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ISSN 0047-2336
Chinese Networks and Enterprise Development: Malaysian Investments in China

Edmund Terence Gomez*

[Abstract: This study assesses the argument that common ethnic identity has facilitated the creation of transnational business networks leading to the rise of a new economically powerful “global tribe” comprising ethnic Chinese from East and Southeast Asia. The primary contention in this article is that a network with the economic clout of a “global tribe” would entail interlocking stock-ownership ties, a sharing of resources and cooperation to the point of merger. Through an in-depth analysis of investments in China by ethnic Chinese from Malaysia, this article proves that even major Chinese-owned companies have little or no interlocking stock ownership and directorate links, either domestically or across borders, with other Chinese-owned companies. The growing inflow of investments into China by ethnic Chinese from Southeast Asia is primarily due to endeavours by government leaders in the region and China to encourage businesses to invest in the Mainland.]

KEYWORDS: Chinese business; identity; networks; enterprise development

In the early 1990s, the role of “networks” in the development of enterprises owned by ethnic Chinese became a major topic of interest. At this time, numerous studies began actively claiming that the Chinese diaspora was collaborating through ethnically-based networks to channel huge investments into China. Terms such as “Chinese commonwealth” (Kao, 1993) and “global tribe” (Kotkin, 1993) were created to describe this alleged “network of entrepreneurial relationships” (Hamilton, 1996) of individual firms that shared “a common culture” (Redding, 1990). This argument about extensive business networks among ethnic Chinese is also attributable to well-publicised statements by certain Southeast Asian leaders. For reasons of their own, from the early 1990s, Singapore’s Lee Kuan Yew and Malaysia’s Mahathir Mohamad began encouraging ethnic Chinese in their countries to use their “ancestral” identity to exploit the economic opportunities that had reputedly opened up in China. Meanwhile, in China, authorities at all levels had been flaunting ethnic ties in an attempt to draw in diasporic investment. In response, Chinese entrepreneurs in Hong Kong, Taiwan and Southeast Asia took advantage of the privileges on offer to start trad-

*Research Coordinator, United Nations Research Institute for Social Development, Palais des Nations, 1211 Geneva 10, Switzerland. E-mail: terencogomez@hotmail.com