Trends of Overseas Chinese Business Network in East Asia:
As Mirrored from Overseas Chinese Investment in Mainland China since 1978

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Abstract

This paper tries to give a general view of the process how the overseas Chinese business network came to formation and revived its links with the Mainland China since the end of 1970s, and its trends when the overseas Chinese economies are integrating in the Mainland in the framework of this business network. The author proposes that the network between the Mainland China and the Chinese outside the Mainland emerged and developed in the context of mutual promotions with the Chinese emigration and overseas Chinese communities, and has few political connotations. All the Chinese economies benefited from this network. When the Mainland became gradually the core of this network in the last three decades, it will result in that the overseas Chinese business network is going up to the Chinese business network. The Chinese business network is an open and market-oriented network beyond political boundaries, and can be expected to be integrated into a larger network of East Asia in the process of regional economic
integration.

Keywords:
overseas Chinese, investment, the Mainland, network

INTRODUCTION

In the last three decades the rapid economic development of the Mainland China and the growth of the overseas Chinese economic strength have both attracted the world focus. The driving forces of the rise of China have been explained by many factors. However, nobody argued that the overseas Chinese involvement into the Mainland is one of the most important impetuses. Many researches had attached great importance to the role of the overseas Chinese business network for the rise of the Mainland. The scholars outside China have paid much attention to the characteristics of the contemporary overseas Chinese business network and how this network function, so as the family enterprise, personnel cooperation, business strategies, bamboo rim and even Chinese capitalist spirit and Guanxi, particularly proved by the cases of the ethnic Chinese transnational entrepreneurs in Southeast Asia. 1) Few of researches approach how this business network comes to form, the links of the traditional network with contemporary network and the trends of it.

So far among the scholars there is little agreement to the conception of “overseas Chinese network” and even the conception of “network” because the scholars used this conception on different senses based on culture, politics, economy, ethnicities and so on. Even the range “overseas Chinese” covering also raises confusing because of different standpoints and definitions, and such situation results in many similar terms appear, like ethnic Chinese, Chinese abroad, Overseas Chinese, Chinese overseas, Chinese diasporas, etc. In this paper I define the term of “overseas Chinese” just on the sense of economy to refer the Chinese beyond the border of the Mainland, and the “business network” refers to informal and

stable relations between economic actors, and the “overseas Chinese business network” refers to the network of linkages dominated by overseas Chinese, including the links between overseas Chinese entrepreneurs and non-Chinese entrepreneurs.\(^2\)

In this paper I just try to give a view of the process how the overseas Chinese business network come to formation and revived it links with the Mainland China since the end of 1970s, and its trends when the different Chinese economical strengths are integrating in the Mainland in the framework of this business network.

I. A Historical View: From Chinese Overseas Business Network to Overseas Chinese Business Network

In the research on the overseas Chinese entrepreneurs up to date, most of the researches focuses on the networks between the Chinese enterprises in different areas and their developing tendency. Few research takes historical analysis on the contemporary overseas Chinese business network in East Asia, which has existed for hundred years, and much less paid attention to the fact that the growth of the overseas Chinese communities is one of the most important motives for the expansion of the Chinese commercial network.

The history of China’s maritime trade in the East Asia can be traced at least to the first century. The famous silk road by sea from Canton through Southeast Asia to Europe existed, although sometimes was intermittently, for two thousand years. Based on China’s advanced handicraft industry and shipbuilding, higher navigation technology and abundant commodities for export, the Chinese merchants, in replace the Muslim merchants who were active between East Asia and Indian Ocean, played a leading role in the East Asia maritime trade from 13th century onwards. When the Chinese merchants spread all over the trade ports in the East Asia, they had to establish their trade bases and which resulted in emergence of the permanent Chinese settlements. In the beginning of the 15th century, several large Chinese communities came to be formed in Java, Sumatra and other ports in Southeast Asia, and each of such Chinese communities crowded with some thousand Chinese people. Based on

\(^2\) East Asia Analytical Unit, *Overseas Chinese Business Networks in Asia*, pp.245-249, Australia: Department of Foreign Affairs and Trade, 1995.
coastal southeast China with their advantage in maritime trade, the Chinese business network started on its rudiment shape and come to formation in 15th century. From then onwards the Chinese merchants based on the center of their network in the coastal southeast China, shared a stable trade range which covered north from Japan, Chinese coastal areas, south to Southeast Asia, and were supported by the overseas Chinese settlements, and mutually promoted with the Chinese overseas migration.

The European expansion into Far East gave a new impetus to development of the Chinese overseas business network. On one hand the Europeans brought the East Asia into the global trade, and the products of East Asia gradually showed their importance in the world market. The overseas Chinese business network in East Asia was combined into the global trade network dominated by the Europeans when the Europeans engaged business with the Chinese merchants in East Asia, and which resulted in that the Chinese merchants who controlled Chinese commodities, have chance through the Europeans' hand to export their commodities beyond East Asia and increased their trade capacity. On another hand, the process of colonization in Southeast Asia stimulated the Chinese overseas emigration in a great scale for Southeast Asia. When the Europeans, not matter the Dutch in Indonesia, or the English in Malay Peninsula, or the Spanish in Philippines, or the French in Indo-China, competitively established their trade ports and exploited their colonies, and they all tried to recruit the Chinese. It seems to be that the Chinese merchants and labors were absolutely necessary to the Europeans colonies in the Southeast Asia. The Chinese merchants supplied the commodities, so as tea, porcelain, silk and so on, which the Europe market is thirst for, and they also brought daily goods to the colonies for daily life need. The Chinese also proved themselves as the better labor in municipal works, planting, mining, handcraft production and traffic system construction, when the Europeans were speed up the development of colonies.

