

**Recent Trends in the World Ethnic Chinese Economy:
A Special Look at the Worldwide Overseas
Ethnic Chinese Economy***

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Since the founding of New China, the People's Republic of China, in 1949 the Overseas Ethnic Chinese economy has experienced three stages of evolution. It is now in the third stage. However, the Ethnic Chinese economy is now changing very rapidly. As a result, it faces yet another turning point.

* In this paper "Ethnic Chinese" refers to all Chinese, namely the Chinese in mainland China, Hong Kong, Macau, Taiwan, and Overseas Ethnic Chinese. "Overseas Ethnic Chinese" refers to overseas Chinese and their descendants. These "Overseas Chinese" are mainly those who are of the first generation, have Chinese nationality, are able to speak Chinese (including dialects) and reside overseas. They are called "Huaqiao" (華僑) in Chinese. "Overseas Chinese descendants" are mainly those who are of the second, third or subsequent generation, have local nationality (sometimes dual nationality of China and the nations where they reside or stateless) and mainly speak the local language (some are bilingual). They are called "Huaren" (華人) in Chinese.

I Localization or Indigenization since the Founding of New China in 1949

(1) The Emergence of Overseas Chinese Descendants: from Overseas Chinese (華僑) to Their Descendants (華人)

Since the founding of New China, diplomatic relations between China and the nations where Overseas Chinese reside were cut off and new emigration from China to these nations had stopped. This was due to the following reasons:

Firstly, after China was socialized, Chinese people no longer emigrated out of China. In addition, the governments of the nations where Overseas Chinese reside, particularly in Southeast Asia, feared China's "export of revolution" with the aid of the Overseas Chinese as the "fifth column" and prohibited new immigration from China to those nations.

As a result, the population of first generation Chinese had decreased. Hence, the Overseas Chinese communities which were made up of those working away from the homeland and dreaming to return home in glory as soon as possible changed into Overseas Chinese descendant communities with deeper roots and ideas of settling down in their host nations.

Consequently, the term "Overseas Chinese" (華僑) is gradually going out of use and becoming obsolete. Instead, the term "Overseas Chinese Descendants" (華人) is often used. Sometimes, I will use the

term “Overseas Ethnic Chinese” to include both Overseas Chinese and their descendants.

(2) Diversification of the Overseas Ethnic Chinese Activities

When the Overseas Chinese, those who intended to return to China, were in the majority, most their lives were devoted to economic activities. In order to earn money as quickly as possible, they tended to engage in commerce or the distribution of goods.

Nowadays, the descendants of the first generation Overseas Chinese have interests not only in economics but also in other areas, including politics, culture, social problems, etc.

(3) Development from Commerce or the Distribution of Goods Industry to the Manufacturing Industry

Even in the area of economics, Overseas Chinese Descendants like to engage not only in commerce or the distribution of goods but also in the manufacturing industry which requires a long term investment. In Southeast Asia, most of the industrialists are Overseas Chinese Descendants.

Industrialization in Southeast Asia is being implicated mainly by the Overseas Ethnic Chinese. As a result, most of the biggest business groups or billionaires are also Overseas Ethnic Chinese. Table 1 is an example of this fact.

Table 1: Biggest Billionaires in Southeast Asia

(As of the end of 1992)

(Unit: US\$ 1 billion)

(1) 郭令燦 (F) (Singapore) (C)	24
(2) 林紹良 (Indonesia) (C)	20
(3) 謝国民 (F) (Thailand) (C)	20
(4) 黃奕聰 (Indonesia) (C)	17
(5) 黃子明 (F) (Thailand) (C)	16
(5) 林梧桐 (Malaysia) (C)	16
(7) 陳有漢 (F) (Thailand) (C)	15
(7) 郭鶴年 (Malaysia) (C)	15
(7) 陳永栽 (Philippine) (C)	15
(10) 李成偉 (F) (Singapore) (C)	10
(10) Zobel de Ayala (Philippine) (Spanish)	10

Total of the Ethnic 10

Chinese Overseas (person or family)

Share of ECO(%) 91.0

(note) (F): family

(C): Ethnic Chinese Overseas

(Source) produced by Yu from the materials in *Forbes*, 1992.

