

Chinese Entrepreneurs' Contribution and Responsibilities to the World Economy - Special Topic

The Ethnic Chinese in Southeast Asia - The Past, Present and Future

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Thank you for inviting me to be with you today. While I have heard about the successful conventions of your organization, this is the first time that I have the pleasure of attending this important meeting.

Even at the beginning of the 20th century marriages in China were usually with people who spoke the same dialect. My grandfather had migrated from Xiamen to the Philippines where my father was born. My mother was from Shanghai. They met on a ship leaving San Francisco for Japan, China, Hong Kong and Manila. English was their medium of conversation as both of them had studied in the United States. Unlike the present 10 hour trips by plane, they had about 3 weeks to get to know each other well!

I was partly raised up in Shanghai and often visited my uncle and aunt in Nanjing where my uncle, who had a PhD. in chemistry from the US, was president of the University of Nanjing. He may have had something to do with the city being known as the headquarters for the chemical industry. I remember climbing up the steps of the Sun Yat Sen Memorial soon after it was constructed! Last year I was glad that I could still do this!

You normally associate an "entrepreneur" as someone who is willing to take the risk to start a new venture. Until five years ago, I was always on the "professional" side of serving enterprises that you have created. Nowadays, with globalization, professional firms have grown much larger and some of them have even gone public so they are also as much in need of good managers as are their clients.

In the short time given to me, I would like to briefly discuss with you the role of ethnic Chinese, often referred to as "overseas Chinese" in Southeast Asia. These are essentially the countries covered by the Association of Southeast Asian Nations or ASEAN, a regional grouping with a total population of about 500 million people.

Starting with the 19th century, many Chinese left China to find work and better opportunities abroad. They naturally went to the neighboring countries of Southeast Asia. Almost 80% of the ethnic Chinese who live outside of Greater China (China Mainland, Taiwan district and Hong Kong

district) are still in this region.

Migration of Chinese to Southeast Asia originally came from the poorer coastal provinces of Fujian, Guangdong, Guangxi and Hainan. In the earlier days, many of them had the intention of returning to China after accumulating some wealth. At present most of them are citizens of the country where they live and many have inter-married with the people of their adopted country. Their contribution to the economies of Southeast Asia have been widely publicized. (It is my understanding that the official census would consider a person as "ethnic Chinese" if this is still the spoken language at home.)

Prior to the movement of the nationalist government to Taiwan, there were relatively few Shanghainese in Southeast Asia. They were rich and prosperous and did not move to what was considered the less civilized countries to the south.

Except for Thailand, all the other countries in the region were colonies of Great Britain, France, Netherlands, Spain, Portugal or the United States.

The Philippines had successfully fought the spaniards and proclaimed an independent republic in 1898, only to be conquered by the Americans. Under the rather benevolent American rule, it was already a commonwealth and was promised independence when World War II spread to Asia. The Japanese armed forces drove the Westerners out and occupied this region until their defeat in 1945.

It was not until the end of the Second World War that the desire for independence spread to the other countries of the region.

The major countries in Southeast Asia and the percentage of ethnic Chinese in the population are roughly as follows:

	<u>Population</u>	<u>% Ethnic Chinese</u>
Indonesia	220 million	3-4%
Philippines	75 million	1-1.3%
Thailand	62 million	8-10%
Vietnam	70 million	1.5%
Malaysia	23 million	27-28%
Singapore	3.5 million	75-80%
Myanmar	45 million	2-3%
Cambodia	6-7 million	1.0%
Laos	4 million	0.5%
Brunei	0.3 million	15%

The number of ethnic Chinese in a country is subject to a fairly large percentage of error due to inter-marriages with the local population. For example, estimates are that over 10% of the Philippine population have some Chinese parentage. Although the official figure of Chinese is only 1%, throughout the region in urban centers, the percentage of Chinese is much higher.

In countries that are predominantly Moslem, like Indonesia, Malaysia and Brunei, inter-marriage is not common. A Chinese marrying a Moslem is expected to become a Moslem, not eat pork or take alcoholic drinks. If they can afford it, they are also expected to take the pilgrimage to Mecca. Not being too religious, the Chinese found it difficult to comply with these strict requirements.

Let me share with you some of my observations about the ethnic Chinese in Southeast Asia.

1) In any country, an immigrant usually strives harder than the local population. Look at New York where waves after waves of immigrants have succeeded in a very competitive environment. The Chinese in Southeast Asia were always considered to be hardworking and industrious!

2) The extent and type of education made available to the local population by the former colonial power had a great influence on the local population's ability to compete with the Chinese whose ambition was always to have his children achieve a level of education higher than his own.

3) In some of the countries, the Chinese artisans were originally brought in by the colonial power as these skills were not present in the agricultural societies. Their children went into small and large scale industries.

The Educational system introduced by the colonial powers usually favored the upper class which had land as the basis of their wealth. In Malaysia and the Philippines, most of the educated native population studied to become civil servants, lawyers, doctors, religious leaders, and politicians, leaving the Chinese to become merchants.

While the Americans introduced mass education in the Philippines, the Dutch deliberately kept tertiary education away from the Indonesians while their own people monopolized the professions and major businesses.

4) With better education, it was not surprising that after Indonesian Independence, such a large portion of commercial and industrial activity in Indonesia was in ethnic Chinese hands. Their background as small traders and shopkeepers gave them a headstart over the native Indonesians. In such a large country, a number of them made enormous fortunes. The spotlight on this group, that had strong informal ties to the political leadership, created problems for the average small Chinese shopkeepers when unexpected political changes took place in 1998.

