
Chinese Business Networks and Their Implications for South Korea

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In the past 20 years, no country seems to have beaten China in its grand comeback in both global political and economic arenas. China has become a key player in formulating the world order since gaining membership in the United Nations in 1972. China has also recorded an average annual real growth rate of more than 10 percent—shocking the world. In human history, no other country has shown such tremendous economic growth while having such a huge population. And with regard to the source of China’s rapid economic growth, the contribution of overseas Chinese¹ has often been mentioned by many China watchers.²

First of all, overseas Chinese not only provided the People’s Republic of China with capital at the initial stages of its Economic Reform and Open Door policies in 1978 and thereafter, but they also gave it a developmental model to be copied. Even more important, overseas Chinese global business networks were a key element in rescuing China from the economic bottleneck it suffered when confronted with sanctions from Western countries after the Tiananmen Square incident. Yet it is too early to judge whether there is a strong relationship between these overseas Chinese networks and China’s rapid economic development.

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1. Defining “overseas Chinese” is somewhat complex. In this chapter, the term “overseas Chinese” means the Chinese living abroad, regardless of their citizenship.

2. Barry Naughton has been among them.

In the fall of 2001, many overseas Chinese celebrities from around the world arrived one after the other at the Nanjing airport, where they received a warm welcome from local government officials. Among them were well-known Hong Kong business tycoon Henry Fok and Nobel Prize winner Yang Zhenning of the United States.³ They were joining Chinese political leaders Jiang Zemin,⁴ Zhu Rongji, and Chen Qichen to celebrate the Sixth World Chinese Entrepreneurs' Convention—a very important moment of clarifying that this somewhat informal and self-sufficient overseas Chinese organization is strongly supported by the Chinese central government.

This convention manifested a change in Chinese policy toward overseas Chinese. The government has sought overtly to actively utilize their resources directly in its state building. This is attributable to the new circumstances under which China has pursued its rapid economic development. The convention will surely facilitate Chinese economic development in the 21st century, although it is still too early to say if the convention was launched in strong coordination with the Chinese central government to alleviate the agony of the Asian financial crisis.

South Korea has also successfully achieved economic development since World War II with an export development strategy that has relied on foreign demand. After going through the Asian financial crisis, however, it is making many efforts to follow the global trends of extensive market opening and establishment of worldwide business networks. Naturally, a close look at the role of overseas Chinese in modernizing China may also offer important lessons for Korea. Korea also has almost 6 million overseas Koreans,⁵ who could have played a more important role in both promoting its economic development and even in resolving the national conflict between South and North Korea. Unfortunately, Koreans have tended to despise overseas Koreans, thus keeping almost 10 percent of the total global ethnic Korean population from playing a positive role in their nation's development. Steps would need to be taken to broaden the country's economic base so that overseas Koreans could participate in its development.

It is often said that the 21st century is a "network" age.⁶ As the world has become more and more interdependent, threats of massive wars seem to have diminished, whereas economic and business networks have

3. Fok runs his business in Hong Kong and holds the vice chairmanship of the CPCC, whereas Yang became a symbolic leadership figure of science and technology in China by winning the Nobel Prize in 1957 and is also a key proponent of reviving Chinese science and technology.

4. He delivered his welcoming remarks via Jing Shuping, then host of the conference and chairman of the Bank of the Minsheng.

5. Overseas Koreans are dispersed mostly in the United States, Japan, China, and Russia and the other members of the Commonwealth of Independent States.

6. Peter F. Drucker is among them.

become more important in the global market. The economies of scale that dominated in the previous period seem to have given way to network economies. As such, research on business networks themselves might provide an outline of the future. Especially with regard to business networks of overseas Chinese, several questions come to mind: whether these networks have been successful or not, how they have been evolved thus far, to what extent the government has helped, and finally whether the Chinese model could be applied to South Korea.

In this regard, this chapter basically tries to clarify a couple of the points above. The second section reviews business networks of overseas Chinese and then considers their implications for the Korean case. Several limitations and challenges ahead are then examined in subsequent sections. Because the chapter is not purely academic, it relies on a review of diverse published materials and interviews with experts on this matter.