II Internationalization or Globalization from the End of the 1970s

(1) Five Main Outward Movements

As mentioned before, after the founding of New China in 1949, diplomatic relations between China and the nations where Overseas Chinese resided were cut off and new emigration from China had stopped. Naturally, even after that time, there were some kinds of Ethnic Chinese emigration, such as from Hong Kong to Great Britain, from Taiwan to the US, from Indonesia to Holland and so on. Yet, these were not so remarkable at that time.

However, since the end of the 1970s and especially since the beginning of the 1980s, the situation has changed completely. International emigration of the Ethnic Chinese become increasingly dynamic. This is based on the internationalization or the globalization of the means of transportation and communication throughout the world in general. Their international emigration was mainly due to the following five outflows of the Ethnic Chinese:

[1] The outflow of Overseas Ethnic Chinese refugees from Indochina, particularly from Vietnam.

[2] The outflow of people and money from Hong Kong, which will be returned to mainland China in 1997.

[3] The outflow of money and people from Taiwan which has developed her economy very fast and could accumulate a very large amount of foreign currency reserves.

[4] The outflow of Overseas Ethnic Chinese and their money in Southeast Asia and the world to other countries and regions.

[5] The outflow of people and money from mainland China which started the economic reforms and open-door policy in 1979.

(2) Formation of the World Ethnic Chinese Economy

Mainland China changed her economic policies at the end of the 1970s. Including her policy towards Taiwan, mainland China has changed the policy from one of confrontation to one of dialogue. From around the end of the 1970s, mainland China has been signaling Taiwan of her desire to be friendly. However, Taiwan has also changed her policies. Taiwan has brought about various kinds of democratizations, beginning with the abolition of Martial Law in 1987.

As a result, the previously hostile political relationships improved between not only mainland China and Taiwan but also within the Overseas Ethnic Chinese communities. The political and economic barriers were removed and the Ethnic Chinese economies of mainland China, Hong Kong, Macau, Taiwan, and the Overseas Ethnic Chinese began to unite. The Ethnic Chinese economy as a whole is made up of

the combining together of the various Ethnic Chinese economies from all over the world, particularly from the Asia-Pacific region.

(3) Expansion of the Ethnic Chinese Economy in the Asia-Pacific region and the Whole World

In Southeast Asian economic development, foreign investment from Japan and the US plays a great role. However, from 1987 on, Ethnic Chinese investment from Taiwan, Hong Kong (Macau), mainland China and the Overseas Ethnic Chinese has held or begun to hold first place in foreign investment in Southeast Asia. Ethnic Chinese investment in connection with the Overseas Ethnic Chinese in each nation has surpassed or been surpassing the Japanese and American investment in each nation of Southeast Asia.

The case of the Philippines is a good example. In 1987, the share of American investment was 21.6%. However, the Ethnic Chinese share including Taiwan, Hong Kong, and mainland China was 27.0%. In 1988, the American share was 33.8% and the Ethnic Chinese share was the same, 33.8%. However, if we include the Overseas Ethnic Chinese investment from other nations, the Ethnic Chinese share is higher. In fact, the American investment is said to include the Ethnic Chinese capital from the US. In 1989, the American share had declined and the Japanese share had increased. Yet the subtotal of the Ethnic Chinese was 39%, much higher than that of Japan. We can see the same situation in other Southeast Asian countries. Hence, we can say that the Ethnic

Chinese investment has already ranked first or is becoming first in foreign investment to Southeast Asia.

However, since around 1991 or '92 Ethnic Chinese investment began to change its direction. Most of the investments are now going to mainland China and in some cases to Central and South America. Accordingly, Ethnic Chinese economic power is expanding throughout the Asia-Pacific region and the world.

It is not so easy for us to see exactly the Ethnic Chinese economic expansion from statistical data. In the past, most of the Ethnic Chinese foreign investment were very clear, since the owner of the capital was a Chinese national. Nowadays, however, the owner is not a Chinese national, but a foreign national, for example, a Thai national in the case of an Overseas Chinese descendant in Thailand.

Most economic statistics are based on nationality, not on race or ethnicity. Hence, normal economic statistics are not helpful for us. One indication is to what extent Chinatowns are expanding in the world. If a Chinatown is being enlarged newly constructed in some city in some country, we can say that Ethnic Chinese economic power is expanding in this country, in this city.

New York's Chinatown is expanding to the north where little Italy was located and to the east where Jewish community was located. Little Italy and Jewish community are being overtaken by Chinatown. In Budapest, Hungary, Saint Petersburg, Russia and several other locations, new Chinatowns are also being constructed and growing.

