Chinese Diaspora as a Virtual Nation: Interactive Roles between Economic and Social Capital

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This paper attempts to analyse how and in what ways the Chinese diaspora interacts with globalisation in Southeast Asia through their economic and social capital. It explores the theories of globalisation and contrasts them with the thematic changes of Southeast Asia studies, and it conceptualises the economic power, the geographical dispersal nature and the social networking of Chinese diaspora in order to understand how a virtual nation is being constructed. It then examines empirical studies of that economic power using the specific case of Indonesia; comparative studies of Chinese companies in Southeast Asian countries; and foreign direct investment in China from the Association of Southeast Asian Nations. Finally, it surveys the building of the virtual community through ethnicity, languages, associations and Confucianism, from which social capital has been generated among the Chinese diaspora in Southeast Asia.

The Chinese diaspora serves as a point of departure in the re-examination of the concept of sovereignty in the globalisation process (Wang, 1991; Lynn, 1999; Olds, 1999; Sassen, 1998; Friedman, 1999). I will use the term ‘Chinese diaspora’ throughout this paper instead of ‘overseas Chinese’ or Huaqiao: as ‘Overseas Chinese’ suggests relations with China more than their own characters in the establishment of economic power and community network; and Huaqiao is ‘controversial’, because its Chinese connotation entails nationalistic feeling and the ambiguity of residence (Wang, 1991, p. 6). ‘Chinese diaspora’ is not perfect either, but it does capture the notion of their economic and networking relations, especially through border-crossing activities. Their economic power, citizenship and ethnic solidarity contribute to the establishment of a new paradigm of the virtual nation vis-à-vis the existing nation-state system. ‘Virtual nation’ refers here to the economic power circle, ethnic cluster and regional locality of the Chinese diaspora that reside in various Southeast Asian countries. By examining the networking relations of the Chinese diaspora’s capital and their social networks, I will attempt to mingle between the Chinese communities in this region with the debate of regionalism and globalisation.

In this paper, I will explore the theories of globalisation and contrast them with the geographical dispersal situation of the Chinese diaspora to look at their spatial and temporal natures in post-cold-war East Asian studies (Sum, 1999). The experiences of how and in what ways they can adapt to the local communities will be the focal point. I will then analyse the economic power of Chinese diaspora using the specific case of Indonesia; comparative studies of Chinese companies in Southeast Asian countries; and foreign direct investment (FDI) in China from the
Association of Southeast Asian Nations (ASEAN). The conglomeration of economic power among Chinese diaspora develops the economic nexus that helps them to economically manage ‘across geographic units’ through virtual governance (Porter, 2000, p. 15). Thereafter, I will survey the building of the virtual community through ethnicity, languages, associations and Confucianism, from which social capital has been generated among Chinese diaspora. By so doing, it helps us to understand how they are able to maintain order if no formal hierarchy and formal legally binding principals govern their behaviour. Besides, if such social networking can generate values, this study can shed light on to what extent those values can be facilitated and even ‘invested’ among such people (Putnam and Goss, 2002, p. 8).

Chinese Diaspora as a Virtual Nation

The exploration of Chinese diaspora, collectively, as an actor vis-à-vis the globalisation process allows us to shed light on the existing concept of international politics. In a recent article in *Foreign Policy*, the consultancy firm A. T. Kearney and the Carnegie Endowment for International Peace constructed an index of globalisation (Kearney, 2001). Scientific measurement has been conducted to calculate the level of globalisation by comparing and contrasting different interactive forces such as goods and services, finance, personal contact, technology and inequality factors. They discovered that Singapore topped the ranking as the most globalised nation (Kearney, p. 58), contrasting with some thinking during the cold war that power was equivalent to the size or military might of a country (Friedman, 1999). Besides, Singapore is a hub of the Chinese diaspora and necessitates our further exploration of such people and regional globalisation.

The case of Singapore suggests that the ingredients of power relations, nation-state relations and the conceptual understanding of globalisation should be carefully investigated. Figure 1 demonstrates the quadrangular relations between globalisation and regionalism and between state and non-state actors in East Asian studies. Areas I and II discern two main categories of studies during the cold war, when ASEAN was (in area II) a case of regional development in East Asia, and the unit of study is the state. Area I indicates that trade is one of the bones of contention among countries, confronting them with trade conflicts, which is also one of the elements of globalisation. Japan–US trade conflicts in the 1980s are a classic case, and the Sino–US trade conflict has become more obvious in the early 2000s (Prestowitz, 1988; Lardy, 2002).

In area III, the Asian financial crisis in 1997 was considered to be a detrimental consequence of globalisation where international flows of finance were not matched by country-specific development (financial regulation, government transparency and portfolio investment) (Haggard, 2000; World Bank, 1997; Kregel, 1998). In area IV, however, where Chinese diaspora emerge as non-state actors in the Southeast Asian region, they occupy some of the basic elements, such as spatial and temporal relationships and border-crossing, that constitute part of the understanding of globalisation. The notion of how Chinese diaspora generate regional globalisation requires us to examine the different definitions of globalisation. I want to study three such definitions:
A process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power. (Held et al., 1999, p. 16)

Globalisation, as I shall conceive of it in what follows, at any rate, is not only, or even primarily, about economic interdependence, but about the transformation of time and space in our lives. (Giddens, 1998, pp. 30–1)

