1949, entrepreneurs were labelled as “capitalist” and “bourgeois”, and were regarded as antisocialists and out-caste of the society. As economic reforms were introduced after 1978, private enterprises began to emerge that gave rise to a class of private entrepreneurs. Since Ethnic Chinese and their relatives set up many factories in the rural areas, and family household style business appeared in the countryside, the term “agricultural entrepreneur” was commonly used that was to denote successful rural managers and entrepreneurs. They were described as “representatives of advanced productive forces in the countryside” and in the “new socialist village”, “the forerunners of the development of commodity production”, and “fighters against poverty in the countryside”.³⁶

A sophisticated market economy encourages and rests upon valuable moral qualities to provide unprecedented opportunities for people to engage in altruistic business activities, to underpin individual freedom and democracy that have created wealth in societies.³⁷ The Ethnic Chinese in Hong Kong, Southeast Asia and other parts of the world enjoy the fruits of this capitalist market economy. They built their businesses with “the spirit of Chinese capitalism”. Capitalist market economy fosters the virtues of reliability, individual initiative and drive, civility and self-reliance. Together with some good influences of traditional Chinese culture, it brought about the achievements of the Ethnic Chinese businesses today. Since the Ethnic Chinese invested in Mainland China, they brought along their entrepreneurial spirit and skills to influence their relatives in their hometowns and elsewhere in China. As a result, many relatives of Ethnic Chinese set up their enterprises and pursue entrepreneurial activities. This trend is

³⁵ Wolf, Martin. “Why Capitalism Does it Better”, *The Australian Financial Review*, 17, October 2003, pp. 11-12.

³⁶ Heberer, Thomas, “The Role of Private Entrepreneurship for Social and Political Change in the People’s Republic of China and Vietnam”, , in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 106-107.

³⁷ Wolf, “Why Capitalism Does it Better”, pp. 11-12.

especially apparent in the South-eastern coast of China. In the hometowns of Ethnic Teochew Chinese alone, for example, there were 11,000 enterprises set up by the relatives of Ethnic Chinese (*qiaoshu qiye*) by the end of 2000. The GDP generated was more than 18 billion *yuan* RMB annually, making up two third of the total GDP in Chaoshan district at the time.³⁸ Many relatives of Ethnic Teochew Chinese enthusiastically built up their private enterprises and some have become prominent entrepreneurs. They brought huge benefits to the society and the nation.

Prosperous capitalist market economies generate many opportunities for those who are not just motivated by wealth alone. They are not completely self-interested, and they care about eliminating injustice and ensuring the welfare of fellow human being.³⁹ A recent study in China shows that the new entrepreneurship is not only interested in the processes of social and political change, but is actively seeking to further this aim. They generate a dynamic economic process and developments, thus initiating processes of social change. They contribute to the establishment of a market system and reinforce market thinking. They are by no means merely profit-oriented, and the non-monetary incentives such as social prestige and acceptance are important as well. The realization of economic objectives demands at the same time social and political engagement and influences. Their strong interest in economic security and risk minimization requires the establishment of social connections and networks, a legal framework as well. In order to create advantageous conditions for business, they may act as protagonists for creating a new legal system with a higher degree of personal freedom, autonomy and self-responsibility.⁴⁰

The concern for suffering and injustice exists because a liberal and rich society places enormous emphasis on the wellbeing of its members. Since capitalist market economies become more and more advanced, their impact on people's attitude is no longer brutish, nasty and uncouth; but rather gentle, polite, tolerant and humane. Although one can hardly deny that the early stage of

³⁸ Huang, Kungzhang and Zhang Yinglong (ed.), *Hua Qiao Hua Ren Yu Zhong Guo Qiao Xiang de Xian Dai Hua*, [Ethnic Chinese and the Modernisation of Their Hometowns in China], Zhongguo Huaqiao Chu banshe, [Ethnic Chinese Publication of China], Beijing, 2003, pp. 114-116.

³⁹ Wolf, "Why Capitalism Does it Better", pp. 11-12.

⁴⁰ Heberer, "The Role of Private Entrepreneurship for Social and Political Change in the People's Republic of China and Vietnam", p. 105.

capitalism was involved in injustice such as slave trade and cruelty. Today, the trend of market economy goes ahead and can hardly be reversed.⁴¹

A recent study on China shows that the majority of entrepreneurs who are now regarded as national economy's most valuable resource are in favour of implementing market economy structures and freedom of economic development as a prerequisite for modernization. They consider entrepreneurs as social role model and demand social leadership that requires the Chinese government to introduce and ensure legal protection and individual rights.⁴²

A sophisticated and competitive market economy is a necessary condition for democracy that guarantees the right of individuals to own and use property freely, subject to reasonable legal constraints. In China, to secure property rights require government's commitment to a long-term health of the country. In the case study of this thesis, the basic human rights and property right of those Ethnic Chinese and their relatives were simply deprived by some local and district level officials due to their selfish intent. The more important issue to a sustained democracy and an advanced market economy requires the rule of law.

In the advanced market economy, the rule of law came about as a means of facilitating commerce; capitalist market economy provides the basis for democracy in this sense. A government that controls the economy will inevitably also control the civic life of a nation. It is true that there has been no country with a democratic political system in history whose economy has not been dominated by private ownership and market co-ordination. Through economic development and GDP growth, the market economy supports democracy in another way. A society's condition is getting better and better, every person in that society can become better off when per capita output rises. By contrast, in a static society, if anyone is to receive more, someone else must receive less. The capitalist market economy fostered many wealthy entrepreneurs such as Mr. Stanford (benefactor of the Stanford University) and Mr. Li Ka-shing, who donated large sums of money to build universities. The big gap of global inequality reflects the success of those countries that embraced capitalism and the failure of those that did not. In addition, the reduction in global inequality that has apparently occurred in the past two decades illustrates the successful introduction of dynamic market economies

⁴¹ Wolf, pp. 11-12.

⁴² Heberer, p. 104.

in China. This argument strongly supports the policy to uphold market economy in China. The modern liberal democracy that adopted capitalist economic system is relatively more equal. No corporation or multi-millionaire can easily flout the law. Compared to the power wielded by the affluent in traditional, hierarchical societies, the influence of today's wealthy is tightly circumscribed. Even the world's wealthiest entrepreneurs could not ignore the rule of law. Unlike in the feudalistic or socialist societies, the world's wealthiest entrepreneurs are neither overlords nor tyrants who are citizens in a liberal market economy where the rule of law is upheld.⁴³

The successful introduction of dynamic market economy in China reflects its superiority as an economic system. The growth of the private economy in Mainland China is spectacular, and these Chinese entrepreneurs serve as fuel for the economy. In the five years period from 1994 to 1998 alone, the share of individually owned private enterprises in gross industrial output rose from 10.1 to 16 percent. In 1998, the number of individually owned private enterprises exceeded 6 million, demonstrating the enormous dynamism of this new class of enterprises. "With a share of 76 percent in 1998, they accounted for the largest part of the enterprise population in China."⁴⁴ More strikingly, in 2002, 50% of China's GDP came from the private sectors. These entrepreneurs greatly contributed to the change of China's society by resolving unemployment and provided for social stability.⁴⁵ The increased business collaboration between the Ethnic Chinese and the private entrepreneurs provided a dramatic achievement in Chinese society. All of these developments are for a process of expanding freedom for Chinese people.

The Means and the Ends of Development

The Ethnic Chinese businesses not only brought economic strength to China, but also exerted strong influence on the means and the ends of development as a

⁴³ *Ibid.*

⁴⁴ Schlevogt, Kai-Alexander, "Chinese Entrepreneurship and Resilient National Development", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 92.

⁴⁵ Jiang, Xun, "Zhongguo Siyin Qiyejia Gaibian Zhongguo Minyun", [China's Private Entrepreneurs Change China's Destiny], *The international Chinese Weekly*, 23-29/12/2002, pp. 13-15.

process of expanding the real freedom. This is because of the majority of Ethnic Chinese businesses derived from democratic market economies. According to Amartya Sen, development as a process of expanding the real freedom that people enjoy and the expansion of freedom is viewed as both the primary end and the principal means of development. The principal means of development concerns the way with different kinds of rights, opportunities, and entitlements contributing to the expansion of human freedom in general and to promoting development.⁴⁶ For instance, unlike the period of commune system in Chinese countryside, now peasants in China can freely enter into contract to engage in “contract farming” to produce their products efficiently. They have the rights, opportunities and entitlements to contribute and to promote economic development. This can be seen as a process of enlargement of human freedom in general. Since different kinds of freedom interrelate with one another, and freedom of one type may greatly help in advancing freedom of other types, thus the two roles are linked by empirical connections, relating freedom of one kind to freedom of other kinds. The types of instrumental freedom include political freedom, economic facilities, social opportunities, transparency guarantees and protective security.⁴⁷

Political Freedom

Political freedom is referred to the opportunities that people have to determine who should govern and on what principles. They include the political entitlements associated with democracies in the broadest sense. If there is lack of political freedom, improvements will not be made in many aspects. In recent years, the experiments with village elections have sought to achieve sort of political freedom in China, though only a minority of villages keep their administrative work open and transparent to the public. But changes in China have improved rapidly, as mentioned above, democratic elections are becoming more institutionalized, some 300,000 village committees have been holding elections.

As for people, especially entrepreneurs, political freedom is a necessary prerequisite for living and successful business dealing. In order to fulfil economic functions, political commitments are required, particularly if founding and leading an enterprises is regarded not as an event but as a process. Because of this

⁴⁶ Sen, pp. 35-40.

⁴⁷ *Ibid.*

process-like nature, the entrepreneur must act above and beyond the purely economic sphere, in order to maintain, develop and expand the enterprise. Profit is not an end in itself for entrepreneurs, but is simultaneously a “centre of interest” that “develops its own norms” and takes on a controlling function. Furthermore, the non-monetary incentives such as social and political recognition are very important to entrepreneurs. This explains why the private enterprises entrepreneurs are very eager to acquire political and social recognition and entitlements. A study shows that in China, a considerable higher percentage of people held the view that entrepreneurs should take an active part in politics. The influence of the market economy and the privatization process are already producing a perceptible change in the power structure at the local level that is affecting both party and government institutions. The entrepreneurs need assistance and political protection in a complex political environment where uncompromising support of the private sector is relatively lacking. In order to provide security and risk minimization for entrepreneurs, several measures are required: a legal framework, the creation of a mechanism for consultations with politicians, and legal and political protection by the state. Therefore, the entrepreneurs would acquire more assured political freedom to promote economic and social change.⁴⁸

Economic Facilities

Economic facilities are referred to the opportunities that people enjoy utilising economic resources for the purpose of production, consumption and exchange. A person should have the rights of economic entitlements, such as selling or buying according to market prices. As pointed out by Amartya Sen:

The process of economic development increases the income and wealth of a country. They are reflected in corresponding enhancement of economic entitlements of the population.⁴⁹

After China’s economic reform, Chinese people’s economic entitlements have largely improved. Even in the countryside, peasants sell their agricultural products in local markets or signed the contracts with some companies, such as CP group to sell their products at market price.

⁴⁸ Heberer, pp. 102-105.

⁴⁹ Sen, p. 39.

Previously in China, there was lack of legal protection and private entrepreneurs were subjected to economic, social and political discrimination. Many of them sought their business opportunities alternatively in informal structures such as social connections and business networks. The private sectors entrepreneurs in China are not organised in the usual work units, but are active, despite some of the bureaucratic restriction, in the marketplace. They take independent decisions and need a larger social space. The freedom creates a specific attitude to business and makes the entrepreneurs try to expand the room to manoeuvre, not only in business but also in social and political spheres. Therefore, they have the function of actors who expand their own scope for action, but by doing this at the same time they expand society's scope for action. If the government restricts the entrepreneur's room to manoeuvre, the economic results of the market would deteriorate and economic growth will be reduced.⁵⁰

The economic development in China since the economic reform has brought changes such as the market vs. administrative control. One of such changes heralded a change in China's rural development strategy away from the former preoccupation with pure agriculture and local self-sufficiency towards a diversification of production based on regional comparative advantage and an integrated approach, involving all sectors and relying on the market as a resource allocation mechanism. This has entailed political and institutional reform, and the subordination of economic activity to governmental administration has begun to give way to a pattern where economic linkages no longer coincide with the pattern of administrative control.⁵¹ Chinese people need more opportunities economically, politically and socially.

