



# UNRISD

UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT

---

## **Inter-Ethnic Relations, Business and Identity**

The Chinese in Britain and Malaysia

**Edmund Terence Gomez**

UNRISD programme on  
Identities, Conflict and Cohesion

Comments welcome — please send to <[gomez@unrisd.org](mailto:gomez@unrisd.org)>

**DRAFT WORKING DOCUMENT**

**Do not cite without author's approval**

September 2005



The **United Nations Research Institute for Social Development (UNRISD)** is an autonomous agency engaging in multidisciplinary research on the social dimensions of contemporary problems affecting development. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research and strengthen research capacity in developing countries.

Current research programmes include: Civil Society and Social Movements; Democracy, Governance and Human Rights; Identities, Conflict and Cohesion; Social Policy and Development; and Technology, Business and Society.

A list of the Institute's free and priced publications can be obtained by contacting the Reference Centre.

UNRISD, Palais des Nations  
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020  
Fax: (41 22) 9170650  
E-mail: [info@unrisd.org](mailto:info@unrisd.org)  
Web: <http://www.unrisd.org>

Copyright © United Nations Research Institute for Social Development.

This is not a formal UNRISD publication. The responsibility for opinions expressed in signed studies rests solely with their author(s), and availability on the UNRISD Web site (<http://www.unrisd.org>) does not constitute an endorsement by UNRISD of the opinions expressed in them.

# **Inter-Ethnic Relations, Business and Identity: The Chinese in Britain and Malaysia**

Edmund Terence Gomez

## **Identity, Ethnicity and Business: Context of Problem**

This study traces the links between ethnicity and business and demonstrates how these ties provide insights into daily social relations among ethnic communities. Understanding of the economic ties developed among ethnic communities will be used to draw attention to the issue of identity and communal cohesion involving the Chinese, a minority community in Malaysia and Britain.

Britain has been receiving ethnic Chinese migrants more or less uninterruptedly since the nineteenth century. While new immigrant arrivals numerically replenished the Chinese community, they also added to its complexity and the already existing cleavages within the community. Meanwhile, new generations of British-born Chinese have emerged. In Malaysia, on the other hand, the government ceased large-scale entry of immigrants into the country from the 1930s. The stock of Chinese and Indians that were brought in to serve the labor needs of the tin mining and rubber plantation sectors of colonial Malaya were subsequently not replenished. In Malaysia, the descendants of these migrants are now well into their third and fourth generations. The emergence of new generations of locally born and bred minority communities has spawned new debates about 'identity' among descendants of migrants in both Malaysia and Britain.<sup>1</sup>

In spite of the emergence of new generations of ethnic minorities, there is still an exceptionally large body of literature that advocates the idea that the Chinese – and other minority groups in Southeast Asia and Britain, such as the Indians – share a strong collective identity, which also influences the development of their enterprises. This literature argues that the cultural traits of this community are, in essence, the same because Chinese enterprise displays an 'ethnic style', characterized by family firms and intra-ethnic business networks formed for mutual benefit.<sup>2</sup> The family firm and intra-ethnic national and transnational networks reputedly play a crucial role in capital formation and accumulation.<sup>3</sup> This cultural thesis has been used to explain the rise of and dominant presence of Chinese enterprises in Asia.<sup>4</sup>

---

<sup>1</sup> See, for example, Shamsul 1999; Benton and Gomez 2001; Mandal 2004.

<sup>2</sup> Chinese economic behavior has been widely attributed to cultural traditions, particularly Confucian ethics (Redding 1990; Bond and Hofstede 1990). Whitley (1992), who adopts an institutional rather than a cultural approach, characterizes the form of corporate organization among members of this ethnic community as the 'Chinese family business'.

<sup>3</sup> A revisionist literature questions if the 'Chineseness' of business people determines the way they make decisions and develop their enterprises. The basis and extent of business ties among Chinese firms has been misrepresented and seen as being formed in a single dimension. These ties, or networks, in actuality go through various processes of change and operate at multiple

Another body of literature has long promoted the argument that ethnic minorities like the Chinese, specifically those in the developing world, command considerable ownership and control of key economic sectors.<sup>5</sup> In somewhat similar fashion, Amy Chua,<sup>6</sup> in her study of equity distribution and ethnic conflicts, posits the argument that in developing countries with ‘market-dominant minorities’, the combination of a free market and democracy would inevitably lead to racial strife. Chua is clearly a critic of modernization theory, which argues that an authoritarian political system is imperative to ensure communal peace until economic parity is achieved among the various ethnic communities.<sup>7</sup> Chua’s argument is that in multi-ethnic societies, if discontentment arises over the control of the economy by market-dominant minority groups, numerous avenues already exist within a democratic system that would allow for this dissatisfaction to evolve into racial conflict.

Chua defines market-dominant minorities as “ethnic minorities who, for widely varying reasons, tend under market conditions to dominate economically” and that they “are the Achilles’ heel of free market democracy”.<sup>8</sup> This is because “markets concentrate wealth, often spectacular wealth, in the hands of the market-dominant minority, while democracy increases the political power of the impoverished majority”.<sup>9</sup>

There are a number of problems with Chua’s thesis. First, her perspective tends to homogenize ethnic communities and to essentialize their pattern of enterprise development. Chua’s study assumes a high degree of ethnic congruence, with little or no acknowledgement of class, sub-ethnic or other intra-ethnic divisions within these communities. Ethnic groups presumably view each other as competitors, and this ostensibly encourages them to organize themselves and work collectively to ensure they can compete effectively. According to this argument, since market-dominant minorities have the economic edge over indigenous communities, the latter inevitably is unable to compete, leading to further wealth disparity that will unavoidably cause conflict.

This term “market-dominant minority”, which elides the differences within ethnic communities, parallels the use of such concepts or terms as ‘ethnic enterprise’ and ‘ethnic economies’, common principally in the literature on business development by migrant groups in the United States (US).<sup>10</sup> The now fashionable and pervasive use of terms such as ‘global tribes’<sup>11</sup> and ‘global diasporas’<sup>12</sup> has further encouraged the homogenizing of ethnic communities. This type of ‘essentializing’ literature overlooks the claim on national identity by ethnic minorities and, probably inadvertently, reinforces the indigenous communities’ stereotyped belief that these minorities have little sense of

---

levels. Co-ethnic cooperation for the benefit of the community, the ostensible basis for these networks, is not the reason for these business ties. See Gomez and Hsiao 2001, 2003; Benton and Gomez 2001.

<sup>4</sup> See, for example, Redding 1990; Sender 1991; Kao 1993, Lever-Tracy, Ip and Tracy 1996.

<sup>5</sup> See, for example, Yoshihara 1988; Lever-Tracy, Ip and Tracy 1996.

<sup>6</sup> Chua 2003.

<sup>7</sup> Chua 2003: 260-64.

<sup>8</sup> Chua 2003: 6.

<sup>9</sup> Chua 2003: 6.

<sup>10</sup> See, for example, Waldinger *et al.* 1990 and Light and Gold 2000.

<sup>11</sup> Kotkin 1993.

<sup>12</sup> Cohen 1997.

belonging or of loyalty to the country they live in. Chua's argument, in effect, dangerously distorts the process of identity formation, particularly the emergence of national affiliations and identifications, among immigrants and their descendants.

The contention that ethnic identity can serve as tool for group and business formation is, as I have shown elsewhere,<sup>13</sup> usually true only at or around the point of a migrant's entry into the country. This need to use their ethnicity to develop their enterprise diminishes as migrants become acclimatized to the new environment. Most studies on ethnic communities and their enterprises rarely explore how migrants develop their firms over the long term or how their relationship to their new country of domicile changes over time. Nor do these studies focus on how the children of migrants, born and bred in the country settled in by their parents, view themselves in terms of identity and national belonging. The descendants of migrants are not usually subjected to the sort of push factors that had driven their parents to emigrate. There is little likelihood that the children of migrants, particularly those who have attained a high level of education, will harbor intentions of leaving the country of their birth. This span of a generation or more has a profound impact on identity, giving rise to its hybrid formations with successive generations.

