

## Change and Continuity in Southeast Asian Ethnic Chinese Business

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**Abstract** The 1997/1998 Asian economic crisis has fundamentally reshaped the economic organization of ethnic Chinese business in Southeast Asia. In this paper, I outline some of the most significant contextual changes that impinge on Southeast Asian ethnic Chinese business in recent years, in particular the changing political-economic alliances in Southeast Asia, the interpenetration of globalization processes and the rise of mainland China as a significant player in the global economy. I argue that these changes have led to a more *globalizing* orientation of ethnic Chinese business in Southeast Asia. In making this case for globalizing ethnic Chinese business in Southeast Asia, I am concurrently aware of the continual existence and discursive reconstitution of some distinctive elements of ethnic Chinese capitalism. This continuity in ethnic Chinese capitalism points to its growing hybridization—a transformative process in which traditional and new elements are continuously morphed and recombined into something that resembles neither ethnic Chinese capitalism as we knew it nor global capitalism. Instead, a hybrid form of ethnic Chinese capitalism emerges as a distinctive feature in today’s Southeast Asian business landscape.

**Keywords** Ethnic Chinese business · Southeast Asia · Business networks · Capitalism

### Introduction

In 2005, tens of millions of ethnic Chinese people in Southeast Asia are engaging in a distinctive form of business and economic organization through which an informal array of Chinese entrepreneurs, traders, financiers and their closely-knit networks of family members and friends constitutes the economic foundation of their home economies. This form of business and economic organization has evolved in and adapted to dramatically different institutional contexts and political-economic conditions in Southeast Asia. The dynamic evolutionary trajectory of this ethnic-centric mode of economic organization provides a highly relevant context for

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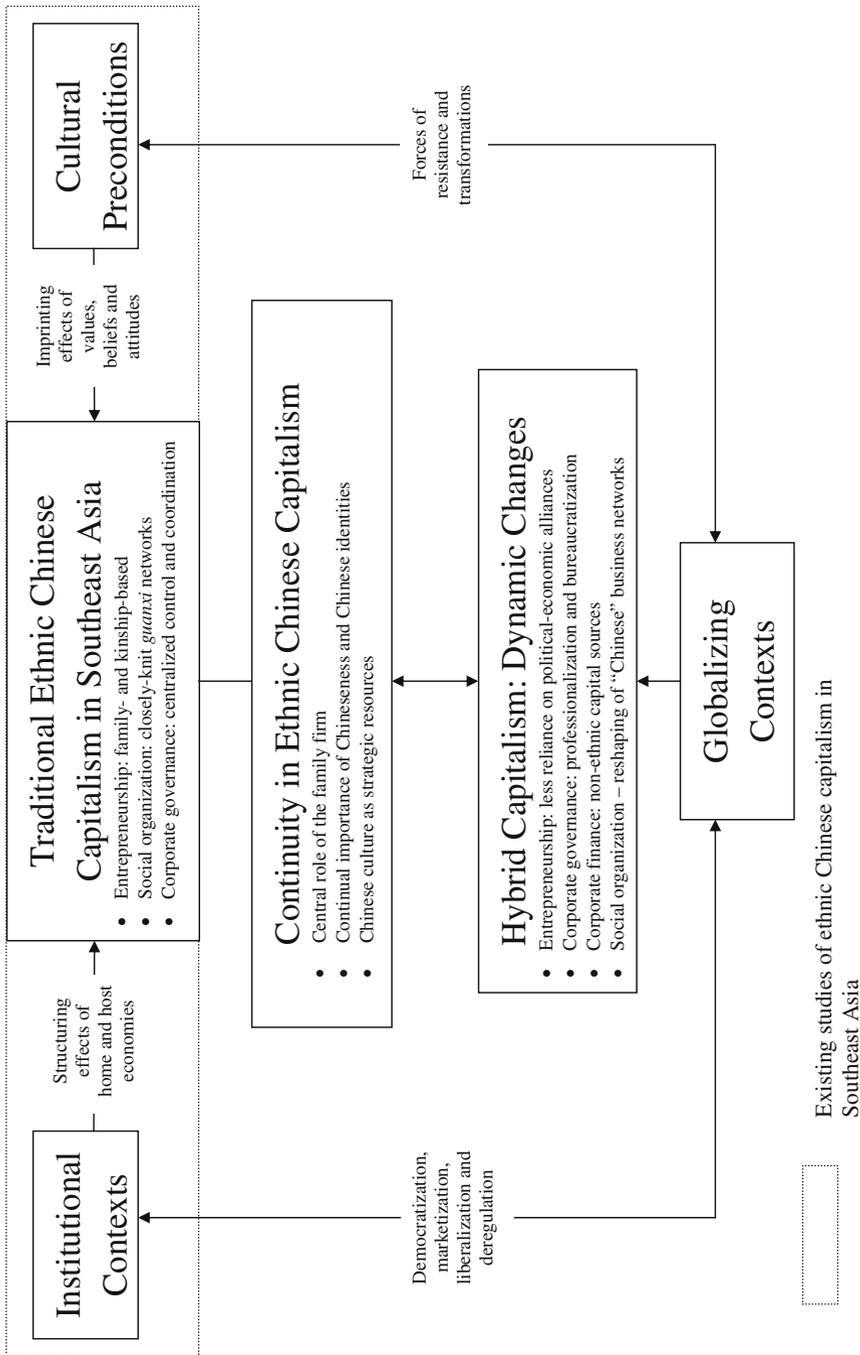
contributing to the emerging institutional theory of business organizations (Carney, 2005; DiMaggio, 2001; Peng, 2003; Peng, Lee, & Wang, 2005) and comparative capitalisms (Hall & Soskice, 2001; Redding, 2005; Whitley, 1999).

In this paper, I use the term Southeast Asian *ethnic Chinese capitalism* as a heuristic device to describe this historically and geographically specific form of business and economic organization among ethnic Chinese living in Southeast Asia (i.e., Singapore, Indonesia, Malaysia, the Philippines, Thailand and Vietnam).<sup>1</sup> Ethnic Chinese capitalism has been a dominant mode of capitalism in Southeast Asia because of not only its business significance in domestic economies, but also its complex and, yet, intricate social organization and authority systems. To date, a large body of empirical literature has shed light on the social and economic dimensions of ethnic Chinese capitalism (see Brown, 1994; Gambe, 2000; Gomez & Hsiao, 2001; Hamilton, 2005; Hodder, 1996; Jomo & Folk, 2003; McVey, 1992; Orrù, Biggart, & Hamilton, 1997).

While ethnic Chinese capitalism in Southeast Asia had experienced steady growth and development up to the late 1980s, its socio-economic organization remained fairly stable and enduring. By the 1990s, the emerging contexts of accelerated globalization and the rise of mainland China had impinged quite significantly on this ethnic-centric form of business and economic organization. In particular, the 1997/1998 Asian economic crisis has fundamentally reshaped the institutional context in which this form of capitalism thrives.