Globalisation is a process that generates contradictory spaces, characterized by contestation, internal differentiation, continuous border crossings. (Sassen, 1998, p. xxxiv)

Held et al.’s definition emphasises the concept of flows and the intense transaction process of globalisation. When it comes to the traditional concepts of territories and geopolitical area, the stretching of the issues of the economic, social and political in a globalised world will ‘generate pressures towards a re-territorialisation of socio-economic activity in the form of subnational, regional and supranational economic zones, mechanisms of governance and cultural complexes’ (1999, p. 28). The extent to which globalisation affects our re-definition of social economic activities comes later when they explore the concept of globalisation, and the further
questioning of the roles of nation states in governing our international community, especially when ‘Contemporary global governance involves a relocation of authority from public to quasi-public, and to private, agents’ (Held and McGrew, 2000, 2002, p. 10).

Giddens (1998) points out, in addition to economic relations, the interaction between time and space in the understanding of globalisation. He later pitches the impacts such as information, family and religion on globalisation (Giddens, 1999). And later still, he demonstrates that ‘globalisation from below’ had already begun among millions of individuals and some organised groups (2000, p. 123).5

Among Sassen’s studies on global cities, international migration and even the transnational roles and impacts of the credit-rating companies point to sovereignty and national territories of which massive transaction of financial activities reconstitutes the roles and the functional usage of cities (Sassen, 1996, 1998, 2001). International migrations, particularly to the US, are energised by the ‘powerful international forces ... behind the outflow of emigrants’ (1998, p. 49). Economic globalisation gives rise to a situation of ‘denationalizing of national territory’ (1996, p. 33).

Given the variety of approaches and perspectives used by different authors, they apparently draw the serious challenges of nation states to a conclusion.6 However, their discoveries and findings are relevant to a broad international economic relations phenomenon, rather than to specific and emerging areas in Southeast Asia that have an ethnic group with a high degree of coherence; and these are the areas that I will begin with here.

Figure 2 shows an attempt to conceptualise the relations between the Chinese diaspora in Southeast Asia by introducing initiation, extrapolation and manifestation; initiation refers to the substantial variables that determine their role under globalisation; extrapolation becomes the bridging point between their situational status and current globalisation concepts; and manifestation spells out the obvious phenomenon of the Chinese diaspora in Southeast Asia. Chinese diaspora are ubiquitous in theory; in practice, they are mostly concentrated in Southeast Asian countries (United Nations, 1997, pp. 104–6). According to Suryadinata, 5 percent of the population in Southeast Asia is ethnic Chinese, constituting more than 20

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**Figure 2: Typologies of Chinese Diaspora and Regional Globalisation**

<table>
<thead>
<tr>
<th>Initiation</th>
<th>Extrapolation</th>
<th>Manifestation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic dispersal</td>
<td>Southeast Asia</td>
<td>Cluster</td>
</tr>
<tr>
<td>Economic power</td>
<td>Economic capital</td>
<td>Business relation and investment</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>Social capital</td>
<td>Ethnic groups</td>
</tr>
</tbody>
</table>
million people (Suryadinata, 1997, p. 21). The clustering of Chinese diaspora in Southeast Asian countries is characterised more by their business, social and economic relations than by geographical boundary (Jessop, 1999, p. 21). Here, their relations on economic and social capital created out of the day-to-day business, economic and cultural relations of such people touch upon the very basic reflection of the limits, if not unnatural sovereignty in Southeast Asia (Ohmae, 1993, p. 78).

How did the virtual nation emerge out of the Chinese diaspora in Southeast Asia? According to a survey on the enterprises of Chinese diaspora, conducted by John Kao (1993), 52 percent of respondents reported that more than half of their domestic working relations and 39 percent of their international working relations are with Chinese principals. The so-called ‘Chinese Commonwealth’ became established gradually. These elements help shed light on the understanding of globalisation from the cluster of Chinese diaspora in Southeast Asia. The economic scale of the cluster allows the business to increase production, to drive the pace and direction of innovation and to stimulate the formation of new businesses (Porter, 1998, p. 80). The interweaving clustering among these elements generally developed the borderless empire, with a high degree of governance and the emergence of a virtual nation of Chinese diaspora. In other words, the cluster generated by Chinese diaspora in Southeast Asia demonstrates the various linked networks among different business and ethnic groups. In a recent study on the formulation of the networks of Chinese diaspora, it was discovered that such networks are multi-dimensional: ‘the social network of the Chinese Diaspora works beyond a mere business-inducing medium, as already portrayed above; it also serves as a feeler of social–political stability’ (Mak and Kung, 1999, p. 15).

Chinese Diaspora and Their Economic Power: Three Categories

According to Loris Mitchison, ‘the first Chinese to settle in Southeast Asia were often ship’s crews who stayed, with or without imperial permission, to rebuild their junks in cheap, local wood, or to take advantages of particularly favourable trading conditions and local demands for Chinese skills’ (1961, p. 15). The latter form of clustering of Chinese economic power in Southeast Asia is indicated by the emigration of Chinese to Malaya and the Dutch in the East Indies for plantation and mine workers (Wu, 1983, p. 113). In the nineteenth century, especially in the 1840s, labour migration also increased in Singapore (McKeown, 1999, p. 315). Through business connections, intermarriages and diversification of industries, Chinese entrepreneurs began the coalition of their economic power (Wu, 1983, pp. 115–16). Yeung recently commented that ‘local institutions and social norms have strongly shaped the emergence of Chinese capitalism in Southeast Asia, giving it a distinctive peculiarity and set of practices’ (1999, p. 8). Therefore, a question should be asked. How wealthy are the Chinese diaspora in Southeast Asia?