The second major problem with Chua's thesis is that she assumes that common ethnicity helps engender capital formation and development when in fact there is considerable intra-ethnic competition in business. Chua also argues that market-dominant minorities have a reputation of being 'crony capitalists'.<sup>14</sup> Crony capitalism usually involves the cultivation of inter-ethnic ties between rent-seekers from minority groups, who may not necessarily have entrepreneurial capacity but who enter into alliances with ruling politicians from the indigenous community. These kinds of unproductive inter-ethnic political business links have contributed to the creation of intra-ethnic divisions, between competent business people and rent-seekers who deploy lucrative government rents in an unproductive or wasteful manner.<sup>15</sup> Intra-ethnic class disparities have also emerged within the indigenous community because of the corrupt deployment of government rents by leaders professing to protect their interests. This argument suggests that Chua provides inadequate analysis of the state and the forms of enterprise development by these minorities or of their interaction in daily life with other members of their society.

Ashis Nandy,<sup>16</sup> on the other hand, draws attention to the diversity of characters that make up a nation. His mode of analysis helps both to de-homogenize ethnic and religious communities as well as de-essentialize the patterns of political behavior of these groups. Nandy notes that in order to understand society, we must be aware of social relations, how communities of people evolve, and how the state, or in particular its leaders, can play a major role in either promoting social cohesion or in re-igniting old tensions and divisions through the racialization of politics.

---

<sup>13</sup> Gomez and Benton 2004

<sup>14</sup> The roots of this term can be traced back to the Weberian tradition of describing Jewish entrepreneurial activities as a type of 'pariah capitalism', an expression that later was extensively deployed to describe the business style of the Chinese in Southeast Asia. See, for example, Hamilton 1978.

<sup>15</sup> See McVey 1992; Yoshihara 1998; Gomez 1999.

<sup>16</sup> Nandy 2002.

In his study of the multi-ethnic Indian port city of Cochin and its 'success' in maintaining inter-ethnic and religious harmony, Nandy is confronted with a paradox – he identifies a fine balance between communal and religious enmity and co-existence. The reason why harmony prevails in Cochin, Nandy argues, is because Cochinese identity is defined in terms of the inter-linkages in the daily activities of people of different ethnic and religious backgrounds, and because of this, a sense of mutual respect and inter-connectedness binds them together. Nandy suggests that civic engagement between different ethnic communities serves to contain ethnic conflict. What divides nations then is the divisive politics of race and religion that self-serving and reactionary politicians propagate. Put differently, Nandy draws attention to the role of the state in ethnic conflicts, as government leaders exploit cleavages in society for vested interests.

One reason for this poor understanding of how minorities view identity is because of inadequate research on daily-life relationships between communities in multi-ethnic societies, like those to be found in Britain and Malaysia. Moreover, most research on ownership and control of capital by minorities in multi-racial developing countries has been on the leading capitalists. A number of these business people have close links with the state, which has facilitated their rise in these developing economies. In Southeast Asia, many leading business figures that emerged as major capitalists remained extremely subservient to a strong state. More importantly, these big business figures were not representative of how ethnic minorities, including the so-called market-dominant minorities, fared in an economy.

Where Chua's thesis is weakest is on the issues of identity and culture. These are not static concepts; identity and culture are constantly in a process of change. This train of changes in identity, where national identity is usually important, even among the migrant cohort, is reflected in the growing number of immigrants who seek and win political office in Australia, Canada, the US and the UK. This point indicates the complexity of the notions of ethnic and national identity – how such identifications evolve over time, how they are reconfigured by political and economic change, and how the sense of cohesion of the migrant generation dies away.

These transitions in identity, and the complexity of this concept, are more pronounced among the descendants of immigrants. In the UK, for example, by the late 1980s and early 1990s, a new generation of British-born Chinese had emerged who could arguably be classified as belonging to the middle class in terms of educational qualifications and earning capacity, a development that reflected the significantly improved economic position of this community.<sup>17</sup> In spite of the rise of these British-born Chinese who have immersed themselves in mainstream society and economy, they are still commonly viewed by white British as 'outsiders' or 'migrants' who have come and 'invaded' their society. Part of the cause for this reasoning by white British society is the burgeoning literature that depicts the Chinese in Britain as a people of a 'diaspora', always on the move across national borders, rather than focusing on them as a part of a nation. The term 'diaspora' is too loosely applied in much of this literature, and is a misleading term when applied to minorities who have lived in one country for generations, as it alludes to the idea of return or eventual re-gathering in the motherland.

The inappropriate and liberal use of terms like diaspora tends to perpetuate the impression that the Chinese can think and act only as a group rather than as individuals.

---

<sup>17</sup> Jones 1996; Metcalf *et al.* 1997; Berthoud 1998.

In Southeast Asia, home to a large Chinese population, the racial politics fostered by some government leaders has reinforced the indigenous view that the Chinese have little sense of loyalty to the 'host country' and identify exclusively with the 'home country', i.e., their ancestral motherland. In Southeast Asia, questioning ethnic Chinese loyalty takes on an added significance in view of their ubiquitous economic role in the region. When economic crises emerge, like the 1997 currency debacle, misconceptions about identity can contribute to serious racial clashes, as was the case in Indonesia.

## **Research Methodology**

To assess the nature of social relations between ethnic communities, this study provides an analysis of enterprise development by the Chinese in Malaysia and Britain. There are three primary reasons for this comparison of the Chinese in these two countries.

First, this comparison of an ethnic minority community in a developed and developing economy will help highlight the similarities in inter-ethnic social relations as well as evolution of identity among migrants and their descendants.

Second, since Chua's focus is on market-dominant minorities, a comparison between the development of Chinese-owned firms in Malaysia and in the UK will emphasize an important point: that decisions made by business people are not always or primarily determined by considerations of a common ethnic identity. While the Chinese can be classified as a market-dominant minority in Malaysia, this ethnic group has little corporate presence in the UK. Yet, the pattern of enterprise development of the Chinese in both countries suggests little to support arguments for intra-ethnic cohesion.

Third, since Britain, unlike Malaysia, is a democracy, this comparison will point to why it is unnecessary for Chua to make the link between economic development and democracy. The similarities in the evolution of minority communities and the prevalence of inter-ethnic relations help contest her argument that democracy in a free market multi-ethnic developing economy is ultimately a dangerous mix.

This study of ethnic relations and capital development will address two fundamental questions. In multi-racial societies, does common ethnic identity shape decision-making by business people from minority groups? Does the state play a key role in determining how ethnic minorities develop their enterprises, from an inter-ethnic or intra-ethnic perspective?

The empirical focus is on the creation of inter-ethnic business links and forms of partnerships among migrants as well as their descendants. The premise here is that business ties provide us with insights into issues such as class, intra-ethnic cleavages and generational change. Case studies of business patterns in Britain and Malaysia will be provided to reveal growing inter-ethnic linkages, which challenge the perception that intra-ethnic cohesion facilitates the expansion of firms owned by ethnic communities.

My primary hypotheses are that ethnic groups are prevented by already existing cleavages from coming together to do business. Inter-ethnic partnerships that have been forged are without any interference by the state, although specific policies have been formulated to encourage the involvement of minorities in business in the UK and the development of indigenous capital in Malaysia.

## Chinese Society and Business in the UK

At the turn of the twentieth century, the number of Chinese in Britain was small. Most were sailors who had deserted or been abandoned by their employers after landing in British ports. In the 1880s, some Chinese migrants had fled the US during the anti-Chinese campaign and settled in Britain, where they started up businesses based on their experience in America. There is little evidence to suggest that these 'double migrants' had established close ties with Britain's other, longer-standing Chinese community. By the middle of the twentieth century, the community was on the point of extinction, and would probably have lost its cultural distinctiveness if not for the arrival of tens of thousands of Hong Kong Chinese beginning from the 1950s.

Starting a small business was the main way the Chinese coped with their limited ability to find employment in a generally alien and hostile, English-speaking environment. They forged inter-ethnic partnerships to overcome the twin problem of raising funds and finding employees. In the first half of the twentieth century, most Chinese were involved in the laundry business, while migrants who arrived after the Second World War worked primarily in the catering industry. As these businesses grew, so too did the demand for labor, which entrepreneurs met by exploiting kinship ties to import family members into Britain. Business partnerships broke up and evolved into family firms, starting and gradually reinforcing the move away from community-based enterprise. With this, competition escalated, since most migrants were involved in the same sector of industry.