The Evolution of Overseas Chinese Business Networks

Current Status

During the past 30 years, the size and distribution of the overseas Chinese population has changed. Largely, they are divided into two groups. The first group consists of immigrants who were not well educated. They are from Guangdong's⁷ Jiangmen area, Zhujiang's delta area, Fujian's Fuzhou area, and Zhejiang's southern area. The second group is made up of highly educated immigrants, including scholars and students from mainland China studying in the United States, Canada, Australia, and Europe. Due to the rapid growth of the population and new migrations of overseas Chinese since the 1970s, their number increased from 10 million to 15 million in the early of 1950s to 30 million to 35 million in the 1980s and 1990s.

Since the mid-1970s, about 4 million overseas Chinese from mainland China, Hong Kong, and Taiwan have moved to foreign countries. They have been expected to adapt to local cultures all over the world. Overall, these new overseas Chinese immigrants are well educated in comparison with the earlier ones. According to the data of the Chinese Education Committee, a majority of scholars and students studying abroad between 1983 and 1995 selected the United States as their country of residence. And most of them have wanted to go into business after finishing their education.

As of 1998, the total number of Chinese people in the world including mainland China was 1.38 billion, which accounted for 22.4 percent of the global population. As for overseas Chinese, approximately 35.71 million

7. In this chapter, the pinyin system is used to transliterate Chinese names.

live in Southeast Asia, which accounts for 80 percent of their total population. In addition, 13.2 percent live in the Americas, 5.5 percent in Europe, and 1.4 percent in Australia and New Zealand. There are 98 countries with an overseas Chinese population of more than 1,000; of these people, more than 10,000 live in each of the 52 countries and more than 100,000 in each of the 25 countries.⁸ The 11 countries with the largest overseas Chinese populations and shares of their total populations are listed in table 3.1.

As the table shows, Indonesia (7.31 million) topped the list for overseas Chinese population, followed by Thailand (6.36 million), Malaysia (5.52 million), Myanmar (3.0 million), and the United States (2.73 million). According to the share of total population, Singapore (78 percent) topped the list, followed by Malaysia (26.3 percent), Brunei (14.7 percent), Thailand (10.2 percent), and Suriname (9.2 percent).

It is estimated that the history of overseas Chinese dates back to the period of the South Sung Dynasty. The Chinese migrated for many reasons; we will briefly touch on five. First, many fled the country when internal conflicts erupted or dynasties changed. An especially large number fled in the wake of the Yuan Dynasty's triumph over the Sung Dynasty. At the end of the Ming Dynasty, another large number escaped abroad when the Manchu people conquered the Han people in Beijing. Others left when the Taiping rebellion⁹ broke out and the Communists took over mainland China in 1949.

Second, some Chinese moved abroad to avoid paying high taxes or being exploited by landowners. Between 1661 and 1812, the rate of population growth in Fujian jumped five times, whereas its land area increased only 32 percent. In Guangdong, the rate of population growth rose 20 times while its land increased merely 20 percent. As a result, the lack of land and worsening working conditions forced many Chinese to move to Taiwan and other Southeast Asian countries, collectively known as Nanyang.¹⁰

Third, many Chinese moved abroad when China was invaded by the Western colonial powers aimed at territorial expansion. After the Opium War, the Chinese national economic system collapsed under the pressure of colonial leadership. A huge number of farmers, laborers, and factory workers were indentured to foreign countries or had to move abroad.¹¹

Fourth, many Chinese moved overseas due to changes in the immigrant policies of their new countries of residence. For example, the United States allowed a large number of Chinese laborers to enter at the time a nation-

8. There are 13 Asian countries, 5 European countries, 5 American countries, and Australia and New Zealand.

9. It was in the 1880s.

10. Nanyang was taken as an overseas Chinese residence because it was the first area they settled in massively.

11. They are called indentured laborers, or *coolies*.

Table 3.1 The 11 economies with the largest overseas Chinese populations and percentages of total population

Rank	Overseas Chinese population (millions)		Percentage of overseas Chinese in total population	
1	Indonesia	7.310	Singapore	77.9
2	Thailand	6.358	Malaysia	26.3
3	Malaysia	5.520	Brunei	14.7
4	Myanmar	3.000	Thailand	10.2
5	United States	2.730	Suriname	9.2
6	Singapore	2.680	French Polynesia	8.8
7	The Philippines	1.030	Myanmar	6.4
8	Vietnam	1.000	Panama	4.4
9	Russia	1.000	Indonesia	3.6
10	Canada	0.920	Laos	3.1
11	Peru	0.500	Canada	3.1

Note: Hong Kong and Taiwan are excluded.