In Fig. 1 (outer boxes), I outline some of the most significant contextual changes that facilitate the reconfiguration of Southeast Asian ethnic Chinese capitalism in recent years—the changing political-economic alliances in Southeast Asia, the interpenetration of globalization processes, and the rise of mainland China as a significant player in the global economy. I argue that these changes have led to a more *globalizing orientation* of the ethnic Chinese business community in Southeast Asia. In making this case for globalizing ethnic Chinese capitalism, I am cognizant of the continual existence of some historically distinctive elements of traditional ethnic Chinese capitalism. In the inner boxes of Fig. 1, this coexistence of both change and continuity in ethnic Chinese capitalism points to its growing hybridization—a transformative organizational process in which traditional and new elements are continuously morphed and recombined into something that resembles neither traditional ethnic Chinese business practices as we knew it nor the alleged universal convergence towards global capitalism as most ultra-globalists would like it (e.g., Friedman, 1999; 2005; Ohmae, 1990). Similar to corporate development in transitional economies (Nee, 1992; Peng & Heath, 1996; Stark, 1996; Stark & Bruszt,

<sup>1</sup> The term “overseas Chinese” may be contentious to some scholars of ethnic Chinese who are living outside mainland China. The term is related to the Chinese term *huaqiao* (Chinese national abroad) that has been sharply criticised in Southeast Asia for its implications that Chinese born abroad with status as a citizen in another nation are still Chinese in essence. *Huaren* (ethnic Chinese) has become more politically acceptable. In English, overseas Chinese is usually used to include *huaqiao*, *huaren*, and residents of Taiwan, Hong Kong and Macau (*tong bao*) who are considered to be compatriots living in parts of the territory of China temporarily outside mainland Chinese control. See Bolt (2000); Ma and Cartier (2003), and Wang (1991; 2000) for the origin and status of ethnic Chinese living outside mainland China. Throughout this paper, I will refer to “ethnic Chinese” or to specific groups (e.g., Singaporean entrepreneurs) rather than “overseas Chinese” in my discussions of change and continuity in Chinese capitalism. But references to the literature sometimes require the term “overseas Chinese” to be clear. In such cases, I will use inverted commas to illustrate my discomfort with the term.



**Fig. 1** The hybridization of ethnic Chinese capitalism in a global era (source: adapted from figure 1.2 in Yeung, 2004)

2001), a hybrid form of ethnic Chinese capitalism emerges as a distinctive feature in the business landscapes of Southeast Asia today (Yeung, 2000a; 2004). My argument for hybridization further supports recent work on the changing dynamics of Asian business systems under globalization processes. For example, Carney (2005: 342) argues that “[Asian] firms’ and their networks will rarely ever simply reflect a globally convergent or locally variant institutional context. Rather, institutional contexts still contain some blend of elements that have global and local origins”.

In making this strong case for Southeast Asian ethnic Chinese business organization as a form of hybrid capitalism, I organize this paper into three major sections. While I have elsewhere published detailed empirical data analyses and case studies on ethnic Chinese capitalism (Yeung, 2004), this paper serves as an avenue to bring together some broad threads in the vast field of ethnic Chinese business studies, for critical discussion and engagement (see also Peng, Lu, Shenkar, & Wang, 2001b; Yeung & Olds, 2000a). In this sense, I intend the paper to be neither purely theoretical nor empirical in its focus.

In the next section, I outline some of the most significant contexts for change and transformation in Southeast Asian ethnic Chinese capitalism, in particular the regionalization and internationalization of Southeast Asian Chinese capital and the rise of China as an important destination for this ethnic Chinese capital. In the second section, I consider some of the broad changes occurring in Southeast Asian ethnic Chinese capitalism that deserve special analytical attention in management and organization research. These changes tend to reshape the socio-economic organization of ethnic Chinese family firms, their business networks, and their reliance on political-economic alliances. Apart from these recent changes, I consider in the third section how some of the historically distinctive features of ethnic Chinese capitalism in Southeast Asia either remain fairly stable or are strategically reconstructed to constitute a new form of ethnic Chinese capitalism. In the concluding section, I offer some tentative evaluations of the future of research on ethnic Chinese capitalism in a global era.

### **Globalizing Southeast Asian Ethnic Chinese Business: Context for Change**

The relatively recent phenomenon of Southeast Asian Chinese businesspeople going international and, in some specific cases, going global, is arguably nothing very new (Gomez & Hsiao, 2004; Yeung & Olds, 2000b). After all, many first-generation ethnic Chinese entrepreneurs are themselves diaspora immigrants or, in the words of Wong (1988), “emigrant entrepreneurs” from mainland China before the communist takeover in 1949. These emigrant entrepreneurs are therefore products of internationalization (not globalization) as they left mainland China in search of better livelihood elsewhere. As indicated in Fig. 1, these ethnic Chinese carried with them imprinting effects of values, beliefs and attitudes developed for centuries in China and diffused these culturally specific effects into then host Southeast Asian economies. What is particularly important in the recent phenomenon of *globalization* is that ethnic Chinese capitalists from Southeast Asia bring with them not just financial capital and business knowledge when they go global. More crucially, they also carry with them distinctive traits of social and economic organization that have been consolidated and enduring through several decades of evolutionary growth and development in their home countries in Southeast Asia. These

distinctive traits are summarized in the box on traditional ethnic Chinese capitalism in Fig. 1.

Many management scholars of ethnic Chinese business have subscribed to the role of *culture* in explaining these business and management practices (e.g., Backman, 1999; Chen, 1995; Chen, 2001; Haley, Tan, & Haley, 1998; Redding, 1990; 2005; Whitley, 1992; 1999). To these scholars, the distinctive traits in Chinese culture have been considered as essentialized ingredients and the “spirit” of the so-called ethnic Chinese business system, e.g., the role of family in highly centralized business organization and the role of *guanxi* and ethnicity in defining the constitution of business networks (see Chen & Chen, 2004; Luo & Chen, 1997; Park & Luo, 2001; Wu & Choi, 2004; Yeung & Tung, 1996; Zang, 1999). Empirical research in management and organization studies has shown that these cultural traits have led to all kinds of business and management implications that range from inherent limits to the growth of ethnic Chinese family firms (Ahlstrom, Young, Chan, & Bruton, 2004; Carney, 1998; Davies & Ma, 2003) to emerging organizational problems in terms of rigidity in capital allocation (Carney & Gedajlovic, 2002a; cf. Yeung, 2003) and path dependency (Bruton, Ahlstrom, & Wan, 2003; Carney & Gedajlovic, 2002b; 2003; Hall & Xu, 1990). As indicated by the dotted line box in Fig. 1, however, most of these studies have focused on ethnic Chinese family/business firms in their *domestic* contexts. Some of them are also fairly static in their analytical terms of reference, assuming the inherent role of culture in determining ethnic Chinese business organization. It remains unclear how the internationalization of these ethnic Chinese business firms might impact on their management and organizational practices.

Table 1 offers a brief overview of some of the most powerful ethnic Chinese business groups from Southeast Asia. Some of their family-controlled transnational corporations (TNCs) are ranked among the top 50 TNCs from developing countries in 2005. When these Southeast Asian Chinese businesspeople enter into both new markets in Asia and beyond (e.g., North America and Western Europe), they necessarily encounter very different institutional environments that prompt them to adapt and change in order to succeed in the host markets. This process of adaptation and change might not seem to be too different from the earlier historical period when these ethnic Chinese had arrived at Southeast Asia from the then mainland China. What strikes me though is how this latest round of business adaptation and organizational change has a rather rapid “feedback” mechanism such that these Southeast Asian Chinese capitalists are increasingly internalizing these new experiences and practices gathered through their international operations and bringing them back to their home countries in Southeast Asia. Through this iterative process of Southeast Asian Chinese adapting to new foreign markets and internalizing such new practices, the distinctive elements of their social organization of economic activities in their home countries in Southeast Asia also experience change and transformation. Couched in such terms, these Southeast Asian ethnic Chinese are *both* an embodiment of internationalization and an agent of management and organizational change in their home countries. They are both products of institutional changes and key agents in effecting these changes in their home countries (see also Peng, 2003).