However, the supply of immigrants depended totally on the Chinese overseas business network when the Europeans were not allowed to settle down in Chinese territory except Portuguese's Macao, which was also strictly supervised by the Chinese authorities. It is only the Chinese business network, which offered traffic tools, overseas information and com-

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modities for the emigrants, led the mass Chinese emigrants come to be possible.

The European colonist expansion into Far East pushed forward the expansion of Chinese overseas business network, and also raised the first wave of the Chinese overseas emigration from the coastal southeast China where the Chinese overseas business center located. In the middle of 17\(^{th}\) century more than 100 thousand Chinese had already settled down in Southeast Asia and Taiwan, and most of them are merchants and vendors. Almost all of them concentrated in the ports along with the Chinese trade routes, like Dutch Batavia, Spanish Manila, Portuguese Malacca, Dutch Taiwan, Nagasaki and some other port areas in Southeast Asia. All these Chinese settlements located within the range of Chinese overseas business network and were the pillars for this network.

Along with the expansion of Chinese overseas trade network from coastal areas into hinterland areas in Southeast Asia and Taiwan in 18-19\(^{th}\) centuries, and the Chinese merchants developed their business sections from commodity circulating field to commodity production field, the Chinese emigrants filtered also from coastal areas into hinterland areas in Southeast Asia for planting, mining and handcraft production. The expanding of Chinese overseas business network from coastal areas to hinterland in Southeast Asia and Taiwan opened the way for the Chinese immigrants into new spaces, and offered them more ways for livelihood than only related to trade, which resulted in more Chinese immigrants. Up to the middle of 19\(^{th}\) century some 1.5 million Chinese settled down in Southeast Asia and more than 2 millions Chinese lived in Taiwan. Hundreds Chinese settlements spread over Southeast Asia, and the majority of the overseas Chinese population are not the traders and peddlars as Prof. Wang Gungwu’s view;\(^4\) but the planters, miners and handcraft workers, though the Chinese are still superior in trade sections.\(^5\) In Taiwan, the Chinese immigrants established themselves as the majority of the inhabitants in Taiwan Island and the indigenous were repulsed to

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5) Zhuang Guotu, Qingchu Zhi Yopian Zhanzheng Qian Nanyang Huaqiao de Renkou Jiegou (The Chinese population structure in Southeast Asia during the middle 17\(^{th}\)–middle 19\(^{th}\) century), Nanyang Wenti Yanjiu (Studies on Southeast Asia Affairs), No.1, 1992.
remote mountain areas. The only exception is the Chinese settlement in Nagasaki. In the middle of 17th century there were some 20 thousand Chinese settled down in Nagasaki for trade. When the Japanese authorities closed the country in carrying on isolationist policies to international intercourse and the decline of Sino-Japanese trade in the early 18th century, the Chinese overseas business network could not keep its strong link with Japan as before. The Chinese settlement in Nagasaki lost its vitality, and the Chinese merchants either left from Japan or melted gradually into Japanese society.

The Chinese overseas settlements are significant for existence and development of the Chinese overseas business network because the growth of Chinese communities can turn back to offer the larger overseas market, supply abroad and labor source for the extending of the Chinese overseas trade network. Moreover, when China was forced to open to the western countries and the Chinese merchants lost their monopoly on China’s market and Chinese products after the Opium War in 1940, the Chinese merchants could shifted the center of Chinese overseas trade network gradually from China to overseas Chinese societies along with the rapid growth of Chinese overseas communities, which had already possessed a Chinese population with some 6 millions in 1930s. When the overseas Chinese played a key role and the center of Chinese overseas network was shifted abroad, the Chinese overseas business network turned into the overseas Chinese business network.

However, the Mainland China’s market, Chinese products and supply of Chinese labor, had been one of the most important pillars for the overseas Chinese business network. The overseas Chinese merchants can still keep close relation by trade, investment, remittance and donation with their hometowns.

From the late 19th century to 1949 the overseas Chinese investment in China amounted to about US$ 128.74m (US$ value in 1937), 80% of overseas Chinese investment into China concentrated in the coastal areas of Guangdong and Fujian, where most of overseas Chinese came from.6) The investment into China, however, is not the major pattern of economic involvement for the overseas Chinese in China before 1949. The overseas Chinese remittance to their hometowns happened as early as when the

Chinese emigrants settled down. Comparison to the overseas Chinese remittance, which amounted to US$3510 millions in 1864-1949, the US$128.74m of the total overseas Chinese investment in the same period seems much less important for overseas Chinese economic involvement in China.7)