This competition necessitated the community's geographical dispersal which further hindered its attempts to struggle collectively for greater protection from the authorities against racist discrimination. In urban areas, the experience of racism forced the Chinese into 'ethnic niches', comprising primarily of restaurants and takeaways, thus heightening competition and placing further limits on communal cooperation. The more entrepreneurial of these migrants would strive to leave these enclaves and were usually the ones who achieved social mobility. Later arrivals – the seafarers (in the first half of the twentieth century) and immigrants from Hong Kong (from the 1960s) – were unable to cooperate to challenge the policies of the British government which were designed to prevent them from entering other economic sectors, even as part of the labor force. In addition to the generalized racism that they encountered, these Chinese migrants were trapped by policies to remain in economic spheres where their links with the majority population were curtailed and competition with the latter was minimized.

Government policies also had an important bearing on the issues of integration and enterprise development. The Conservative government under Margaret Thatcher in the late 1970s and early 1980s actively promoted the setting up of small enterprises, essentially as a mechanism to deal with the problem of racism.<sup>18</sup> The government was then of the view that since immigrants preferred to concentrate on small businesses due to the hardships and difficulties, in the form of language barriers and racist discrimination, they experienced in the UK they would opt for opportunities for business ownership rather than employment with or by non co-ethnics.

While small enterprises have helped migrants to cope with the problem of their isolation and alienation in the new environment, a good segment of their children, on the

---

<sup>18</sup> Atkinson and Story 1993.



other hand, have done well in education, notably at tertiary level, and have made a prominent presence as professionals and in the high-tech sector.<sup>19</sup> Given the knowledge that their parents worked long hours and under difficult conditions to alleviate themselves from poverty, most children of migrants scorn the notion of taking over their parents' businesses, specifically those that function as small enterprises. The dreariness of the nature of work and life in a takeaway also have a bearing on why they generally shun the businesses run by their parents.

By the turn of this century, the Chinese in the UK could be broadly categorized into four main categories: Hong Kong Chinese from the rural New Territories who started arriving in large numbers in the 1950s and 1960s. Many of them moved into catering and food wholesaling and retailing; Southeast Asian Chinese, who also started arriving in the 1960s. Primarily from middle-class, professional backgrounds, some of them have also gone into business, including catering;<sup>20</sup> the newest arrivals from Taiwan and urban Hong Kong in the 1980s, who have gone into business related to technology and manufacturing; the fourth group comprises British-born Chinese, whose members are mostly well-qualified and work in hi-tech industries.<sup>21</sup>

Given their diverse national and class backgrounds, even though a small community, the Chinese never aspired for social cohesion. The absence of this goal of social congruence is reflected in the creation by them of numerous social and economic institutions to represent their interests. Most of these associations, fraught with divisions, have now ceased to operate.<sup>22</sup> Moreover, a large number of poor Chinese migrants in the UK were forced to work for other Chinese who exploited them so badly that they could not wait to leave to set up their own enterprise. The diversity that exists within this society is what informs the character of the Chinese community in Britain.

The largest Chinese enterprises are involved in wholesaling and retailing and are controlled by migrants from Hong Kong. There is no evidence that they have invested in launderettes. Unlike the situation in the US, the Chinese community in the UK has not built on its long presence in this sector. Although Chinese launderettes still operate in a number of cities, they do not seem to operate as companies.

The lists of directors and shareholders of Chinese-owned companies provide no evidence of interlocking stock ownership or of interlocking directorships. A number of them were created and ran as partnerships before coming under the control of one individual or family. Most of the start-up funds for these businesses have come from personal savings or put together by family members. There is no evidence that they have had access to ethnic-based funding. There are very few instances to suggest that financial aid has been provided on intra-ethnic grounds; rather, such assistance was for the mutual benefit of both borrower and lender.<sup>23</sup> A rare example of an ethnic Chinese who exploited

---

<sup>19</sup> Berthoud 1998.

<sup>20</sup> See the case of the Oriental Restaurant group for a study of the rise of a business enterprise rapidly developed by an ethnic Chinese from Southeast Asia.

<sup>21</sup> See Benton and Gomez 2001 for further details on these four groups of ethnic Chinese in the UK.

<sup>22</sup> For a history of these Chinese institutions, see Benton and Gomez 2001.

<sup>23</sup> In my study of ethnic Chinese-owned firms in Britain, I found only one example of financial aid based on intra-ethnic linkages. This relationship involved the See Woo Holdings Group, one of the leading Chinese food wholesalers in the UK. See Gomez 2004.

his ethnicity to create a Chinese-based business center in the UK is W.W. Yip. An immigrant from Hong Kong who started out as a waiter, Yip became a restaurateur and later built his reputation as a leading wholesaler and retailer of Chinese food products. He is the owner of Britain's largest Chinese enterprise in terms of sales volume.

### **Chinese Society and Business in Malaysia**

In Malaysia, the myth of interlocking Chinese business ties is attributable to the well-publicized statements of several prominent Southeast Asian leaders. From the early 1990s, Singapore's Lee Kuan Yew and Malaysia's Mahathir Mohamad began encouraging the Chinese in their countries to draw on their 'ancestral' identity to exploit the economic opportunities that were widely reported to have opened up in China.

The Chinese business community in Singapore was encouraged by Lee to recognize that ethnic networking was a useful, yet heretofore untapped, way of competing more effectively with multinational corporations. Ethnic networking, Lee urged, could also be used to transform the handicap they might feel as minorities into an advantage in the region as well as in the global economy. Ex-Prime Minister Mahathir, on the other hand, urged *Bumiputera*<sup>24</sup> businesses to work with the Chinese to enter the market in China, partly as a means to promote the development of Malay capital. In 1993, Mahathir led a 300-strong delegation, half of whom comprised businessmen, on an exposure trip to China. This would suggest that the growth of ethnic Chinese investment in China is due less to a modern form of tribalism than to the endeavors of the leaders of state.

The diversity of their business styles, in terms of size, type of ownership and management, and areas of business, explains why Chinese enterprises seldom cooperate by means of mergers, interlocking stock ownership and/or interlocking directorships. Most of their corporate ties involve commodity supply chains or subcontracting relationships. And even these links, occasioned by a variety of economic and business factors, are subject to change.<sup>25</sup> In spite of receiving very little support from the government, large Chinese firms, most of them still family-owned, have similarly not attempted to cooperate in business, either in the domestic sphere or abroad.<sup>26</sup>

Since Mahathir's administration was extremely partial towards developing large Malay-owned firms, small and medium-scale enterprises (SMEs) – dominated by the Chinese – received only meager support during his two-decade long tenure in government. Although they continue to thrive in the domestic economy, Malaysian SMEs do not contribute substantially in terms of value-added services, output or even employment. In the manufacturing sector, SMEs account for more than 90 per cent of domestic enterprises but for only 20.9 per cent of the value-added services of all manufacturing establishments, 18.9 per cent of manufacturing output and 29.7 per cent of employment. Domestic firms do not invest heavily in research and development and are

---

<sup>24</sup> 'Bumiputera' is the Malay term for 'sons of the soil', an epithet used in Malaysia to refer to the members of the hegemonic Malay community; it also includes the indigenous people of Sabah and Sarawak.

<sup>25</sup> Jesudason 1989; Gomez 1999; Heng and Sieh-Lee 2000.

<sup>26</sup> Gomez 1999.

not known for their product innovation or value-added capabilities.<sup>27</sup> Since most SMEs – and a large number of the Chinese-owned publicly-listed firms – have not shown the ability to build on their long experience in business, in terms of moving up the technology ladder or creating brand products, they are unlikely to have the capacity to compete abroad.<sup>28</sup>

Despite limited support from a Malay-dominant state, there is presently little evidence of intra-Chinese business links, even though Chinese migrants had developed corporate ties in the colonial period.<sup>29</sup> A review of the directors and shareholders of the largest Chinese companies in Malaysia reveals little evidence of interlocking stock ownership or interlocking directorships. Most of the big companies are still run by their founders, usually migrants, and are family-owned. Shareholding patterns indicate that Chinese-owned firms function independently of one another.<sup>30</sup> The Chinese who have made the foray into joint ownership have ended up at loggerheads with each other. Most Chinese owners of companies are reluctant to merge with other firms, for to do so would mean sharing control of the enlarged enterprise. Younger Chinese capitalists also refrain from participating in the Chinese Chambers of Commerce. The owners of most Chinese SMEs are not interested in passing on their businesses to their children, preferring that they become professionals.<sup>31</sup>

Chinese entrepreneurs have responded in different ways to government intervention in the economy and affirmative action in favor of the Malays. Their responses have had a bearing on the way in which their enterprises have developed. Some have refused to list their firms publicly on the stock exchange, while others have not increased the capitalization of their enterprises or incorporated large numbers of companies when expanding, for fear of otherwise attracting the unwelcome attention of powerful politicians. Big Chinese businesses prefer to link up with influential Malay politicians on their own terms. Chinese firms listed among the largest twenty quoted companies in Malaysia in 2000 have all received government patronage, an indication also of growing inter-ethnic ties.<sup>32</sup>

## **Inter-Ethnic Business Ties**

### ***Britain***

Table 1 provides a sample of 45 companies that were incorporated in the UK and owned by investors from different ethnic groups. Although some of these companies are presently solely-owned by ethnic Chinese, for a number of years these firms had been developed with non-ethnic Chinese.