Social Opportunities

Social opportunities are referred to the arrangements that society makes for health care and education etc. in which they provide more effective participation for individuals in economic and political activities. In a modern society, illiteracy can be a major barrier to participation in economic activities. As Sen had conducted a comparative study of China, India and Japan, he rightly points out that China is a

⁵⁰ Heberer, pp. 102-103.

⁵¹ Findlay, Christopher, *et al*, *Policy Reform, Economic Growth and China's Agriculture*, Development Centre of the Organisation for Economic Co-operation and Development, OECD 1993, pp. 11-14.

great deal ahead of India in being able to make use of the market economy in its economic development. Actually, pre-reform China was deeply sceptical of market economy but it was not sceptical of basic education and widely shared health care. In 1979, when China turned to adopt market economy, it already had a highly literate people, with schooling facilities across the country. In this respect, China was not far from the basic educational situation in South Korea or Taiwan, where an educated population had played a major role in seizing the economic opportunities. In contrast, when India turned to market economy in 1991, it had a half-illiterate adult population. Japan is a good example of enhancing economic growth through social opportunities, especially in basic education. Its economic development was much helped by the well-educated human resource, related to the social opportunities that were generated.⁵²

This explains why Ethnic Chinese, especially Ethnic Teochew Chinese are doing well in the economic development both inside and outside China. Traditional Confucianism emphasises education, and Teochew people are deeply influenced by a famous Confucian scholar and local governor, Han Yu since Song dynasty to put education as first priority in their life. Actually, before and after the 1911 Revolution, some of Ethnic Chinese businessmen had already donated funds to their hometowns to build schools. During 1950s to 1960s, every county and city in Teochew areas had established many Ethnic Chinese schools. Once fifty per cent of the school building funds donated by the Ethnic Chinese, the school was entitled to be named “Ethnic Chinese School”, according to the policy of the Overseas Chinese Affairs’ Office of Guangdong at that time.⁵³ From 1978 to 1998, in Chaoan, Punin, Chenghai, Chaoyang, the Ethnic Teochew Chinese had donated 470 million *yuan* (*renminbi*) to their hometowns to build more than 610 different kinds of school and more than 20 million *yuan* (*renminbi*) for education funds. During the same period, in Teochew area, Ethnic Chinese had donated more than 300 million *yuan* RMB and more than 2.5 billion Hong Kong dollars to build new schools, as well as extension and renovating of more than 1,500 schools. Li Ka-shing alone had donated more than 2 billion Hong Kong dollars to build the Shantou University and another 11 million Hong Kong dollars to build

⁵² Sen, pp. 41-42.

⁵³ Huang Kungzhang and Zhang Yinglong, p. 117.

50 schools in the impoverished mountain areas in Teochew.⁵⁴ There are too many Ethnic Teochew Chinese who had donated large sum of money for education in their hometowns to list here. These businessmen had not only donated funds for education to their hometowns, but also donated educational funds to benefit many other cities and regions around China. For example, the owners of CP Group had donated large sum of funds to Beijing University. Other Ethnic Chinese had donated a lot of money to their hometowns and many cities for education, and they had also donated huge funds to build hospitals for health care. This illustrates that Ethnic Chinese have had a substantial contribution to the process of development as freedom, according to Sen's theory.

As professor Yen Ching-hwang states that:

Modern Chinese education achieved remarkable growth - from primary school to junior school and then to senior high school - offering a genuine alternative to Western colonial education for Chinese children. The result of this development was the retention of many Confucian and modern cultural values, as well as shaping the character of the present Ethnic Chinese communities.⁵⁵

He also documented the Ngee Ann Kongsi and Tuan Meng School in Singapore, in which the organisation was in response to the call of the Qing Government for the development of modern Chinese education in the Ethnic Chinese communities when he researched on the history of Teochews in Singapore.⁵⁶ A survey shows that many of the top executives of Ethnic Teochew Chinese family business in Thailand have attained a higher educational level than those in Japan. The group with bachelor degrees accounts for 40% and a group with master degrees (MBAs) and doctoral degrees accounting for 48%, by far larger than the 3% in Japan. In addition to this higher educational attainment, 54% of the 3,890 persons of the total surveyed executives were educated abroad, and 35% were educated in the United States. It is reported that less than 2% obtained their degree abroad in Japan. This fact suggests that the Ethnic Chinese executives in Thailand have potential to adopt US management styles and accounting systems, as well as seeking business development opportunities.⁵⁷ A recent study in China has also

⁵⁴ *Ibid.*, pp. 120-127.

⁵⁵ Yen, Ching-hwang, *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press, Singapore, 2002, Introduction, p. x.

⁵⁶ *Ibid.*, p. 298.

⁵⁷ Suehiro, Akira, "Family Business Gone Wrong? Ownership Patterns and Corporate Performance in Thailand", Asian Development Bank Institutes Working Paper 19, May 2001, p. 17.

found that “Private entrepreneurs possess entrepreneurial abilities and experience that also have to be regarded as a factor of education.”⁵⁸

Since the society needs to operate on a basic presumption of trust, transparency is needed to deal with one another under the guarantee of disclosure so as to prevent from corruption, financial irresponsibility and underhand dealings. In addition, protective security is needed in China and elsewhere to provide a social safety net for preventing the affected population from being reduced to unfortunate misery.⁵⁹ Ethnic Chinese have done a great deal to do with transparency guarantee and protective security in China, but there is still room for improvement in these aspects. They have to be seen in this perspective, as they are actively involved in shaping the destiny of China. No matter what will happen to China’s economic development in the future, the Ethnic Chinese will continue to play an important role as used to be. As Tracy and Lever-Tracy point out:

The strength of the Chinese diaspora is their ability to operate within and without China equally effectively. China’s industrial renaissance has depended substantially on Chinese diaspora investment and entrepreneurship and will continue to do so for the foreseeable future.⁶⁰

Prosperity eventually brings latitude, and latitude allows more freedom, and freedom necessarily precedes democracy.

⁵⁸ Heberer, p. 121.

⁵⁹ Sen, pp. 39-40

⁶⁰ Tracy, Noel, and Constance Lever-Tracy, “A New Alliance for Profit: China’s local industries and the Chinese diaspora”, p. 80.

CONCLUDING REMARKS

Ethnic Chinese business has played a pivotal role in China's economic development and it has helped China to be successfully integrated into world economy. Ethnic Chinese investment in China was an integral part of China's economic reform that aimed at rapid economic modernisation of China. The Chinese "open door" policy in late 1970s successfully attracted foreign investment into China that resulted in Ethnic Chinese capital pouring into their motherland making up a substantial part of China's total foreign direct investment.

The Ethnic Chinese is neither a nation such as Japan or America, nor a nation's union like European Union, it is only an ethnic group. Therefore, their business achievement is so unique. In this competitive world of globalisation, the Ethnic Chinese played an increasingly important role in world economy. Among Ethnic Chinese, Ethnic Teochew Chinese has made a substantial contribution to China's economic development. This thesis has shed a new light on the study of Ethnic Teochew Chinese business. It has examined the ways in which the Ethnic Teochew Chinese business had developed and has provided case studies to explore how and why they achieved their business success. With the "spirit of Chinese capitalism", Ethnic Teochew Chinese operated as an unique ethnic group to perform successfully in China's socialist market economy.

The opening of China after 1978 offered a golden opportunity for Ethnic Chinese businesses. At about the same time, many Ethnic Chinese businesses, especially in Hong Kong and Taiwan, encountered increased cost of land and labour, and they faced stagnation and impediment to further growth. A vital solution was to seek cheaper labour and lower cost of land. This was the main reason for the Ethnic Chinese to invest in Mainland China, together with taking advantage of Chinese government's eagerness to attract foreign investment. The Ethnic Chinese businessmen poured their investment into China.

Historically, Ethnic Chinese acted as middlemen traders in Southeast Asia with a strong preference for family business and business networking. Although, family-owned businesses rely less and less on kinship ties, there are evidence to suggest that Ethnic Chinese business still shares a common mode of family

control, even it becomes very large multinational conglomerate. Even though business success depends ultimately on their ability to produce quality products at the cheapest possible price to suit the market demand, many Ethnic Chinese businessmen still rest preferentially on trust-based international networks to develop long-term co-operations in business, and a strategy of “whole dragon” and diversification. These successful ingredients of Ethnic Chinese business have been examined through case studies of the CP Group and the Hong Kong garment factory to reveal that cultural influence on their family business management appears strong and popular. The “Web-based Chinese Management” (WCM) model has played an important role in their family business development. As a powerful value creation engine, WCM is a key driver of rapid economic development, largely accounting for the unprecedented growth and dynamism of both Ethnic Chinese enterprises and China’s private enterprises since China’s economic reform.

Contrary to conventional perception that the growth of national economy is accompanied by the inevitable decline of the family business, the finding of this study is that family businesses do not decline at all in terms of their position in the Ethnic Chinese businesses, despite the process of rapid economic growth over the past several decades in Asia including more than two decades in China. The study has found that most of Teochew family-owned firms in Hong Kong and Thailand are still under the control of key family members, i.e. the founders or the members of the second generation.

Since culture is a determining factor in how Ethnic Chinese do their businesses, the road to prosperity of these Ethnic Chinese is not determined how much they have the retention of traditional Chinese cultural values, but how good they are able to integrate these values with Western business principles and practices.

The economic strength of Ethnic Chinese attracts increasing attention from observers and scholars in different parts of the world. It exists as a real entity in the world economy, together with the Mainland China’s rapid economic development and the prominent role of the Ethnic Chinese in it, the Ethnic Chinese businesses becomes a focus of world’s attention.

CP Group, a family-owned business of Ethnic Teochew Chinese in Thailand provides a good example of active Ethnic Chinese participation in the process of

China's rapid economic development. The impact has not been limited to the owners' Teochew hometown and wider Guangdong province, but also spread throughout nearly everywhere in China. Traditional Chinese culture has a strong influence on the group's business operation in one way or another through its ability to combine with Western business principles and practices. The transplant of its "contract farming" system from Thailand has dramatically improved peasants' living standards in China. The impact of CP Group's operations of agribusiness in China's countryside is significant, especially for the poor peasantry with about 900 million people in China.

Though CP Group from Thailand is the largest Ethnic Teochew Chinese investor in China, the Ethnic Teochew Chinese in Hong Kong also play a significant role in China's economic development. In the process of this development, they have enriched themselves enormously and many have grown from small businesses into medium or even very large scales international businesses. A case study of the Hong Kong investors has reflected this process. The synergy of China and Ethnic Chinese businesses has not only brought about outstanding export performance but also helped develop the domestic markets in the mainland, reflecting rising standards of living and a new middle class, especially those Ethnic Chinese relatives of managing private enterprises.

The Chinese government after 1978 tried in every aspect to protect Ethnic Chinese and their investments together with their relatives. Historically, the majority of Ethnic Chinese and their relatives were discriminated against both inside and outside China. The opening of China after 1978 has greatly changed China's attitude and its policies. However, due to some local and district level officials seeking their personal gains, cases of maltreatment of Ethnic Chinese and their relatives occurred. Although some of these Ethnic Chinese investors suffered maltreatment before and after China's opening, they are still willing to continue their businesses in China. The main reason was not for loving their home place or nostalgia, but for seeking cheap labour and land to maximise their profits.

China's economic development should bring the development as freedom in which Ethnic Chinese had been a long-term commitment in this process. As the Nobel laureate, Professor Sen points out that the ultimate purpose of human being for development is for their human freedom. Since different kinds of freedom interrelate with one another, and freedom of one type may greatly help in

advancing freedom of other types, therefore the two roles are linked by empirical connections, relating freedom of one kind to freedom of other kind. Ethnic Chinese investment contributes significantly to China's unprecedented speed of economic and social developments, and accelerates the development of human freedom in China. Since China's "open door", the economic facilities, in the form of opportunities for participation in trade and production obviously help Chinese people generate personal abundance as well as public resources for social facilities. Social opportunities, in terms of health facilities and education facilitate economic participation. Political freedom, in the form of free speech and elections helps to promote economic development. Freedoms of these kinds could strengthen one another. Since Chinese government provided the opportunities for Ethnic Chinese to invest their capital in China, Ethnic Chinese actively participated in production and trade. In addition, they have a long history to support Chinese people to have more social opportunities for better education and health care in which they donated huge sum of funds to build school, universities and hospital. There is no doubt that Ethnic Chinese has made substantial contribution to the freedoms of Chinese people. The increased collaboration between Ethnic Chinese and the mainland Chinese creates a phenomenon in which their ideas can act as a mighty force for economic, political, social and cultural changes.