Source: Committee on Overseas Chinese in Taiwan.

wide railroad system was built to develop the country's Pacific frontier. When the United States passed the Chinese Exclusion Act of 1882, which prohibited the entry of Chinese laborers into the country, Chinese migration diminished. However, the restrictions were lifted in part in the 1960s, and many Chinese came to the United States in the 1970s and 1980s. About that time, Australia, Canada, Indonesia, the Philippines, and Singapore also liberalized their immigration policies toward the Chinese.

Fifth, pragmatic Chinese characteristics contributed to the growth of overseas Chinese; the Chinese are more likely to consider their personal happiness important than their love for the country. Therefore, they tend to move to foreign countries to look for a better life.¹²

Recently, many Chinese intellectuals have moved overseas as they have been lured by the strategy of other countries to hire the best and brightest foreign nationals. Overall political and economic elements, together with individual choices, have worked as push and pull factors to increase the growth of overseas Chinese.

Many researchers have observed the emergence of a Chinese economic bloc in recent years (table 3.2). However, it is not easy to estimate the accurate size of overseas Chinese capital due to the rapidity of capital mobility and Chinese secrecy characteristics. In the 21st century, an economic bloc is likely to prosper in China, Hong Kong, and Taiwan. As table 3.2 shows, the bloc had only half the GDP of the United States in terms of the purchasing power parity in 1990. However, it is expected to exceed the US level in 2002.

It is also very interesting to measure the magnitude of overseas Chinese capital at the global level. During the past 30 years, their commu-

12. This is called the self-selection model.

Table 3.2 Estimated GDP of the Chinese economic bloc relative to selected large economies (trillions of US dollars)

Economic bloc or economy	GDP in exchange rate conversion terms		GDP in purchasing power parity terms		Per capita income at purchasing power parity
	1991	2002	1990	2002	
Chinese economic bloc	0.6	2.5	2.5	9.8	7,300
United States	5.5	9.9	5.4	9.7	36,000
Japan	3.4	7.0	2.1	4.9	37,900
Germany	1.7	3.4	1.3	3.1	39,100

Note: The Chinese economic bloc includes China, Hong Kong, and Taiwan.

Sources: Lu Peichun (1995), Overseas Chinese networks.

nities have achieved rapid economic growth. Although their trade network in East Asia and Southeast Asia has existed for 600 years, huge sums of overseas Chinese capital were accumulated between the 1960s and the 1980s, when Hong Kong, Singapore, Taiwan, and South Korea grew to become the “four dragons” of Asia. Between the 1970s and the 1980s, Indonesia, Malaysia, and Thailand, the major bases for overseas Chinese, developed rapidly. As a result, they became the largest beneficiaries of what was known as the East Asian economic miracle. According to the World Bank, the value of their companies rose from \$400 billion in 1991 to \$600 billion in 1996.

As of 2000, it also was estimated that there is about \$300 billion in floating overseas Chinese capital.¹³ It was estimated that there are about 150 overseas Chinese businesspeople with more than \$500 million in property. In particular, it was estimated that they account for 6 percent of the Southeast Asian population and 86 percent of its property. They dominate at least 70 percent of the national economy of each country in South Asia. *Asia Week* published interesting data on the total stocks held by their 500 largest businesspeople showing that the amount was \$566.8 billion in 1999, \$616.3 billion in 2000, and \$456.8 billion in 2001.