To offset the Chinese dominance in the private sector, it was quite natural that much of the economic activity of Indonesia was left in government hands as these institutions were all managed by indigenous Indonesians or Pribumis.

5) After the Second World War, both Indonesia and Thailand required Chinese to adopt local names and go to schools where the national language was taught. The younger Chinese could therefore be more readily absorbed into the community. This was particularly successful in Thailand where Buddhism was the main religion.

President Marcos used this as a model when he integrated the Chinese schools into the Philippine school system and made citizenship easy to acquire.

Because of the diversity of Philippine names (Filipino, Spanish, American, Chinese), no attempt was made to change the names. For example, a prominent Chinese, Dr. Tee Han Kee, had his family use as a surname TEEHANKEE. His son, Claudio TEEHANKEE, became chief justice of the supreme court and now this is accepted as a Filipino surname. Pres. Aquino's maiden name was COJUANGCO, Pres. Arroyo's husband was from the TUASON family, while Cardinal SIN was half Chinese - All these illustrate the successful assimilation of the Chinese into Philippine society through inter-marriage.

6) At present some of the key government positions in Southeast Asia are occupied by ethnic Chinese who are now accepted as "full" citizens. Some of them are in the legislative body and have even become politicians.

7) In some countries, land ownership is difficult for a Chinese unless he becomes a citizen. The Chinese being mostly in trade and industry are much more willing to take risks than the local population who may be more involved in the professions, agriculture, politics or religion. Large scale property development, so common in the last 25 years, were often joint ventures between a native who owned the land and ethnic Chinese who had the capital.

8) Without doubt, the extent of Chinese economic influence is very much higher than their percentage of the population. Also the volume of transactions in the stock exchanges of Bangkok, Kuala Lumpur, Singapore or Manila were almost in direct proportion to the percentage of Chinese in the population as the ethnic Chinese are more inclined to play the market.

9) In the case of Vietnam, the north produced wonderful fighters who won against the French and the Americans. However, they are not the best in running the economy. On my last trip to the country, I was told that there were 4000,000 in Ho Chi Minh city. That was probably also the difference between the bicycles in Hanoi and the motorcycles and cars in Ho Chi Minh city!

10) Globalization has brought most of the world's largest companies into Asia to take advantage of the economic growth of East Asia. With about a 100,000 ethnic Chinese students from overseas in the United States alone, it is not surprising that the global companies have hired many of these bright young men and women for management positions. They understand Asia better and have been effective in building bridges to overcome cultural differences between Asia and the west. Of course, many of these are professional managers and may not qualify as "Entrepreneurs". You may one day have to change your meeting to "Chinese Entrepreneurs and MANAGERS Convention".

11) While the older Chinese in Southeast Asia are leading the thrust into regional banking (often through banks that they started), the younger Chinese are in the "New Economy" or working with global financial institutions in penetrating the rapidly expanding Asian Financial markets!

12) Ethnic Chinese have been very successful in starting new firms in Silicon Valley and in developing Taiwan's reputation as a quality manufacturing centre for computers and chips. You hear of similar success stories in Southeast Asia where the individual country's entry into the I.T. industry is often led by ethnic Chinese.

From the many years of observing ethnic Chinese in Southeast Asia. They seem to thrive and prosper best under the following conditions:

- 1) When there is peace and order;
- 2) When government policy is to have economic freedom ahead of political freedom;
- 3) When the government is pragmatic;
- 4) When economic decisions are made by technocrats instead of politicians;
- 5) When they can blend with the population and eventually becoming part of the community;
- 6) When there is a good educational system. If this is not available, they would want to set up their own schools.

You will note that western democracy or freedom of media is not one of the high priorities. In fact, unrestrained political or media freedom may be considered a disadvantage to the Chinese entrepreneurs in Southeast or East Asia!

Considering the present enviable economic position of ethnic Chinese in Southeast Asia, I would suggest that they consider the following:

- 1) Their first loyalty should always be to the country where they reside and where they may have made their money. Give back to the country a major part of where your profits have come from!
- 2) Be part of the community and do not just join "Chinese" Associations. Involve yourself in cultural and social projects that will benefit the majority of those that are not so well off.
- 3) When you are part of a developing nation, their needs are great and capital is short. There is sensitivity to an ethnic Chinese taking capital out of a developing nation where he has made his money and moving investments into developed countries. As a good businessman, you may want to

spread your risks - but do not forget the country which was the source of your wealth.

4) All ethnic Chinese have reason to be proud of the strength of the Chinese economy and the accomplishments of the Chinese Government, particularly at a time when the western, Japanese and Southeast Asian economies are hurting. The potential of a huge consumer market in a country with such a high savings rate is very great. But be careful - competition is tough, much tougher than in Southeast Asia.

5) Ethnic Chinese have the advantage of economic linkages in neighboring countries with other Chinese. Help the local businessmen identify suitable regional partners.

6) Pay your taxes properly and do not be involved in illegal activities. In many Southeast Asian countries, there is the impression that Chinese are the main source of funds for improper payment to government officials!

7) Be prepared for more political and media freedom in all the countries of Asia. There will also be a greater amount of western type of democracy than what most Chinese are used to!

8) Improve governance and transparency in your own business; times are changing. Be ahead of change!

9) Good if you have capable children to continue and expand your business. But use professional managers who are needed. Otherwise, it is unlikely that your business will survive global competition. Whenever possible, help develop managers from the country where your operations are.

10) And lastly, do not be too sentimentally attached to your business! Right timing - buying or selling - is the mark of the successful entrepreneur!

Thank you again for inviting me to be with you - and my best wishes for a fruitful convention!