What then are the changing contexts that prompt these Southeast Asian ethnic Chinese capitalists to go global in their business operations (see Table 1)? In Fig. 1, I consider two important recent phenomena in shaping the regionalization and

**Table 1** Major ethnic Chinese and their transnational corporations from Southeast Asia

Company/group name	Major shareholder (ethnic Chinese)	Country of origin	Major worldwide operations (geographic scope)	WIR ranking in 2003 <sup>1</sup>
Hong Leong Group	Kwek Leng Beng	Singapore	Millennium & Copthorne Hotels (worldwide)	15
Goodwood Park Group	Khoo Teck Puat	Singapore	Goodwood Park Hotel Group (Asia)	–
Far East Organization	Ng Teng Fong	Singapore	Sino Land, Hong Kong (Asia)	–
Fraser and Neave Sina Mas Group	Lee Foundation Oei Widjaja	Singapore Indonesia	Asia Pacific Brewery (Asia) Asia Pulp and Paper (Asia) Asia Food, Singapore (Asia)	39 – 21
Salim Group	Liem Sioe Liong	Indonesia	First Pacific Group, Hong Kong (Asia and Europe)	34
Lippo Group	Mochtar Riady	Indonesia	Lippo Banks (worldwide)	–
Kerry Group	Robert Kuok	Malaysia	Shangri-la Hotels, Hong Kong (Asia)	16
YTL Group	Francis Yeoh	Malaysia	TVB, Hong Kong (Asia and North America)	–
Hong Leong Group	Quek Leng Chan	Malaysia	YTL Construction (Asia and the UK) Guoco, Hong Kong (worldwide) Hume Industries (worldwide)	24 – –
Amstel Group	William Cheng	Malaysia	Amstel (worldwide)	–
Berjaya Group	Vincent Tan	Malaysia	Berjaya Group (worldwide)	–
Charoen Pokphand Group	Dhanin Chearavanont	Thailand	CP Pokphand (Asia and the US) Telecom Asia (Asia)	– –
Fortune Tobacco	Lucio Tan	Philippines	Eton Properties (HK)	–

<sup>1</sup> By Foreign Assets Among the Top 50 TNCs from Developing Economies, Source: UNCTAD (2005), *World Investment Report 2005*, Annex Table A.I.10.

globalization of ethnic Chinese business from Southeast Asia: (1) the changing domestic political-economic context in the aftermath of the 1997/1998 Asian economic crisis and (2) the continual growth of mainland China as a major economic powerhouse in the global economy. My focus on these two recent phenomena does not imply that changing contexts prior to the mid-1990s are not important, e.g., increasing saturation of domestic markets, continual hostility and discrimination in some Southeast Asian countries, and growing competition from local and foreign firms in their home markets (see Carney, 2005; Carney & Gedajlovic, 2002b; Yeung, 1999a, 1999b). Instead, post-crisis Southeast Asia has witnessed significant institutional changes in terms of rising marketization, deregulation, and liberalization in various sectors of the economies that threaten the cosy monopolistic positions enjoyed by many leading ethnic Chinese capitalists. This growing domestic “threat” continues to prompt the internationalization and globalization of Southeast Asian ethnic Chinese capital, an ongoing process that finds its historical origins as early as in the late 1960s and the early 1970s (Chan & Chiang, 1994; Chan & McElderry, 1998).

In many ways, the Asian economic crisis has shifted our attention away from the Asian “miracle” to the structural weaknesses of many Asian economies. Insofar as

ethnic Chinese business in Southeast Asia is concerned, one of the most significant transformative forces comes from the gradual dissipation of what Yoshihara (1988) called “ersatz capitalism”; a term that refers to the rent-seeking behaviour of Southeast Asian Chinese capitalists through political-economic alliances with dominant ruling elites (see also Gomez, 1999; Jesudason, 1989). Structural transformations in the political economy of Southeast Asian countries are likely to increase competition and promote rule-based market behaviour within and between ethnic Chinese and non-Chinese business communities (Hewison, 2004; Menkhoff & Sikorski, 2002; Yeung, 2000b). Several concurrent movements in the aftermath of the crisis have heralded the imminent demise or at least significant transformations of “ersatz capitalism” in Southeast Asia (see Fig. 1). In particular, social movements towards greater democratic participation by the people in the political process and a relatively more transparent governance system have been organized in Indonesia and Malaysia. These social and political movements have raised the political awareness of people in Southeast Asia in their quest for political and economic reforms required for these countries to reap the full benefits of political change and economic development. These movements have also challenged the long existence of “ersatz capitalism” and called for the demolition of unjust monopolies and special privileges held by certain ethnic Chinese and indigenous people.

This brings us to another type of movement that is primarily concerned with economic reforms in post-crisis Southeast Asia countries (see Low, 2001). These reform movements have important ramifications for Chinese businesspeople because of the loss of monopolistic positions and the collapse of political-economic alliances; two pre-crisis strategies aggressively pursued by ethnic Chinese in the business realm of Southeast Asia. As a direct consequence of the Asian economic crisis, the structural reforms imposed by the International Monetary Fund (IMF) on Indonesia and Thailand have led to the loss of many monopolistic positions long held by ethnic Chinese elites, particularly in the financial sector (Hamilton-Hart, 2002) and the large corporate sector (Peng, Au, & Wang, 2001a). Hewison’s (2004: 251) recent study has also confirmed that a new business model in Thailand, while still emerging, will exhibit quite different features than the pre-crisis era: (1) a more significant role of foreign capital in the Thai economy; (2) an export-orientation and internationalization as the key features of the business operations of most powerful Thai capitalists—ethnic Chinese or not and (3) an increasingly rules-based relationship between these capitalists and the Thai state.