Although, the road to prosperity is extremely uneven, Ethnic Chinese entrepreneurs and their counterparts in Mainland China with fortitude continue to march on the road towards the goal of human freedom and prosperity.

APPENDIX

Appendix A (1)

Yang's Illegal Rules and Regulations which against China's Constitutions

同益巷危房点改造拆迁补偿安置细则

根据《汕头市区城市建设，改造拆迁补偿安置办法》精神，结合同益片改造区域的实际情况，制订本实施细则。

第一章：总则

第一条：为保障同益巷危房点建设和改造拆迁补偿安置工作的顺利进行，适应国家建设和旧城区改造的需要，根据《中华人民共和国民法通则》《中华人民共和国土地管理法》和《城市规划条例》等有关法律、法规，结合我点的实际情况，特制定本实施细则。

第二条：自一九八九年四月五日起该点列入改造规划，任何单位和个人未经城建、房管等有关部门的批准，在该点范围内新建、拆建改建和自建地下、地上建筑物，变更房屋租赁关系或改变房屋用途，买卖房屋或转移产权，没有充分理由而入户，分户的均不列入本细则的补偿安置范围。

第三条：被拆迁的单位，住户，必须服从国家城市建设需要，在规定的期限内搬迁，不得借口拖延或索取额外代价，妨碍和阻挠拆迁工作。被拆迁单位的上级机关和拆迁户所在单位街道办事处，公安派出所，居委会有责任协助做好拆迁动员工作。

第四条：同益危房点的拆迁，补偿安置工作，由公园区旧城区危房改造指挥部办公室组织实施，管理和监督，市区各有关部门密切配合，通力合作，共同保证拆迁工作的顺利进行。

第二章：私有房屋的拆迁安置

✓ **第五条：**私有房屋的拆迁，由拆迁单位（公园区旧城区危房指挥部办公室）发出通知，业主应在通知送达之日起半个月內（港、澳、台同胞

Appendix A (2)

到指定地点办理拆迁安置手续，逾期不办的当作无主房处理。

第六条：持有合法契证的非危房私房业主（包括港、澳、台同胞海外华侨）其房屋拆迁后按原有核定面积给予安置，具体安置标准如下：

一、在危房改造点内，单层建筑面积1：1·2比例补偿安置，属二层及二层以上的按原有建筑面积1：1比例补偿安置。

二、层高低于国家规定最低标准（2·2M）的房屋（含有居住阁楼）原则上不计算建筑面积，由拆迁单位根据房屋结构，质量，面积给予征购补偿，框架结构房屋或高1·8M以上的混凝土板阁楼每平方米最高补偿价为人民币100元，贝灰，混合结构房屋每平方米最高补偿价为人民币80元，杉木板结构房屋或高1·8平方米以上的杉木阁楼每平方米最高补偿价为人民币50元，高1·8M以下的阁楼每平方米补偿人民币20元。

确为独户居住的层高1·8M~2·2M的房屋可予照顾安置，但补偿标准最高不超过1：0·7。

三、有合法契证的宅基地或庭院（包括地面附属建筑设施）按每平方米人民币80元之给予补偿。

第七条：对无有房屋合法契证和私买房屋没有办理产权变更的私房拆迁户，在拆迁前经房管部门和拆迁单位核实地籍产权，并登报声明十五天后没有异议者，按原建筑面积1：1给予补偿，没有土地使用权的拆迁户应按原房屋基底面积每平方米扣回人民币80元之补偿原业主。

第八条：私产、侨产危房一律按原有建筑面积补偿安置。

第九条：被拆迁的私房、侨房（含危房）业主按上述条款办理后新安置房人均建筑面积不足8㎡的给予适当调剂，安置户对调剂被定

Appendix A (3)

常住户口的实际居住人数计算，没有当地正式户口的拆迁户原则上不属于优惠增购房屋对象。

第十条：拆迁户优惠增购房屋的价格，分别采取两种办法。

一、有合法契证的安置户，按房屋商品价格的70%购买。

二、没有合法契证的安置户以及没有产权的承租户，按房屋商品价格的80%购买。

第十一条：安置户若要求再增购每人8㎡以上的按商品房全价购买。

第十二条：私、侨房撤管承租户解除租凭关系后确无退路者，经调查核实后易地安置。由指挥部办公室统一代为申请补贴出售住房指标，拆迁户按规定购买。

第十三条：拆迁户原有房屋中三年内装修的水磨石、装饰砖、彩釉砖每平方米补偿20元。

第十四条：拆迁改建期间，住户一律自行解决临时退迁问题，对自行解决临时退迁问题的住户，按核定常住户口的实际居住人数每人每月补贴房租人民币5元同时4人户每户发给搬家补助费和临时安置费400元，不足4人的住户每减少一人相应减少100元，反之每增加一人相应增加100元。确在该处居住又无法解决临时退迁的住户，经核实后由拆迁单位安置临时周转房，每户发给搬家补助费100元，居住期间租用公房的住户按规定缴纳房租。

由拆迁单位解决临时周转房的住户，回迁新房时给予易地安置，住户在接到迁居新居通知书十天内必须搬迁完毕，并退回周转房。

第十五条：在拆迁安置中，对自行解决临时退迁，并在通知规定搬迁期限前完成搬迁的住户实行优惠照顾及奖励。

一、在新安置房的幢号，层次，位置上给予照顾安排。

二、每提前搬迁一天每户奖励人民币50元。

(3)

Appendix A (4)

第十六条：在规定搬迁期限内搬迁的住户不得享受第十五条的优惠办法。

第十七条：对超过规定搬迁期限仍不搬迁的住户，由公园区旧城区危房改造指挥部办公室强制搬迁。

第三章：公产（单位）房屋的拆迁安置

第十八条：公产（单位）房屋的拆迁安置统一由拆迁单位发出书面决定书并与房管部门或单位签订协议，改造后按原建筑面积交还房管部门或单位管理，原有产权不变，机关、学校、部队、企事业单位和人民团体的房屋，因规划需要拆建改造的，各单位应按要求将改造资金划入拆迁单位，统一改造，拆建后按原房产契证核定的面积安置原有产权不变，单位不出资金的，不得享有新房产权。

第十九条：公产（单位）危房的安置标准按本章第十八条的规定办理。安置后人均建筑面积不足8 m²的准予增购至8 m²，按商品价的90%购买。

第二十条：拆迁改建期间，租用公房（包括单位自管房）的住户临时退迁问题按第二章第十四条规定办理，搬家补助费和临时安置费参照私产住户发给。对提前或超期搬迁的公房（单位）住户其奖励办法按第二章有关规定办理。

第四章：对违反本细则的处理

第二十一条：凡需拆除的建筑物及附属设施除规定自行拆除外，统一由拆迁单位组织拆除，任何单位、个人不得自行拆除，对擅自拆除，不听劝阻，情节严重者，除追回所拆物资外，由公安部门对肇事人处以罚款。

第二十二条：对擅自提高拆迁补偿标准，在补偿安置上弄虚作假者，一经发现，即予纠正，并根据情节轻重，对主管人员和直接责任的人给予批评教育，直至纪律处分。

(4)

Appendix A (5)

第二十三条：在拆迁安置工作中，对煽动群众闹事，殴打拆迁工作人员，阻挠国家建设贪污、盗窃国家和集体财物，行贿受贿，敲诈勒索，以及其它违法犯罪行为，构成犯罪的由司法机关依法追究刑事责任，不构成犯罪的按《中华人民共和国治安管理处罚条例》及有关规定处理。

汕头市公园区旧城区危房改造指挥部第四办公室

一九八九年四月二十日

Appendix B (1)

The Petition

关于公园区危房改造指挥部第四办公室 侵犯华侨、侨眷合法权益情况反映

自一九八九年四月以来，称公园区危改四办主任羊芳圃（实是公园区高华建筑公司经理）带领几位工作人员日夜到我同益片做拆迁准备工作，扬言：“是代表区政府和经市政府批准，那一户不与他们做手续搬迁，六月卅日后就做无主房处理，届时市和区党政军出动，铲平你们，别后悔”。对此我们认为：

一。根据国务院关于清理固定资产投资在建项目，压缩投资规模，调整投资结构的通知第四项城乡集体所有制单位在建项目的清理的指示，羊芳圃所要建的项目，属商品房和小商场，不在规定可续建的六项之内，已开工的均停建。羊芳圃此项目，并未获得施工许可证，更是不能建。

二。羊芳圃钻空子，利用同益一巷六号晒台约三份之一楼板倒塌之事，谎称为整盘楼板倒塌，又通过几名工程师签名，把整片说成危房，危房率高达百分之九十多。实际上同益片房屋大体修建坚固，装饰不错，十五座中近十三座是侨产、私产。住户产权人多是侨眷和归侨，并且实居住人数每人平均住房面积达近廿平方，几乎是全市之冠。4号至10号一、二巷前后十座1948年重建，十五座中又有三座近三年内新修建，若同益片都算危房，那么旧市区应是危市区，而危房改造多项税收可免，那么整个旧市区改造将漏了

Appendix B (2)

国家一大笔税收，这样做合理吗？根据国务院通知精神，旧城改造，从一九八八年起，三年内停止进行，（但为新建住宅需进行少量旧城改造的，经省、自治区、直辖市和计划单列市人民政府批准后可适当放宽），因此，我们坚决要求制止羊芳圃弄虚作假，侵犯华侨、侨眷的权益，给海内外造成极坏影响的行为。

三、根据中共中央、国务院要求当前做好六个方面的工作，第三方面是压缩基本建设、投资、严格控制消费基金增长，开展双增双节运动，做好增收节支工作。羊芳圃拟在同益片建商品房和小商场出售，违反了中共中央、国务院的指示，同益一巷六号三分之一楼板倒塌，可采取局部修复处理，若某处房屋出现小片倒塌就要牵动整大片，势必象司法部宣传司编审法律法规讲座所言，全国到处都是工地，摊子铺得很大，需求十分旺盛，给经济带来极大危害。羊芳圃这种借机只顾局部和个人的利益，不顾大局的利益的行为是党纪国法所不容。

四、根据《中华人民共和国宪法》“中华人民共和国保护华侨的正当的权利和利益，保护归侨和侨眷的合法的权利和利益”，“中华人民共和国公民的住宅不受侵犯”。国家保护公民的合法收入储蓄、房屋和其他合法财产的所有权”。一切法律、行政法规和地方性法规都不得同宪法相抵触”。但是公园区危房改造指挥部第四办公室制定的同益片危房改造拆迁补偿安置实施细则违反宪法精神，居然在第五条写上逾期不办的当作无主房处理，我们认为羊芳圃的

Appendix B (3)

做法是无视宪法，必须追究。

五、羊芳圃在与住户签订合同时，对于竣工日期、补偿层次、座向、单元、是否要追加其它费用等问题都不敢明白写上并经法律程序办理公证，负担应负的经济责任，这些也是对产权人和住户的权益一种威胁，不符合有关法律和法规。

六、从羊芳圃改建同益片的工程计划审批表可保守地算出，底层小商场可售约280万元，赔偿后剩余楼层可售248万，本市商品房造价都在350—400元/平方之间，此项的总造价193万，羊谎称290万，十五座拆后的杉木楼板约30万。若再扣除提前搬迁奖金、安置费、八折优惠商品价购房等项，其所得利润也在320万左右，高华建筑公司是集体所有制，经济独立核算，并由羊承包。羊芳圃采用各种手段，片面追求利润，如：市人大、市政府城市建设《办法》定以建筑总造价优惠有条件的住户购买，羊芳圃在同益片实施细则中则改为商品价，又采取二次签约的手法，模棱两可，混淆逻辑，以便弄虚作^完假，这^完安全丧失共产党员副科级干部^完的资格，阻碍城市建设的人正是他自己。