From these facts, we can say that the Ethnic Chinese economy is

expanding not only in the Asia-Pacific region but also in the whole world. As a result, Ethnic Chinese billionaires account for 7.7% of the total world billionaires with more than ten billion US dollars assets in 1992.

III Main Shadow Actors in the Age of Asia-Pacific

(1) World Economy in the Twenty First Century and the Asia-Pacific Economy as a Growth Center

The enlarged EC, North America and the Asia-Pacific region will be three poles in the 21st century world economy. However, which region of the three will be the center of the world economy? Some say that the enlarged EC will be the world economic center. Yet, in my understanding, the Asia-Pacific region will be the center. Economic dynamism in the Asia-Pacific region is very strong and the growth rate of GNP or GDP is highest in this region.

(2) Main Actors in the Age

In the Asia-Pacific region, Japan, the NIEs (Newly Industrialized Economies, namely South Korea, Taiwan, Hong Kong, and Singapore), the ASEAN, (namely Malaysia, Thailand, Indonesia, the Philippines and Brunei excluding Singapore) nations, mainland China are the main

actors in its remarkable economic development. Since these nations or areas are located in the west pacific ocean, some call this “the age of the West Pacific Ocean”.

Yet, this is not true. Without the US, the west Pacific region could not have developed well. The US is also one of the most important actors in this age. The US has been importing a lot of goods from the west Pacific ocean nations. This is one reason why the US still has great economic power.

Then, can we call this age “The Age of the Pacific”? Naturally, we can. Yet, this term can not show the fact that Asia is more important compared to the US. Therefore, the term “the Age of Asia-Pacific” is more suitable.

(3) Main Shadow Actors in the Age

As mentioned above, Japan, the NIEs, ASEAN and mainland China are the main actors in the Age of Asia-Pacific. We may add the US to the main actors. However, there exist main shadow actors, as well. They are the Ethnic Chinese. We can say this for the following five reasons;

a. Economic Development of the Ethnic Chinese NIEs

The economic development of the Asian NIEs (South Korea, Taiwan, Hong Kong and Singapore) is very remarkable. However, three of the four nations or areas, that is Taiwan, Hong Kong, and Singapore,

are Ethnic Chinese nations or areas. We can call them “Ethnic Chinese NIEs.”

b. Economic Development of the Ethnic Chinese Overseas

The economic development of the Ethnic Chinese Overseas, especially that in Southeast Asia, is also quite remarkable. It is mainly the Ethnic Chinese Overseas who are supporting the amazing development of each national economy in Southeast Asia.

c. Economic Development in Mainland China

Since the beginning of the economic reform and the open-door policy in 1979, China’s economic development has also been extremely impressive. Especially, after recovering from the negative impact of the Tiananmen Square (June 4th) incident in 1989.

d. Ethnic Chinese Investment in Southeast Asia

e. Expansion of Ethnic Chinese Economic Power throughout Asia-Pacific and the World.

From the above-mentioned facts, we can say that the Ethnic Chinese, including those in mainland China, Taiwan, Hong Kong, and Macau, and the Overseas Chinese and their descendants, have become the main

shadow actors in the Age of Asia-Pacific.

(4) The Century for Ethnic Chinese

There are many arguments related to the future prospects of the Ethnic Chinese and I can show many estimates of their economic success in the future. Here, I will show only two examples of the estimates and from those estimates we can project what the century for Ethnic Chinese might be in the future.

a. Foreign Currency Reserves of the Three Chinese Territories

Taiwan's foreign currency reserves were around 86.3 billion US dollars as of the end of June 1992. Mainland China's foreign currency reserves were around 43.4 billion dollars as of the end of March 1992. Hong Kong's foreign currency reserves were around 29 billion dollars as of the end of 1991. The total is around 158 billion dollars.

The foreign currency reserves of the US were around 76.3 billion dollars as of May 1992. Japan's foreign currency reserves were around 70.5 billion dollars as of June 1992. The total is around 146.8 billion dollars.