It should be pointed out that Chinese overseas business network is totally different from the business networks of the Europeans at the same period in East Asia. The European trade networks dominated by the companies as VOC(Dutch Indian Company), EIC(English Indian Company), which are well organized by the centralized authorities on the tops, consisted of a series of the commerce chambers in the ports in East Asia along with the trade routes, supported by the colonist governments, military forces and state governments. In another words, the European network is exclusive and guarded with military force and protected by the home governments. On contrary, the Chinese overseas business network was loosely organized and open to the potential participants, and had been suppressed by their home government in the whole period from the 17th to middle 19th centuries as the Chinese government had kept a hostile attitude towards the overseas Chinese.8) As soon as the Chinese overseas business network emerged in the 17th century, its development had been always against the will of the Chinese governments until the second 19th century. Because of their lack of access to systemic safeguards, the overseas Chinese businesses are highly dependent on the cultivation of useful ties in the network.9)

Therefore, from the historical picture of interaction between the Chinese business network, Chinese overseas communities and the Chinese emigration, it is not surprise to see that although the overseas Chinese entrepreneurs were the “merchant without empire” comparing with the European colonists,10) they could still successfully established

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7) ibid, pp.54-57.
their overseas communities and kept close relations with China by their business network and strong emigrating links. We can also imagine what achievement the Chinese merchants could gain in case that the Chinese government supported this network instead of suppressing it. Such historical clairvoyance on the overseas Chinese business network in history will be helpful to understand how the contemporary overseas Chinese business network functioned and why the overseas Chinese entrepreneurs need to keep close relations with China.

II. Why Turn Back to Mainland China since 1978

From 1949 to 1978 the normal links of the overseas Chinese business network with the Mainland China had almost been interrupted as the CCP government had carried on central planning economic systems and gradually forbidden the private enterprise and considered the rich overseas Chinese as “bourgeoisie”. However, Hong Kong was used to function as a gateway to and from China for the link of the overseas Chinese with the Mainland for trade in small scale, and the intermediary and repository for their remittances since 1949. From 1950s onwards the Chinese emigrations came to stop because CCP government forbid emigration and they were also generally not allowed to entry into Southeast Asia after the Western colonists withdraw from this region and the indigenous established their governments. The overseas Chinese, who had identified with themselves as Chinese nationals before 1950s, had to integrate themselves into the local societies and changed their political loyalty to the local governments in order to obtain the local nationality for their living in Southeast Asia, which resulted in the change of their status from Overseas Chinese into ethnic Chinese without China’s nationality. However, their strong identity on Chinese Culture and the consciousness being a Chinese still led to existence of abundant of Chinese societies in Southeast Asia, although in varying degrees many of them assimilated with the local population in the indigenous states, namely countries dominated by a so-call indigenous group.11 As the ethnic Chinese in Southeast Asia were often harbored by the indigenous governments with anti-

Chinese sentiments, British Hong Kong was chose as haven for their capitals. Therefore, Hong Kong has played a role as the center of financial and business services for the overseas Chinese entrepreneurs in the world.\(^{12}\) Like Singapore which has been one of financial and trading centers for the overseas Chinese business network, Hong Kong was to be another financial market serving Southeast Asian Chinese and kept their trading link with the Mainland China. In 1949-1990, some HK$ 73bn. was invested into Hong Kong by the Chinese from Southeast Asia, which exceed the investment from U.S. and Japan.\(^{13}\) It was said that in the first month after the South Vietnamese government collapsed in 1975, the Chinese in Vietnam transferred half million US dollars into Hong Kong everyday.\(^{14}\) Of the top 200 companies on the Hong Kong Stock Exchange at the beginning of 1995 not less than 26 were owned and controlled by Southeast Asian Chinese entrepreneurs. Of the 35 top Southeast Asian families 19 have investments in China and at least ten of these have established a second headquarters in Hong Kong to act as a holding company or vehicle for their China activities.\(^{15}\) In 2003 18 enterprises owned and controlled by Southeast Asian Chinese valued on the Hong Kong Stock Exchange US$12 billion.\(^{16}\)

The introduction of the Mainland China’s policies of reform and the opening up of the country to the outside world in 1978 offered the overseas Chinese business network revived its traditional relations with the Mainland China. Two factors made the overseas Chinese entrepreneurs turn back to the Mainland China where had been the core area for the Chinese overseas business network. One is the change of Chinese government’s attitude towards overseas Chinese capital, and the other is the rapid economic growth of the Mainland China.

When “economic development” was confirmed as the “central work” of central CCP committee and government in 1978, overriding any other


\(^{13}\) Xu Yousheng, Dongnanya Huaren Jingji zai Xianggang de Tuozhan (The economic expanding of Southeast Asian Chinese in Hong Kong ), *Qiaowu Gongzuo Yanjiu* (Studies on Overseas Chinese Affairs), 1992, No.2, p.20.


work, the coming problem is how to seek enough funds to start the economic engine. Very soon, both central and local governments come to pay attention to their overseas compatriots, who had been ignored for almost 30 years. As soon as the Chinese government focuses their eyes on overseas Compatriots outside the Mainland, it did not take long to recognize their rapid economic growth in the last 30 years. Although the overseas Chinese have had a significant economic present in East Asia for more than 600 years, the fast growth of their wealth and capital has occurred in the recent 30 years. Since the rapid economic development of Taiwan, Hong Kong and Singapore in the 1960s-1980s and Thailand, Malaysia, Philippines and Indonesia in the 1970s-80s, the Chinese outside the Mainland rapidly expanded their economic strength and were criticized as the biggest beneficiary of the East Asian economic miracle. The World Bank estimates that the combined output of the overseas Chinese was about US$400b in 1991 and rose to US$600b by 1996.\(^7\)