我们坚决拥护治理经济环境，整顿经济秩序，搞好城市建设。我们认为改造旧市区中，应那里最危，那里居住环境最差，那里对市容影响最大，那里就先改造。象羊芳圃这种假公济私的做法则坚决抵制。我们不怕他在区里有保护伞。我们相信各级政府、机关直至国家最高权力机构会对羊芳圃这种人进行查处。

A draft of the lawyer's pleading/indictment

汕 大 法 律 事 務 所

控 告 狀

被告人：華芳園，男，粵，公園區危房改造指揮部
第四辦公室主任，公園區華建公司總經理
住汕頭

案由：被告人華芳園在擔任公園區危房改造指揮部
第四辦公室主任，公園區華建公司總經理期間，
濫用職權，弄虛作假，為達到不可告人的目的，將
同層二卷二卷居民的好住房，濫收為危房，並在未
經地產局危房改造指揮部核准和「不遷不拆」
實施計劃的情況下，強迫居民搬遷，強拆
居民住房。華芳園及其25%以上威脅居民要在限
定的時間內搬遷，用高音喇叭日夜放聲叫喊威
嚇，上門引誘威嚇，不擇手段地強迫居民簽訂不
平等協議，並下文通知所有居民在7月31日前全部
搬遷，否則沒有好房子。特別是華芳園以
其25%以上不顧居民、經濟的利益，強迫居民在
同層二卷三號樓，李英、王喜益、林對峙正威嚇
陳李、王夫如，不搬遷就要收收條子，在華芳

州 委 办 公 室 办 事 所

(備) 及其改以是威吓之下, 李之妻王喜是
十分悲愤, 于今年 月 日对 说
“于今年5月15日下午在单位组织舞会。李芳圃
的上述行为, 已严重侵害公民合法权益, 违
反外国宪法, 严重违法, 侵害人权, 侵犯中华
人民共和国宪法第18)条公民权利, 构成侵
犯罪。特此请求人民检察院, 保护人民
的合法权益, 依法追究李芳圃。
以伸民愤, 以挽受害民恨。”

此致

人民检察院

控告人

1989年 月 日

汕 头 市
公园区旧城区危房改造指挥部

地址：广东省汕头市外马路259号五楼 电话：253511

通 知

同益一巷十号住户：

根据汕房改〔89〕第6号、14号文决定，对同益一、二巷危房区域实施统一规划，统一改造。自五月份以来，大部分住户积极拥护支持拆迁改造工作。但是，由于种种原因，仍有少数住户超过了区指挥部通知规定时间未签订协议和搬迁，影响改造计划的落实。现经区指挥部研究决定，再宽延至本月二十八日止。在这段时间内，住户主动和我办签订搬迁协议者，我办可照顾按原规定的各种奖励和补偿办法给予处理。超过这个期限，我办将按《汕头市区城市建设、改造拆迁补偿安置办法》第六章第二十八条规定，随时采取强行搬迁。希各住户给予大力支持配合为荷。

特此通知

汕头市公园区旧城区危房改造指挥部办公室

1989年8月25日



Yang's announcement to threat an Ethnic Chinese

汕 头 市
公 园 区 旧 城 区 危 房 改 造 指 挥 部

地 址：汕 头 市 大 华 路 29 号 五 楼 电 话：53511

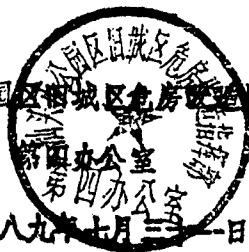
关于同益二巷23号住户签订退迁合同通知

李赏珠女士：

根据市危房改造指挥部汕房改指（89）6号文和（89）14号文决定，对同益巷危房改造片实行统一规划和改建一事，我办已连续发去有关文件、通知、通告共五件，在时间安排上也有考虑贵女士提出的实际情况给予适当延长。但是，贵女士不按双方约定时间内前来洽谈，影响改建计划落实。为此，我办再次发出通知，请您在本周内前来签订协议和安排退迁，逾期我办将按《汕头市城市建设、改造拆迁安置办法》的有关规定，上报公园区旧城区危房改造指挥部实施强行搬迁。

特此通知

汕头市公园区旧城区危房改造指挥部



一九八九年七月三十一日

BIBLIOGRAPHY

Ampalavanar-Brown, Rajeswary. "Overseas Chinese Investment in China-Patterns of Growth, Diversification and Finance: The Case of Charoen Pokphand", *The China Quarterly*, September, 1998, No. 155, pp. 610-636.

Ampalavanar-Brown, Rajeswary. (ed.), *Chinese Business Enterprise in Asia*, Routledge, New York, 1995.

Armitage, Catherine. "Retailers Eye Untapped Market", *The Weekend Australian* April 16-17, 2005, p. 21.

Asian Business Review

Asia Week

Australian Corporations Legislation, Betterworths, 2000, pp. 754-759.

Baker, Chris and Pasuk Phongpaichit. *A History of Thailand*, Cambridge University Press, New York, 2005.

Bangkok Post

Biers, Dan *et al.* "Back to School for Thailand's CP Group Head", *Far Eastern Economic Review*, April 8 1999, pp. 10-14.

Bonvin, Jean. "Preface" in Christopher Findlay, *et al.* (eds.), *Policy Reform, Economic Growth and China's Agriculture*, Development Centre of the Organization for Economic Co-operation and Development, 1993, p. 9.

Bowles, S. and H. Gintis. "The Revenge of Home Economics: Contested Exchange and the Revival of Political Economy", *Journal of Economic Perspectives*, 1993, 7(1), pp. 197-198.

Brockhaus Sr. Robert H. "Family Business Successions: Toward Future Research", in Dana, Leo-Paul. (eds.), *Handbook of Research on International Entrepreneurship*, Edward Elgar Publishing Limited, Cheltenham UK., Massachusetts USA 2004, pp.765-780.

Brown, R. Lester, and Hal Kane. *Full House: Reassessing the Earth's Population Carrying Capacity*, Earthscan Publications Limited, London, 1995.

Brown, Lester. *Who Will Feed China Wake-up Call for a Small Planet*, Earthscan Publication Ltd, London, 1995.

Cantwell, J. and Tolentino, P.E.E. *Technological Accumulation and Third World Multinationals*, Discussion paper in International Investment and Business, University of Reading, Reading, 1990, No. 139.

Carter, Colin. "Institutional Reform and Agricultural Productivity Growth in China", in Findlay, Christopher (ed.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 211.

Caulkin, Simon edits the Management page of the Observer, "Charoen Pokphand – An Intricate Web of Companies that Grew from a Few Seeds", *Management Today*, September 1996, p. 67.

Chan, Kwok Bun and Chiang, Claire. *Stepping Out: The Making of Chinese Entrepreneurs*, Prentice-Hall, Singapore, 1994.

Chan, Kwok Bun. (ed.), *Chinese Business Networks: State, Economy and Culture*, Prentice Hall Nordic Institute of Asian Studies, Singapore, 2000.

Chan, Kwok Bun. "State, Economy and Culture: Reflections on the Chinese Business Networks", in Chan Kwok Bun (ed.), *Chinese Business Networks: State, Economy and Culture*, Prentice Hall Nordic Institute of Asian Studies, Singapore, 2000, p. 4.

Chan, Kwok Bun and Tong Chee Kiong. "Singaporean Chinese Doing Business in China", in Chan Kwok Bun (ed.), *Chinese Business Networks: State, Economy and Culture*, Prentice Hall Nordic Institute of Asian Studies, Singapore, 2000, p. 82.

Chan, Wellington K. K. *Merchants, Mandarins, and Modern Enterprise in Late Ch'ing China*, East Asia Research Centre, Harvard University Press, Cambridge, Mass., 1977, pp.197-212.

Chandler, Alfred D. Jr., *The Visible Hand: The Managerial Revolution in American Business*, Harvard University Press, Cambridge, Massachusetts, 1977.

Chang C.Y. "Overseas Chinese in China's Policies", *The China Quarterly*, (82) June 1980: 280-303, p. 281.

Chang, Ly-yun and Tony Tam. "The Making of Chinese Business Culture", in Gomez, Edmund Terence and Hsiao, Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p. 24.

Chao Xue Yanjiu [Teochew (Chaozhou-Shantou) Culture Research] Chaoshan History and Culture Research Centre & Shantou University Chaoshan Culture Studies Centre, Shantou University Press, Shantou, 1994.

Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji (Shang Xia Ce), [Essays from the International Conference on Teochew Studies], Jinan University Press, Guangzhou, 1994.

Chearavanont, Dhanin. Chairman's Statements in CP Group Annual Reports.

Chen, Edward and Gary G. Hamilton. "Introduction: Business Networks and Economic Development", in Gary G. Hamilton (ed.), *Business Networks and Business development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, Hong Kong.

Chen, Liming. *Chao Wenhua Lunxi*, [Analyses of Teochew Culture] Yiwang Chubanshe, [Yiwan Press], 1999, p. 1.

Chen, Min. *Asian Management Systems, Chinese, Japanese and Korean Styles of Business*, New York, 1995.

Chen, Shaobo. Southern Chinese News, *People's Daily*, (Chinese Edition), March 2, 2001, p.2.

Chen, Tain-Jy and Ying-Hua Ku. "Networking Strategies of Taiwanese Firms in Southeast Asia and China", in Gomez, Edmund Terence and Hsiao, Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p.164.

Cheng, Joseph Y. S. (ed.), *China: Modernisation in the 1980s*, The Chinese University Press, Hong Kong, 1989.

Chen, Xun Xian. "Xie Yichu Sheng Ping Dalue", [A Brief Biography of Chia Ek-Chor] in Guangdong shen Zhengxie wenshi zhiliao weiyanghui, Shantou shi zhengxie wenshi zhiliao weiyuanhui, [Guangdong Political Consultative Conference Committee of Culture and History Document Collection and Shantou Political Consultative Conference Committee of Culture and History Document Collection (eds.), Guangdong wenshi zhiliao di 76 ji, [Guangdong Cultural and Historical Document Vol .76] *Chao shan Junyan*, [Teochew Outstanding Businessmen], Guangdong Renmin Chubanshe, Guangzhou, [Guangdong People's Press], Guangzhou, 1994, p. 205.

China Business Review

China Today

Chinese Ministry of Agriculture (ed.), *Zhongguo Nongye Wenti Yanjiou*, [Research into Agricultural Issues in China], Beijing, Nongye Chubanshe, Beijing, [Agriculture Publication], Beijing, 1992, p. 115.

Ch'ng David C. L. *the Overseas Chinese Entrepreneurs in East Asia: Background, Business Practice and International Networks*, Committee for Economic Development of Australia, CEDA monograph M100, 1993.

Chossudovsky, Michael. "China's Open Door Policy", in Leung Chi-Keung and Steve S. K. Chin (eds.), *China in Readjustment*, Centre for Asian Studies, University of Hong Kong, 1983.

Clegg, Stewart and Redding, S. Gordon (eds.), *Capitalism in Contrasting Cultures*, Walter de Gruyter, Berlin, 1990.

CP Group, Annual Reports.

Crane, George T. "Special Things in Special Ways: National Identity and China's Special Economic Zones", *The Australia Journal of Chinese Affairs*, No. 32, July 1994, pp. 71-92.

Crispin, Shawn W. "Back to the Farm", *Far Eastern Economic Review*, 28 December 2000, pp. 90-91.

Crook, Frederick W. "The Impact of China's Grain Reserve System on Import Demand", in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 175.

Cushman, Jennifer Wayne. *Fields From The Sea, Chinese Junk Trade with Siam during the Last Eighteenth and Early Nineteenth Centuries*, Cornell University, Ithaca, New York, 1993.

Cushman, Jennifer and Wang, Gungwu (eds.), *Changing Identities of the Southeast Asian Chinese Since the World War II*, Hong Kong University Press, Hong Kong, 1988.

Dana, Leo-Paul. (eds.), *Handbook of Research on International Entrepreneurship*, Edward Elgar Publishing Limited, Cheltenham UK., Massachusetts USA. 2004.

Davies, R.W. *The Industrialisation of Soviet Russia. Vol. 3: The Soviet Economy in Turmoil, 1929-1930*, Harvard University Press, Cambridge, Massachusetts, 1989.

Deng, Xiaoping. *Selected Works of Deng Xiaoping (1975-1982)*, Foreign Language Press, Beijing, 1984.