From these figures we can see that the total of Taiwan, mainland China and Hong Kong combined together was more than that of the US and Japan combined together by over ten billion dollars. This means that as far as the foreign currency reserves are concerned, three Chinese

territories have a greater economic power than that of the US and Japan, two economic super powers in the world economy, combined together. Although the foreign currency reserves of the three Chinese territories has decreased, we can say that the foreign currency reserves of the three Chinese territories compare well with those of the US and Japan combined together. Recently, Taiwan's foreign currency reserves surpassed 100 billion dollars. This is the first time in the economic history of the world in which foreign currency reserves in one country or area exceeded 100 billion dollars. As a result, the foreign currency reserves of the three Chinese territories might have surpassed those of the US and Japan again.

b. National Income of the Ethnic Chinese as a Whole in the World

According to China's plan, in the year of 2050 (sometimes it is said that the year will be around 2030), China aims to be ranked in the middle in terms of the global economy. At that time, China's per capita income might be \$4,000 and the total population might be around 1,500 million. Then, the total yearly income of China might be around \$6,000 billion. If we add the income of the Ethnic Chinese outside mainland China, the total could be more than \$7,000 billion. This is just under three times that of Japan today. The US national income is now around \$5,000 billion. Hence, the total income of the Ethnic Chinese would be more than that of the US and approximately the same amount as those of the US and Japan combined together. Naturally, the US and Japan

would also increase their income. Yet, Ethnic Chinese economic power in the middle of the twenty first century might be equal to that of the US and Japan combined together today.

c. The Ethnic Chinese Century in Terms of Per-capita Allotments and Severe Economic Conflict

There are many problems which China needs to resolve in the future. The population problem, the environmental destruction problem, the natural resource problem, international relations, the future of politics, particularly that of socialism in China, economic conflicts, etc. need particular attention. If these conditions do not change, the Ethnic Chinese century might come in the twenty second or the twenty third century.

However, even if the day when the Ethnic Chinese can surpass the US and Japan might arrive, the economic conflicts between the Ethnic Chinese and other countries or nations would be much more severe than those which today exist between the US and other countries or nations. This is because the current economic conflicts between the US and others are not based on the situation that there exist many Overseas Americans whose economic power in each country is very strong. The Ethnic Chinese should solve these conflicts. Otherwise, the Ethnic Chinese century can not come.

IV Investment in China Since the Latter Part of the 1980s, Especially since the Beginning of the 1990s

Since the latter part of the 1980s, Ethnic Chinese investment from outside mainland China to mainland China has been increasing very rapidly. In the past, Ethnic Chinese investment from Taiwan, Hong Kong and Ethnic Chinese Overseas was directed to the developed countries and Southeast Asia.

However, since the latter part of the 1980s, Ethnic Chinese capital, particularly from Hong Kong, began to be invested in mainland China. In addition, since around 1987, Taiwanese capital also began to be invested in mainland China very rapidly, though it was directed to mainland China through a third country or area indirectly.

Since the beginning of the 1990s, particularly since 1992 when Mr. Deng Xiao-ping gave a command to go forward quickly, Overseas Ethnic Chinese capital also began to be invested in mainland China very rapidly. In this case, Mr. Li Ka-shing's role was very important. Before that, although he had been donating a very large amount of money to mainland China, his homeland, and founded Swatou University there, he did not do business in mainland China.

Since 1992, he started his business in mainland China. As a result, many Ethnic Chinese capitalists outside mainland China, particularly those in foreign countries (Overseas Ethnic Chinese capitalists) started doing business with mainland China also. The above mentioned

investment from Hong Kong, Taiwan's investment and Overseas Ethnic Chinese investment to mainland China can be called three inflows. Inflows are the inward movement to mainland China. As mentioned before, since the founding of New China, localization of the Overseas Chinese had started. Since the latter part of the 1970s and particularly since the beginning of the 1980's, internationalism or globalization of the Overseas Ethnic Chinese started and as a result, new Overseas Chinese began to emerge. This is the outward movement or outflow of the Ethnic Chinese. We can call it the outward movement or outflow from mainland China. This was a movement away from mainland China.

However, this time the movement is directed towards China. It is the inward movement or inflow directed toward mainland China. Connection of the Ethnic Chinese outside mainland China with mainland China are being revitalized. This is a movement of turning back to China. We can call it a return to China. it is the beginning of a new stage, the third stage.

V The Latest Turning Point?

(1) The Beginning of a Business Recession or Adjustment for the Next Rapid but Stable Development?

