

Chinese Business Networks

State Economy and Culture

Review >
China

Chan Kwok Bun's book, *Chinese Business Networks: State Economy and Culture*, is a collection of fifteen interesting papers on the Chinese community engaged in business in mainland China and abroad. The collection both highlights and questions the role of informal networks, or *guanxi*, as the main factor responsible for the success of the Chinese business community. The papers in this volume focus on three different issues: Chinese entrepreneurs in mainland China, the success of Chinese enterprises in other countries, and the successes and failures of overseas Chinese enterprises attempting to enter the mainland economy.

By Prema Rajagopalan

Li Cheng, in his paper, traces the rise of technocrats and entrepreneurs in the mainland, effectively exposing the conflict between the 'intellectual' elites, who have generally been the ruling elites, and the 'economic' elites, who have only recently been given a role in decision-making. The ruling elites in mainland China, after the Cultural Revolution, had consistently enacted laws that did not facilitate private enterprise. As a result, Chinese businessmen were forced to operate more and more on personal bonds based on obligation and reputation. Networks were organized to reduce transaction costs and generally compensate for weaknesses in the system; these networks were mobilized for all purposes – from raising capital to finalizing deals.

Holbig's analysis provides a fascinating account of how the Chinese valued trust more than money, as money brought an impersonal dimension to business endeavours. In this process, Chinese cultural values were modified to suit the situation, and *guanxiwang* were extended to include, not only family connections, but also village, neigh-

bourhood and clan connections. Authors Wu Ping and Gipouloux also discuss these dimensions in detail.

The papers that focus on the Chinese business networks outside of mainland China first look at the various causes of Chinese migration between the twelfth and twentieth centuries. In the twelfth century, the commercial boom for maritime travellers encouraged Chinese migration. From the seventeenth to the nineteenth century, however, European colonization influenced migration as would politics and economy in the twentieth century. The varying reasons for migration influenced the success of integration in the countries of immigration. Several accounts illustrate that the earlier migrants to Indonesia and Malaysia successfully adapted to the cultural needs and linguistic demands of their host countries (Cribb, Gomez, Shaolin, and Mackie)

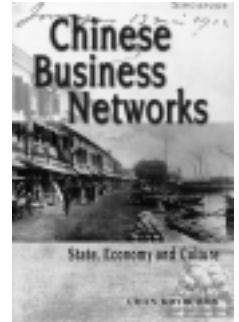
Other articles in this volume focus on how the *guanxi* operated overseas and why Chinese migrants entered business world in their adopted countries. It is interesting to note that the *guanxi* functioned primarily as familial resource networks to assist new migrants in finding accommodation and employment, and

they also provided assistance in times of disease, death, and so forth. Eventually, the scope widened to include members without actual blood ties, and further still to other business activities. Chinese migrants focused on business activities in their new countries, as almost all of the articles observe, but for various reasons, based on the time period in question. In the early waves of settlement, foreigners were denied entry to other economic areas of life, so the Chinese entered business. During the colonial and post-colonial periods, however, the Chinese chose to move to the most remote areas of the land trading or other small-scale enterprises. As societies became more liberal, some Chinese migrants entered the professions. As a result, those who remained in business extended *guanxiwang* to include members of the local non-Chinese population. The influence of *guanxiwang* was also extended to cultivate people in power. This cultivation has been described as 'crony capitalism' as it was often manipulative unethical in its dealings. Some papers illustrate the cut-throat competition which existed, even among the various Chinese business houses, to obtain the favour of the political elite.

The third topic covered in this volume

covers the experience of the overseas Chinese doing business in mainland China, following the implementation of a number of reforms. It is here that the advantages and disadvantages of *guanxi* have received the most attention. Successful Chinese businesses from Taiwan, Hong Kong, and Singapore have for some time been vying with each other to enter the mainland economy, and have resorted to renewing old contacts and making new ones to facilitate their business. Chan Kwok Bun's paper on the experience of the Singaporean Chinese illuminates this experience. Being accustomed to the business practices of Singapore, they have so far been unable to cope with the limited written documents that characterize business dealings in the mainland. Moreover, several meetings with lavish entertaining seem essential before a solid connection can be established. The Singaporean Chinese have found these practices both time-consuming and economically unviable, and consequently have lost business opportunities to the Hong Kong or Taiwan Chinese. *Guanxi* also play a role in the type of people employed in a Chinese enterprise – people who may not always satisfy the requirements of that enterprise. The dysfunctions and liabilities of *guanxi* also receive sufficient attention in the articles.

The so-called East Asian miracle is a strange phenomenon, in that Western-style capitalism has been able to grow and develop in the absence of those economic institutions that are required



in the Western model. This, along with the increasing number of Chinese entrepreneurs in foreign countries and the great opportunities in mainland China, has generated a number of popular books which try to explain the 'Chinese mind'. Chinese business networks have become more multi-cultural, however, facilitated by the revolutions in information and communication technology, and they have gradually moved out of the 'personal trust' syndrome. The focus on *guanxi* and *guanxiwang* by the various authors in this book both demystifies and reassesses their importance and relevance. The book is a well-timed, thorough academic analysis which should become essential reading. <

- Chan Kwok Bun (ed.), *Chinese Business Networks: State Economy and Culture*
Prentice Hall: NIAS (2000), pp. 320,
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