According to the estimation of the World Bank, the capital of the Chinese diaspora, collectively, was about US$400 billion in 1991 and up to US$600 billion in 1996 (Yeung, 1999, p. 7). But that still seems to be a wild guess rather than a precise measurement. In the following analysis, I will try to use three categories to point to, if not measure, the economic power of the Chinese diaspora: the spe-
Economic Power of Chinese Diaspora in Indonesia

Lucian Pye described Indonesian politics as ‘a bureaucratic polity based on patron–client ties’ (1985, p. 111). After the Asian financial crisis in 1997, the patron–client relations were first openly exposed to the public by the corruption of President Suharto (ousted in 1998) and his family. By that time, foreign investment dropped by 60 percent and the rupiah lost 80 percent of its value against the US dollar (Speth, 1998, p. 8). The economic cost of the crony capitalism (favouritism) was considered by many economists to risk the inefficiency and misallocation of resources (Bai and Wang, 1999, p. 432). Later, the world was clouded with the ways, if not the problems suggested by the International Monetary Fund (IMF) in bailing out East Asian countries in general and Indonesia in particular (Feldstein, 1998; Haggard, 2000). But what about Chinese diaspora in Indonesia? Did they survive after the crisis? And what was the economic result to them after the political changes?

The top ten business groups before the crisis were mainly occupied by the Sino-Indonesian (Table 1). Among the others, Salim group and Sinar Mar were the largest conglomerates controlled by Chinese diaspora. Salim was founded by Liem Sioe (Soe) liong (Sudono Salim). He was born in 1916 in Fujian, China, and established his economic empire by closely applying the concept of patron–client relations (EAAU, 1995, p. 163). According to Suryadinata, ‘he reportedly made the father-in-law of Sukarno, [leader of Indonesia 1949–1966] Hassan Din, the Director of one of his firms and gained many concessions’ (1978, p. 108). After the civil war (1965–66), he continued his connection with the new President Suharto, and his economic empire enlarged to include banks (Bank Central Asia as the largest), airlines, a flour-milling factory (PT Bogasari), a television station and many overseas investments (Suryadinata, 1978, p. 108; EAAU, 1995, p. 166).

After the Asian financial crisis, the Indonesian government issued bonds and established the Indonesian Bank Restructuring Agency (IBRA) to fix (or, more precisely, close, sell or merge) the banks and help the economy get back on track (Malley, 2002, p. 129). After the downfall of Suharto, the traditional patron–client relationship was affected in principle. In June 2001, the IBRA was trying to sell Bank Central Asia to investors other than the businessmen that closed to Suharto. However, Dhume contended that ‘the absence of a major foreign investor means there’s little that IBRA can do to prevent the bank from being sold back to Salim’ (2001, p. 44). According to a survey of the most favourite companies in Indonesia conducted by the Far Eastern Economic Review in 2002, Indofood Sukses Makmur (the flagship of Salim group and the world’s largest manufacturer, by volume, of noodles) still ranked number one (FEER, 2003, pp. 68–9).

Of course, not all Chinese diaspora were as lucky as Liem. The Sinar Mas Group (found by a Fujian businessman Eka Tjipta Widjaja) was trying to diversify its investments after the crisis, especially to China. But the huge debts (US$13.9 billion) of one of its subsidiaries, Asia Pulp & Paper, just made his objective look too ambitious (Webb and Dalven, 2002, pp. 38–40).
## Table 1: Indonesia's Top Ten Business Groups (1993–1996)

<table>
<thead>
<tr>
<th>Ranking/group</th>
<th>Gross Assets (billion rupiahs) 1993</th>
<th>Sales (billion rupiahs) 1996</th>
<th>Activities 1996</th>
<th>Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Salim</td>
<td>30,403.4</td>
<td>53,117</td>
<td>Diversified</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>2. Sinar Mas</td>
<td>14,623.7</td>
<td>20,191</td>
<td>Diversified</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>3. Bank Danamon</td>
<td>8,682.2</td>
<td>2,323</td>
<td>Finance</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>4. Gadjah Tunggal</td>
<td>7,500.0</td>
<td>4,196</td>
<td>Tyre production</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>5. Astra</td>
<td>7,492.0</td>
<td>20,202</td>
<td>Car assembly</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>6. Lippo</td>
<td>7,076.6</td>
<td>9,032</td>
<td>Finance, property</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>7. Dharmala</td>
<td>6,000.0</td>
<td>3,426</td>
<td>Agri-industries, property</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>8. Barito Pacific</td>
<td>5,887.0</td>
<td>2,869</td>
<td>Timber, plywood</td>
<td>Sino-Indonesian</td>
</tr>
<tr>
<td>9. Bimantara</td>
<td>4,560.0</td>
<td>4,292</td>
<td>Diversified</td>
<td>Pribumi</td>
</tr>
<tr>
<td>10. Ongko</td>
<td>4,200.0</td>
<td>4,183</td>
<td>Property</td>
<td>Sino-Indonesian</td>
</tr>
</tbody>
</table>