---

<sup>27</sup> See Jomo, Felker and Rasiah 1999.

<sup>28</sup> See the case study below on Malaysian investments in China.

<sup>29</sup> Heng and Sieh-Lee 2000.

<sup>30</sup> Gomez 1999.

<sup>31</sup> Gomez and Benton 2004.

<sup>32</sup> Gomez 2004.

**Table 1: Inter-Ethnic Business Ties: Companies Owned by British Chinese and Other British**  
(Currency: Pounds sterling)

<b>Company (Incorporation)</b>	<b>Activity</b>	<b>Location</b>	<b>Paid-up Capital</b>	<b>Turnover</b>	<b>Pre-tax Profit</b>	<b>No. Employees</b>	<b>Shareholders</b>	<b>Directors</b>
<b>Restaurateurs</b>								
Oriental Restaurant Group plc (11/11/87)	Restaurateurs	London	447,423	7,026,484	1,392,223	135	H.A Chua M.J Paterson F.L.Cremer	H.A Chua M.J Paterson F.L.Cremer
Lachmead Group plc (01/10/85)	Restaurateurs	London		4,225,870	-8,388	141	Edward K.H Lim Earl of Lichfield	Edward K.H Lim Earl of Lichfield
Sugarloaf Restaurants Ltd (23/04/93)	Restaurateurs & caterers	London	1,000	1,425,113	334,859	n.a	Eric H. Yu J. O'Donovan	Eric H. Yu J. O'Donovan
Eden Restaurants (Holborn) Ltd (13/11/72)	Restaurateurs & caterers	London	99	889,328	104,654	n.a	Eric H. Yu J. O'Donovan G.S.Y. Yu	Eric H. Yu J. O'Donovan
<b>Wholesalers and Retailers</b>								
Justwise Group Ltd (06/06/89)	Sale of furniture, luggage & gifts	London	3,050,000	11,749,000	786,000	15	Jenny P. Yu Terence B. Wise	Jenny P. Yu H.J.Morgan
White Mountain Foods Ltd (01/04/93)	Sale of foreign foodstuff	Norwich	101,000	10,714,000	153,000	8	A.M.Chew J. Goodwin M. Goodwin T.B.Wise	J. Goodwin M. Goodwin S. N.Todd
J.Pao & Co Ltd (25/10/84)	Beansprout grower & distributor	London	100,000	5,720,632	274,297	88	J.Pao & family M.C.Robinson	J.Pao & family
Victor Europe Ltd (19/06/91)	Distributor of CNC machine tools	Rochdale	25,133	5,379,018	273,045	15	M.H.Huang D.B.Issatt R.A.Willott	M.H.Huang
Ethnic Cuisime Ltd (16/11/92)	Supply of chilled food to Sainsbury Stores	Swansea	42,438	5,114,977	256,064	133	Choon H. Ooh Yow M. Yap J. Camn R. Servini	Y. M. Yap Y.C.Yap J. Camn R. Servini

Raygale Ltd (28/09/53)	Wholesalers of pharmaceuticals	Middlesborough	3,600	4,724,987	214,933	44	James Yeung J.W. Reston	L. Yeung J. Yeung
Drilltech Services (North Sea) Ltd (07/01/94)	Sale & rental of oil field tools & equipment	Aberdeen	500,000	3,081,000	153,000	16	Michael Teow G.Rastegar Y.T Mac F.F. Teow	M. Teow
H.K.S (UK) Ltd (28/01/92)	Distribution of ring binder mechanisms	Winchester	100	3,428,280	46,448	7	Mary Wu N.J.Hooper J.B. Levy J.C. Wong	D.K. Wong
Win Hanverky (Europe) Ltd (02/10/92)	Distribution of <i>Le Coq Sportif</i> branded products	Manchester	430,000	1,138,966	-233,184	2	Roy K. Li D. Holt D.W. Roberts C.C. Lai I.P.Wood	R. K. Li
Seca Lighting (UK) Ltd (20/10/86)	Supply of electrical products	London	500	1,018,317	14,471	n.a	L. Nelson W. Chen	L. Nelson W. Chen
Cashman Ltd (23/03/87)	Meat & fruit wholesaler	Kent	2	945,053	2778	4	Cecile Boulet Kevin W. Shek	Cecile Boulet Kevin W. Shek
Summit Magnetics (UK)Ltd (28/01/88)	Wholesaler of record & cassette cases	Surrey	2	801,965	18,699	2	Lam L. Sun Michael S. Wells	Lam L. Sun Michael S. Wells
Stockouter Ltd (02/11/87) Vieira	Sale of calculator components	London	247	n.a	773,774	n.a	Rebecca C. Pou Ampere (Nominees) Ltd	R. M Choi J. Da Silva
<b>Traders (Importers and Exporters)</b>								
CSA Fitness Ltd (27/04/95)	Fitness & leisure products importer & distributor	Warwick	2	6,342,120	317,043	16	Hsien C. Hui L. Synderman M Ward	J Chen C. Aylett L. Synderman
Wing Li Europe Ltd (15/02/93)	Importers of audio & cassette casing	London	51,000	3,138,160	69,641	5	Lo M. Teun Sushila Mohindra	K. D. Mistry
Draxler International plc (20/07/88)	Exporter of goods	London	488,072	1,341,027	8,236	19	Lihua Song A. Draxler	L. S. Song A. Lanchester

Finecombe Ltd (17/05/76)	Importation of garments for resale	Nottingham	52,500	52,500	2,597,323	10	Chiu Chok Lam Betty S. Cheung	J. H. Lam E. C. Lam A. Draxler M. Draxler P.T. Saines S. Chow
<b>Manufacturing</b>								
Double Dutch Ltd (31/10/83)	Textile manufacturer & distributor	Manchester	300,604	6,873,985	-1,322,762	234	Chu Lau, M.K Ng N.B.Plenderleith S. A. Barnes M. K. Ng	C. Lau M. K. Ng S. A. Barnes N.B.Plenderleith
Mines & West Holdings plc (01/10/91)	Manufacture & sale of furniture	Wycombe	485,981	1,423,429	-1,097,081	19	Gregory Wong J. Ryman Raksha Kanadia H. Ryman	G. Wong R. H. Phillips
DSB Special Batteries Ltd (30/ 07/93)	Battery manufacturer & distributor	Crawley	50,000	n.a	89,477	70	William Li Stephen Boyes	W. Li S. Bowler S. Boyes
T.S.R Plastics Ltd (14/04/70)	Manufacturer of plastic products	Northants	249,840	n.a	341,579	75	Herbert J. Tai	H. J. Tai J. P. Tai C. D Tai N. Tai M. Tai
<b>Computer Services</b>								
World Systems (Europe) Ltd	Computer consultancy services	Surrey	500,000	5,351,412	268,212	84	E.C.Chen S.S.Chen Z.H.Chen A.C.Steller	E.C.Chen R.J.Fye M.C.Flemming
BYG System Ltd (05/12/83)	Computer hardware & software supplier	Nottingham	100,000	1,114,940	95,916	30	Pauline T.Ming Yoon F.yong	Y.F.Yong R Marshall J Bennaton D.Y. Yong
A+P Computers Ltd (01/03/89)	Computer sale & services	Surrey	2	4,239,221	226,423	n.a	Peter Moh Saraswathy Moh	P. Moh S. Moh S. Azeem