Now the world Ethnic Chinese economy faces three very important issues, (a) is this a new beginning of a business recession or an

adjustment awaiting the next rapid but stable development?, (b) will the “Southern China Economic Zone” become the future economic growth center?,(c) will the US or Japan, or both, be the main Ethnic Chinese economic partner?. In this sense, we can say that the world Ethnic Chinese economy is now at a turning point.

(2) From the “Southern China Economic Zone” to the “Changjiang Basin Economic Zone” ?

At the present time, the “Southern China Economic Zone” is a rising area in mainland China. However, it can not be the future center of China’s economy. China is a large country. Therefore, there will be several centers just like in the US, not like in a small country such as Japan.

In this sense, the “Southern China Economic Zone” can be one of the important economic centers in the future of mainland China. Yet, it can not be the most important one because it lacks energy resources, heavy industry. In the history of China, all capital cities were located in the northern areas.

Then, in the foreseeable future, which area will be the most important economic center in mainland China? Probably the Changjiang basin area which starts from the Shanghai-Pudong area connecting the inland areas via the Su-nan area (southern Jiang-su Province), will be the center. The Pudong development project will be implemented as a national project supported by the two former mayors of Shanghai, Mr.

Jiang Ze-min, Secretary General of the Chinese Communist Party, President of the People's Republic of China and Chairman of the Central Military Commission, and Mr. Zhu Rong-ji, Deputy Prime Minister. This project can not be unsuccessful.

The Su-nan area is very famous for its remarkable development of "Xiangzhen Qiye" (Rural enterprises). Such remarkable development of rural enterprises is expanding throughout the province and into other provinces, such as Zhejiang and Anhui. The Changjiang basin development project includes the Sanxia development project in the Changjiang basin area. The latter is a very big project. In order to implement this project, more than one million people must be displaced from their homeland. Destruction of the ecosystem, environmental pollution, etc. are other very serious problems facing this project. Nevertheless, if the Changjiang basin development project can be implemented successfully, it will help develop the Chinese economy well.

Then, how about the foreign relations of the Changjiang basin development project? In the case of the "Southern China Economic Zone", its relationship with the Ethnic Chinese economy outside mainland China is most important. In case of the Dongbei (Northeast) area including Dalian. Its relationship with Japan is most important. In case of the Shandong area, its relationship with South Korea is most important.

**(3) Mainland China's Main Foreign Economic Partner:
the US of Japan or Both?**

The Ethnic Chinese economy needs a advanced science and the most highly advanced technology. The Ethnic Chinese economy outside mainland China can not provide these. Only the most developed countries such as the US, Japan and the European developed countries can provide them. Yet, Europe is very far from China, while Japan is the nearest. In the case of the US, it will take a long time for Sino-US relations to return to normalcy, if the American government sticks to the human rights issue. Then, for the time being, Japan is the most suitable country to provide China the advanced science and the most highly developed technology.

However, if Sino-US relations are normalized in the near future, Sino-US scientific and technological cooperation could be strongest. In this case, Japan's economic power might be lost. It is especially important to note that there are many Ethnic Chinese scientists and technical experts in the US. All Ethnic Chinese Nobel Prize winners live in the US. Their role in scientific and technological cooperation between China and the US is very important. This cooperation is already under way. Ideally, it would be best for China if the US and Japan both became the partners of the future China. However, is this very easy or even possible?

VI Conclusion

The Ethnic Chinese economy is now facing three very important issues. Can mainland China solve her current economic problems, especially inflation, overheating of the national economy, land and stock speculation, agricultural problems or farmers problems or rural problems, abuses of the love of money and corruption, and so on? Can mainland China's economy expand economic dynamism from southern China to other areas, particularly in the near future to the Changjiang basin area? Can the Ethnic Chinese economy, particularly mainland China's economy, have very close relations with the most advanced countries, particularly in the fields of science and technology?

Except for political issues, the future prospects of the Ethnic Chinese economy depend on the results of the above mentioned issues. Of the Ethnic Chinese economy as a whole, mainland China's future economy is most important. Whether mainland China can solve the various problems and can develop her economy well or not is the most important factor. If mainland China can succeed in its economic development, the Ethnic Chinese outside mainland China can develop their economy well through their investment in mainland China, foreign trade with mainland China, the mutual migration of people to and from mainland China, and so on. In this sense, we can say that the Ethnic Chinese economy is now at a very important turning point.

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