

## **Context of Discussion**

Explores how Malaysia's Chinese-owned companies have managed to sustain or develop their enterprise despite working in an environment that has provided little support for their interests.

- **Key Question**

Has common ethnic identity, referred to as a form of “Chinese commonwealth” involving a network of many individual enterprises that share a similar culture, facilitated the emergence of a dynamic entrepreneurial community, domestically & internationally?

- **Importance of Question**

- Study on enterprise development in national and international perspective draws greater attention to current debates on:
  - 1) mode of development of capital of diasporic communities;
  - 2) provides insights into factors that contributed to development of Chinese capital & identity formation in Malaysia;
  - 3) draws attention to issues like ethnic & national identity, in an age where ethnic capital is said to function in a transnational manner.

- **Understanding Transnationalism & Identity**

- Current Definition:

- 1) Transnational community - social formation best exemplified by ethnic diasporas. Relates in manner of a triad - globally dispersed self, the states it inhabits, & its ancestral homeland.
- 2) Medium is the network, dynamized by new technologies.
- 3) Multiple identifications & a sense of cultural fluidity.
- 4) Economic transnationalism is chiefly province of global corporations, but ethnic groups are also players in the world economy, by virtue of their remittances to & investments in the homelands.
- 5) Growing number of cross-border ventures by ethnic Chinese attributed to networks, created on the basis of a common ethnic identity.

- Aihwa Ong – with concept of “flexible citizenship” advocates view that:
- the way global capitalism is evolving in Asia is linked to new cultural representations of “Chineseness”;
- “overseas Chinese” & mainland China are becoming tied in production, trade, & finance “circuits” leading to rise of a form of “fraternal network capitalism” & “Chinese capitalism”;
- emergence of this Chinese capitalism has induced long-assimilated Thai and Indonesian subjects to reclaim their “ethnic Chinese” status as they participate in regional business networks.
- Ong’s argument captures the “culturalist perspective” – members of a common ethnic group share patterns of values, behaviour that is distinct from other ethnic communities.

- This tripartite link between transnationalism, capital, & identity lucidly developed in Ong and Nonini's *Ungrounded Empires: The Cultural Politics of Modern Chinese Transnationalism*.
- This tripartite linkage in transnational theory has served to "essentialize capitalism".
- Redding & Hamilton, though not writing within perspective of transnational theory, are vocal proponents of growing transnational impact of Chinese businesses & networks.
- Essentializing of Chinese enterprises further developed in literature on ethnic enterprise, through works of Light and Waldinger.
- Homogenizing of ethnic communities & culture also developed through arguments like "clash of civilization" by Huntington and concepts like "global tribes", "bamboo networks", & "Chinese commonwealth".

- **Our Argument**

- Transnationalism is characterized by an important contradiction.
- Makes key contribution to literature on identity by focussing on themes of hybridity & pluralism, but in domain of transnational capitalism, falls into trap of essentializing ethnicity.

- **Key Problems With Transnationalism**
- Essentializes ethnicity when applied to ethnic capitalism. Unquestioning use of term “networks”. Ethnically-based “networks” are institutionalized & play major role in helping co-ethnics of diaspora to mobilize & move capital across national boundaries. Definition neither correctly reflects basis on which entrepreneurs undertake business nor of how capitalist enterprises are developed.
- Ethnic networks have reputedly emerged as an avenue for co-ethnics, who are minorities in a country where the state has been hostile to development of their economic interests, to cooperate in business for mutual benefit.
- Definition based on idea of sense of cohesiveness among individuals of one ethnic group acting in concert, usually for economic progress of community and “homeland”, i.e. not country of their birth, but country of origin of their ancestors.

- Definition can have bearing on how state leaders & indigenous communities view ethnic minorities. Suggests that ethnic Chinese identify with their ancestral “homeland” rather than with their country of birth.
- Definition threatens to divert attention away from sense of marginality that ethnic minorities often feel. Minority ethnic groups stress multiplicity of identities & contend that ethnic labels reinforce idea that ethnic communities do not belong “here”, but “elsewhere”. Dichotomy between “indigenous” & “non-indigenous” tends to influence issue of rights accorded to minority communities within a nation state.