Many Chinese leaders in the central government of China have show their interest in the overseas Chinese economic strength from the beginning of 1980s, the local governments, particularly those in Fujian and Guangdong, where had been the core region of Chinese overseas business network for hundred years and people are more familiar to their overseas compatriots than the central government, started to mobilize these overseas town mates to make contributions to their hometowns by donation for education, public welfare and charitable foundations even as early as the early 1970s when the “Great Culture Revolution” was not over yet. However, it is Mr. Deng Xiaoping, who decided to take the firm measures to attract the overseas Chinese direct investment by setting up Special Economic Zones in Guangdong and Fujian provinces where the most of overseas Chinese come from.

In 1980 four Special Economic Zones were set up permitted by the central government, and three are in Guangdong and one is in Fujian. Mr. Deng Xiaoping clearly explained why and where should to set up these Special Economic Zones:

\begin{quote}
The selected locations of these four Special Economic Zones is based on geographical reasons: Shenzhen closes to Hong Kong; Zhuhai closes to
\end{quote}

Macao; Shantou is the hometown of Chaozhou people and many of them lived in Southeast Asia; Xiamen is chosen because many south Fujianese merchants in Southeast Asia.18)

Mr. Deng Xiaoping even frankly recognized that the purpose of Xiamen Special Economic Zone set up is to target the overseas Fujianese capital:

I was told that there are more than ten biggest businessmen in the world and among them five are Chinese, among them three are Fujianese. Now Xiamen is much less developed than Guangdong, and when Xiamen Island as a whole became Special Economic Zone, it will attract the overseas Chinese funds and further the foreigner’s investment. Therefore, it will bring along the neighbor areas of Xiamen and furthermore, push forward the Fujian’s economic development.19)

Although the central Chinese government further opened 14 coastal cities in order to attract more foreign investors, the measure of Special Economic Zones seems reached the aim very soon. In 1979-1987 39.1% of the total US$5.22b of overseas Chinese capital in China invested in these four Special Economic Zones and most of them are from Hong Kong and Southeast Asia.20)

In 1992 it is again Mr. Deng Xiaoping, who decided to open almost whole the country to the world. The overseas Chinese investment, previously concentrated in Guangdong and Fujian, spread into inland of China since 1992. In 1993 Mr. Deng Xiaoping further expressed his higher appreciation of overseas Chinese and considered them as the unique condition of China’s development. He said,

There have been rare opportunities for China to go into a great development. China is different from the other countries because China has several ten millions overseas compatriots who can offer a unique opportunity to China’s development and they have made great contributions for China.21)

Deng Xiaoping’s attitude toward the overseas Chinese has been followed by his successors President Jiang Zemin and Hu Jintao. Both of

them all stressed the importance of overseas Chinese to the Mainland China. In pace of the improving of China’s relations with neighbor countries Chinese central government’s leaders are getting more courage to express openly their appreciation of ethnic Chinese. This year President Hu Jintao frankly declared:

There are several ten millions overseas compatriots distributing in different regions in the world and about 30 millions of their relatives in China, and all of them are the important strength for China’s modernization, nation-united and the revival of Chinese people. The CCP has always paid high attention to the work on them.22)

Besides opening more regions to FDI, the central government and local governments formulated special rules to offer preferential treatment to overseas Chinese capital investment in the Mainland China than the normal FDI before 1995. In practice the ethnic Chinese capital is treated as the Overseas Chinese capital by the Chinese government. Besides the favorable policies formulated by the central government, the local governments at different levels of province, city and towns, even offered more favorable conditions to the overseas Chinese investment in tax, land rent, import duties, special protection on some economic sections, residence, and so on.23)

In response to the Chinese government’s good graces the overseas Chinese capital, which gained rapid growth in the last 30 years and accumulated a great capacity for overseas investment, took the lead to invest in China when other foreign capitals were still hesitated and waited, and it means that the traditional overseas Chinese business network revived its link with the Mainland China when the later was again included into this network.

It is also the result of the economic complementarities between Chinese communities. The mainland is eager to gain access to capital, technology and know-how to penetrate into international markets from HK, Taiwan and the Southeast Asian Chinese. Conversely, manufacturers in Hong Kong and Taiwan need to find alternative bases of production when they were suffering from high wages, limited land and environment

demands at home, and the rapid accumulating capitals of the Chinese in Hong Kong, Taiwan and Southeast Asia are keen to invest into the Mainland which will be proved to be a profitable market.