Structures & Computers Ltd (10/09/74)	Consultancy on use of computers in structural engineering	London	100	3,733,321	9,942	n.a	Amy T.E. Lim Peter T. Lim	P.T. Lim A.T. Lim S.B. Morrison K.R. Mofatt
Naga Electronics Ltd (31/05/88)	Supply of computer systems & components	London	100	2,222,763	32,772	8	n.a	J.T. Ho J. Knight
Diehard Ltd (14/06/90)	Computer consultancy	London	100	84,800	70,691	n.a	Wee Ah Hin Tony Morgan	Wee Ah Hin
Isalo Computer Services Ltd (14/12/90)	Computer consultancy	Kent	2	74,633	47,524	n.a	Mei K. Chan Adam J. Crosby	Mei K. Chan Adam J. Crosby
Gigabyte Ltd (17/11/87)	Computer consultancy	Wiltshire	100	73,682	65,485	n.a	Wang Fang C. M. Hurt	Wang Fang C. M. Hurt
K.A.I Computer Services Ltd (18/04/85)	Supply of computer systems	London	10,000	771,636	65,645	28	John K. Chang	S. Patel J.K.Chang
<b>Construction</b>								
McHugh Construction Ltd (22/10/93)	General construction	Leicester	100,000	3,440,784	-2,228	n.a	Best Holdings Ltd Chia Y. Lee Gerald P. McHugh	C.Lee G.P Mc Hugh S. McHugh E. Tsang
Europa Shop Equipment Ltd (09/05/73)	Shopfitting	Herts	1,000	3,359,522	30,901	28	A. F Ho N.L Hamilton	T.M Parsons N.L Hamilton
<b>Professional Services</b>								
Newcare Homes Ltd (07/09/88)	Management of a nursing home	Haywards	1,000	594,794	113,083	n.a	Li Fat Chuen Lew Kum Hoi Dhananjay Dalmond	F.C Li, L.K Hoi D.Dalmond B. Beeharee
Univent plc (18/06/82)	Managing residential rest & nursing homes	London	912, 500	1,783,661	190,970	95	(long list)	T.S. Yeo G. Leong Son A.Leong Son P. D. Boylan
Creditland Ltd (03/07/87)	General traders & business consultants	London	100,000	2,188,584	-1,228,494	3	Fang Tak Chin Sujanto Ferdi	F.T Chin S. Ferdi

Professional Incentives Ltd (02/07/91)	Providing convention & incentive services	Horsham	20,000	1,126,999	28,838	4	James A. Hazell San C. Choo	G. Perkins S.C. Choo
Choice London Ltd (24/05/93)	Marketing recreational materials	Surrey	100	1,463,851	-77,271	n.a	William K. Hsu Gerard Schwanzer Theresa Schwanzer	William K. Hsu Gerard Schwanzer Theresa Schwanzer
Carter Wong & Partners Ltd (13/08/85)	Providing corporate identity services & design consultancy	London	604	1,694,130	263,758	n.a	Philip Wong Philip Carter Nicholas Downes	P Carter N Downes A.M Tomlin P Wong
Anglo-Chinese Insurance Services Ltd (12/02/90)	Insurance services	London	100	66,851	46,039	n.a	C.G. Trigg T. Tee V. Lye	C.G. Trigg P. H. Hui
<b>General Services</b>								
Pactrem Ltd (06/10/88)	Lodging: short-term accommodation		2	619,967	99,912	17	J.C Tham	J.C. Tham P.A. Buntin
Sakura Travel Ltd (25/07/90)	Travel agent	London	20,000	795,910	36,895	n.a	E.L. Tan T. Menlove	E.L. Tan T. Menlove



This sample of 45 firms established along inter-ethnic lines in Table 1 indicates that only seven of these companies, or 16 per cent, were established before 1980. Of the 38 firms that were formed after 1980, 18 were incorporated since 1990. That almost 84 per cent of these companies were incorporated after 1980 underscores the point that inter-ethnic partnerships are a fairly new phenomenon. This sample also confirms that state policies have had an impact on the promotion of SMEs.<sup>33</sup> All the companies providing professional and general services, constituting 40 per cent of this sample base, were formed in the 1980s and early 1990s, an indication that a new generation of ethnic Chinese have begun to forge inter-ethnic business ties not related to the food industry, an area where the migrant cohort has had a dominant presence.

While a large number of ethnic Chinese migrants have gone into the food catering sector, of the 45 inter-ethnic partnerships in this sample, only 8, or about 18 per cent, are involved in food-related industries, which suggests that most ethnic Chinese who have gone into business with non-co-ethnics have not ventured into this sector. This figure confirms the fact that the younger generation of ethnic Chinese have avoided involvement in a sector in which their parents had played an active role. Only four of these firms actually own restaurants, while nearly 40 per cent of these businesses are involved in the computer industry or provide professional or general services.

That only two firms are involved in the garment industry is interesting as a large number of ethnic Chinese migrants in Britain were from Hong Kong where the textile industry, particularly cotton spinning, was a major industry.<sup>34</sup> The Chinese in some parts of Europe, particularly in France, are a major presence in the trading of garments, involving the import and retailing of clothes. In the US, especially in New York, the Chinese have a sizeable presence in the import and retailing of garments. Although the Chinese have a strong reputation in the import and distribution of food products in the UK, they have not managed to tap into this international garment trading enterprise. Yet, in Britain, during the period 1956 to 1964, when Chinese migration from Hong Kong rose sharply, domestic consumption of clothing and footwear imports averaged 12.2 per cent; between 1971 and 1981, this figure rose to 33 per cent. Hong Kong, along with China and Taiwan – and South Korea – had also become major garment export countries, and their textile products still continue to dominate the market in the US.<sup>35</sup> Since international trade involving ethnic Chinese in the textile sector seems to have thrived in other countries, this brings into question the argument that transnational Chinese business ties are important and can be used to break into new markets.

The list of directors and shareholders of all the firms in this sample indicates that there is no evidence of interlocking stock ownership or interlocking directorships.<sup>36</sup> This suggests that there is no attempt by those working with non-ethnic Chinese to develop links with other Chinese to promote their business interests. In terms of paid-up capital,

---

<sup>33</sup> In my study of firms solely-owned by ethnic Chinese in Britain, I found that most of these companies were also formed after 1980s. See Gomez 2004.

<sup>34</sup> Wong 1988.

<sup>35</sup> Waldinger *et al.* 1990: 162.

<sup>36</sup> Only two companies in this sample, the restaurateurs Eden Restaurants (Holborn) Ltd and Sugarloaf Restaurants Ltd, though incorporated almost twenty years apart, have similar shareholders.

turnover and number of employees, almost all of these inter-ethnically owned companies have remained SMEs. A majority of these firms are also located in the vicinity of the largest cities in the UK.<sup>37</sup>

A review of these companies' records reveals that they were partnerships from the time these enterprises were established. Some firms have come under the control of one family, but only after a long period of joint ownership. Two firms in this sample that are now wholly-owned by ethnic Chinese are J.Pao & Co and T.S.R. Plastics. T.S.R. Plastics was incorporated in 1970 by members of the Tai and Sawyer families, with the latter remaining as shareholders of the company through the 1970s. T.S.R. Plastics is presently under the control of the Tai family. J.Pao & Co was established in 1984 by Joseph Pao and T. Thoma, and the latter remained a shareholder of the company until 1990; the Pao family now wholly-owns the company.

One question that arises is how prominent a role these Chinese play in the management and development of these companies. To determine their involvement in management, a detailed study is provided of two firms, the Oriental Restaurant Group, a prominent restaurateur, and J. Pao & Co, a beansprout manufacturer and distributor which is gaining some reputation in this industry.

### ***Case Study 1: Oriental Restaurant Group plc***

The Oriental Restaurant Group, formerly known as Thai Restaurants plc, was incorporated on 11 November 1987. The company also owns an Asian grocery business, Chunglee. The Oriental Restaurant Group operates six restaurants in the London area.<sup>38</sup>

The company's managing director is Chua Hock Ann, an accountant by training, who was born in Malaysia in 1957. The other original owners and directors of the company were Michael C.J. Paterson and Fredrick L. Cremer, both stockbrokers by profession. By 1990, of the Oriental Restaurant Group's authorized capital of 500,050 ordinary shares of 50 pence each, Chua owned only 100 shares, while Paterson owned 49,006 shares, Cremer 72,000 shares, and A.W. Hobbs, who was appointed a director in February 1990, 48,150 shares. Chua, however, had an option to acquire up to 78,00 shares within seven years. Another company owned by Chua, Thai Management Ltd, provided management services to the Oriental Restaurant Group. The Oriental Restaurant Group was publicly-quoted in 1996.