Characteristics

The overseas Chinese are famous for their collective character. Whenever they migrate, they soon form a community known as a “Chinatown.” They are used to forging networks based on blood ties, friendships, and professional accomplishments. The so-called *guanxi* (network of connections) exerts great influence over their society. They organize a wide range

13. This estimate is taken from a news article on the September 2001 international convention of overseas Chinese in Nanjing.

of networks to consolidate their influence for survival or better settlements. Because they generally do not take firm root in foreign societies, they rarely invest in manufacturing, which requires a longer time frame for investment returns. Instead, they concentrate their investment in real estate, hotels, and finance, from which the flow of capital is relatively quick and smooth. They are also active in underground economic activities.

It was not until the end of the 19th and early 20th centuries that the overseas Chinese began to accumulate capital. They largely ran small businesses in commerce and served as agents representing the interests of local people or foreign capital. As a result, they had an image of being small and medium-sized businesspeople.

Overseas Chinese capital began to function in modern forms after new independent states were born in the wake of World War II. However, an economic disparity between overseas and local people was an obstacle to their accumulation of overseas capital in some countries, such as Indonesia and Malaysia.¹⁴ The rapid growth of the global economy has provided opportunities for overseas Chinese to accumulate capital since 1960. Their capital has moved from the traditional sectors of small business to various modern industrial sectors.

In the early 19th century, the overseas Chinese in Southeast Asia started to establish networks based on blood ties, friendships, and professional accomplishments to protect their profits. By the 1940s, these networks were getting stronger and unified in each country. In the 1970s, the networks were incorporated into one network encompassing the Southeast Asian region. After the 1980s, overseas Chinese from Hong Kong, Taiwan, and other Southeast Asian economies moved to the United States and Europe, which enabled them to establish a global network linking the United States, Europe, and Southeast Asia.

In the 1990s, they formulated an international strategy to form a global network of overseas Chinese. The strategy focused on establishing an Asia-Pacific economic region to link their capital in Asia to the high-technology industry of North America. According to the strategy, they would concentrate on high-value-added products instead of financing labor-intensive manufacturing products.

Overseas Chinese networks are characterized by a solid bond of blood ties, friendship, and professional accomplishments—as seen in secret societies (*bang*) and various alumni meetings. They forge a strong bond within the networks. However, they are often hostile toward other networks. In Southeast Asia, different lines of overseas Chinese from Fujian, Guangdong, and Kejia compete against each other for shares of economic interests. In Australia, Canada, and the United States, new overseas Chinese are likely to compete against old ones from Fujian and Guangdong.

14. South Korea is also notorious for dispelling overseas Chinese.

Originally, secret societies were established as a sort of social insurance to protect their life and property against ruthless emperors and the ruling class during the Yuan and Ming Dynasties. Under the Qing Dynasty, these *bang* became subject to the government's oppression. As a result, they went underground and remained secretive. Overseas Chinese also organized secret societies by region and business. They organized all kinds of secret societies and *hui* (associations) to maintain order within the group. Various meetings exist, such as clan, hometown, and public ones, for those who are in the same business. They tend to develop a strong relationship among group members. However, they are likely to exclude other ethnic groups and nonmembers.

Hometown background may be the strongest factor to affect the organization of networks. Language is another important element of the hometown background. There are hundreds of dialects in China. The Chinese cannot communicate with one another if they are located 100 *li* away.¹⁵ Therefore, dialects can be a good way to distinguish the Chinese. They can tell food, clothes, social status, and other general sociocultural characteristics by dialects. Even if they use the same writing system, they can hardly communicate with those who speak different dialects. As a consequence, they are likely to organize networks with those who speak the same dialect. For example, those who are affiliated with the Fujian Secret Society cannot join the Guangdong Secret Society because they do not speak Cantonese. However, those who can speak Cantonese can become members of the Guangdong society even if they are not from Guangdong.

The overseas Chinese from Guangdong, including Chaozhou, Hainan, and Kejia, account for more than 70 percent of the total overseas Chinese population, with about 30 percent of the population being from Fujian. However, conglomerates and big capitalists from Fujian dominate those from Guangdong. In Taiwan, 70 percent have a Fujian background, with the rest being aboriginals, Kejia, and mainlanders.