*Pribumi (non-Chinese).*

The economy of Indonesia was not only occupied by the Chinese diaspora that owned big conglomerates. Many SMEs (small and medium enterprises) also worked closely in the economy of Indonesia, especially in the non-oil manufacturing sector. In 1999, for instance, the exports from SMEs in Indonesia comprised 18 percent of non-oil manufactured export (Berry et al., 2001, p. 373). But Berry et al. also pointed to Chinese networks in the flourishing of SMEs. For example, in rattan furniture and garments, they argued that ‘this practice [employment of expatriates] is concentrated disproportionately among non-pribumi [mainly Chinese] entrepreneurs who have the advantage of being embedded in an extended ethnic community that transcends national boundaries’ (p. 368). The Chinese diaspora in Indonesia are still doing their business after the downfall of Suharto. But their economic plight and political future are not clear because, according to Hal Hill, ‘put bluntly, many Indonesians would probably prefer pribumi [non-Chinese] ownership even if it is inefficient (in the form of SOEs) or rent-seeking (for example, the children of the powerful) than an efficient, unsubsidised non-pribumi operation’ (Hill, H., 1997, pp. 267–8). This paradox reflects just part of the story of Chinese diaspora in just one country in Southeast Asia.

Economic Weight of Chinese Diaspora in Southeast Asia

Table 2 compares the market values of the ten largest Chinese-owned companies from selected countries in Southeast Asia. In ASEAN, Singapore, Indonesia, Malaysia, Philippines and Thailand are the most influential, either economically or politically (Lande, 1999; Garten, 1997; Alagappa, 1995). In Singapore, for example, the market values of the ten largest ethnic Chinese companies (US$40.98 billion) comprise 47.41 percent of the GDP in 1999, which shows that the economy in Singapore is dominated by the Chinese diaspora (77.7 percent are ethnic Chinese).

Table 2: Market Values of the Ten Largest Ethnic Chinese Companies and the GDP of Selected Countries in Southeast Asia (1999)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Market values of ten largest companies (US$ billion)</th>
<th>GDP in 1999 (US$ billion)</th>
<th>Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>40.98</td>
<td>86.43</td>
<td>47.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>18.02</td>
<td>151.74</td>
<td>11.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>16.23</td>
<td>78.74</td>
<td>20.6</td>
</tr>
<tr>
<td>Philippines</td>
<td>9.45</td>
<td>74.32</td>
<td>12.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>13.39</td>
<td>125.12</td>
<td>10.7</td>
</tr>
</tbody>
</table>

GDP in 1999: the currency value in each country is represented by its own currency in International Financial Statistics.

Singapore: MNC and government-linked corporations GLC or Temasek also control the economy. I thank the anonymous reviewers for mentioning this. See also Webb and Saywell (2002, p. 45).

(Suryadinata, 1997, p. 21). The table also shows that the collective size of the ten largest ethnic Chinese companies is much greater in Singapore than in other Southeast Asian countries (Huff, 1994; Leung, 1998); the importance of overseas economic strength can be seen in other countries but to a lesser degree (from 10.70 percent in Thailand to 20.61 percent in Malaysia). That said, we still have to consider some country-specific differences between Southeast Asian countries in measuring the economic capital of the Chinese diaspora. Singapore and Malaysia are ethnically diversified among Chinese, Malay and Indians. The measurement should take into consideration the government, levels of internationalisation (such as the percentage of multinational companies’ involvement in the economy) and the comprehensiveness of the data (large and medium-sized companies). Nevertheless, the cross-sectional and macro comparison allows the exfoliation of one important layer of the economic weight of the Chinese diaspora in Southeast Asia.

**FDI in China from ASEAN**

Southeast Asian countries suffered from the Asian financial crisis in 1997. Their economies were only rescued, barely, by the IMF’s economic rehabilitation programmes at the cost of the IMF reform programmes. For example, IMF bailed out Thailand with a US$17.2 billion reform package on condition that the country should maintain foreign exchange reserves at US$23 billion in 1997 and at US$25 in 1998, cutting its current account deficit to about 5 percent of GDP in 1997 and to 3 percent of GDP in 1998, and to show a budget surplus equal to 1 percent of its GDP in 1998 (CRS, 1997, p. 21). By contrast, Malaysia even tried to control foreign exchange in September 1998 in order to stabilise the exchange rate of the ringgit (Nanyang Siang Pau, 1999, p. A13).

The point is that under these severe financial conditions, who would still have the money to invest from the ASEAN region? Besides, when the institutional function (IMF’s policy) and state capacity (for instance, Indonesian’s corrupted economy) captured the world’s attention, some might just neglect the Chinese diaspora. When the states were in flux, what constituted the political economies of Southeast Asian countries? Although not perfect, these questions lead us to think more logically by linking the economic capital of the Chinese diaspora and the specific investment behaviours of the various countries of ASEAN.