The rapid economic growth of the Mainland China in the last 30 years also attracted the overseas Chinese entrepreneurs. In 1978-2003 the GDP of the Mainland China increased in an annual rate of around 9%, which is even higher than that of Japan in 1960-1980s. Since 1978 the Mainland China doubles its per capita output in less than ten years, and which takes U.S. in forty-eight years, Japan in thirty-three years. Moreover, Guangdong and Fujian, the root-places of most overseas Chinese, had a more rapid economic growth. In 1980-1991 Guangdong had an annual growth of 13 percent, and Fujian had a growth of 11 percent. The coastal areas in these two provinces had kept the economic growth even much higher than the average level of whole province. The rapid economic growth means huge economic opportunities for investment returns, business sections, international trades, growing market and so on.

Under such circumstances that the Mainland government spares no effort to attract the overseas Chinese capital and the rapid economic growth which will bring huge economic opportunities, how can the Chinese entrepreneurs outside the Mainland China stand such allure when the overseas Chinese have advantage than the non-Chinese investors? It is just like what the Singapore President Lee Kuan Yew said: We are ethnic Chinese and share a basis for culture and language. It makes for easy rapport and trust, which is the foundation for all business relations.

Then the wave of overseas Chinese investment into the Mainland started almost as soon as the Mainland China introduces its opening policy, and it marks that the overseas Chinese business network revived its link with the Mainland.

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Table 1: FDI from HK and Southeast Asia in 1979-1989 (unit: US$ million)

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>From HK</th>
<th>From Southeast Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-1983</td>
<td>702.55</td>
<td>641.30</td>
<td>61.25</td>
</tr>
<tr>
<td>1984</td>
<td>762.32</td>
<td>753.81</td>
<td>8.51</td>
</tr>
<tr>
<td>1985</td>
<td>978.10</td>
<td>955.68</td>
<td>22.42</td>
</tr>
<tr>
<td>1986</td>
<td>1156.45</td>
<td>1132.37</td>
<td>24.08</td>
</tr>
<tr>
<td>1987</td>
<td>1635.01</td>
<td>1598.21</td>
<td>36.80</td>
</tr>
<tr>
<td>1988</td>
<td>2134.37</td>
<td>2095.20</td>
<td>39.17</td>
</tr>
<tr>
<td>1989</td>
<td>2177.70</td>
<td>2077.59</td>
<td>100.11</td>
</tr>
<tr>
<td>Total</td>
<td>9546.50</td>
<td>9254.16</td>
<td>292.34</td>
</tr>
</tbody>
</table>


III. OVERSEAS CHINESE INVESTMENT IN MAINLAND CHINA SINCE 1978

In the first decade of the China's opening to the world, major part of the foreign direct investment came from HK and the ethnic Chinese in Southeast Asia. The quota of FDI from HK and the Chinese in Southeast Asia is about 55% in the total FDI in China. The investment directly from Southeast Asian Chinese in this period is exploratory and very small in comparison with that from HK as showing in the Mainland's official statistics.

It is logical that the overseas Chinese chose Guangdong and Fujian, where was historically the core region of Chinese overseas business network, as the objective region for their ventures. In this region the overseas Chinese investors hold a strong kinship-link with the local people and authorities, and shared with local people a very similar sub-culture value and customs, which is the advantage for communication and establishing personnel relations. Moreover, this region is close geographically to the investors. Our survey shows that in the first decade after 1978 about 70% of FDI in China are invested in Guangdong (about 60%) and Fujian (about 10%).

Hong Kong has been the vanguard and main force in the overseas Chinese economic involvement into the Mainland China no matter in investment, trade or technology and information transportation. Actually Hong Kong started its economic integration into the Mainland as early as
the late 1980s. In the beginning of 1990s Hong Kong had already finished the transportation of manufacturing firms from Hong Kong to Pearl River Delta in pursuing the cheaper land and labor as well as the other preferential condition offered by the local governments. Meanwhile, Hong Kong had been the transfer station for Southeast Asian Chinese capital invested into mainland as soon as the Mainland China’s opening the door. In the late 1980s Taiwanese entrepreneurs started its business venture to invest into the Mainland, and Fujian and Guangdong are also the Taiwanese first targets.

When the competition of investments into China between Chinese and non-Chinese took place after the Mainland China opened more areas for FDI, the Western countries economic sanction after Tiananmen Square Event reduced their investment into China, which gave overseas Chinese an opportunity to expand their investment in the Mainland. In 1992 80% of FDI came from the overseas Chinese capital. Meanwhile, the trade between Fujian, Guangdong in the Mainland, Hong Kong, Taiwan and Singapore was rapid increasing.26) It is clear that from early 1990s onwards the intimate economic interactions between Hong Kong, Taiwan, coastal south China and the Southeast Asian Chinese have well going on through investment and trade. To some extent it marks that the traditional overseas Chinese business network had already revived in the same range.

The year of 1992 is a crucial year for FDI in the Mainland China when Mr. Deng Xiaoping made his famous South Trip Speech about opening more places than coastal south China to FDI and to stress his decision of keeping on further reform policy. Correspondingly, the overseas Chinese entrepreneurs expanded their investment northward from their traditional active area in south coastal China, particularly along the east coast in Jiangsu, Zhejiang, Shanghai, Shandong, Tianjin, Beijing and Liaoning. In 1995 the total figure of investment from Singapore into the east China has exceeded the figures in Guangdong and Fujian. In 1992 75% of the Taiwanese capital invested in Fujian and Guangdong, and in 1997 this quota reduced to 49%. In the last ten years Yangtze River Delta became the most attractive area for the overseas Chinese investment, and actually, the overseas Chinese investment spread out whole the Mainland

China.