The overseas Chinese have made use of their networks for their development. They have established Chinatowns all over the world. This suggests that they have strong networks to protect their interests. Unlike in the United States, Europe, and Japan, in Southeast Asia they have tended not to be separate from local people to avoid friction with them. However, they have maintained invisible networks of mutual assistance.

Their international conference is their largest open and established international organization. They hold the conference every 2 years. At least 1,000 overseas Chinese participate in it—even if they speak different dialects or are from different clan groups. The conference is conducted in Mandarin and English, and simultaneous interpretation is provided for those not speaking either.

15. The Chinese unit 10 *li* is equivalent to 2 kilometers. Hence, 100 *li* equals 20 kilometers.

In the 1990s, changes in the international situation and the organizations of overseas Chinese resulted in the creation of new networks. For example, the alumni from the same schools and those who studied in the United States organized their own networks. This phenomenon implies that in addition to traditional networks such as the Guangdong and Fujian Secret Societies, various alumni groups also will become networks.

Taiwanese Government Policy

The Nationalist Chinese policy toward overseas Chinese dates back to the end of the Qing Dynasty, when the Qing government adopted measures to protect overseas Chinese lives and rights. The policy was based on the principle of *jus sanguinis* and the loyalty of the Chinese on the basis of blood ties and ethnicity. After the *Guomindang* government moved to Taiwan in 1949, the policy was not stalled, but it constantly changed in response to the governments of the People's Republic of China (PRC), the United States, and other major countries.

The Nationalist government assumed the role of savior and protector of the overseas Chinese who were then dispersed in more than 100 countries under the slogan of "All People One Heart." The *Guomindang* announced a series of programs for them: to protect their rights and privileges, to promote close cooperation among their networks to counter the Chinese Communists and the Soviet Union, to support educational projects for them so that they could have access to the Chinese cultural tradition, to provide incentives for them to invest in Taiwan and work for the government, to train their younger generation as party leaders, to support the activities of underground anticommunist organizations in mainland China, to enhance the status of those who work with the Nationalist government, and to pursue ideal and practical objectives with the countries that do not have diplomatic relations with Taiwan.

The Nationalist government's plan for the Cold War fell apart in the early 1970s. In 1971, the United States revised its containment policy against China, which had been supported by US political, economic, and military assistance to Taiwan. All of a sudden, the Nationalist government lost this US protection. The United States changed its position by deciding not to prevent China from entering the United Nations and to pursue reconciliation with China, which led to President Richard Nixon's visit to China in 1972. As a result, many Western countries and Japan recognized China instead of Taiwan. Consequently, the Taiwanese strategy of the 1950s was abandoned and revised.

To strengthen its control over the overseas Chinese in the United States, the Nationalist government of Taiwan took a few important measures in the early 1980s. First, it invested millions of US dollars in a few Chinese-language newspapers in the United States that were facing bankruptcy.

Second, it increased its support for Chinese-language schools in the United States. Third, all the Huiguan and Gongsuo launched campaigns to have them pledge their loyalty to the Taiwanese government in San Francisco. Fourth, the Nationalist government and the Guomindang were increasingly oppressive, including kidnapping those who favored the PRC.

However, the political situation changed again in the 1980s. The policy and measures of the Nationalist government proved to be ineffective and negative—isolating the Nationalist government from the global networks of overseas Chinese—and were abolished in the 1990s. The Nationalist government stopped relying on overseas Chinese efforts, and it began to lobby the United States and other countries directly.

PRC Government Policy

The PRC government changed its attitudes toward overseas Chinese with the evolution of their status. It first established government agencies to favor them for national unification and economic development. It has offices dealing with their matters in the State Council, the Standing Committee of the National Peoples' Congress, and the Political Consultation Conference. In the Communist Party, the Department of the Unification Front is responsible for them. Such civilian bodies as the National Returned Overseas Chinese Association run branches nationwide and promote their rights and benefits.

Most of all, however, the major duties of each PRC organization relating to overseas Chinese affairs are to lure their investment, to invite their famous members to visit mainland China, and to protect their rights, property, and relatives in China. If they have difficulty making investments or staying in the country, they can get help solving their problems by going directly to the General Office of Overseas Chinese Affairs under the State Council.