After the opening of the Chinese economy in 1978, Chinese diaspora became the first investors to seize the opportunity of China’s open-door policy (Shambaugh, 1995). Initially, they began their investment in four SEZs (special economic zones), Shenzhen, Zhuhai, Shantou and Xiamen. Table 3 shows FDI in China from ASEAN between 1979 and 2001. China has been chosen as the recipient country because it is the best example to demonstrate the web of capital networks through FDI. From 1979 to 1989, it was steady but low. The sharp reduction of investment was a result of the Tiananmen incident in 1989, but it began to pick up in 1992 (US$2,374.7 million). The ‘Southern Tour’ of the former leader Deng Xiaoping confirmed the open-door policy and helped overseas investors to regain confidence.
Table 3: Foreign Direct Investment in China from ASEAN (1979–2001)

<table>
<thead>
<tr>
<th>Year</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>Indonesia</th>
<th>Brunei</th>
<th>Vietnam</th>
<th>ASEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projects</td>
<td>Value</td>
<td>Projects</td>
<td>Value</td>
<td>Projects</td>
<td>Value</td>
<td>Projects</td>
<td>Value</td>
</tr>
<tr>
<td>1979–82</td>
<td>4.3</td>
<td>0.3</td>
<td>–</td>
<td>–</td>
<td>38.2</td>
<td>–</td>
<td>–</td>
<td>42.8</td>
</tr>
<tr>
<td>1983–89</td>
<td>79</td>
<td>88.9</td>
<td>104</td>
<td>152.4</td>
<td>28</td>
<td>18.5</td>
<td>382</td>
<td>609.3</td>
</tr>
<tr>
<td>1990</td>
<td>18</td>
<td>10.8</td>
<td>28</td>
<td>41.7</td>
<td>7</td>
<td>3.2</td>
<td>72</td>
<td>103.5</td>
</tr>
<tr>
<td>1991</td>
<td>30</td>
<td>17.4</td>
<td>52</td>
<td>108.3</td>
<td>39</td>
<td>40.2</td>
<td>169</td>
<td>155.2</td>
</tr>
<tr>
<td>1992</td>
<td>153</td>
<td>27.2</td>
<td>407</td>
<td>723.4</td>
<td>169</td>
<td>209.1</td>
<td>742</td>
<td>996.6</td>
</tr>
<tr>
<td>1993</td>
<td>302</td>
<td>630.6</td>
<td>809</td>
<td>1,074.3</td>
<td>442</td>
<td>758.6</td>
<td>1,751</td>
<td>2,964.2</td>
</tr>
<tr>
<td>1994</td>
<td>162</td>
<td>290.7</td>
<td>424</td>
<td>781.3</td>
<td>308</td>
<td>617.3</td>
<td>1,443</td>
<td>3,778.0</td>
</tr>
<tr>
<td>1995</td>
<td>125</td>
<td>213.2</td>
<td>304</td>
<td>637.6</td>
<td>243</td>
<td>1,060.7</td>
<td>1,279</td>
<td>8,865.8</td>
</tr>
<tr>
<td>1996</td>
<td>78</td>
<td>165.8</td>
<td>205</td>
<td>438.3</td>
<td>206</td>
<td>757.4</td>
<td>851</td>
<td>6,314.4</td>
</tr>
<tr>
<td>1997</td>
<td>102</td>
<td>181.1</td>
<td>158</td>
<td>316.6</td>
<td>192</td>
<td>490.2</td>
<td>734</td>
<td>4,469.2</td>
</tr>
<tr>
<td>1998</td>
<td>86</td>
<td>144.4</td>
<td>136</td>
<td>280.2</td>
<td>144</td>
<td>325.9</td>
<td>566</td>
<td>3,001.5</td>
</tr>
<tr>
<td>1999</td>
<td>99</td>
<td>184.1</td>
<td>119</td>
<td>247.5</td>
<td>133</td>
<td>265.7</td>
<td>503</td>
<td>2,258.2</td>
</tr>
<tr>
<td>2000</td>
<td>132</td>
<td>361.53</td>
<td>130</td>
<td>170.61</td>
<td>118</td>
<td>388.51</td>
<td>622</td>
<td>2,030.74</td>
</tr>
<tr>
<td>2001</td>
<td>126</td>
<td>297.19</td>
<td>140</td>
<td>377.14</td>
<td>188</td>
<td>472.21</td>
<td>675</td>
<td>1,984.17</td>
</tr>
<tr>
<td></td>
<td><strong>1979–1999</strong></td>
<td><strong>1,942</strong>*</td>
<td><strong>2,863.22</strong></td>
<td><strong>3,016</strong>*</td>
<td><strong>5,349.65</strong></td>
<td><strong>5,407.52</strong></td>
<td><strong>9,789</strong>*</td>
<td><strong>37,359.01</strong></td>
</tr>
</tbody>
</table>

Contractual value: US$ million.

*Figures for 1983–2001 only.

After the Asian financial crisis, FDI in China from 1998 to 2001 was still maintained at a very high level, between US$3,000 to US$4,000 million. This colossal amount came mostly from the five major countries of ASEAN – Philippines, Thailand, Malaysia, Singapore and Indonesia. As already shown in Table 2, these are the countries that have the largest numbers of Chinese diaspora, which, in return, reinforces the building of networks through the economic vehicle. Given their profit-making motive, however, social connections and cultural affinity can also be seen as generators of investment (Sing Tao Daily, 1993, p. 32; Nyaw et al., 2001). Here, ASEAN’s investment implies that the Chinese diaspora facilitated crucial economic functions and even shared the power of the states, at least economically.