While the post-crisis Southeast Asia regional economy has been turned into a more competitive marketplace for ethnic Chinese capitalists, *the rise of mainland China* as a major economic powerhouse in the global economy represents an important challenge and opportunity for the continual international expansion of Southeast Asian ethnic Chinese capitalism. On the one hand, the emergence of mainland China as the world’s largest recipient of foreign direct investment (FDI) in 2002 has possibly diverted some of the foreign investment flows that might otherwise have gone to Southeast Asia (Wu & Puah, 2002). Although Table 2 shows that mainland China’s inward FDI performance index over the periods 1988–1990 and 1998–2000 remains fairly stable at, respectively, 53rd and 59th in rankings, it is clear that all five Southeast Asian countries (Singapore, Malaysia, Thailand, the Philippines and Indonesia) have experienced deteriorating inward FDI performance indexes and relative rankings during the same period. Moreover, the relative shares of FDI in GDP in all five Southeast Asian countries between 1988–1990 and 1998–

**Table 2** The inward FDI performance index, 1988–1990 and 1998–2000, for selected Asian countries and the US.

	1988–1990						1998–2000					
	GDP share	Employment share	Exports share	FDI Index	Rank		GDP share	Employment share	Exports share	FDI Index	Rank	
Singapore	12.7	26.5	1.4	13.5	1		2.2	7.5	0.3	3.3	13	
Hong Kong	5.0	11.8	0.7	5.9	4		6.3	24.5	1.1	10.6	2	
United States	1.1	4.7	2.2	2.7	16		0.9	4.3	1.8	2.3	23	
Malaysia	4.3	2.4	1.1	2.6	17		1.6	1.0	0.3	1.0	55	
Thailand	2.4	0.6	1.4	1.5	37		0.9	0.3	0.4	0.5	86	
Philippines	1.6	0.3	1.1	1.0	48		0.6	0.1	0.3	0.3	103	
Taiwan	0.9	1.5	0.3	0.9	51		0.3	0.6	0.1	0.4	98	
China	1.0	0.1	1.3	0.8	53		1.3	0.1	1.3	0.9	59	
Indonesia	0.8	0.1	0.6	0.5	66		-0.7	-0.1	-0.4	-0.4	136	
South Korea	0.4	0.5	0.3	0.4	75		0.6	0.9	0.3	0.6	81	
Japan	0.0	0.0	0.0	0.0	101		0.1	0.3	0.1	0.2	120	
Asia	1.1	0.2	0.6	0.6	–		0.9	0.2	0.6	0.6	–	

The index is based on an unweighted average of three ratios that reflect a country's propensity to attract FDI, taking into account the size and strengths of the economy. The three ratios are obtained by dividing the country's share of global FDI with its shares of global GDP, employment and exports.

Source: Wu and Pua (2002: Table 1; 47).

2000 have decreased quite significantly, a reflection of both the rapid GDP growth of some countries (e.g., from 12.7 to 2.2% for Singapore) and the dramatic *net* decline in inward FDI (e.g., from 0.8 to -0.7% for Indonesia). Mainland China, on the contrary, has experienced an increasing share of FDI in GDP from 1% during the 1988–1990 period to 1.3% during the 1998–2000 period. This increase in relative share occurs in spite of its dramatic economic growth during the 1990s, underscoring the concurrent rapid influx of FDI during the same period.

This emerging *diversion effect* of mainland China as a major destination for worldwide FDI has posed two significant challenges for Southeast Asian economies. First, the post-crisis recovery of Southeast Asian region is likely to be relatively slow and modest. During the 1999–2003 period, the real GDP growth rates of most Southeast Asian countries remained fairly modest when compared to the pre-crisis 1991–1996 period. To a certain extent, the economic “miracle” in the region prior to the 1997 crisis was facilitated by the rapid influx of FDI into Southeast Asia during the 1980s and the 1990s (see Dobson & Siow Yue, 1997; Giroud, 2003; Lim & Fong, 1991).

FDI and technology transfer from Japan was particularly important in Southeast Asia, in view of the extensive presence of Japanese regional production networks in the region (Edgington & Hayter, 2000; Encarnation, 1999; Hatch, 2000; Hatch & Yamamura, 1996; Pongpaichit, 1990). The collaborative supplier relationships between ethnic Chinese manufacturers and Japanese firms in Southeast Asia were highly conducive to the development of Southeast Asian ethnic Chinese capitalism (Deyo & Doner, 2000; Machado, 1997). While the diversion trend is not entirely clear yet, it is conceivable that new waves of FDI from Japan and other OECD countries will be more oriented towards penetrating the mainland China market and developing a major manufacturing base in mainland China. This in turn presents a significant challenge to the continual survival of ethnic Chinese manufacturers in Southeast Asia who tend, in turn, to initiate defensive internationalization into mainland China to secure their existing customer base and to develop new market opportunities. My personal interviews with top executives from over 20 leading Taiwanese manufacturers in the IT industry point to the same phenomenon that Southeast Asian ethnic Chinese suppliers are likely to lose their contracts if they do not follow their Taiwanese customers to invest in mainland China. For example, Taiwan’s Delta Electronics, one of the world’s largest switching power supply manufacturers, finds it increasingly difficult to maintain its manufacturing base in Thailand and Singapore as its principal customers (mostly PC-related firms) are moving to China (My interview with President, Delta Electronics, in Taipei, 24 June 2005). Its Southeast Asian suppliers are likely to have to follow suit in order to secure their supplier contracts with Delta.

Second, the post-crisis diversion of FDI into mainland China and its rapid export-oriented industrialization also imply that ethnic Chinese firms in Southeast Asia will increasingly face formidable competition from mainland China’s exports of manufactured goods.<sup>2</sup> This competition can present itself in two significant forms. Ethnic Chinese firms in Southeast Asia will experience a growing influx of manufactured goods from mainland China into their home turfs in Southeast Asia. While foreign competition is not necessarily new to Southeast Asian economies, this influx of cheaper

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<sup>2</sup> Interestingly, one may argue that much of mainland China’s exports is accounted for by foreign-owned manufacturing firms, some of which are managed and controlled by ethnic Chinese capitalists from East and Southeast Asia.

imports from China can erode the steady profits long enjoyed by these ethnic Chinese manufacturers via the monopolistic positions and cost advantages in their home countries. This competitive problem is less significant than the competition from mainland China in the exports market because of the latter's success in competition on the basis of price. Apart from those domestically oriented manufacturers, many ethnic Chinese-owned and controlled manufacturing firms in Southeast Asia are involved in regional production networks that export mainly to North America and, to a certain extent, Western Europe (e.g., Borrus, Ernst, & Haggard, 2000; Yeung, 2001). The growing competition from foreign- and domestic-owned manufacturers in mainland China can squeeze out a significant number of these Southeast Asian firms that are involved in relatively labour-intensive and low-tech production of manufactured goods. Even in the categories of high-tech and value-added manufactured products such as hard disk drives, Southeast Asian suppliers are facing strong competition from mainland China (McKendrick, Doner, Haggard, 2000).

On the other hand, the rapid economic growth of mainland China represents a much welcomed opportunity to those ethnic Chinese firms from Southeast Asia that are well positioned and plugged into major global production networks (Borrus et al., 2000; Fruin, 1998; Henderson, Dicken, Hess, Coe, & Yeung, 2002; McKendrick et al., 2000). Their favourable articulation into global production networks can be explained by the early internationalization of these ethnic Chinese firms prior to the mid-1990s such that they have already gained substantial operating experience and firm-specific knowledge in manufacturing for major brand-name producers in a variety of industries, e.g., consumer electronics and personal computers. The rise of mainland China thus presents a golden market opportunity for these ethnic Chinese capitalists from Southeast Asia to follow their lead-firm customers who have increasingly established and grounded their global production networks in mainland China. Some of the ethnic Chinese-owned and controlled transnational corporation (TNCs) from Malaysia and Singapore in Table 1 have been quite successfully internationalizing their operations to tap into business opportunities associated with selected global production networks (e.g., Hume Industries from Malaysia and Wearnes Electronics from Singapore). In some cases (e.g., Creative Technology), ethnic Chinese manufacturers from Southeast Asia have grown and/or leapfrogged from original equipment manufacturers (OEM) to original brand manufacturers (OBM) and original design manufacturers (ODM). The emergence of mainland China as a major market relatively unexploited by leading global firms has exerted a very attractive centrifugal force to induce these ethnic Chinese firms to establish their operations in mainland China. This centrifugal force has already operated very well on large manufacturing firms from Hong Kong, Taiwan and Singapore (Chen & Ku, 2004; Hsing, 1998; Magretta, 1998; Mathews, 2002; Yeung, 2002).