Deng, Xiaoping. *Deng Xiaoping Wenxuan Dier Juan* [Selected Works of Deng Xiaoping, Vo.2.] Renmin Chubanshe [People's Press], China, 1994.

Deng, Xiaoping. *Speeches and Writings*, Pergamon Press, 1984.

Deng, Xiaoping. *Fundamental Issues in Present-day China*, Foreign Languages Press, Beijing, 1987.

Douw, Leo, Cen Huang and Michael R. Godley (eds.), *Qiaoxinag Ties: Interdisciplinary Approaches to "cultural Capitalism" in South China*, Kegan Paul International London and New York in Association with International Institute For Asian Studies Leiden and Amsterdam, 1999.

Duan, Lishen, *Zheng Wulou Zhuan*. [Zheng Wulou Biography], Zhongshan Daxue Chubanshe, Guangzhou, [Zhongshan University Press], Guangzhou, 1994.

Dunning, J.H. "Explaining Outward Direct Investment of Developing Countries: In Support of the Eclectic Theory of International Production", In Kumar, K. &

McLeod, M.G. (eds.), *Multinationals from Developing Countries*, Lexington, Massachusetts: D.C. Heath. 1981.

Dunning, J.h. Van Hoesel, R., and Narula, R. "Third World Multinationals Revisited: New Developments and Theoretical Implications" Discussion Papers in International Investment and Management, Reading: University of Reading, 1997, No. 227.

EAAU (East Asia Analytical Unit), *Overseas Chinese Business Networks in Asia*, EAAU, Department for Foreign Affairs and Trade, Commonwealth of Australia, 1995.

EAAU (East Asia Analytical Unit), *China Embraces the Market: Achievement, Constraints and Opportunities*, Department of Foreign Affairs and Trade, Australia, 1997.

Editorial Board of the Almanac of China's Foreign Economic Relations and Trade, *Zhongguo Duiwai Jinji Maoyi Nianjian* [Almanac of China's Economic Relations and Trade], Zhongguo Shehui Chubanshe, Beijing, 1980s – 1990s.

Editorial Committee of Teochew Encyclopaedia, *Chaoshan Baike Quanshu*, [Encyclopaedia of Teochew], China Encyclopaedia Press, Beijing, 1994.

Edmonds, I. G. *Thailand: The Golden Land*, The Bobbs-Merrill Company, Inc. Indianapolis, New York, 1972.

Faber, Marc. "Hungry Dragon", China Rush, *The Australian Weekend*, April 16-17, 2005, p. 31.

Fan, Sheguan and Li Xiedian. *Li Jiacheng de Chengong Zhilu* [Li Ka-shing's Road to Success], Hong Kong Publishing Pty Ltd, Hong Kong, 1991.

Far Eastern Economic Review

Findlay, Christopher *et al.* *Policy Reform, Economic Growth and China's Agriculture*, Development Centre of the Organisation for Economic Co-operation and Development, OECD 1993.

Findlay, Christopher *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999.

Findlay, Christopher *et al* (eds.), *Rural Enterprises in China*, St. Martin's Press, New York, 1994.

Findlay, Christopher, *et al.* "The Implications of Grain Market Reform for China's International Grain Trade: An Overview", in Christopher Findlay *et al* (ed.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 224.

Findlay, Christopher, *et al.* "Food and Profit: the Political Economy of Grain Market Reform in China", in Christopher Findlay *et al.* (ed.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 10.

Financial Review

Fitzgerald, Stephen. *China and the Overseas Chinese A Study of Peking's Changing Policy 1949 – 1970*, Cambridge, At the University Press, 1972.

Forbes

Friedland, Jonathan. "Seeds of Empire", *Far Eastern Economic Review*, 20 April, 1989, pp. 46-47.

Gao, Shangquan. "China's Economy Vital for Asia-Pacific", *Beijing Review*, Jan 16-22, 1995, p. 17.

Garnaut, Ross. "China: New Engine of World Growth", in Ross Garnaut and Ligang Song (eds.), *China New Engine of World Growth*, Asia Pacific Press at the Australian National University, 2003.

Garnaut, Ross and Guonan Ma. "The Third Revolution", in Ross, Garnaut *et al.* (eds.), *The Third Revolution in the Chinese Countryside*, Cambridge University Press, 1996.

Garnaut, Ross and Liu Guoguang, (eds.), *Economic Reform and Internationalisation*, ALLEN & UWIN in Association with the Pacific Trade and Development Conference Secretariat, The Australian National University, 1992.

Garnaut, Ross, *et al.* "A Turning Point in China's Agricultural Development", in Ross Garnaut *et al.*, (eds.), *The Third Revolution in the Chinese Countryside* Cambridge University Press 1996, pp. 186-193.

Garnaut, Ross, *et al.*, (eds.), *Asia Pacific Regionalism: Reading in International Economic Relations*, Pymble, N.S.W.: Harper Educational in Association with the Australian Japan Research Centre, 1994.

Godley, Michael R. *the Mandarin-capitalists from Nanyang, Overseas Chinese Enterprise in the Modernisation of China 1893-1911*, Cambridge University Press, Cambridge, 1981.

Godley, Michael R. "The Moral Economy of Profit: Diaspora Capitalism and The Future of China" in Leo Douw, Cen Huang and Michael R. Godley (eds.), *Qiaoxiang Ties: Interdisciplinary Approaches to "Cultural Capitalism" in South China*, International Institute for Asian Studies Leiden and Amsterdam, 1999.

Godley, Michael R. "The Sojourners: Returned Overseas Chinese in the Republic of China", *Pacific Affairs* 62:3 (Fall), June 1989, pp. 330-352.

Goldstein, Carl. "Peking Pins Hopes on Hi-tech Piggeries", *Far Eastern Economic Review*, Vol. 142, No. 44, 3 Nov. 1988, pp. 102-104.

Goldstein, Carl, "Full Speed Ahead", *Far Eastern Economic Review*, 21 October 1993, pp. 66-67.

Goldstein, Carl, "Landed Gentry", *Far Eastern Economic Review*, 21 October 1993, p. 69.

Gomez, Edmund Terence and Hsiao Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004.

Gomez, Edmund Terence and Gregor Benton, "De-essentializing Capitalism: Chinese Enterprise, transnationalism, and identity", in Gomez, Edmund Terence and Hsiao, Hsin-Huang Michael (eds.), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p. 2.

Guangdong Shen Zhengxie Wenshi Zhiliao Weiyanghui, Shantoushi Zhengxie Wenshi Zhiliao Weiyuanhui, [Guangdong Political Consultative Conference Committee of Culture and History Document Collection and Shantou Political Consultative Conference Committee of Culture and History Document Collection (eds.), Guangdong Wenshi Zhiliao Di 76 ji [Guangdong Cultural and Historical Document Vol .76], *Chaoshan Junyan*, [Teochew Outstanding Businessmen], Guangdong Renmin Chubanshe, Guangzhou, [Guangdong People's Press], Guangzhou, 1994.

Guo, Shutian, *Duanque yu Duice: Zhongguo Liangshi Wenti Yanjiu*, [Shortage and Countermeasure: Research into Grain Issues in China] Zhongguo Renmin Daxue Chubanshe, Beijing, [The People's University of China Press], Beijing 1988, p. 41.

Guo, Shutian. "The Relationship between Grain Prices and Inflation", in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 60.

Haley, George T., Tan, Chin Tiong, and Haley, Usha C.V. *New Asian Emperors: The Overseas Chinese, Their Strategies and Competitive Advantages*, Butterworth Heinemann, 1998, p. 32.

Hamilton, Gary G. "The Organisational Foundations of Western and Chinese Commerce: A Historical and Comparative Analysis", in Hamilton, Gary G. (ed.), *Business Networks and Economic Development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, 1991, pp. 57-62.

Hamilton, Gary G., (ed.) *Business Networks and Economic Development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, 1991.

Hamilton, Gary G., "Overseas Chinese Capitalism", in Tu Wei-ming (ed), *Confucian Traditions in East Asian Modernity*, Harvard University Press, Cambridge, Massachusetts, 1996, p. 341.

Handley, Paul. "Processed Profits: Thai Firms Stake Claims to a Huge Market", *Far Eastern Economic Review*, Vol. 156, No. 17, 29 April 1993, 50.

Handley, Paul. "The Falling Price of Success", *Far Eastern Economic Review*, April 29, 1993, pp. 48-49.

Harding, Harry. "The Concept of "Greater China": Themes, Variations and Reservations", in Shambough, David (ed), *Great China: the Next Superpower?* p. 21.

Hayes, James. *Friends and Teachers Hong Kong and Its People, 1953-87*, Hong Kong University Press, Hong Kong, 1996.

Heberer, Thomas. "The Role of Private Entrepreneurship for Social and Political Change in the People's Republic of China and Vietnam", , in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 103-104.

Herman, Edward S. *Corporate Control, Corporate Power*, Cambridge University Press, Cambridge, 1981, pp. 78-82.

Hewison, Kevin J. "Pathways to Recovery: Bankers, Business, and Nationalism in Thailand", Working Papers Series No. 1, April 2001, Southeast Asia Research Centre, City University of Hong Kong.

Hewison, Kevin J. "Pathways to Recovery: Bankers, Business, and Nationalism in Thailand", in Gomez, Edmund Terence and Hsiao Hsin-Huang Michael (eds), *Chinese Enterprise, Transnationalism, and Identity*, Routledge Curzon, London and New York, 2004, p. 232.

Hiebert, M. "Investment: Opening the Door Slowly - Laos Circulates a Draft Foreign-investment Code", *Far Eastern Economic Review*, Vol. 140, No. 26, 30 June 1988, 64.

Hiscock, Geoff. "The Bamboo Networks", *Australian*, August 16, 1995, p. 37.

Hiscock, Geoff. *Asia's New Wealth Club*, Nicholas Brealey Publishing, London, 2000.

HKCCCC., *The Official Report of the Eighth Teochew International Convention*, 1997.

HK SMA. *Xianggang Shantou Shanghui Wushisan Zhounian Jinian Tekan*, [The Commemorative Publication of the 53Th Anniversary of the HK SMA], HK SMA. 1998.

- Hoffmann, Walter. *Growth of Industrial Economics*, Manchester University Press, Manchester, 1958.
- Hofheinz, Roy Jr. *The Broken Wave – The Chinese Communist Peasant Movement, 1922 - 1928*, Harvard University Press, Cambridge, Massachusetts, 1977, pp. 144 – 170, and p. 252.
- Hong, Lisa. *Thailand in the Nineteenth Century Evolution of the Economy and Society*, Institute of Southeast Asian Studies, Singapore, 1984.
- Hong Sisi, *Xinhai Geming yu Huaqiao*, [The 1911 Revolution and the Overseas Chinese], People's Publishing Company, Beijing, 1981, p. 13.
- Hsiao, Hsin-Huang Michael *et al.* "Ascent through National Integration: The Chinese Triangle of Mainland-Taiwan-Hong Kong" in Ravi Arvind Palat (ed.), *Pacific-Asia and the Future of the World System*, Westport Greenwood Press, 1993, pp. 135-139.
- Hu, Fiona. (ed.), *Special Collection from the First World Chinese Entrepreneurs Convention*, Singapore Chinese Chamber of Commerce & Industry, 1992,
- Huang, Kungzhang and Zhang, Yinglong (eds.), *Hua Qiao Hua Ren Yu Zhong Guo Qiao Xiang de Xian Dai Hua*, [Ethnic Chinese and the Modernisation of Their Hometowns in China], Zhong Guo Huaqiao Chubanshe, Beijing, [Ethnic Chinese Publication of China], Beijing, 2003, p. 94.
- Huang, Jianrong. *The Application of Policy-making Theories in Post-Mao China*, Ashgate Publishing Company, England, 1999.
- Huang, Ting. *Chaoshan Wen Hua Yuan Liu* [The Sources of Teochew (Chaoshan) Culture] Guangdong Gaoden Jiaoyu Chubanshe, Guangzhou, [Guangdong High Education Press], Guangzhou, 1999.
- Huang, Yasheng. *Inflation and Investment Control in China, the Political Economy of Central-local Relations during the Reform Era*, Cambridge University Press, Cambridge, 1996.
- Huang, Yiping. *Agricultural Reform in China Getting Institutions Right*, Cambridge University Press, Cambridge, 1998.
- Huang, Yiping. "Completing the Third Revolution", in R. Garnaut *et al.* (eds.), *The Third Revolution in the Chinese Countryside*, Cambridge University Press, Cambridge, 1996.
- Huang, Zan Fa. *Chaoshan Xian Min Yu Xian Xian* [The Forefather and Elite of Teochew (Chaozhou-Shantou)], Shantou University Press, Shantou, 2000.
- Hywel, G. Jones. *An Introduction to Modern Theories of Economic Growth*, McGraw-Hill, New York, 1976.