**Chinese Diaspora in the Age of Globalisation**

The economic power of Chinese diaspora has several implications for understanding regional globalisation. First, having witnessed the political structure of the post-cold-war world, economic power serves as one of the most important elements in supporting globalisation. For developed countries, the facilitation of globalisation allows multinational companies to flourish and also accelerates global capital flows to virtually every corner of the world. For developing countries, the enormous amount of money flowing to them inevitably implants the seed of monetary crisis. According to the World Bank calculation, the net private capital flows to developing countries exceeded US$240 billion in 1996 (1997, p. 9). Especially in the contemporary world capital market, money and capital will flow along with the ‘drainage’ (any geographical territory) that provided the best economic returns and political stability (Rosecrance, 2002, p. 454). Economic flows will not be confined to a single area. In other words, no geographical boundary can totally stop the infiltration of money and investment (Cohen, B. J., 1998; Eichengreen, 1996). If the money flow can be managed more systematically, it becomes a constructive factor in developing countries. Nevertheless, an unregulated and relentless flow of capital, together with the weak institutional development of administration, contributed to the Southeast Asian financial crisis of 1997 (Lukauskas, 1999; Haggard, 2000). As the linchpin of the growth and development in Southeast Asia, the economic power and patterns of money flow of the Chinese diaspora will plausibly indicate the next wave of economic globalisation in Southeast Asia.

Secondly, perceptions of world politics have placed the nation state as the most important actor. To a large extent, this is still true, but the connotation of power and degree of governance may change if other actors such as individual citizens, the community and organisations are involved in border relations (Giddens, 1999; Held, 2000; Keohane, 2001; Mittelman, 2000). The so-called ‘natural frontiers’ between nations are actually reconstructed and even deconstructed by the daily economic and social activities of the Chinese diaspora (Wilson and Donnan, 1999, p. 835). More importantly, according to a recent study by Stephen Krasner, the sovereignty concept is less likely to serve as a correct description of international relations: ‘the characteristics that are associated with sovereignty – territory, autonomy, recognition, and control – do not provide an accurate description of the actual practices that have characterized many entities that have been conventionally viewed as sovereign states’ (1999, p. 237). Here, the economic connections, the
networks of Chinese diaspora and the daily business performed by various firms and companies give rise to the notion of an emerging, if not new, construction of regional globalisation.

Finally, the economic power of the Chinese diaspora suggests that the reconstitution of economic landscapes among them will create a whole new virtual image of economy that transcends and penetrates across national boundaries: the geographical-bound and historical-nurtured nation states will vanish not because of their loss of importance in the world economy, but because the world is moving in another direction that is governed by the continuous development of industry, investment, individual and information (Ohmae, 1995, p. viii). In other words, the original substances – such as geography, natural resources, population, government, national character, morale, ideology and leadership – that characterised the nation state are becoming obsolete, if not extinguished (Rosecrance, 1999, p. 21). As Robert Keohane has emphasised recently, globalisation can be facilitated not only through ‘interstate co-operation’ but also through ‘transnational networks’ (2001, p. 1). The economic leadership among Chinese diaspora in Southeast Asia and the networks that they have generated offer a different approach to the study of international relations. Apart from economics, their enhancement of social capital may give rise to another impetus for the construction of the virtual state.

**Chinese Diaspora and Social Capital**

The embedding of social networks, and the later proliferation of other social groups, will bring forth the social capital that can be fused with those respective ethnic groups. According to Francis Fukuyama, social capital can be defined ‘as a set of informal values or norms shared among members of a group that permits co-operation among them’ (1999, p. 16). Some social scientists trace the root of social capital to the theory of Emile Durkheim and Karl Marx (Carroll and Stanfield, 2003, p. 398). More precisely, the term was first used by Lyda Judson Hanifan to describe the rural community centres in West Virginia in 1916 (Fukuyama, 1999, p. 19; Putnam, 2002, p. 4).

Other scholars expanded the term ‘social capital’ to understand the various social problems or phenomenon in either developed or developing countries (Putnam, 1993, 2000; Unger, 1998). But its use by Robert Putnam in 1993 to explain Italy’s civil society was heavily challenged by Sidney Tarrow, who argued that Putnam ‘reconstructs the Italian history to fit his model of social capital’ (1996, p. 389). Other critics place emphasis on the questions of originality and the effectiveness of social capital in changing the performance of government (Boix and Posner, 1998, p. 686). However, after further deliberations and more in-depth studies, it seems that the term’s conceptual meaning and the extent of its usage are more firmly established in many disciplines of the social sciences. According to Roßteutscher, ‘researchers no longer examine whether social capital is good or bad for democracy but examine under which conditions, which types of social capital might impact positively on certain aspects of democratic governance’ (Roßteutscher, 2003, p. 42, see also Roßteutscher, 2002). The business and social networks of the Chinese diaspora in Southeast Asia can be interpreted as the socially constructed reaction to the political and social instability in Southeast Asia.
The application of social capital into studies of the Chinese diaspora is not a mechanical application of Western theories (Fukuyama, 1995; Putnam, 2000). More precisely, the concept has already been used to analyse the situation in Thailand (Unger, 1998). Being the minority in Thailand, they not only maintain close connections among themselves, but this cohesion also affects the general development of the Thai economy. As Unger further contended:

The Chinese, by contrast, had the social capital necessary to thrive in business despite the absence of an effective framework of laws and institutions supporting a capitalist economy. ... In short, [the] Chinese minority’s impulse to affiliate and its creation of networks of social groups, combined with the dearth of sociability and social capital on the part of Thai majority, produced conditions conducive to economic growth in Thailand. (Unger, 1998, p. 57)

To a large extent, social relations and networks among Chinese diaspora are kept and even reinforced by the upholding of their strong ethnic identity. Although this is mainly connected with their Chinese origin, the reality in Southeast Asia is that they have multiple identities – historical, Chinese nationalist, communal, national (local), cultural, ethnic and class identities (Wang, 1991, pp. 207–8). It is understandable that these identities overlap or intermingle according to various circumstances (Tan, M. G., 1997, p. 40).