- **Research Methodology**

- Two Prong Research:

- **1) In Malaysia**

- To enhance quality of analysis about intra-ethnic business networks, focus is on business ties of one subethnic Chinese community – Hokkiens.
- Primary aim – to identify key factors that contributed to rise of these large enterprises.

- **2) Outside Malaysia**

- To analyse enterprise development by an ethnic minority community in a foreign environment. How do enterprises owned by ethnic Chinese, a minority community in Malaysia, undertake business ventures in a foreign country, i.e. when they function as a TNC in the UK?
- Is there any cooperation among these Malaysian Chinese-owned TNCs as they develop their enterprise in Britain?

- **Case Study 1: Chinese Enterprises in Malaysia**

- Table 1: Business Activity and Sub-ethnic Identity of the Largest Chinese Companies in Malaysia, 2000

Company	Activities	Controlling Shareholder	Sub-ethnic Group
Genting	Gaming, leisure plantations, manufacturing, property development, power generation	Lim Goh Tong	Hokkien
YTL Corp	Construction, power generation, manufacturing, property development	Yeoh Tiong Lay	Hokkien
Public Bank	Banking, finance	Teh Hong Piow	Hokkien
Berjaya	Gaming, manufacturing, telecommunications, media, wholesaling, finance, property development	Vincent Tan	Hokkien
Jaya Tiasa	Manufacturing	Tiong Hiew King	Foochow
Kamunting Corp / Multi-Purpose	Investment holding, property development	T.K. Lim	Hokkien

- Hong Leong Finance, banking, Quek Leng Chan Hokkien
- manufacturing, property
- KLK Plantations, property Lee Loy Seng Hakka
- development, manufacturing
- MUI Manufacturing, retailing, Khoo Kay Peng Hokkien
- hotels, property development,
- media, education services
- Perlis Plantations Manufacturing, hotels, Robert Kuok Foochow
- commodity trading, shipping,
- plantations, property development
- Ekran Construction, trading, Ting Pek Khiing Foochow
- timber extraction, property
- MBf Capital Finance, property Loy Hean Heong Hokkien
- Tan Chong Motor Manufacturing Tan family Hokkien
- Lion Corp Manufacturing, retailing, William Cheng Teochew
- motor assembly, construction
- Oriental Holdings Manufacturing, hotels Loh Boon Siew Hokkien
- Hap Seng Cons Manufacturing Lau Gek Poh Cantonese

- **Important points from Table 1.**
- Majority of these Chinese firms owned by Hokkiens – or Foochows, a variant of Hokkiens – suggesting intra sub-ethnic networking may have contributed to rise of these companies.
- They are involved in a range of activities – finance, gaming, hotels, media, plantations, construction, property development, retailing.
- Most of them involved in manufacturing, suggesting they are not mere rentiers; have a productive dimension to their form of business.
- **No evidence of:**
- interlocking ownership ties;
- interlocking directorships;
- joint business cooperation

- **Consolidation of Banking Sector**

- Best example of sub-ethnic Chinese business cooperation in history:
- During Great Depression in 1932 – merger of three Hokkien-owned banks led to formation of Singapore-based Oversea-Chinese Banking Corporation (OCBC).
- Following 1997 crisis, Malaysian state intensified drive to get banks to merge to form larger enterprises with bigger asset base.
- None of the Chinese-owned banks entered into negotiations to achieve this goal. Among the Chinese-owned banks in Malaysia – Hong Leong Bank, Public Bank, Ban Hin Lee Bank, Southern Bank and Pacific Bank, all controlled by Hokkiens.

- ***Case Study 2: Malaysian Chinese Investments in the UK***

Company	Activity	Main Shareholder
Laura Ashley	Garment retailing	Malayan United Industries (MUI)
Ramus Tile Co. Ltd	Wholesaler of ceramic wall	Hong Leong Co
Benchmark Group	Banking, finance, property development	Hong Leong Co
AAF Ltd	Manufacture & marketing of mechanical products	Hong Leong Co (& AAF Mcquay Int. Inc [USA])
Yule Catto & Co	Manufacturer of Rubber Products	Kuala-Lumpur Kepong (KLK)
Crabtree & Evelyn Holdings	Distribution & retailing of toiletries & cosmetics	KLK
Intrapac (UK)	Sale of parts & equipment	Intra-Muda Holdings
Mclean & Gibson	Engineering services	Intra-Muda Holdings

- **Important Points in Table 2**
- Largest investors in UK: MUI & Hong Leong – both Hokkien-owned; but no links between the two.
- **No evidence of:**
  - interlocking ownership ties with other Malaysian Chinese;
  - interlocking directorships with Malaysian Chinese;
  - joint business cooperation with Malaysian Chinese or with other ethnic Chinese from Asia, or even with British Chinese.