To sum up, the changing contexts during the post-crisis era present very significant challenges to and opportunities for ethnic Chinese capitalists in Southeast Asia. The decline of political-economic alliances in their home countries and the rise of mainland China as both a competitor and a new market have reinforced the continual internationalization of Southeast Asian ethnic Chinese capitalism through both internal and external changes. Internally, more ethnic Chinese firms in Southeast Asia are experiencing management and organizational transformations in order to professionalize and corporatize their business operations (Tsui-Auch, 2004). Externally, these firms are less reliant on ethnic financial networks and more than international financial markets to secure access to capital in

order to fund their internationalization efforts (Yeung, 2003). It is important to point out that most of these internal and external changes did exist *before* the mid-1990s, although the 1997 economic crisis has clearly speeded them up. In the next section, I discuss some of these major changes and transformations and examine how they play an important role in the hybridization of Southeast Asian ethnic Chinese capitalism.

### Hybridizing Southeast Asian Ethnic Chinese Capitalism

If the institutional contexts for change in Southeast Asian ethnic Chinese capitalism have been made more favourable during the post-crisis era, what kind of change and transformations can we observe and analyze? In this section, I consider four major dimensions of possible management and organizational change in ethnic Chinese capitalism (see Fig. 1):

- (1) less emphasis and reliance on political-economic alliances in the home country;
- (2) growing professionalization and bureaucratization of ethnic Chinese family firms;
- (3) tapping into non-ethnic sources of capital; and
- (4) reshaping “Chinese” business networks.

This choice of changing dimensions represents my current understanding of the rather fluid and dynamic evolution of ethnic Chinese capitalism. It is intended neither to be comprehensive nor authoritative. Instead, I hope these dimensions will provide some important analytical clues for more detail empirical research (see also Yeung, 2004). More importantly, we should bear in mind that these changes by no means imply the convergence of Southeast Asian ethnic Chinese capitalism towards a particular capitalist model (e.g., Anglo-American capitalism). Indeed, there are significant elements of continuity in ethnic Chinese capitalism that enables it to be sufficiently differentiated from the dominant mode of Anglo-American capitalism. As such, I consider some of these elements of continuity in the next section.

To begin our analysis of recent changes in Southeast Asian ethnic Chinese capitalism, we need to revisit Yoshihara’s (1988: 3) characterization of Southeast Asian capitalism as a form of “ersatz capitalism”:

What is ersatz about South-East Asian capitalism derives from the fact that the development of South-East Asian capital has been largely confined to the tertiary sector... South-East Asian industrial capital cannot act as the vanguard of economic development because it does not have export capability. Any dynamism in this sense comes from the market economy, not from capitalism. This is because large industrial capitalists are comprador capitalists (acting as the agents of foreign manufacturers in their own countries), or they depend on foreign technology in a broader sense, or they are not efficient enough to compete in the international market.

This early assessment of Southeast Asian capitalism during the 1980s remains visible more than a decade later in the work of Brown (2000: 42) who concludes that:

the cultural embeddedness of Chinese capitalism is a product of historical cultural factors. Chinese capitalism in Southeast Asia, despite its heteroge-

neity, is not competitive. The accumulative, predatory tendencies of Chinese capitalism should not be mistaken for competitiveness. The Chinese links with the state, indigenous merchants, local elites and native technocrats, have varied from co-opting elites onto the boards of Chinese companies, to raising equity from indigenous sources, government capitals, to operating joint ventures with the state and with foreign multinationals and seeking technological alliances with foreign multinationals. The state has ranged from patron to partner, from investor to executor.

She further argues that “links with the state and the exploitation of Chinese networks ensured the survival of Chinese family enterprises, irrespective of whether they were in labour intensive industries or in capital intensive sectors. Competition was not a determining factor in the survival of Chinese family enterprises” (p.100).

Does Southeast Asian capitalism today continue to be ersatz and uncompetitive? How far does it depend on the role of ethnic Chinese capitalists as “comprador capitalists” and on foreign capital for technology and market access? These are very substantial issues for further theoretical debate and empirical research. Without prejudicing against Yoshihara’s (1988) observation during the 1980s, I contend that the successful internationalization of a significant number of ethnic Chinese business firms from Southeast Asia (Yeung, 1999a; 2004) does entail more than the “comprador-dependency” syndrome to include significantly new elements of organizational innovation, technological dynamism and financial management. My argument does not imply that most Southeast Asian countries, with perhaps the exception of Singapore (cf Tsui-Auch & Lee, 2003), have moved well beyond ersatz capitalism as their preferred developmental trajectories. Rather, my argument of change and dynamism necessarily applies to the most important group of actors in Southeast Asian ethnic Chinese capitalism—the largest and most internationalizing ethnic Chinese business firms (see Table 1).

My previous work has shown that it is this group of internationalizing actors who are most likely to make a significant impact on the future trajectories of their home countries in Southeast Asia through a variety of change and transformations in their own business organization and social practices during their international operations (Gomez, 2004; Olds & Yeung, 1999; Yeung, 2000a; 2004). Over time, these major players in ethnic Chinese capitalism are able to bring new business and social practices back to their home countries and to socialize other local firms into their increasingly global actor-networks that are not necessarily based on ethnic or political-economic relationships only. Good examples of such ethnic Chinese business actors are Hong Leong Group’s Kwek Leng Beng from Singapore, YTL Group’s Francis Yeoh from Malaysia, and CP Group’s Dhanin Chearavanont from Thailand (see Table 1). They have not only successfully globalized their business enterprises into Europe and North America. More importantly, they have brought valuable international business and management experiences back to their domestic operations in respective Southeast Asian countries. In doing so, they provide important “demonstration effects” in showcasing how Southeast Asian firms can compete in the global marketplace. In its domestic context, therefore, Southeast Asian ethnic Chinese capitalism does not have to be ersatz forever; it indeed evolves and is transformed over time into a form of hybrid capitalism that encapsulates both some elements of the past and new elements brought in through its globalizing actors.

To begin, I argue that one of the most significant changes among the leading actors in Southeast Asian ethnic Chinese capitalism is the *decline in their reliance on pre-existing political-economic alliances* in the home countries (see Fig. 1). This reflects both the increasing pressures of international agencies (e.g., the IMF and World Bank during the 1997 Asian economic crisis) on these Southeast Asian countries to engage in economic reforms and corporate restructuring and the higher standards of corporate governance and financial management required for these Southeast Asian firms to engage in international business operations. When these Southeast Asian Chinese firms operate internationally within and outside the Asia-Pacific region, they are often unable to transfer their advantages that are based on political-economic alliances as these are likely to be embedded and bounded within their home countries. They are thus more likely to rely increasingly on their firm-specific expertise and advantage to establish their international operations (see empirical case studies in Gomez, 2004; Yeung, 2002; 2004). This great demand for firm-specific competitive advantages in turn may gradually induce these ethnic Chinese business firms to be less reliant on home-based advantages such as political-economic alliances and affiliations with business conglomerates so that they can build and accumulate internationally transferable competitive advantages (e.g., cost and market advantages). They are critical agents of change in their domestic settings, for example, by transforming their home-based supplier networks and market channels that used to be solely based on either ethnic-family relationships or political-economic alliances.