On the one hand, ethnic diversity may potentially lead to ethnic conflicts (Lake and Rothchild, 1998, p. 7; Cheung, 1999). On the other, ethnic cohesion can lubricate the interrelations between economic and social relations because of the structural principle of kinship (Hill, A. M., 1998, p. 43). Therefore, in order to facilitate these types of ethnic identity, a form of cultural diaspora should be increasingly generated among Chinese diaspora in Southeast Asia (McKeown, 1999). First, the consolidation of such a culture is facilitated by the ‘shared forms of inscribed behaviours’ in order to form the social constructed networks (McKeown, 1999, p. 330). Later, the social constructed networks are characterised as the art of social relations in China (or guanxi). In the contemporary research on such networks, ‘guanxi should not only be seen as a complex manifestation of social solidarity with incidental economic functions. Its importance and resilience lie in it being a window to opportunities and resources on an external scale’ (Tan, E. K.-B., 2000, p. 68). It helps generate the enrichment of social capital among the Chinese diaspora.

The Chinese diaspora in Southeast Asia lack formal institutions to organise themselves. Information, welfare facilities, social affairs and business activities are maintained through various social networks. ‘For overseas Chinese,’ according to Linda Lim, ‘the social capital provided by ethnic networks may cross national borders, providing links which can facilitate international expansion’ (2000, p. 3). Social capital among the Chinese diaspora can be facilitated in Southeast Asia through ethnicity, language, association and Confucianism.

Ethnicity

Most Chinese diaspora in Southeast Asia are from Fujian, Hakka, Chaozhou (Teochew) and Guangdong (EAAU, 1995, p. 25). Except Hakka and Guangdong,
those areas are coastal areas in mainland China. People can easily board ships, legally or illegally. Also, the ethnic cohesiveness also contributes to the clustering of such people. New ethnic groups may not be able to survive in a foreign country where ethnic support is lacking. The maintaining of social capital is important among the Chinese diaspora because ‘Chinese businessmen abroad have an inclination to form partnerships with people of similar backgrounds in ethnicity, kinship, place of origin and dialect’ (Liu, 2000, p. 121). Yet that sort of cohesion, at the extreme, may invite criticism of segregation between different ethnicities (Carroll and Stanfield, 2003, p. 402).

Language

Language, through spoken dialects or writing, is one of the most important instruments binding the Chinese diaspora together. In terms of spoken languages, as well as Mandarin, the Chinese diaspora in Southeast Asia speak many dialects: Fujian, Hakka, Teochew and Cantonese, and so on. The diversity and heterogeneity of the use of Chinese dialects for communication varies according to country of residence, generational differences and social and economic backgrounds.

In addition, the functional use of Chinese can help the Chinese diaspora bridge with those Chinese who live in mainland China and Taiwan. It can be used as a working language not only for communication but also for business development and further networks. As Putnam mentioned, one can invest in networking, and the use of a common dialect (among certain groups of businessmen) and an official language (such as Mandarin across mainland China and Taiwan) can enhance the building of networks when the information cost of learning the language is relatively low (Putnam, 2002, p. 8). This reinforces why many Southeast Asian Chinese put so much effort into protecting Chinese education when the Chinese language itself can be used to lubricate business and social networks (Cohen, D., 2001; Tay, 1999). If the Chinese language is considered as social capital, it can serve as a medium of exchange for benefits beyond cultural exchange.

Association

Association refers to the informal meeting and modes of gathering. Among Chinese diaspora in Southeast Asia, ball games, swimming and individual ethnicities are the most common. It extends to ethnic association gathering and cohesion-maintaining activities, particularly within their respective ethnic groups. Bonding through association has already been fully explored by Putnam as one of the most important elements in generating social capital (2000, pp. 93–115). In other words, social capital will be generated or strengthened through these continuous and habitual actions. In addition, other social activities – such as professional, social, political and religious activities – may also enable the consolidation of social capital, because they provide a venue for information collection, exchange and even dissemination.

Although I am not going to further measure how much valued-added business benefits will be marginally increased by the additional involvement of social activities among the Chinese diaspora in Southeast Asia, we can certainly accept that
the longer these activities are maintained, the more easily trust and mutual acceptance is built (Axelrod, 1984). As a generally accepted principle among the Chinese diaspora, social capital allows them to bind together without much worry about the economic and social constraints posed by the various countries. Witnessing the process of globalisation, the upholding of social capital allows us to at least reconsider the meaning of sovereignty and citizenship among the Chinese diaspora in Southeast Asia.