The Oriental Restaurant Group has made an impact primarily through the promotion of Thai food. While there is a concentration on a specific type of food, there has also been an attempt to diversify the variety of ethnic cuisine on offer, inevitably in the prospect of appealing to a larger clientele. The importance of creating and promoting a particular concept appears to have had a significant bearing on the development of the Oriental Restaurant Group.

---

<sup>37</sup> The companies wholly-owned by ethnic Chinese are also primarily located in urban areas in Britain.

<sup>38</sup> *The Times* 11 November 1997.

### ***Case Study 2: J.Pao & Co Ltd***

J.Pao & Co Ltd was incorporated on 25 October 1984. The company is involved in the growing and distribution of agricultural products. The founding owners and directors of J.Pao & Co were Joseph Yee Ching Pao, a beansprout grower, and Thomas Thoma, an engineer. The original issued share capital of the company was £2, jointly owned by Pao and Thoma, both British citizens. In 1986, soon after its paid-up capital was increased from £2 to £100,000, J.Pao & Co's activities were moved to a newly equipped factory.

In 1986, J.Pao & Co's issued capital was increased to £100,000, of which all but one share was owned by Joseph Pao; by 1987, however, Thoma had ownership of 5,000 shares of this issued capital. In 1988, the shareholders of the company were Joseph Pao with 76,000 shares, though this included the interests held by the Pao family. The other shareholders included Pao's son, Andrew, who owned 9,500 shares, while Thoma still owned 5,000 of the company's issued shares; all three were directors of the company. In March 1990, Thoma resigned from the board of directors, relinquishing also his interest in J. Pao & Co. On 19 February 1991, Martin C. Robinson, an accountant by profession, was appointed a director of the company. Robinson also held directorships in around 45 other companies which were involved in a wide range of activities, suggesting he was appointed to provide professional services rather than play an active part in the management of the companies.

J.Pao & Co's records indicate that although the company has been under the control of the Pao family, it has a history of cooperation with non-ethnic Chinese. The company has also shown a desire to invest in research and development of its main activity, agricultural food production. The company has increased the range of its products and has invested in improving productivity and enhancing the mechanization of its factory operations. By 1989, the company wholly owned two other firms, J.Pao & Co (Produce) Ltd and J.Pao & Co (Development) Ltd, whose principal activities are developing beansprout-growing technology.

J.Pao & Co's records indicate that in spite of the presence of non-ethnic Chinese in the ownership and management of the company, the Pao family has been playing a prominent role in the company's development. In terms of ownership, other members of the Pao family have held a stake in the company. Apart from Joseph and Andrew Pao, other family members with an interest in the firm include David, Caroline and Doris Pao. Since Joseph Pao's death, Andrew appears to have emerged as the person primarily responsible for managing the company.

These brief case studies of inter-ethnic owned enterprises indicate that the Chinese partner has played a key role in the management and development of the firm. The shareholders of these companies are professionally qualified, trained as accountants or engineers. J.Pao & Co, evidently under the control of the Pao family, is now managed by the second generation. Working with a non-ethnic Chinese, particularly in the early period after the company was incorporated, has been of some benefit to the Pao family. The Oriental Restaurant Group is a publicly-quoted firm, suggesting that its shareholding is quite diverse, though management control remains in the hands of the founders of the companies. There have been no attempts by the shareholders to develop ownership or trade links with other Chinese businessmen.

These firms have remained focused on one particular industry and have shown little desire to diversify their interests, in comparison with a large number of the migrant cohort who have ventured into a number of different business activities.<sup>39</sup> J.Pao & Co has attempted to develop its expertise in a particular industry, while the Oriental Restaurant Group has focused on opening restaurants that specialize in Asian cuisine.

## ***Malaysia***

### ***Case Study 1: Inter-Ethnic Ties***

In Malaysia, following implementation in 1971 of affirmative action through the twenty-year New Economic Policy (NEP), inter-ethnic relationships became common at three levels. First, among leading Chinese-owned companies, prominent Malays were appointed to the board of directors, mainly to serve as avenues for these firms to secure access to the state or bypass bureaucratic red-tape in government. These directors had equity ownership but were not actively involved in the management and development of these companies.<sup>40</sup> Second, at the level of the SMEs, 'Ali-Baba' relationships were forged, but there was an unequal relationship here between the partners. The Malays provided the contracts, while the Chinese implemented them. Third, business partnerships were forged on a more equal basis among a few Malaysian elites. Examples of these include the partnership between Ibrahim Mohamad and Brian Chang in Promet, which eventually fell apart. Eric Chia worked with Mokhzani Abdul Rahim and Shamsuddin Kadir in UMW.<sup>41</sup> Rashid Hussain and Chua Ma Yu established Rashid Hussain Bhd. Chua, however, went on to develop his own business interests.

During the 1990s, among smaller firms, including those that were being quoted on the Kuala Lumpur Stock Exchange (KLSE), there was growing evidence of inter-ethnic business ties. These links indicated a transition that reflected two things about the implementation of affirmative action through the NEP. First, the creation of an independent Bumiputera middle class due to affirmative action. Second, among the new generation of Malaysians, there was a greater openness to inter-ethnic cooperation in business for mutual benefit. Partners in these relationships appeared to be equally competent. Among middle-class Bumiputeras, it reflected a feeling of confidence and ability to hold their own in business, given the skills they had acquired through state support under the NEP.

A review of the 28 new companies listed on the KLSE in 1998 indicated that:

- a) 8 of them (or 29 per cent) could be classified as Chinese-Bumiputera partnerships;
- b) only 2 were based on intra-ethnic Chinese partnership;
- c) there was no evidence of Bumiputeras in partnership;
- d) only one was wholly Bumiputera-owned – the family firm Habib Corp;
- e) 11 firms (or 39 per cent) were owned by Chinese families and individuals; and
- f) a number of the other firms were owned by government corporations.<sup>42</sup>

---

<sup>39</sup> See Gomez 2004.

<sup>40</sup> Jesudason 1989.

<sup>41</sup> See Searle 1999.

<sup>42</sup> *Malaysian Business* 1 March 1999.

A study of the ownership of all firms listed on the KLSE in 2000 indicates that only about 17 (or 2.5 per cent) of these companies are inter-ethnic partnerships. This low – 2.5 per cent – figure draws attention to the issue of the viability of partnerships.<sup>43</sup> While inter-ethnic business partnerships may not be sustainable, it is not a reflection of unstable ethnic relationships. This issue of the sustainability of partnerships is prevalent in other countries and has not impaired enterprise development. When partners spilt up, new enterprises are formed, precipitating greater competition, which in the long-term creates a more dynamic environment, helping to promote innovation and productivity.<sup>44</sup>

All 17 firms were quoted on the KLSE in the 1990s. Nearly 50 per cent of them were incorporated or began operating as inter-ethnically-owned firms during the 1980s and 1990s. The growing number of firms that were owned on an inter-ethnic basis by the end of the 1990s is a positive development because, from the 1970s until the late 1980s, such cooperative inter-ethnic relationships, where company ownership was on a rather equal basis, were seen to prevail primarily among an elite group. That there is evidence of growing inter-ethnic business ties among KLSE firms, without state intervention, raises important questions about identity transformation, among Bumiputeras as well as non-Bumiputeras.

### ***Case Study 2: Malaysian Investments in China***

In 2003, Malaysia was listed as the 16<sup>th</sup> largest investor in China. That year, Malaysia also overtook Singapore as China's largest trading partner among ASEAN countries. In 2002, Malaysia's volume of foreign direct investments (FDI) in China amounted to US\$367.99 billion, with the mainland listed as among the top 10 FDI destinations of Malaysian investors. There have been numerous investments in China by Malaysia's leading publicly-listed companies, including those owned by Robert Kuok (Perlis Plantations group), Quek Leng Chan (Hong Leong group), William Cheng (Lion group), Vincent Tan (Berjaya Group), Khoo Kay Peng (MUI group) and Francis Yeoh (YTL Corp group).