Second, the successful internationalization of Southeast Asian ethnic Chinese business firms also requires them to be less dependent on the four highly stereotyped principles of paternalism, nepotism, personalism and fragmentation identified in early “culturalist” studies of ethnic Chinese family firms (Redding, 1990; Silin, 1976; Whitley, 1992). In Fig. 1, I observe an emerging trend towards the *growing professionalization and bureaucratization* of ethnic Chinese business firms of both the family and non-family variants (see also Tsui-Auch, 2004). While this trend was becoming more apparent during the first half of the 1990s as ethnic Chinese firms were rapidly going international in their business operations, the 1997/1998 Asian economic crisis has hastened this transformative process such that ethnic Chinese firms find it much harder to establish a competitive position in today’s global economy on the basis of these ethnic-centric principles. After all, the founding patriarchs of most large-scale ethnic Chinese business firms are so overwhelmed with information and decisions that they have to delegate these information-processing and decision-making processes to a variety of trusted professional managers who are neither necessarily ethnic Chinese nor personal friends. Their expanding business empire also implies that succession based on nepotism is becoming increasingly difficult. There may be a shortage of able or competent family heirs to take over some corporate decision-making and responsibilities. As Fukuyama (1995: 64) has once argued, “a single family, no matter how large, capable, or well educated, can only have so many competent sons, daughters, spouses, and siblings to oversee the different parts of a rapidly ramifying enterprise”.

These founding patriarchs are thus hiring more professional managers to be the CEOs of their international operations in Asia and beyond. For example, Hong Leong Group’s Kwek Leng Beng continues to use professional manager to run his profitable acquisition—the London-based Millennium and Copthorne (M&C)

Group of hotels. Well trained in top business schools and often equipped with considerable international business and industry experience, these professional managers are key players in an emerging transnational community of business elites running ethnic Chinese business akin to Wenger's (1998) "communities of practice". These international business elites not only enjoy high job mobility because of their managerial skills, but also are much more difficult to be "controlled" in the traditional Chinese way of family-oriented business management. Sklair (2000) has coined the term "transnational capitalist" to describe this group of highly dynamic and powerful executives. As Whitley (1999: 97) has noted, "this mobility has become frequently based upon the possession of a general management credential such as the MBA degree... [And] 'management' is seen more as a generalizable set of skills and competences than as a set of industry-specific functions linked to more technical competences". Instead of reproducing "highly personal and direct control over work processes and limited employer–employee trust" (Whitley, 1999: 93), this process of dual socialization results in more competent professional managers being co-opted into "Chinese" capitalism such that over time, they become insiders and major movers in this increasingly reshaped form of hybrid capitalism (see examples in Yeung, 2004).

Third, just as management and organizational structures of ethnic Chinese business firms are undergoing rapid change and transformations during the post-crisis era, their financial networks are also increasingly moving away from ethnic-centrism in their organization so well described in the earlier studies of ethnic Chinese capitalism (e.g., Brown, 1998; 2000; Carney & Gedajlovic, 2002a; Claessens, Djankov, & Lang, 2000; Shikatani, 1995). As shown in Fig. 1, these two processes of change—organizational and financial—go hand in hand in the sense that potential improvement in corporate governance through professionalization and bureaucratization is particularly welcome in developing Southeast Asian countries in which many ethnic Chinese family firms thrive and shareholder protection and judicial efficiency are clearly inadequate. To ensure that global financial elites are comfortable with their financial positions and obligations, key actors in ethnic Chinese firms are required to follow certain accounting standards and business norms in global capital markets (see more empirical evidence in Filatotchev, Lien, & Piesse, 2005; Yeung, 2004; Yeung & Soh, 2000). As early as 1992, for example, Peter Woo—the successor to one of Hong Kong's most powerful ethnic Chinese family conglomerates, the Wharf Group—pronounced that "[t]here are no friends in finance. The world has changed. They [old style Chinese entrepreneurs] need to realize we are in a world market and need an international culture" (Quoted in Clifford & Engardio, 2000: 70). Having received his MBA from Columbia University and developed his early career in Chase Manhattan Bank, Woo's attitude to the traditional norms in ethnic Chinese capitalism is not entirely surprising and inconsistent. The necessity for securing global finance provides a key force to effect dynamic changes in ethnic Chinese capitalism.

The 1997/1998 Asian economic crisis has only made these changes even more apparent and necessary. Recent empirical studies in financial economics (Filatotchev et al., 2005; Mitton, 2002; Schmukler & Vesperoni, 2001), for instance, have identified significant positive relationships between improved corporate governance (e.g., establishing credible investor protection provisions and appointing Big Six auditors) and lower cost of capital and higher corporate performance among ethnic Chinese family firms. Klapper & Love (2002) have also found that good corporate

governance mattered a lot more in countries with weak shareholder protection and poor judicial efficiency. Schumkler & Vesperoni (2001) have reported that firms from emerging economies could benefit from accessing international bond markets by securing long-term financing and extending their debt maturity structure. Raising capital in international financial markets, however, requires ethnic Chinese (family) firms to become increasingly “credible” and “transparent” in their management practices and systems of financial control as defined by the gatekeepers of the global financial system (Ridding & Kyngé, 1997).

As their home country’s institutional framework becomes better developed, these globalizing ethnic Chinese family firms are more likely to engage in rule-based and market-centred strategy as predicted in the institutional theory of strategic choice (see Carney, 2005; Peng, 2003; Peng et al., 2005). In fact, I will argue that the participation of these ethnic Chinese firms in rule-based competition is strategically imperative as they seek to globalize their financial sourcing. To a significant extent, this strategic reorientation occurs irrespective of the maturity of their home country institutional structures because ethnic Chinese business firms can bypass these home-based structures through globalization. Moreover, their experience in international finance may impinge on their home country institutions such that these globalizing ethnic Chinese firms can become serious agents of change that call for institutional reforms in their home countries.

Last but not least, this increasing tapping into non-ethnic sources of global financial capital necessarily implies the *reshaping* and *opening up* of what otherwise might be exclusively ethnic Chinese business networks (see Fig. 1). Reducing the reliance on internal (predominantly ethnic) capital within ethnic Chinese capitalism is attractive in an era of global competition where investment outlays are becoming significantly larger and financial leverages have become the norm in most competitive industries. The threats of hostile takeover and acquisitions in deregulated Asian markets have also forced ethnic Chinese business firms to secure external finance to strengthen their financial positions. This shift from informal networks of credits and loans towards stock and capital markets in financing ethnic Chinese capitalism is not a recent phenomenon, though its extent has been significantly underestimated in the literature (see Peng et al., 2001a). For those ethnic Chinese firms and/or countries in search of financial resources from outside their “home” economies and/or regions, it is important to secure the *consent* and recognition from global financiers for comparable standards of corporate governance and return to investments. These global financiers are leading bankers, fund managers, brokers and so on who are often based in major global cities that in turn serve as their command and control centres of global investments (Olds & Yeung, 2004; Sassen, 1991). The successful enrolment of ethnic Chinese actors into these global financial actor-networks is imperative in an era of more intensified competition, greater financial requirements for expansion and investments and higher risks associated with excessive reliance on domestic finance. This quest for global finance also requires actors in ethnic Chinese capitalism to come to terms with actors in international media and research institutions on business activities. This is because today’s global financial system is increasingly characterized by a broader array of actors beyond just bankers and financiers (Harmes, 1998; Olds & Yeung, 1999; Yeung, 2003). Actors in international media and research houses play an increasingly critical role in producing reflexively texts, information and knowledge about ethnic Chinese capitalism that can significantly hinder or facilitate

ethnic Chinese actors' access to global finance. A tentative outcome of this process of accessing global finance is the increasing reshaping and opening of ethnic Chinese business networks to include *non-Chinese actors* who can bring in both international reputation and competitive advantage to the traditional organization of business activities in ethnic Chinese capitalism.