Confucianism

Confucianism provides a common cultural trait among Chinese diaspora in Southeast Asia (Redding, 1993; Yao, 2002; Mak and Kung, 1999). Those values such as working hard, respect for learning, harmony and family are some of the core values embedded in Confucianism.12 If Max Weber was correct in attributing the protestant ethic to the spirit of capitalism (1992 [1930], p. 13), how large is the contribution of Confucianism to the business development among Chinese diaspora in Southeast Asia? At one point, Confucianism, as an ingredient of the East Asian development model, was an explanation of the economic success among the Asian NIEs (newly industrialised economies), where Singapore, Hong Kong, Taiwan and South Korea were influenced by Confucianism to different degrees (Berger and Hsiao, 1993). To use Confucianism further to explain the economic culture of Chinese diaspora, Gordon Redding maintained that ‘directly Confucian ideals, and especially familism as a central tenet, are still well enough embedded in the minds of most Overseas Chinese to make Confucianism the most apposite single-word label for the values which govern most of their social behaviour’ (1993, p. 2).

Besides, the relations between family and enterprise are integrated among the Chinese diaspora in integral and mercantile ways, one of the very different concepts between Western capitalism and the Chinese management system (Yao, 2002, p. 87). Business relations beyond the family should be considered, by various calculations, as forms and degrees of networks. In a recent study of the Chinese management system, Tang and Ward discovered ‘networking beyond the family (guanxi) relies upon establishing trust, but this trust is specific, limited to partners bound by personal obligations and not by any community of faith’ (2003, p. 20). Again, if the family constitutes the primary form of network-building among Chinese diaspora in Southeast Asia, the secondary network-building will probably be their respect for, if not obsession with, education (Mak and Kung, 1999, p. 5).

The socio-economic meaning of education is a tool of social mobility and a mechanism for improving living standards. In the case of the Chinese diaspora, the function of education entails both social and economic needs (Tay, 1999).

Suffice to say that Confucianism contributes to the economic success of the Chinese diaspora. But, like many other cultures, the use of Confucianism as a cultural trait to explain the formation of their social capital should be understood in conjunction with history and other factors that have contributed to their social and economic development. Otherwise, as Lisa Wedeen pointed out:

> by ignoring historical processes and specific relations of political power, the treatment of culture in political science has downplayed the heterogeneous ways in which people experience the social order within and
among groups, while exaggerating the commonality, constancy, and permanence of intragroup beliefs and values. (Wedeen, 2002, p. 715)

In other words, Confucianism can be used as one of the measurements in studying the cohesiveness among the Chinese diaspora; but like many other ideas, it should be studied in conjunction with the others facets of international relations.

**Conclusion**

Given the economic and social capital generated by the Chinese diaspora in Southeast Asia, their discursive meaning engenders reconstruction as a virtual nation embedded within the regional globalisation process. In this paper, I have shown that the clustering of a great number of the Chinese diaspora in the geographically dispersed Southeast Asia inevitably establishes a fundamental point of inquiry of their roles within their respective states. The survey of literature and the thematic relations between East Asian development and the change in international academic studies of globalisation suggests that interconnection and transnational networks among the Chinese diaspora fall into the domain of regional globalisation.

To substantiate that argument, I have used three levels of statistical data to indicate the economic power of the Chinese diaspora: the specific case of Indonesia, comparative studies of Chinese companies in Southeast Asian countries; and FDI in China from ASEAN. The deployment of economic strength, therefore, challenges the degree of governance of those in Southeast Asia in managing the Chinese diaspora. Having witnessed the formation of economic capital, the Chinese diaspora generated their relations further with the improvement of social capital. Through ethnicity, language, association and Confucianism, ethnic solidarity and extensive networks reinforce their connections in a way that empower their level of influence. The formation of their economic and social capital allows the continuous enrichment for globalisation to excel. The study of individuals, denoted here by the cluster of the Chinese diaspora in Southeast Asia, enriches the qualitative measurement of the globalisation process at the regional level.

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**Notes**

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1 The notion of Chinese diaspora has always been a contested concept. Who are the Chinese diaspora? The precise definition depends sometimes on objective historical development or subjective self-identification. The use of the term ‘Chinese diaspora’ was more preferable in the latest writing of Wang (1999).
2 By definition, a Chinese virtual nation is a reconfiguration and reinterpretation of China by looking at the economic power, citizenship and ethnic coherence of the Chinese diaspora rather than only at the sovereign perspective. See McLean (1996) and Rosecrance (1999).

3 I am trying to illustrate that the various characteristics of the Chinese diaspora resemble the necessary conditions of globalisation.

4 Power, during the height of the cold war, was interpreted very scientifically (Cline, 1977).


6 Held, 1999; Sassen, 1998; Mittelman, 2000; Rodrik, 1997; Brecher, 1999; Dombrowski, 1998; Biersteker, 1999; Evans, 1997; Mayall, 1998; Strange, 1998; Giddens, 1998.

7 Yachou Zhoukan surveys the 500 largest Chinese-owned companies in Southeast Asia every year.

8 Guanxi means ‘relations’ in Chinese. It refers to the networks and interconnection among individuals or group of people. See Yang (1994) and Chang (2002).

9 The history of the Hakka people’s emigration to Southeast Asia involved the mentality of the people and the social and economic history of contemporary China. See Chang (2002).

10 I thank one of the anonymous reviewers for mentioning this point. See also Tay (1999).

11 This point was made more explicitly in an interview with the President of the Federation of Chinese Assembly Halls in Malaysia (11 April 2000). See also MCA (1994).

12 Confucianism was formally adopted by Emperor Wu in the Han Dynasty (140–87 BC) as the only national ideology.

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Sing Tao Daily (Hong Kong) (1993) 20 December.