Ingram, James C. *Economic Change In Thailand 1850-1970*, Stanford University Press, Stanford, 1971.

Ip, David and Lever-Tracy, Constance. *Trailblazing into China: Networks and Linkages of Smaller Diaspora Firms*, Asia Research Centre, Murdoch University, Working Paper No. 33, February, 1994.

International Business Asia

ITYC. *The Commemorative Publication of the First International Teochew Youth Convention*.

Iwasaki, Ikuo. "A Reflection on Some Basic Characteristics of Ethnic Chinese Capital in Contemporary Southeast Asia", in Yu Chungsun (ed.), *Ethnic Chinese Their Economy, Politics and Culture*, The Japan Times, Tokyo, 2000, p. 21.

James, David. "Half the Miracle Has Already Happened", *Business Review Weekly*, July 6, 2001, p. 44.

Jiang, Xin. "More than Hundred Lawyers Organised Organizations to Help Residents Household of the Matters of Destroying and Vacating Their Houses in Shanghai", *The International Chinese Newsweekly*, 12 October, 2003, p. 94.

Jiang, Xun. "Zhongguo Siyin Qiyejia Gaibian Zhongguo Minyun", [China's Private Entrepreneurs Change China's Destiny], *The International Chinese Weekly*, 23-29/12/2002, pp. 13-15.

Johanson, J. and Wiedersheim-Paul, F. "The Internationalization of the Firm: Four Swedish Cases", *Journal of Management Studies*, 12, 1975, pp. 305-322.

Kao, Cheng-shu. "Personal Trust in the Large Business in Taiwan: A Traditional Foundation for Contemporary Economic Activities" in Gary G. Hamilton (ed.), *Business Networks and Business development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, p. 69.

Kee, Pookong. "Unravelling the Global Chinese Business Networks", *BIPR Bulletin*, No.11, April, 1994, pp. 9-12.

Khan, K.M. (ed.), *Multinationals of the South: New Actors in the International Economy*, Frances Printer Publishers, London, 1986.

Kui, Shi. Chaozhou Xue Fafan [Formal Introduction to Teochew Studies], in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds.), *Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji (Shang Ce)* [Essays from the International Conference on Teochew Studies], (First Volume), Jinan University Press, Guangzhou, 1994, p. 27.

Kumar, K. & Mcleod, M.G. (eds.), *Multinationals from Developing Countries*, Lexington, Massachusetts: D.C. Heath. 1981.

- Lall, S. "The Rise of Multinationals from the Third World", *Third World Quarterly*, No. 3. 1983, pp. 618-625.
- Laothamatas, Anek. *Business Associations and the New Political Economy of Thailand*, Institute of Southeast Asian Studies, Singapore. Westview Press, Inc. USA, 1992.
- Lardy, Nicholas R., "The Role of Foreign Trade and Investment in China's Economic Transformation", *The China Quarterly*, December 1995(144): pp. 1065-1082.
- Lau, Siu-Kai. *Society and Politics in Hong Kong*, The Chinese University Press, Hong Kong, 1984
- Lee, Ching Kwan. "Factory Regimes of Chinese Capitalism: Different Cultural Logics in Labour Control", in Aihwa Ong and Donald M. Nonini, (eds.), *Ungrounded Empires: The Cultural Politics of Modern Chinese Transnationalism*, Routledge, New York, London, 1997, pp. 118-124.
- Lee, Cryungly. "Foreign Direct Investment in China: Do State Policies Matter?" *Issues & Studies*, Vol. 33, No. 7, July 1997, pp. 40-61.
- Lee, Josephine. "Fowl Play", *Forbes*, 17 March 2003, pp. 78-79.
- Lei, Quihuai. "China's Experiences and Lessons from the Utilisation of Foreign Capital", *China Report*, 28:3, 1992, pp. 183-192.
- Leng, Dong. "Hai Wai Chaoren Zai Shantou de Touzi", [Foreign Investment in Shantou from Ethnic Teochew Chinese Overseas], in Zhuang Guo Tu (ed.), *Zhong Guo Qiaoxiang Yangjiu*, [The Studies of Ethnic Chinese Home Villages in China], Xiamen University Press, Xiamen, 2000, p. 309.
- Lethbridge, David G. and Ng Sek Hong (eds.), *The Business Environment in Hong Kong*, Oxford University Press, Oxford, New York, 1995.
- Leung Chi-Keung and Steve S. K. Chin (eds.) *China in Readjustment*, Centre for Asian Studies, University of Hong Kong, 1983.
- Lever-Tracy, Constance, Ip, D. and Tracy, Noel. *The Chinese Diaspora and Mainland China: An Emerging Economic Synergy*, Macmillan Pess LTD., 1996.
- Levy, Richard. "Corruption, Economic Crime and Social Transformation since the Reform: the Debate in China", *The Australian Journal of Chinese Affairs*, Issue 33, January 1995, pp. 1-25.
- Li, Qingyong. "Huaqi Yuananan Shimo", [The Whole Story of an Injustice Case of the South China Enterprise Pty Ltd], *Yuehai Tongxing*, [Same Heart in the Southeast China Sea], January 1991, Chinese Communist Party, Guangdong Committee United Front Department Press, Guangzhou, 1991, pp. 31-32.

Li, Si-ming and Tang Wing-shing (eds.), *China's Regions, Polity, and Economy: A Study of Special Transformation in the Post-Reform Era*, The Chinese University Press, Hong Kong, 2000.

Liew, Leong. *The Chinese Economy in Transition from Plan to Market*, Edward Elgar, UK, 1997.

Limlingan, Victor S. "The Chinese Trading Company", in Victor S. Limlintongan (ed.), *The Overseas Chinese in ASEAN: Business Strategies and Management Practices*, Manila, De La Salle University Press. 1994.

Lin, Jinzhi. "Haiwai Huaren Zhai Chaoshan Diqu de Touzhi Ji Jin huo de Fazhang" [The Investment and Developing Tendency of Ethnic Chinese in the Chaoshan Region], in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds.), *Chao Zhou Xue Guo Ji Yan Tao Hui Lun Wei Ji (Xia Ce)*, [Essays from the International Conference on Teochew Studies], (Last Volume), Jinan University Press, Guangzhou, 1994, Footnote 1, p. 556.

Lin, Justin Yifu *et al.* *The China Miracle: Development Strategy and Economic Reform*, The Chinese University of Hong Kong, The Chinese University of Hong Kong Press, Hong Kong, 1996.

Lin, Justin Yifu. "Success in Early Reform: Setting the Stage", in R. Garnaut *et al.* (eds.), *The Third Revolution in the Chinese Countryside*, Cambridge University Press, 1996, pp. 13-15.

Lin, Yi-Min, *Between Politics and Markets, Firms, Competition, and Institutional Change in Post-Mao China*, Cambridge University Press, Cambridge, 2001.

Liu, Qijie, "The Speech of the Chairman of Hong Kong Teochew Chamber of Commerce", in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds.), *Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji (Shang Ce)* [Essays from the International Conference on Teochew Studies], (First Volume), Jinan University Press, Guangzhou, 1994, p. 3

Lockett, Martin. "China's Special Economic Zones: The Cultural and Managerial Challenges", *Journal of General Management*, Vol. 12, No. 3, (Spring), 1987, pp. 21-31.

Luo, Yadong. *Guanxi and Business*, World Scientific Publishing Co. Pte. Ltd., Singapore, 2000.

Luo, Yadong and Min Chen. "Does guanxi influence Firm Performance?", *Asian Pacific Journal of Management*, Vol. 14, 1997, pp. 1-16.

Management Today

Ma, Hong. *New Strategy for China's Economy*, New World Press, Beijing, 1983.

March, J. G. "Exploration and Exploitation in Organizational Learning", *Organization Science*, 1: 1991, pp. 71-87.

Menkhoff, Thomas and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004

Menkhoff, Thomas and Solvay Gerke. "Asia's Transformation and the Role of the Ethnic Chinese" in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004.

Mitchell, Donald O. *et al. The World Food Outlook*, Cambridge University Press, Cambridge, 1997.

Moore, Jonathan. "Feeding Public Interest: Charoen Pokphand Raises More Money in Taiwan", *Far Eastern Economic Review*, Vol. 139, No. 9, 3 March 1988, 61.

Murphy, Katharine. "Losing the Thread on China", *The Australian*, May10 2005, p. 24.

Nan, Luming, and Zhiyue Xiao. *Zhonghua Renmin Gongheguo Dichang Falu Zhidu - Tudi Zhidu Gaige ji Tudi Sheyongquan Zhuran Zhuangran*, [The Land and Property Legal System of the People's Republic of China: Land System Reform, Sell and Transit Right for Using Land], Zhongguo Fazhi Chubanshe, Beijing, [Legal System Publication of China], Beijing, 1992.

Naughton, Barry. *The China Circle: Economics and Electronics in the PRC, Taiwan and Hong Kong*, Brooking Institution Press, Washington, D. C.,1997, p.91.

Oi, J. C. "The Role of the Local State in China's Transitional Economy," *The China Quarterly*, 1995, No.144, pp.1133-1148.

Ong, Aihwa and Donald M. Nonini, (eds.), *Ungrounded Empires: The Cultural Politics of Modern Chinese Transnationalism*, Routledge, New York, London, 1997.

Ouyang, Jianyu, *Foreign Direct Investment in China and Its Impact on Manufacturing Growth*, Institute of Social Studies, Netherlands, 1997.

Palat, Ravi Arvind (ed.), *Pacific-Asia and the Future of the World System*, Greenwood Press, Westport Connecticut, London., 1993.

Pananond, Pavidia and Zeithaml, Carl P. "The International Expansion Process of MNEs from Developing Countries: A Case Study of Thailand's CP Group", *Asia Pacific Journal of Management*, VOL. 15, 1998, pp. 163-184.

Qiao, Tianbi. "Sharing Economic Fruits with 900 Million Farmers", *China Today*, Vol. 54, No. 5 May 2005, p. 14.

Redding, S. Gordon. *The Spirit of Chinese Capitalism*, Walter de Gruyter, Berlin, New York, 1993.

Redding, S. Gordon. "Societal Transformation and the Contribution of Authority Relations and Cooperation Norms in Overseas Chinese Business", in Tu Weiming (ed.), *Confucian Traditions in East Asian Modernity*, Harvard University Press, Cambridge, 1996, pp. 313-314.

Reporting Unit, "Intelligence, China-bound Thais", *Far Eastern Economic Review*, Vol. 142, No. 46, 17 Nov 1988, p. 13.

Reporting Unit, "Intelligence, Hatching Plans", *Far Eastern Economic Review*, Vol. 139, No. 1, 7 Jan 1988, p. 9.

Reporting Unit, "Intelligence: Agribusiness Listing", *Far Eastern Economic Review*, Vol. 144, No. 14, 6 April 1989, p. 9.

Reporting Unit, *Renmin Ribao (Haiwaiban)*, [People's Daily, Foreign Edition], Beijing, China, 3 March, 1998, p. 2.

Rex, Jory. "Scarsella's Surprise: I'm Leaving Adelaide", *The Advertiser*, February 23, 2005, pp. 1-2.

Reyes, Alejandro. "Special Issue: China: The Next Long March", *Asia Week*, March 30 - April 6, 2001, pp. 28-35.

Rocca, Jean-Louis. "Corruption and its Shadow: An Anthropological View of Corruption in China", *The China Quarterly*, June 1992 (130), pp. 402-416.

Rodney, Tasker. "Team Player", *Far Eastern Economic Review*, 27 December, 2001, p. 82.

Root, Hilton. "Corruption in China: Has It Become Systemic?" *Asian Survey*, Vol. 36, No. 8, August 1996: 741-757, pp. 747-751.