### Continuity in Southeast Asian Ethnic Chinese Capitalism

Whereas the above four dimensions of change are likely to exert significant pressures and reshape Southeast Asian ethnic Chinese capitalism, their collective impact does not necessarily lead to the demise of a form of economic organization that has taken many decades to evolve. Indeed, it is reasonable to argue for some degree of *continuity* and path dependency in Southeast Asian ethnic Chinese capitalism such that a compromised scenario—a hybridized form of capitalism—is likely to emerge. What then are the likely dimensions of ethnic Chinese capitalism in Southeast Asia that remain relatively enduring either in their *structures* or in their *reconstruction*? Here, I consider three particular dimensions of continuity in Southeast Asian ethnic Chinese capitalism (see Fig. 1):

- (1) the family firm as a central element in organizing ethnic Chinese capitalism;
- (2) strategic deployment of “Chineseness” and Chinese identities; and
- (3) Chinese culture as strategic resources for business expansion.

Although I have discussed above the likely recent changes to the ways in which ethnic Chinese organize their business and financial networks in a globalizing era, it must be cautioned that these changes do not necessarily erode the continual significance and viability of the *family firm* as the central organizing unit of Southeast Asian ethnic Chinese capitalism (Redding, 1990; Yeung, 2004). This predominance of the family firm, however, is clearly not unique to ethnic Chinese capitalism. In fact, more than 75% of all registered companies in the industrialized economies today remain family businesses and a third of listed companies in the *Fortune 500* have families at their helm (Becht, Betts, & Morck, 2003; see also Chandler, 1990; Franks, Mayer, & Rossi, 2003; La Porta, Lopez-de-Silanes, & Shleifer 1999).

In Southeast Asian ethnic Chinese capitalism, the family firm is likely to continue as the key organizational platform or “mode of organizing”, in the words of Hamilton (2000), for the accumulation of wealth by ethnic Chinese families that in turns defines the rationality of ethnic Chinese capitalism, albeit in culturally specific ways. As Weber [1930] (1992: xxxi–xxxii; original italics) reminded us some time ago, “[modern] capitalism is identical with the pursuit of profit, and forever *renewed* profit, by means of continuous, rational, capitalistic enterprise”. While historically such “rational” capitalistic enterprises might not have been developed in mainland China, ethnic Chinese capitalism—as I define in this paper—is organized around a particular social system of economic action and business activities that manifests itself through complex webs of family networks and personal relationships. It is embedded in a peculiar form of political economy in which the ethnic Chinese rule the “host” economy and leave the political sphere to the reign of indigenous ethnic groups or colonial masters. Ethnic Chinese capitalism is thus organized and coordinated via neither market relations nor hierarchies of “rational” firms (cf. DiMaggio, 2001; Powell, 1990; Williamson, 1975; 1985). Rather, it encompasses both

markets and hierarchies and configures these capitalist institutions through an informal system of social relationships and family obligations (see Hamilton, 2000). While there is some evidence for the decreasing significance of the family firm in ethnic Chinese capitalism (e.g., Wong, 2004; Yeung & Soh, 2000), there is no convincing reason or evidence to expect the wholesale removal of the ethnic Chinese family firm from the Southeast Asian economic landscapes.

What is particularly challenging, though, to academic research into the dynamics of Southeast Asian ethnic Chinese capitalism is to understand and to appreciate the *changing ethnic identities* associated with a whole new generation of ethnic Chinese in Southeast Asia (see Fig. 1). Decades of cultural assimilation and political integration of ethnic Chinese into most Southeast Asian countries have produced very significant outcomes in relation to their ethnic identities (see Bolt, 2000; Cushman & Wang, 1988; Lim & Gosling, 1983; Ma & Cartier, 2003; Suryadinata, 1995; 1997; Wang, 1981; 2000; Yen, 2002). In fact, most second and third generation ethnic Chinese in Southeast Asia are now considering themselves as Southeast Asians rather than “overseas Chinese” who still have some romanticized allegiance to mainland China. This phenomenon of changing national identities among Southeast Asian-born ethnic Chinese differs very much from their ancestors who emigrated to Southeast Asia during the first half of the 20th century. Concurrent to this changing dimension of ethnic identities towards national identities, however, is the curious reconstruction of ethnic Chinese identities when these Southeast Asians operate in Asia and beyond. This reconstruction of ethnic identities is deemed necessary when Southeast Asian Chinese invest in mainland China and they need to tap into *guanxi*-based relationship networks by flashing their ethnic identities as “Chinese”. The revival of Confucianism in Southeast Asia, particularly in Singapore, during the 1980s was very much founded on such belief that “Chineseness” could help Southeast Asians to profit better from mainland China’s opening and growth (see Berger & Hsiao, 1988; Chang, 1995; Kao, 1993; Kotkin, 1992; Lever-Tracy, Ip, & Tracy, 1996; Tu, 1996; Weidenbaum & Hughes, 1996).

In truth, while we find an interesting *strategic deployment* of “Chineseness” and Chinese identities among Malaysian and Singaporean Chinese when they venture into mainland China (see Kong, 1999; Yang, 2002; Yeung, 2000c), we must recognize this form of strategic deployment as a *business and economic imperative* rather than a cultural revival among ethnic Chinese Southeast Asians. There is also a frequent underestimation of the cultural differences between ethnic Chinese from Southeast Asia and their business partners in mainland China, resulting in significant management and operational problems in Sino-Southeast Asian joint ventures. As Wang (1995: 26) points out succinctly, “the profit basis of the present investments [by Southeast Asian Chinese] in China’s development is a totally new basis for the relationship between Southeast Asian Chinese and China. That all investments should be placed on a rational and profitable basis is one to be encouraged and one that deserves very special attention”. Such a strategic deployment of ethnic identities helps to reinforce the continual “cultural uniqueness” of Southeast Asian ethnic Chinese capitalism as distinctively “Chinese”. And yet, it brings to the forefront a rather fragile and contingent sense of identities among most ethnic Chinese Southeast Asians. Increasingly, these Southeast Asians value their hybrid ethnic/national identities as specific repertoire of *cultural resources* to be strategically tapped into in different political-economic contexts (see also Hsing, 2003; Ong & Nonini, 1997). A Singaporean Chinese businessman in

mainland China, for example, may identify himself as a Chinese when the local Chinese partner prefers to deal with an “overseas Chinese”. In another context, this Singaporean businessman may prefer to use his Singaporean identity to fence off some requests for bribes and other unethical business practices. Such bi- or multi-cultural identities are fairly handy for Chinese Southeast Asians to operate successfully in such a complex and changing business environment as mainland China. In short, the continual existence of “Chineseness” in Southeast Asian ethnic Chinese capitalism owes much less to its ethnic identity than to the strategic deployment of this identity for business and economic purposes.