A host of smaller quoted firms, in terms of market capitalization, has also invested in China. Most of these companies are involved in manufacturing, such as Apollo Food (manufacturer and trader of chocolate confectionery products), Mamee Double Decker (owned by the Pang family and a manufacturer of instant noodles), Kim Hin Industry (owned by the Chua family and a manufacturer of ceramic tiles), Leader Universal Holdings (owned by Hng Bok San, and a manufacturer and distributor of electrical and telecommunication cables), New Hong Fatt Holdings (owned by Kam Leng Fatt and involved in the manufacturing and marketing of automotive spare parts and accessories), AKN Technology (owned by Tan Yeow Teck and involved in metal stamping and precision tool manufacturing), PCCS Group (manufacturer and distributor of golf apparels), Ramatek (manufacturer of textile and garment products), Prolexus (a garment manufacturer which has a joint venture in China), Integrated Logistics (involved in

---

<sup>43</sup> Not all these inter-ethnic business ties should be seen as one where the partners play an equal part in management. Some are possibly firms of the 'Ali-Baba' sort, that is firms where the Chinese partner is primarily responsible for developing the enterprise.

<sup>44</sup> See, for example, Penrose 1980.

logistics and a bonded warehouse operator), Khong Guan Industries (manufacturer of plastic garbage bags), JSPC i-Solutions (involved in IT business applications) and Globetronics Technology (integrated circuit contract manufacturer).

The primary activity of both these large and medium-sized firms is manufacturing, for domestic consumption in China and for export. This suggests that their decision to invest in China may primarily be in response to structural problems within the Malaysian economy. For these reasons, it is moot if these firms have invested in China primarily because of the active encouragement of the Malaysian government. Since the cost of manufacturing of products like electrical and electronic goods, chemicals, steel, iron and consumer goods is significantly cheaper in China, Malaysian firms involved in these activities have been compelled to transfer their plants to the mainland to ensure that the pricing of their goods remains competitive in the global market. In other sectors, like the garment industry, because of WTO regulations, Malaysian companies in this business have no alternative but to move into China. Other firms, like Padini Holdings, a manufacturer and distributor of garment products, ceased its manufacturing activities and began out-sourcing its orders to firms in China. The company justified this decision on the grounds that “price, speed, flexibility and capacity were all considerations that tipped the balance in favour of the Chinese.”<sup>45</sup> China is the world’s largest producer of apparel and footwear.

Since manufacturing costs are cheaper in China, the Malaysian government has been actively encouraging domestic firms to invest in the mainland. International Trade & Industry Minister, Rafidah Aziz, an advocate of the benefits of investing in China, revealed in May 2004 that in Shanghai alone there were 151 projects involving Malaysian firms. Most of these companies had investments in the manufacturing sector, involving the production of, among other things, ceramics, vegetable oils and plastic material. The major Malaysian firms in Shanghai included Malayan Banking, William Cheng’s Parkson supermarket and Malaysian Airlines.

However, during my interviews with Malaysian bureaucrats who had investigated the outcome of investments by domestic firms in China, it was disclosed that many of these companies have not secured the expected returns on their investments. But since their venture abroad has involved substantial capital investments, for example, to establish new plants for their manufacturing activities, they prefer to remain in China and hope for a turn of luck rather than cut their losses and return to Malaysia. The studies by government officials confirm other private sector reports that Malaysian enterprises have encountered a variety of problems in China, including having to deal with corrupt government officials, securing the services of a competent local management team and ensuring the loyalty of their labor force.<sup>46</sup>

While Malaysian firms have invested in China, there is little evidence of much cooperation between these firms in the mainland. The limited business ties among these ethnic Chinese investors and their relatively poor returns from investments in China contest the idea that the mainland is an important avenue through which ethnic Chinese from outside the mainland can continue to develop their enterprises. There is clearly a

---

<sup>45</sup> <http://www.fashion-asia.com/article.cfm?id=33>, 15 November 2004.

<sup>46</sup> See *The Edge* (10 March 2003) for a report on the study by the management consultant, Deloitte Kassim Chan Business Services, about the activities of about 160 – primarily manufacturing – firms that had invested in China.

marked heterogeneity in the business style of these ethnic Chinese investors in China. This heterogeneity suggests different attitudes by these business people to the manner of corporate growth, a factor that hinders co-ethnic collaborative business ventures; moreover, there is little reason for investors in different areas of business to cooperate in corporate deals. The way these business people identify partners for their ventures is dependent on the contribution the latter can make to the development of the new enterprise; inevitably, the best partner is seldom a co-ethnic, especially when the new venture is being undertaken in a foreign country. This would suggest that the issue of common ethnic identity is of little importance in transnational business transactions undertaken by ethnic Chinese from Asia.

## **Conclusion**

In this study of ethnicity and capital development, with a focus on the relevance of the term 'market-dominant minorities', the primary objective was to confirm the veracity of the argument that it is a shared or common cultural identity among minority groups that aids business ventures and influences the form of enterprise development. This study, however, indicates that there are major cleavages among ethnic minorities, in developing as well as developed economies, which prevent them coalescing in business. More importantly, this study has provided evidence of growing inter-ethnic business ties in both Britain and Malaysia, which brings into further question the applicability of the term market-dominant minorities.

A common feature of inter-ethnic business ties in Britain and Malaysia is that the partners in these ventures have a similar class background. In Britain, partnerships involving migrants are usually people with 'class resources',<sup>47</sup> that is they are well-educated or are people of financial means. The business partners of these migrants are not co-ethnics but members of the host society who have the resources to contribute to the development of the new firm.<sup>48</sup> This forging of inter-ethnic partnerships indicates that when new businesses are formed, the choice of partners is made after prudent considerations, that is, on whether such partners can contribute effectively to the new enterprise. Similarly in Malaysia, even during the twenty-year NEP period, genuine partnerships were primarily between people of a similar class background. After 1990, partnerships not of the 'Ali-Baba' type were between people who had similar class backgrounds or provided complementary resources to enterprise.

It is among the newer or younger generation, specifically those born and bred in these countries, that inter-ethnic business ties are more pronounced. The evolution of firms owned by ethnic Chinese in the UK indicates that generational change has influenced and continues to exert an influence on the form of enterprise development. When the descendants of migrants take over the running of firms, business ties become

---

<sup>47</sup> Light and Gold 2000.

<sup>48</sup> For migrants to Britain without class resources, a small business has served as a means of achieving social mobility and coping with isolation and alienation. Where these new small businesses were partnerships, the partner was usually a co-ethnic. Their financial resources were pooled and the labor force comprised members of their families. Most of these enterprises quickly evolved into solely-owned firms or family businesses. For details on the evolution of firms owned by poor ethnic Chinese migrants, see Gomez 2004.

increasingly inter-ethnic in character and established on the basis of mutual benefit.<sup>49</sup> These partnerships are a result chiefly of the narrowing and even erasure of the educational gap between Chinese and other British children. Although the Chinese in Britain and Malaysia are by no means exempt from various forms of discrimination, such a common experience has not reinforced intra-ethnic business cooperation to any great extent. The emergence of inter-ethnic partnerships suggests that members of these two multi-ethnic societies, specifically those from the middle class, are comfortable and confident enough to transcend ethnic divides to establish close cooperative ties. These inter-ethnic ties provide evidence of a developing sense of national identity that is rooted in the present homeland.

While the state in Britain has played a key role in helping to promote the rise of SMEs, it is unlikely that the partnerships that have been forged are due to specific policy recommendations by the government. Similarly in Malaysia, although the government has actively promoted the development of Malay-owned enterprises and its long-running policies of affirmative action have discriminated against Chinese firms, these policies have not generated intra-ethnic business cooperation, such as for instance among the Malays or Chinese.<sup>50</sup> This is because of the class and sub-ethnic cleavages within ethnic communities that prevent these groups from achieving social cohesion. In Britain, there is no evidence that Chinese migrants have been able to create business ties with long-term residents or with British Chinese because cleavages based on place of origin, class differences, generational differences and sub-ethnic differences, stand in the way of the creation of a pan-Chinese identity. In both countries, in the long-term, the most discernible trait has been the desire of the ethnic Chinese to develop their enterprises independently.