Table 2: FDI in China in 1990—2002 (unit: US$10000)

<table>
<thead>
<tr>
<th>Years</th>
<th>China total</th>
<th>H.K.</th>
<th>Macao</th>
<th>Taiwan</th>
<th>Philip-pines</th>
<th>Thai-land</th>
<th>Malaysia</th>
<th>Singa-pore</th>
<th>Indonesia</th>
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<td>1990</td>
<td>348711</td>
<td>188000</td>
<td>3342</td>
<td>22240</td>
<td>167</td>
<td>672</td>
<td>64</td>
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<td>100</td>
</tr>
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<td>1991</td>
<td>436634</td>
<td>240525</td>
<td>8162</td>
<td>46641</td>
<td>585</td>
<td>1962</td>
<td>196</td>
<td>5821</td>
<td>218</td>
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<tr>
<td>1992</td>
<td>1100751</td>
<td>750707</td>
<td>20200</td>
<td>105050</td>
<td>1628</td>
<td>8303</td>
<td>2467</td>
<td>12231</td>
<td>2017</td>
</tr>
<tr>
<td>1993</td>
<td>2751495</td>
<td>1727475</td>
<td>58650</td>
<td>313859</td>
<td>12250</td>
<td>23318</td>
<td>9142</td>
<td>49004</td>
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<td>50937</td>
<td>339104</td>
<td>14040</td>
<td>23487</td>
<td>20099</td>
<td>117961</td>
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<td>43982</td>
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<td>28824</td>
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<td>1998</td>
<td>4546275</td>
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<td>42157</td>
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<td>4071481</td>
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<td>20357</td>
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<td>32112</td>
<td>297994</td>
<td>20939</td>
<td>19421</td>
<td>26298</td>
<td>214355</td>
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</tr>
<tr>
<td>2002</td>
<td>52.743 (billion)</td>
<td>1786093</td>
<td>46838</td>
<td>397064</td>
<td>18600</td>
<td>18772</td>
<td>36786</td>
<td>233720</td>
<td>12164</td>
</tr>
<tr>
<td>Total</td>
<td>430.763 (billion)</td>
<td>19505182</td>
<td>469466</td>
<td>3295549</td>
<td>140668</td>
<td>232217</td>
<td>283238</td>
<td>2130120</td>
<td>111631</td>
</tr>
</tbody>
</table>


Due to the zeal of the overseas Chinese entrepreneurs, the FDI rapidly flowed into the Mainland. In 1980s the FDI flowing into the Mainland is only US$ 1-2b annually, and in 1990s this figure increased to US$ 20-40b annually. The increasing rate of FDI and the total sums are historically unprecedented, and no other developing country has received anything remotely like these sums in such a short time period.

From the Chinese government’s statistics the FDI in 1990-2002 from Southeast Asia is US$29b or about 6.7% of total FDI in China. In the meantime, the FDI from Hong Kong is about 45% of total FDI in China and 7.6% from Taiwan. In Fujian total FDI is US$41.45 b, about 7.3% came from Southeast Asia, and 50% came from Hong Kong and 14% came from Taiwan.27)

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However, according to our survey the investment from Hong Kong in a great quota is actually from the branch companies owned by the Southeast Asian Chinese, and we have also seen a mingled phenomenon with Hong Kong, Taiwan, Southeast Asian Chinese capitals when they invested into the Mainland.

Hong Kong has played a role of transfer post for the Southeast Asian Chinese investment in the Mainland China. Many huge Southeast Asian Chinese enterprises established their agencies in Hong Kong. Because direct investment from Southeast Asia into the Mainland had raised political sensitive and resulted in the local authorities' suspicion to the ethnic Chinese loyalty, it is a reasonable and easy choice for the ethnic Chinese in Southeast Asia to invest into Chinese through their companies in Hong Kong.

The cases of Liem Aioe-liong and Riady's investments in Fujian can be seen as the model of the Southeast Asian indirect investment in the Mainland through Hong Kong. Both of these two richest Indonesian Chinese families are originated from Fujian. As the Chinese loyalty were criticized more in Indonesia than any other Southeast Asian countries it is logically the best choice for them to invest into their hometown is through Hong Kong. Liem involved many large industrial estates through his First Pacific Company registered in Hong Kong in his ancestral home in Fuqing County near Fuzhou, where an industrial Zone was named in memory of his father. Stephen Riady invested through his Hong Kong China Company in his home town Putian, where he involved many long-term industrial programs like electric power, port, manufacturing factory. The investments in Fujian only from these two Indonesian Chinese through Hong Kong are more than the direct investment from Indonesia in Fujian showed in the Chinese official statistics. Before 1997 two of the largest Chinese investors in the Mainland from Southeast Asia are the Sino-Thai agri-business group and Sino-Indonesian Sinar-Mas, and both made their investments in China through their publicly-listed companies in Hong Kong.\(^\text{28}\)

Although our survey has not yet offered the exact figure of the Southeast Asian Chinese investment through Hong Kong into China, it

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will be no doubt that this figure will be much bigger than the direct investment from Southeast Asia showed in the Chinese official statistics.