- **Evidence of:**
- **1) Inter-Ethnic Business Ties:**
  - MUI, in Laura Ashley, working with Pat Robertson, former US presidential candidate;
  - Hong Leong, 60 percent stake in Ramus Holdings, wholesaler of ceramic material & self-assembly kitchen furniture;
  - Hong Leong – cooperating with American firm, McQuay International Inc, to control AAF Ltd, manufacturer of air-condition, refrigeration & freezer systems & products.

## **2) Working Alone:**

- Hong Leong acquired Benchmark Bank; attempt to develop its international banking & finance operations.
- KL Kepong – owns Crabtree & Evelyn (toiletries firm)

- **Results**
- **In Malaysia:** Development of Large Enterprise:
- Important concepts for understanding Chinese enterprise development:
  - Entrepreneurship;
  - class resources;
  - effective firm development & organisation;
  - patronage.
- Need to utilise these concepts because:
- profile of companies, their growth contextualised within the economic development of Malaysia, revealed heterogeneity of business styles.
- Differences among them due to number of factors:
  - government policies;
  - resources available to businessmen;
  - entrepreneurial capacity of businessmen;
  - access to state patronage through links with politicians in power.

- **Outside Malaysia**

- Study of Malaysian Chinese investments in UK challenges following arguments:
- creation of co-ethnic business networks by ethnic Chinese when they operate in transnational manner;
- networking with the economic clout of a “global tribe” – this would entail interlocking stock-ownership ties, a sharing of resources, & cooperation to the point of merger;
- that big Chinese companies have interlocking stock ownership & directorate links with other Chinese firms, when they cross borders.

- **Conclusion**

- What does this suggest about Chinese enterprise development:
- Dynamism of Chinese enterprises attributed to intra-ethnic business cooperation. More evidence of competition than of cooperation. Competition, not cooperation, explains their growth & potential to emerge as a dynamic force, nationally & internationally;
- more evidence of inter-ethnic corporate ties than of intra-ethnic business networks.
- Most evident trait – desire to develop enterprises independently. Most partnerships, even those forged on intra-ethnic basis, prove unsustainable in long-term.

- “Family businesses” are rule among diaspora Chinese, but they have little or nothing to do with Chinese culture. They emerge because of problems migrants face in securing start-up capital & hiring labour. Change from family management to professional management happens in enterprises throughout the world. This evolutionary pattern not yet evident among Chinese enterprises because most are still under control of founding or second generation; they are still young.
- In a foreign country, idea of “retribalization”, involving business cooperation with co-ethnics of diaspora or even with other Malaysian Chinese, does not explain how they develop their enterprise. No evidence that promotion of common ethnic identity is important to Chinese businessmen in the development of their enterprise.
- Our findings call into question existence of distinct type of “Chinese capital” & “ethnic enterprise”. Term “ethnic enterprise” has little relevance to companies owned by ethnic communities long settled in a country, like the Chinese in Malaysia & Singapore.

- **What does this suggest about Identity Formation:**
- Ethnicity can be used as political construct to justify state policies (in national perspective) & promote economic pursuits (in international perspective). At both levels, little evidence that common ethnicity promotes economic pursuits or helps unify a community.
- Concept of transnationalism provides little insight into diversity in forms of corporate development of Chinese business groups when they cross-borders, & presents a false idea, that ethnicity, based on common cultural formulations, functions as an important unifying factor. Extent of intra-ethnic cooperation among Chinese businessmen not significant & there is little evidence that Chinese capital will coalesce & emerge as major force in global economy.
- Inter-ethnic business cooperation raises new questions about the importance on national identity as opposed to ethnic identity.