The paradox is that while the Chinese lack that distinctiveness that unifies them as a community, the dominant communities of both countries generally view them as a cohesive or homogeneous group. One key reason for this paradox is the role of the state and the politics of nation building. In the state's perspective to nation building, there is little recognition or acknowledgment of the significance of generational change. Moreover, while the role of the state looms large in most discussions on migration and enterprise development, it is questionable if government policies have played a key role in promoting inter-ethnic ties in both societies.

These conclusions about the evolution of Chinese-owned capital in Malaysia and the UK undermine Chua's arguments about the economic influence of 'market-dominant minorities'. There is little evidence of a communal bond among the Chinese; neither do they collaborate actively in business to overcome any disadvantages they may face as a minority community. There is evidence to support Nandy's observation about the considerable interaction that exists among ethnic communities in their daily lives and when they forge new businesses. Ownership and control patterns of firms owned by ethnic minorities change and evolve with time. The evolution of these firms helps reveal important and fundamental changes that have occurred in society, specifically the understanding that minorities have cultivated and nurtured roots in the economies in which they operate.

---

<sup>49</sup> For more evidence to substantiate this point, see Gomez 2004.

<sup>50</sup> Gomez 2002.



These conclusions draw attention to important differences in class and sub-ethnic affiliations that weaken group unity and suggest the rise of new trends that provide insights into identity formation. The business transactions of migrants with class resources demonstrate that ethnic identity is not a key criteria when undertaking a new enterprise. The forging of inter-ethnic partnerships among descendants of migrants suggests that important identity transformations have taken place through successive generations of migrant communities. From this perspective, concepts such as 'market dominant minorities', which do not capture the transitions that have taken place in society. More significantly, the currency of such terms also does a disservice to the promotion of ethnic co-existence in multi-racial societies. It is class parity, not a common cultural or ancestral identity, that is the primary factor in the forging of business ties in multi-ethnic societies.

## Bibliography

- Atkinson, John and David Storey, eds. 1993. *Employment, the Small Firm and the Labour Market*. London: International Thomson Business Press.
- Benton, Gregor and Edmund Terence Gomez. 2001. *Transnationalism and Chinatown: Ethnic Chinese in Europe and Southeast Asia*. Canberra: Centre for the Study of the Chinese Southern Diaspora, Australian National University.
- Berthoud, Richard. 1998. *The Incomes of Ethnic Minorities* (ISER Report 98-1). Colchester: University of Essex, Institute for Social and Economic Research.
- Biggart, Nicole W. and Gary G. Hamilton. 1997. "On the Limits of a Firm-Based Theory to Explain Business Networks." In Marco Orrù, Nicole Woolsey Biggart and Gary G. Hamilton, eds, *The Economic Organization of East Asian Capitalism*. Thousand Oaks, CA: Sage Publications.
- Bond, M.H. and G. Hofstede. 1990. "The Cash Value of Confucian Values." In S.R. Clegg and S.G. Redding, eds, *Capitalism in Contrasting Cultures*. New York: de Gruyter.
- Castells, Manuel. 1993. *The Information Age I: The Rise of the Network Society*. Oxford: Blackwell Publishers.
- Chua, Amy. 2003. *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability*. New York: Doubleday.
- Cohen, Robin. 1997. *Global Diasporas: An Introduction*. Seattle: University of Washington Press.
- Gomez, Edmund Terence. 1999. *Chinese Business in Malaysia: Accumulation, Ascendance, Accommodation*. Honolulu: University of Hawaii Press.
- Gomez, Edmund Terence. 1999. "Political Business in Malaysia: Party Factionalism, Corporate Development and Economic Crisis." In Edmund Terence Gomez, ed., *Political Business in East Asia*. London: Routledge.
- Gomez, Edmund Terence, ed. 2004. *The State of Malaysia: Ethnicity, Equity and Reform*, London: RoutledgeCurzon.
- Gomez, Edmund Terence and Hsin-Huang Michael Hsiao, eds. 2001. *Chinese Business in Southeast Asia: Contesting Cultural Explanations, Understanding Entrepreneurship*. Richmond: Curzon.
- Gomez, Edmund Terence and Hsin-Huang Michael Hsiao, eds. 2004. *Chinese Enterprise, Transnationalism, and Identity*, London: RoutledgeCurzon.
- Gomez, Edmund Terence and Gregor Benton. 2004. "Transnationalism and the Essentializing of Capitalism: Chinese Enterprise, the State, and Identity in Britain, Australia, and Southeast Asia". *East Asia: An International Quarterly*, 21 (3).
- Hamilton, Gary G. 1987. "Pariah capitalism: A Paradox of Power and Dependence." *Ethnic Groups* 2 (Spring).
- Hamilton, Gary G. 1996. *Asian Business Networks*. Berlin: W. de Gruyter.
- Hamilton, Gary G. and Nicole W. Biggart. 1988. "Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East." *American Journal of Sociology* 94.
- Heng Pek Koon and Sieh-Lee Mei Ling. 2000. "The Chinese Business Community in Peninsular Malaysia, 1957-1999." In Lee Kam Hing and Tan Chee Beng, eds. *The Chinese in Malaysia*. Shah Alam: Oxford University Press.

- Jesudason, James V. 1989. *Ethnicity and the Economy: The State, Chinese Business and Multinationals in Malaysia*. Singapore: Oxford University Press.
- Jomo K.S., Greg Felker and Rajah Rasiah, eds. 1999. *Industrial Technology Development in Malaysia: Industry and Firm Studies*. London: Routledge.
- Jones, Trevor. 1996. *Britain's Ethnic Minorities: An Analysis of the Labour Force Survey*. London: Policy Studies Institute.
- Kao, John. 1993. "The Worldwide Web of Chinese Business." *Harvard Business Review*, March-April.
- Kotkin, Joel. 1993. *Tribes: How Race, Religion and Identity Determine Success in the New Global Economy*. New York: Random House.
- Lever-Tracy, Constance, David Ip and Noel Tracy. 1996. *The Chinese Diaspora and Mainland China: An Emerging Economic Synergy*. New York: St. Martin's Press.
- Light, Ivan and Steven Gold. 2000. *Ethnic Economies*. San Diego: Academic Press.
- Mandal, Sumit. 2004. "Transethnic Solidarities, Racialisation and Social Equality." In Edmund Terence Gomez, ed. *The State of Malaysia: Ethnicity, Equity and Reform*. London: Routledge.
- McVey, Ruth, ed. 1992. *Southeast Asian Capitalists*. Ithaca: Cornell University Press.
- Metcalf, Hilary, Tariq Modood and Satnam Virdee. 1997. *Asian Self-Employment: The Interaction of Culture and Economics in England*. London: Policy Studies Institute.
- Nandy, Ashis. 2002. *Time Warps: Silent and Evasive Pasts in Indian Politics and Religion*. London: Hurst & Company.
- Penrose, Edith T. 1980. *The Theory of the Growth of the Firm*. Oxford: Basil Blackwell.
- Redding, S. Gordon. 1990. *The Spirit of Chinese Capitalism*. Berlin: de Gruyter.
- Redding, S. Gordon. 1988. "The Role of the Entrepreneur in the New Asian Capitalism." In Peter L. Berger and Hsin-Huang Michael Hsiao, eds. *In Search of An East Asian Development Model*. New Brunswick, NJ: Transaction Books.
- Searle, Peter. 1999. *The Riddle of Malaysian Capitalism: Rent-Seekers or Real Capitalists*. St Leonards/Honolulu: Allen & Unwin/University of Hawaii Press.
- Sender, H. 1991. "Inside the Overseas Chinese Network." *Institutional Investor*, August.
- Shamsul A.B. 1999. "Identity Contestation in Malaysia: A Comparative Commentary on 'Malayness' and Chineseness'." *Akademika* 55 July.
- Waldinger, Roger, Howard Aldrich, Robin Ward, et al. 1990. *Ethnic Entrepreneurs: Immigrant Business in Industrial Societies*. London: Sage.
- Whitley, Richard D. 1992. *Business Systems in East Asia: Firms, Markets, and Societies*. London: Sage Publications.
- Wong Siu-lun. 1988. *Emigrant Entrepreneurs*. Hong Kong: Oxford University Press.
- Yoshihara Kunio. 1988. *The Rise of Ersatz Capitalism in Southeast Asia*. Singapore: Oxford University Press.