Taiwan, next to Hong Kong, is the second largest investor into the Mainland China in the 1990s. In 1990-2002 the FDI from Taiwan into the Mainland amounted to US$ 33bn. according to the Mainland government' statistics. Scholars believed this figure is underestimated because the Taiwan authorities discouraged the investment into the Mainland. A Taiwanese scholar estimated that the real figure of investment from Taiwan into the Mainland, including those through the third party, is possibly to US$ 93bn. from 1987-2001, three folds as the open figure.\(^{29}\)

Although the non-Chinese FDI speed up their ventures in the Mainland in recent years because of the rapid growth of the mainland market, the overseas Chinese capitals, including the most of those from Virgin Island, Cayman Island and Western Samoa, are still the most important investors. In the first ten largest sources of FDI into the Mainland China, six are from overseas Chinese and which has more than 55% of total FDI in 2003 - Nov.2004.

Table 3: Ten largest sources of FDI used in Mainland in 2003 - Nov.2004

<table>
<thead>
<tr>
<th>Source country/region</th>
<th>value US$ b.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>35.8</td>
</tr>
<tr>
<td>Virgin Island</td>
<td>12.19</td>
</tr>
<tr>
<td>Japan</td>
<td>10.09</td>
</tr>
<tr>
<td>South Korea</td>
<td>10.08</td>
</tr>
<tr>
<td>U.S.</td>
<td>8.2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>6.54</td>
</tr>
<tr>
<td>Singapore</td>
<td>4.07</td>
</tr>
<tr>
<td>Cayman Island</td>
<td>2.76</td>
</tr>
<tr>
<td>Western Samoa</td>
<td>2.08</td>
</tr>
<tr>
<td>Germany</td>
<td>1.84</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1143 (2003: 53.0)</strong></td>
</tr>
</tbody>
</table>

Sources: Statistics Sources, Ministry of Commerce of PRC.

According to the Mainland China' statistics the total FDI into the Mainland is amounted to US$501.47b in 1979—2003, and more than 60%

of FDI into China comes from the overseas Chinese. In the first six largest FDI investors in the Mainland four of them are believed to be overseas Chinese. The investors from Virgin Island, Cayman Island and Western Samoa are believed actually to be those mainly come from Taiwan, and the rest are from Hong Kong and Southeast Asian Chinese.

Table 4: Ten largest sources of FDI used in China in 1979 - 2003

<table>
<thead>
<tr>
<th>Source country/region</th>
<th>Value US$ bn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>222.57</td>
</tr>
<tr>
<td>U.S.</td>
<td>44.08</td>
</tr>
<tr>
<td>Japan</td>
<td>41.39</td>
</tr>
<tr>
<td>Taiwan</td>
<td>36.48</td>
</tr>
<tr>
<td>Virgin Islands</td>
<td>30.16</td>
</tr>
<tr>
<td>Singapore</td>
<td>23.53</td>
</tr>
<tr>
<td>England</td>
<td>11.43</td>
</tr>
<tr>
<td>Germany</td>
<td>8.85</td>
</tr>
<tr>
<td>France</td>
<td>6.14</td>
</tr>
<tr>
<td>Total FDI</td>
<td>501.47</td>
</tr>
</tbody>
</table>

Sources: Statistics Sources, Ministry of Commerce of PRC

The last ten years witnesses the overseas Chinese business network has exceed its traditional region it covered in the history when more and more overseas Chinese capital earnestly expand into northeast China beyond southeast coastal China. When the FDI from U.S., Europe, Japan and South Korea flowed in great scale into China in the last few years, and the overseas Chinese investment is still as the majority of FDI as before, the Mainland continues to be the best choice for the overseas Chinese capital for investment across boundaries.

Since the overseas Chinese business network revived it link with the Mainland China in the late 1970s, the Mainland became more and more important for the function of this network. The last twenty years witness the best combination of the economic factors under the framework of this network in the Mainland: technology and manufacturing capability from Taiwan; outstanding entrepreneurial, marketing and services acumen from Hong Kong; a tremendous pool of financial capital from Hong Kong, Taiwan and Southeast Asian Chinese; large endowments of land and inexhaustible cheap labor as well as stable political situation from the
Mainland.\textsuperscript{30} It is expected that in the near future the qualified Chinese scientists and technicians from North America will join this combination. In 1978-2003 700.2 thousand Chinese students and scholars went abroad for studies, among them 527.4 thousands settled down abroad,\textsuperscript{31} and most of them are in North America. All the participants greatly benefited from this combination. On one hand, this combination is one of the key factors which brought the Mainland to become “world manufacturing factory” for export. In 2000 the Mainland’s exports reached US$ 249b, grown 27% than last year, and in 2001, 2002 and 2003 the figures are US$ 266.1bn, 6.8%; US$ 325.5bn, 22% and US$ 438.3bn, 37.1%. In Jan-Nov., 2004, the Mainland’s exports reached US$ 529.6bn, grown 35.7%, and will be the third largest country in export in the world.\textsuperscript{32} Undoubtedly, the foreign-invested sector made the most important contribution to enable the Mainland become one of the world’s leading trade-oriented economies. The rapid growing economic strength based on such combination also lead the Mainland China to be the core part of this network. On another hand, the Mainland’s overseas Chinese partners, no matter those from Hong Kong, Taiwan or Southeast Asia, occupied a great part of a rapid growing market of the Mainland, and they accumulated more capital and enhanced their financial strength when they expanded their business into the Mainland and manage it profitable. They also increased their industrial capacity, particularly in manufacturing section when they transferred massive labor productions factory to the Mainland for cost reduction and remain research and design of industry in the home areas, so did as the Taiwanese IT industry.