This continuity in Southeast Asian ethnic Chinese capitalism brings us to another side of the same coin—the *continual existence of hostility and discrimination* against ethnic Chinese in Southeast Asia. Ironically, the dramatic success of Chinese Southeast Asians in mainland China during the late 1980s and the 1990s was both an asset and a liability to these Southeast Asians and their families. Insofar as their success in mainland China was discursively and triumphantly constructed as the outcome of their reliance on their “Chinese” identities and ethnic-centric business networks (e.g., East Asia Analytical Unit, 1995; Hamilton, 1991; Weidenbaum & Hughes, 1996), these Chinese Southeast Asians ran the looming danger of being the prime targets for such accusations as ethnic betrayal of national interest and ruthless exploitation of indigenous Southeast Asians to fuel their foreign ventures. During much of the 1980s and up to the mid-1990s, ethnic tension in Southeast Asia was largely eased through rapid economic development and some success in ethnic redistribution (particularly in Malaysia and Thailand). The outbreak of the 1997/1998 Asian economic crisis, however, witnessed the ugly return of ethnic hostility and discrimination in Indonesia and, to a certain extent, Malaysia (see Yeung, 2000b).

In rather ironic ways, the revival of “Chineseness” among Southeast Asian Chinese in an era of rapid internationalization and the rise of mainland China has produced some unintended consequences that became apparent during and after the Asian economic crisis. More specifically, the continual existence of ethnic tension and hostility in post-crisis Southeast Asia has emerged as an important force in shaping how Chinese culture and identities continue to serve as significant strategic resources for ethnic Chinese in Southeast Asia. It may be rather exaggerated to claim that the kind of “siege mentality” (Redding, 1990; Yoshihara, 1988), “refugee mentality” (Kotkin, 1992), “trader’s dilemma” (Menkhoff, 1993) and “stepping stone syndrome” (Yee, 1992) that historically prompted the inward-looking orientation of ethnic Chinese capitalism in Southeast Asia may persist in the 21st century. But it is certainly possible that Chinese culture and identity will remain an important set of strategic resources for Chinese Southeast Asians to engage in a form of economic organization that is neither entirely Chinese in its nature and ethnic composition nor bounded within national political-economic institutional contexts like its counterparts elsewhere (see Hall & Soskice, 2001; Hollingsworth & Boyer, 1997; Redding, 2005; Whitley, 1999).

## Conclusion

In this paper, I have shown how Southeast Asian ethnic Chinese capitalism is not a static form of organizing business and economic activities. While it is a relatively

enduring and institutionalized structure, however, it is subject to contextual change and transformations. This claim may appear to be a moot point, but its significance really lies with the fact that much of the business and management literature on the alleged success of “overseas Chinese” in Southeast Asia—itsself mushrooming like a cottage industry—tends to focus on its internal and often “over-socialized” set of cultural norms in explaining empirical outcomes. This first wave of scholarship on ethnic Chinese capitalism was essentially predicated on theoretical constructs developed during the 1970s and the early 1980s. While some of their arguments and findings remain valid in today’s globalizing era, it must be noted that the broader context in which Southeast Asian ethnic Chinese capitalism is embedded has changed very dramatically. The rapid interpenetration of globalization processes and the rise of mainland China during much of the 1980s and the 1990s have prompted both new theoretical insights and empirical work.

In particular, there is now a growing body of literature on ethnic Chinese capitalism that focuses on its *external* and *international* dimensions (e.g., Gomez & Hsiao, 2004; Hsing, 1998; Ma & Cartier, 2003; Mathews, 2002; Yao, 2002; Yeung, 2004; Yeung & Olds, 2000b). This literature builds on the earlier scholarship on ethnic Chinese capitalism and yet departs significantly in its theoretical foundations from its predecessors. Contrary to the earlier views of ethnic Chinese capitalism as a form of cultural artefacts that are permanent blueprints for Southeast Asian economies, this new literature seeks to identify the changing contexts of ethnic Chinese capitalism and to analyze its dynamic transformations within these contexts. Taking an institutional and/or actor-network approach, these renewed studies of ethnic Chinese capitalism have pointed to its growing hybridization in terms of both economic organization around ethnic Chinese and multiple ethnic identities and mobilization strategies. They have collectively shown that, as a form of hybrid capitalism, ethnic Chinese capitalism does not have an essentialized core “centre” that can be easily identified and explained. Instead, ethnic Chinese capitalism contains within itself a curious mixture and interpenetration of what previously deemed distinctively ethnic Chinese elements and a whole variety of non-Chinese capitalist practices and organizing principles.

One may ask, however, if Southeast Asian ethnic Chinese capitalism is really hybridized, what remains distinctive about it? Is it just about hybridity and hybridization? Are we witnessing an emerging and nascent form of Southeast Asian capitalism that is not organized around ethnicity? I have no doubt that these questions demand very pressing research attention in the near future and therefore cannot be satisfactorily answered here. Suffice to say that the ongoing change in Southeast Asian ethnic Chinese capitalism does not entirely negate all of its distinctive attributes. There are still important features in Southeast Asian ethnic Chinese capitalism that sufficiently differentiate it from other forms of capitalism (e.g., Anglo-American capitalism). In particular, the *supra-national organization* of ethnic Chinese capitalism beyond a single nation-state and the much more selective role of *personal and family relationships* continue to underscore the uniqueness of such regional form of capitalism. Whether it will survive the competitive and convergence pressures of economic globalization is a debatable issue. But there is no doubt that as ethnic Chinese capitalism is increasingly engaging with globalizing forces, its core features will be changed and reshaped and its viability depends very much on the usefulness of this mode of economic organization both to its home countries and to the global economy. As Lim (2000: 12) concludes in her review of

the past success, recent crisis and future evolution of Southeast Asian ethnic Chinese business,

Whether Southeast Asian Chinese businesses will survive as independent entities in the long run will depend on their continued ability to be multi-cultural managers of and for others, providing sufficient value that multinationals will continue to see partnerships with them as necessary assets... In the long run, Southeast Asian Chinese companies will need to develop firm-specific competitive advantages that extend beyond their location-specific market knowledge, network assets and political connections to survive and prosper in the increasingly globally integrated regional economy.

Lim's (2000) conclusion no doubt carries the usual caricature of Southeast Asian ethnic Chinese capitalism as "comprador capitalists" very much similar to Yoshihara's (1988) notion of "ersatz capitalism". But it also brings us a crucial message for future research into and understanding of Southeast Asian ethnic Chinese capitalism—we need to pay as much attention to its internal embeddedness in Southeast Asian countries as to its increasing articulation into the global economy that is both highly uncertain and transformative. These two elements of uncertainty and transformation are currently perhaps the best way to describe and characterize Southeast Asian ethnic Chinese capitalism.

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