Schak, David C. "Culture As a Management Issue: The Case of Taiwanese Entrepreneurs in the Pearl River Delta", in Leo Douw, Cen Huang and Michael R. Godley (eds.), *Qiaoxinag Ties: Interdisciplinary Approaches to 'cultural Capitalism' in South China*, Kegan Paul International London and New York in Association with International Institute For Asian Studies Leiden and Amsterdam, 1999, p. 247.

Seagrave, Sterling. *Lords of the Rim: the Invisible Empire of the Overseas Chinese*, G. P. Putnam's Sons, New York, 1995.

Schlevogt, Kai-Alexander. "Chinese Entrepreneurship and Resilient National Development", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, p. 84.

Sen, Amartya. *Development as Freedom*, Alfred A. Knopf, Inc. Random House, Inc. New York, 1999, Fourth Printing, February, 2000.

Shambaugh, David (ed.), *Greater China: the Next Superpower?* Oxford University Press, Oxford, 1995

Shen, Chong and Xiang Xiyang, (eds.), *Shinianlai, Lilun, Zhengce, Shijian-Ziliao Xuanbian (si)*, [Ten Years: Theory, Policy, Practice-Selected Information (4)], Qiushi Publishing Company, Beijing, 1988.

Sheridan, Greg. "The China Rush", *The Weekend Australian*, April 16-17, 2005, p. 19.

Skinner, G. William. *Chinese Society in Thailand: An Analytical History*, Cornell University Press, Ithaca, New York, 1962.

Skinner, G. William. *Leadership and Power in the Chinese Community of Thailand*, Cornell University Press, Ithaca, New York, 1967.

Sinn, Elizabeth (ed.), *The Last Half Century of Chinese Overseas*, Hong Kong University Press, Hong Kong, 1998.

Sinn, Elizabeth. "Xin Xi Guxiang: A Study of Regional Association as a Bonding Mechanism in the Chinese Diaspora, the Hong Kong Experience", *Modern Asian Studies*, No. 31, February 1997, pp. 375-397.

Smart, Alan. "Getting Things Done Across The Hong Kong Border: Economic Culture in Theory and Practice", in Leo Douw, Cen Huang and Michael R. Godley (eds.), *Qiaoxinag Ties: Interdisciplinary Approaches to 'cultural Capitalism' in South China*, Kegan Paul International London and New York in association with International Institute For Asian Studies Leiden and Amsterdam, 1999, p. 164.

Sricharatchanya, Paisal. "Beware of the Relative Wanting Gifts", *Far Eastern Economic Review*, Vol. 126, No. 47, 22 Nov 1984, pp. 51-52.

Sricharatchanya, Paisai. "Not just Chicken Feed", *Far Eastern Economic Review*, March 3, 1988, pp. 58-59.

Sricharatchanya, Paisai. "Funds for a Growing Family: The First Subsidiaries are Listed on the Thai Stock Market", *Far Eastern Economic Review*, Vol. 139, No. 9, March 3, 1988, pp. 60-61.

Sricharatchanya, Paisai. "Mixed Results from Following Government Objectives", *Far Eastern Economic Review* Vol. 140, No. 26, 30 June 1988, p. 62.

Steinberg, Carol. "The Road to China", *World Trade*, Vol. 7, No. 2, March 1994, pp. 30-38.

Strozier, Robert M. "Hong Kong: Neon Skies, Global Ties", *World Trade*, Vol. 27, No. 2, 1993, pp. 20-31.

Suehiro, Akira. "Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group", *Japanese Yearbook on Business History*, Japan Business History Institute, Japan, 1997/14, pp. 31-57.

Suehiro, Akira. *Capital Accumulation in Thailand: 1855- 1985*, The Centre for East Asian Cultural Studies, Tokyo 1989.

Suehiro, Akira. "Family Business Gone Wrong? Ownership Patterns and Corporate Performance in Thailand", Asian Development Bank Institute Working Paper No.19, May 2001.

Sung, Yun-wing. *The China-Hong Kong Connection, The Key to China's Open-door Policy*, Cambridge University Press, Cambridge, 1991.

Sung, Yun-wing. "The Economic Integration of Hong Kong, Taiwan and South Korea with Mainland of China", in Ross Garnaut, *et al* (eds.), *Asia Pacific Regionalism: Reading in International Economic Relations*, Pymble, N.S.W.: Harper Educational Association with the Australian Japan Research Centre, 1994.

Suryadinata, Leo. (ed.), *Ethnic Chinese as Southeast Asians*, Institute of Southeast Asian Studies, Singapore, 1997.

Suryadinata, Leo. "Ethnic Chinese in Southeast Asia: Overseas Chinese, Chinese Overseas or Southeast Asians?", in Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians*, Institute of Southeast Asian Studies, Singapore, 1997, p. 2.

Tan, Chee Beng, comments in Leo Suryadinata, "Ethnic Chinese in Southeast Asia: Overseas Chinese, Chinese Overseas or Southeast Asians?", in Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians*, Institute of Southeast Asian Studies, Singapore, 1997, p. 25.

Tasker, Rodney. "Thailand: Chat Chai Survives the Latest Factional Wrangles: Vested Interests", *Far Eastern Economic Review*, Vol. 150, No. 41, 11 Oct 1990, P. 19.

Tay, Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chiyan) (eds.), *Chao Zhou Xu Guo Ji Yan Tao Hui Lun Wei Ji (Xia Ce)* [Essays from the International Conference on Teochew Studies], (Last Volume), Jinan University Press, Guangzhou, 1994.

The Australian

The Economist

The International Chinese Weekly

The World Bank, *China: Foreign Trade and Reform*, Washington D.C., 1994.

Tolentino, P.E.E. *Technological Accumulation and Third World Multinationals*, Routledge, London, 1993.

Tong, Chee Kiong & Chan Kwok Bun (eds.), *Alternate Identities the Chinese of Contemporary Thailand*, Times Academic Press, Singapore, 2001.

Tong, Chee Kiong, "Centripetal Authority, Differentiated Networks: the Social Organisation of Chinese Firms in Singapore", in Gray Hamilton(ed.), *Business Networks and Economic Development in East and Southeast Asia*, p. 177.

Tracy, Noel and Constance Lever-Tracy. "A New Alliance for Profit: China's local industries and the Chinese diaspora", in Thomas Menkhoff and Solvay Gerke (eds.), *Chinese Entrepreneurship and Asian Business Networks*, Routledge Curzon, New York, 2004, pp. 68-69.

Tsang, Steve. *A Modern History of Hong Kong*, I.B. Tauris & Co Ltd New York, 2004

Tu, Wei-ming (ed.), *Confucian Traditions in East Asian Modernity*, Harvard University Press, Cambridge, Massachusetts, 1996.

Tyler, Patrick E., "Birth Control in China: Coercion and Evasion," *New York Times*, June 25, 1995. in Amartya Sen, *Development as Freedom*, Alfred A. Knopf, Inc. Random House, Inc. New York, Fourth Printing, 2000, pp. 219-220

Unger, Danny, *Building Social Capital in Thailand*, Cambridge University Press, Cambridge, 1998, p. 37.

Vatikiotis Michael, "Follow the Leader: Charoen Pokphand introduces Thai firms to China", *Far Eastern Economic Review*, Vol. 159, No. 39, 26 September 1996, p. 70.

Vatikiotis, Michael, "Sino Chic: Suddenly, It's Cool to be Chinese", *Far Eastern Economic Review*, Vol. 159, No. 2, 11 Jan 1996, p. 23.

Vatikiotis, Michael, "Ties That Bind: Business, Culture Draw Thailand and China Closer", *Far Eastern Economic Review*, Vol. 159, No. 2, 11 Jan 1996, p. 24.

Vatikotis, Michael, "From Chicken to Microchips", *Far Eastern Economic Review*, Vol. 160, No. 4, 23 Jan 1997, pp. 38-44.

Vatikiotis, Michael, "Diplomacy: Tributary Trade: Thailand's Chavalit seals a trade-off with China", *Far Eastern Economic Review*, Vol. 160, No.16, 17 April 1997, p.19.

Vatikiotis, Michael and Fairclough, Gordon, "The Vision Thing: C.P. Group Grows outside Its Core Business", *Far Eastern Economic Review*, Vol. 160, No. 1, 2 January 1997, p. 96.

Vernon, R. "International investment and international trade in the product cycle" *Quarterly Journal of Economics*, 1966, 2. pp. 190-207.

Vogel, Ezra F., *One Step Ahead in China*, Harvard University Press, Cambridge, Massachusetts, 1989.

Wall Street Journal - Asia

Wang Gungwu, "External China as a New Policy", *Pacific Affairs*, 58:1, (Spring), 1984, pp. 28-43.

Wang Gungwu, "South China Perspectives on Overseas Chinese", *The Australian Journal of Chinese Affairs*, No. 13, January, 1995, pp. 109-120.

Wang Gungwu, *China and Chinese Overseas*, Times Academic Press, Singapore, 1993, p. 228.

Wang Gungwu, *The Nanhai Trade: the Early History of Chinese Trade in the South China Sea*, Times Academic Press, Singapore, 1958.

Wang Gungwu & John Wong (eds), *China's Political Economy*, Singapore University Press, National University of Singapore, 1998.

Wang, Jiangming. "The Awareness of Upholding Rights and the Protection of Constitution among Chinese Society", *The International Chinese Newsweekly*, 23 November 2003, p. 33.

Wang, John. "China in the Dynamic Asia-Pacific Region", *The Pacific Review*, Vol. 8, No. 4, 1995, pp. 617-636.

Wang, Mianchang. "Hongli Jiazuo Ziben de Lishi", [The history of Wanglee Family Capital] in Guangdong Shen Zhengxie Wenshi Zhiliao Weiyanghui, Shantoushi Zheng xie Wenshi Zhiliao Weiyuanhui, [Guangdong Political Consultative Conference Committee of Culture and History Document Collection and Shantou Political Consultative Conference Committee of Culture and History Document Collection (eds.), Guangdong Wenshi Zhiliao Di 76 ji [Guangdong Cultural and Historical Document Vol. 76.], *Chaoshan Junyan*, [Teochew Outstanding Businessmen], Guangdong Renmin Chubanshe Guangzhou, [Guangdong People's Press], Guangzhou, 1994, pp. 218-219.

Wang, Mianchang, "Xie Yi Chu yu Zhengda Jituang de Fazhang ji Jinying", [Xie Ek-Chor and Chia Tai Group's Development and Management], in Guangdong Shen Zhengxie Wenshi Zhiliao Weiyanghui, Shantoushi Zheng xie Wenshi Zhiliao Weiyuanhui, [Guangdong Political Consultative Conference Committee of Culture and History Document Collection and Shantou Political Consultative Conference Committee of Culture and History Document Collection (eds.), Guangdong Wenshi Zhiliao Di 76 ji [Guangdong Cultural and Historical Document Vol. 76.], *Chaoshan Junyan*, [Teochew Outstanding Businessmen],

Guangdong Renmin Chubanshe, Guangzhou, [Guangdong People's Press], Guangzhou, 1994, p. 189.

Wank, David L. "Private Business, Bureaucracy, and Political Alliance in a Chinese City", *The Australian Journal of Chinese Affairs*, Issue 33, January 1995, pp. 55-71.

Weidenbaum, Murray and Samuel Hughes. *The Bamboo Network How Expatriate Chinese Entrepreneurs are Creating a New Economic Superpower in Asia*, Martin Kessler Books, The Free Press, New York, 1996.

Wells, L. T. *Third World Multinationals: The Rise of Foreign Investment from Developing Countries*, The MIT Press, Cambridge, Massachusetts, 1983.

Welsh, Frank. *A History of Hong Kong*, Harper Collins Publishers, London, 1994.

Westlake, Michael. "Mean Streets: Bangkok - From Boom to Blight", *Far Eastern Economic Review*, Vol. 150, No. 48, 29 Nov 1990, p. 56.

Westlake, Michael, "Asia's Poorer Countries in Technology Leap: The Big Switch", *Far Eastern Economic Review*, Vol. 151, No. 10, 7 Mar 1991, p. 45.

Wolf, Martin. "Why Capitalism Does it Better", *The Australian Financial Review*, 17, October 2003, pp. 11-12.