Within the overseas Chinese economic network Hong Kong took the first step to be integrated with the Mainland China from the early 1980s, and then Taiwan began the process of this integration from the late 1980s onwards. In the early 1990s, these three Chinese economies had already close interactions by the mutual trade and investments. The emergence of integration between the Mainland, Taiwan and Hong Kong appears to be a prime example of “the natural economic territory”, namely the economic

\textsuperscript{30} Nicholas D. Kristof, The Rise of China, \textit{Foreign Affairs}, No.72 (Nov.), 1993, pp.72-73.
systems spanned the political boundaries, which developed when the governments allowed them.\textsuperscript{33}

Since 2002 the Mainland China has already attracted more than half of the Taiwanese investment across boundaries and became the largest market for the exports of Taiwan. According to the survey on Taiwanese invested enterprises in the Mainland by Taiwanese magazine “Investment in China”, 68115 Taiwanese enterprises had been established to the end of 2003 with a total investment of US$129.5b by contracted and US$ 77.7 used. In 2002 Taiwan exported the goods of US$33.06b or 25.3 \% of total export to the Mainland.\textsuperscript{34}

The establishment of China-ASEAN Free Trade Area (CAFTR) in 2002 offered a new chance to encourage the Chinese in Southeast Asia to involve directly in mainland China’s economy. Although the Southeast Asian Chinese entrepreneurs invested into the Mainland through Hong Kong as early as the beginning of 1980s, their investment into the Mainland was often criticized by the indigenous authorities, particularly by the Malaysians and Indonesians, as capital flight and therefore they raised suspicion with their loyalty to their countries in Southeast Asia. As the ethnic Chinese played a crucial role in the economy of Southeast Asia, the CAFTR will bring the Southeast Asian Chinese more to be integrated with the Mainland. Both of the Chinese entrepreneurs in the Mainland and in Southeast Asia will easily become partners in the framework of CAFTR.

The last few years witnessed a high tide of mutual investment and rapid increasing trade between the Mainland China and Southeast Asia. In Jan.-August, 2004 the total trade between two sides reached to US$65.6b and expected to exceed US$100b to the end of this year.\textsuperscript{35} As a result of rapid growing of mutual investment and trade between China and Southeast Asia, more than a million Chinese small detailers and peddlers flowed into Southeast Asia in the last ten years, particularly into Laos, Myanmar, Kampuchean, north Thailand and Vietnam. It seems a historical phenomenon appears again: business network expanding brings


\textsuperscript{34} \textit{Tezhi Zhongguo} (Investment in China), No.119, Jan., 2004.

out emigration.

Following the revival of overseas Chinese business network from the end of 1970s when coastal southeast mainland was included, this network rapidly expanded into whole mainland in 1990s with deep economic integration between the Mainland, Hong Kong, Taiwan and Southeast Asia. When the Mainland is becoming more and more the core part of this network, it means that the overseas Chinese business network is going upgrade to the Chinese business network as it ever appeared before.

CONCLUSION

Here I make some remarks on the network as my conclusion:
1. It should be understood that this network between the Mainland China and the Chinese outside the Mainland has few political connotation. It emerged at very beginning in mutual promotions with the Chinese emigration and overseas Chinese communities, but beyond the political boundaries. Because all the participants benefited from this network, the political boundaries can't stop this marketed tendency. That is why although Taiwan authorities make restriction on direct investment into the Mainland, the Taiwanese entrepreneurs still try to invest through a third country or region, like Hong Kong or Virgin Islands. The Chinese investors from Southeast Asia did in the same way.

2. The well functioned overseas Chinese business network resulted in all the participants in this network engaging in the process of re-industrializing and modernizing the Mainland. In the process of the Mainland's modernizing and the whole mainland is integrated into this network, the Mainland became gradually the core of this network. It will mark the overseas Chinese business network is going up to the Chinese business network although the overseas Chinese entrepreneur will continue to play a key role in the near future in this new upgraded network.

3. As the economic expansion by market driving force is no longer contained within political borders proved by the overseas Chinese investment across boundaries and the rapid growing trade between the Chinese economies, the Chinese business network will be an open and market-oriented network and need not to be race exclusive, as the overseas Chinese business network has been. As a result of regional economic integration,
the Chinese business network can be expected to be integrated into a larger network of East Asia under the perspectives of economic integration of East Asia without political ambitions from the main partners.

※ The Japanese translation of this paper will be issued in a book titled “For Building East Asia Community” from the publisher: MINERVA Publishing CO.Ltd., scheduled in 2006 (The editors of this book are Prof. Kiyokatsu Nishiguchi, Prof. Shuji Matsuno and Prof. Xia Gang).