Wong, Siu-lun. "Chinese Entrepreneurs and Business Trust", in Gary Hamilton (ed.), *Business Networks and Business development in East and Southeast Asia*, Centre for Asian Studies, University of Hong Kong, 1991, p.21.

Woon Yuen-fong. "The Responses to Rural Reform in an Overseas Chinese Area: Example from Two Localities in the Western Pearl River Delta Region, South China", *Modern Asian Studies*, 31 January 1997:31-59, p. 35.

The World Bank, *World Table*, Johns Hopkins University Press, Baltimore, 1992.

Wu, Harry X., et al. "Grain Demand", in Christopher Findlay et al (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, pp. 68-69.

Wu, Yuan-li, and Chun-his Wu, *Economic development in Southeast Asia: The Chinese Dimension*, Hoover Institution Press, Stanford University, Stanford, 1980, P. 31.

Wu, Xianzhi, Fazhang Yumi Shengchang Shi Zhai Bixing [Development of Maize Production is a Must] in the Chinese Ministry of Agriculture (ed.), *Zhongguo Nongye Wenti Yanjiou*, [Research into Agricultural Issues in China], Beijing, Nongye Chubanshe, Beijing, [Agriculture Publication], Beijing, 1992, p. 115.

Wyatt, David K. *Studies in Thai History*, Silkworm Books, Bangkok, 1999.

Wyngen, Gerry Van. "Super China Marches On", *Business Review Weekly*, March 24-30, 2005, p. 25.

Xia Ping, *Li Jia Cheng Zhuan*. [Li Ka-shing Biography], Zhuo Jia Chubanshe, Author Publishing House, Beijing, 1993, pp. 39-40.

Yang, Hong. "Self-Sufficiency and Regional Specialization", in Christopher Findlay *et al* (eds.), *Food Security and Economic Reform*, Macmillan Press Ltd, Great Britain, 1999, p. 129.

Yang, Xi-Ming. *Chaoren Zai Taiguo*, [Teochews in Thailand], Series of Ethnic Teochews, No. 1. Yiwan Chubanshe, Guangzhou, [Yiwan Press], Guangzhou, 2001, p. 6.

Yatsko, Pamela. "Model Partner", *Far Eastern Economic Review*, 23, January 1997, P. 45.

Yen, Ching-hwang. "Power Structure and Power Relations in the Teochew Community in Singapore, 1819 - 1930", in Tay Lian Soo (Zheng Liang shu) and Chang Chack-yan (Zheng Chi-yan) (eds.), *Chaozhou Xue Guoji Yan Tao Hui, Lun Wen Ji*, (Xia Ce), [Essays from the International Conference on Teochew Studies], (Last Volume), Jinan University Press, Guangzhou, 1994, p. 718.

Yen, Ching-Hwang. *Coolies and Mandarins: China's Protection of Overseas Chinese during the Late Ch'ing Period (1851-1911)*, Singapore University Press, National University of Singapore, Singapore, 1985.

Yen, Ching-hwang. *Studies in Modern Overseas Chinese History*, Times Academic Press, Singapore, 1995, pp. 238-243.

Yen, Ching-hwang. *The Ethnic Chinese in East and Southeast Asia: Business, Culture and Politics*, Times Academic Press, Singapore, 2002.

Yen, Ching-hwang. "Modern Overseas Chinese Business Enterprise: A Preliminary Studies" in Yen, Ching-hwang, *Studies in Modern Overseas Chinese History*, Time Academic Press, Singapore, 1995, pp. 237-254.

Yen, Ching-hwang. "Ethnic Chinese Culture in Southeast Asia: Continuity and Change", in Yu Chunghsun (ed), *Ethnic Chinese: Their Economy, Politics and Culture*, The Japanese Time, Tokyo, 2000, p. 221.

Yen, Ching-hwang. *Tan Kah Kee and the Overseas Entrepreneurship*, A Paper Presented at the Chinese Studies Association of Australian 5th National Conference Held in Adelaide, 16-18 July, 1997.

Yen, Ching-hwang. "Hakka Chinese in Southeast Asian History", in *The Essays from the 3rd International Conference on Hakkaology*, Singapore Nanyang Hakka, Association Publication, Singapore, 1996, pp. 16-18.

Yen, Ching-hwang. *Haiwai Huaren de Shehui Biange yu Shangye Chenzhan* [Social Transformation and Commercial Growth of Overseas Chinese] Xiamen University Press, Xiamen, 2005. pp. 98-99.

Yen, Ching-hwang. *The Role of the Overseas Chinese in the 1911 Revolution*, Southeast Asian Studies Programme, Nanyang University, Singapore, 1978, pp. 10-11.

Yeung, Henry Wai-chung. "International Entrepreneurship and Chinese Business Research", in Dana, Leo-Paul. (eds.), *Handbook of Research on International Entrepreneurship*, Edward Elgar Publishing Limited, Cheltenham UK., Massachusetts USA. 2004, pp.73-93.

Yin, R. K. *Case Study Research*, Sage Publications, California, 1994.

Yu, Chungshun. (ed.), *Ethnic Chinese: Their Economy, Politics and Culture*, The Japan Times, Tokyo, 2000.

Zhang, Chongjun. *Jiedu Li Jiacheng Ruhe Shi Shenyi Changsheng Bushuai* [Unscramble Li Ka-shing: How to Keep Business Prosperous], Guangdong Economy Publishing Company, Guangzhou, 2000.

Zhang, David. *Zai Deng Xiaoping Lingdaoxia de Zhongguo* [China under Deng Xiaoping's Leadership], Law Publishing Company, Beijing, 1998.

Zhang, Ping. *Dangjin Zhongguo Shehuibing* [China's Current Social Problems], Beijing Yanshan Chubanshe, Beijing Yanshan Publishing Company, Beijing, 1993.

Zhang, Xueying. "Changes that Begin at the Grassroots", *China Today*, Vol. 54, No. 5 May 2005, pp. 24-25.

Zhao, Kejing. *Xiang Gang Chaoshang Jian Shi*, [A Brief History of Teochew Merchants in Hong Kong], Hong Kong Teochew Chamber of Commerce Publication, Hong Kong, 2001, pp. 3-4.

Zhongguo Kexueyuan Guoqing Fenxi Yanjiu Xiaozu [The National Condition Analytical Unit, Chinese Academy of Sciences], Research Reports of National Condition, No. 2, *Kaiyuan yu Jieliu* [Tap New Source of Supply and Reduce Consumption] Zhongguo Kexue Chubanshe, Beijing, [Science Publication of China], Beijing, 1992.

Zhongguo Kexueyuan Guoqing Fenxi Yanjiu Xiaozu [The National Condition Analytical Unit, the Chinese Academy of Science], Research Report of National Condition, No. 4, *Jiyu yu Tiaozhan* [Opportunities and Challenges], Zhongguo Kexue Chubanshe, Beijing, [Science Publication of China], Beijing, 1994.

Zhuang, Guo Tu. *Zhongguo Fengjian Zhengfu de Huaqiao Zhengce* [The Overseas Chinese Policies in Imperial China], Xiamen Daxue Chubanshe, Xiamen, [Xiamen University Press], Xiamen, 1989, p. 353.

Internet Sources

Austrade Online: <http://austrade.gov.au> Trade Watch Australian Department of Foreign Affairs and trade.

Chen Qide, Shanghai Star, 2001-09-06. [Http://www.chinadaily.com.cn/star/2001/09/06/bz10-2.html](http://www.chinadaily.com.cn/star/2001/09/06/bz10-2.html) Viewed 7 January 2003.

Cheng, Qiao, *Chenghaishi Wangcheng Luoshi Qiaofang Zhengce*, [Chenghai City Completed Its Task to Redress the Policy of Returning Housing Right to Ethnic Chinese] <http://www.chaorenwang.com/cxnews/qwgz/4.htm> Viewed 24 December 2002.

Chia Tai Group, "About Chia Tai Group", http://www.chiataiagro.com/company/cpsy_e.html?cp=i Viewed 8 January 2003.

CP Group, "Chia Tai Companies", http://www.chiataiagro.com/company/company_e.html Viewed 15 June 2001.

CP (Chia Tai) Group, "About Chia Tai (CP) Group", www.cpgroup.cn/english/web/ctbrief.asp Viewed 21 July 2006.

CP Group, "About CP Group: Case Studies", http://www.cpthailand.com/about_main_case.htm Viewed 6 January 2003.

CP Group, "The CP Story", http://www.cpthailand.com/about_main_history.htm Viewed 6 January 2003.

CP Group, "About CP Group: Corporate Overview", http://www.cpthailand.com/about_main_overview.htm Viewed 8 January 2003.

CP Group, "Global Network", www.cpthailand.com/about_main_global.htm Viewed 6 January 2003.

CP Group, "Overseas Business Partners", www.cpthailand.com/about_main_partners.htm Viewed 6 January 2003.

CP Group, "About Chia Tai Group", www.chiataiagro.com/company/company-e.html Viewed 7 January 2003.

CP Group, CP (Chia Tai) Group, "About Chia Tai (CP) Group", www.cpgroup.cn/english/web/ctbrief.asp Viewed 21 July 2006.

CP Group, "About Chia Tai Group", www.chiataiagro.com/company/company-e.html Viewed 15 March 2001.

CP Group, "Agribusiness", www.cpthailand.com/webguest/agribusiness.aspx
Viewed 28 July 2004.

CP Group, "Subsidiaries", www.cpgroup.cn/english/web/subcorpintdetails
Viewed 28 July 2004.

Dan E. and Corn David, "Influence Peddling, Bush Style",
<http://www.moldea.com/Bush-China-hypocrisy.html> Viewed 8 May C2001.

Editing Unit, "Feature: About CP",
<http://www.asianvendors.org/trade/thailand/magazine/200011/featured200011.html>
Viewed 6 January 2003.

Guangdong Government Document Regarding These Property Development
Policies. www.gd.gov.cn/aspsamp/gd.gov/wj_title.asp?id=426 Viewed 31 January
2002.

Reporting Unit, "Hong Kong Teochew Chamber of Commerce and Teochew
Guild Hall", <http://www.dahuawang.com/ztxw/chaotuan/cthk.htm> Viewed 27 July
2001.

Reporting Unit, "International Teochew Organisations",
<http://www.dahuawang.com/ztxw/chaotuan> . Viewed 23 March 2002.

Reporting Unit, "Talk about Teochews in Thailand", in the Special Issues of the
Tenth Teochew International Convention.
<http://www.dahuawang.com/ztxw/chaotuan/cr3.htm> Viewed 28 August 2001.

Reporting team, "The Feature of ASIA 2002, Mr. Dhanin Chearavanont",
<http://www.nni.Nikkei.co.jp/fr/Nikkei/inasia/future/2002/2002pro_cheapavanont.html>
Viewed 6 January 2003.

Reporting Unit, "Thai Agribusiness Giant to Expand Retail Chain in China",
Xinhua News Agency, November 1, 2000, p1008304h8819, Infotrac, Adelaide
University ASAP Article A66489717.

Reporting Unit, News,
<http://www.dahuawang.com/ztxw/wxb/show.asp?no=244&type=2> News' Office
of the Shantou People's Government. Viewed 25 August 2003.

Reporting Unit,, "Tell the Whole Story about Charoen Pokphand", *Business
Week*, June 18, 2001 i3737 p.7, Infotrac, Adelaide University ASAP Article
A75528656.

Reyes, Alejandro, "Special Issue: China: The Next Long March", *Asia Week*,
March 30 - April 6, 2001, pp. 28-35. Infotra, Adelaide University ASAP Article
A72742411.

News Reporting Unit, "CP Group to Expand Business in China via Internet", Xinhua News Agency, November 1, 2000 p 1008306h9215, Infotrac, Adelaide University ASAP Article A66493254.

News Reporting Unit, Chinese Xinhua News Agency News, "Thai Agribusiness Giant Sees More Opportunities in Post-WTO Chinese Market", Xinhua News Agency, November 3, 2000 p1008307h9756, Infotrac, Adelaide University ASAP Article A 66566209.

News Reporting Unit, News' Office of the Shantou People's Government. <http://www.dahuawang.com/ztxw/wxb/show.asp?no=244&type=2>. News, News' Office of the Shantou People's Government. Viewed 25 August 2003.

The Nobel Prize Internet Archives, www.almaz.com/nobel/economics/1998a.html Viewed 6 May 2006.