In the 1950s, the objective of the Chinese government's policy¹⁶ toward overseas Chinese was to promote economic and political interests. Economically, the policy allowed them to send money and goods to their relatives, to explore sales markets for Chinese goods around the world, and to make investments. Politically, they served as activists on the unification frontline, supporting Chinese revolutionary diplomacy. The Chinese government handled them based on the basic principle of dual nationality. The PRC would respect the decision on one's own nationality

16. Article 98 of the PRC's 1954 Constitution declared that the PRC government will protect the legitimate rights and benefits of overseas Chinese. The Overseas Chinese Affairs Commission was set up to handle matters of overseas Chinese. Overseas Chinese were allowed to take part in state affairs by stating their participation in the National Peoples' Congress.

and not force holders of Chinese nationality or applicants for Chinese nationality to adopt the foreign nationality.¹⁷

The Chinese government evaluated the high achievements of overseas Chinese in business and assured their importance. Its four basic policy guidelines toward them were announced in May 1989: first, not to recognize their dual nationality but to encourage them to obtain the nationality of the host country; second, to demand that the host government guarantee their rights and benefits; third, for them to learn to respect the laws of the host country and coexist with the people of the host country in harmony; and fourth, to promote their unity by cultivating their patriotism and love for China. The policies also focused on attracting capital, technology, and intellectual expertise for both domestic economic development and overseas market development.

The Chinese policy toward overseas Chinese is summed up in the 1991 PRC Protection Law on Returned Overseas Chinese and Overseas Chinese Relatives. This law consists of 22 articles. In particular, article 3 describes the basic guideline: "On the rights and duties of returned overseas Chinese and [overseas Chinese] relatives, no organization should discriminate against them . . . the state will treat them adequately." In particular, this specific measure was determined by the State Council, which implies the importance of the domestic policy toward them.

The key elements of the guidelines on the Chinese authorities' policy for overseas Chinese are to support their survival and development in the host country, and to use them as bridges of friendship and cooperation between China and foreign countries. In particular, the guidelines focus on the need to contact influential overseas Chinese through relatives and hometown business associations to invite many of them to participate in modernizing China. The Chinese government's gradual approach has succeeded in attracting a huge quantity of investment and much support from them.¹⁸ It has made efforts to remind them of the fact that China is the mother country of all Chinese people.

Competition Between the PRC and Taiwan

As was noted above, networks of overseas Chinese businesspeople have become very important for both mainland China and Taiwan because of

17. The nationality of those below 18 years of age will be the same as that of their parents, and after they reach 18 years of age they will determine their nationality.

18. Overseas Chinese as well were aware of the changing situation in China. They showed a favorable response to China. Lu Sunlin, director of the Taiwan Chamber of Commerce in Ho Chi Minh City, says, "Chinese officials contacted pro-Taiwan overseas Chinese with no demands." They merely say, "we want to be your friends," "we are brothers." He notes that "their approaches are remarkably effective in the process of changes in China." (*Far Eastern Economic Review*, June 21, 2001.)

their growing influence and economic development. During the Cold War, pro-Taiwan global networks of overseas Chinese businesspeople were powerful, whereas PRC networks of these businesspeople have been increasingly influential since the PRC's Economic Reform and Open Door policies were implemented in 1978.

The effort to encourage the formation of networks among the overseas Chinese was initiated by the Taiwanese government. The Global Economic and Trade Meeting was held first in 1963 in Tokyo. The meeting was intended to promote the exchange of information among overseas Chinese on economies, trade, investment, diplomatic policies, and the economic development of Taiwan. The meeting has since been held every 2 to 3 years in major cities of the world. The 21st meeting was held in 1998 in Taiwan, at which 970 overseas Chinese businesspeople from 55 countries participated. The 22nd meeting was held in April 2000 in Brazil. The Taiwanese government established a network of these global businesspeople under the Overseas Chinese Affairs Commission. Since 1972, this commission's network has educated 4,320 businesspeople on management, international trade, and factory management. In October 1999, 333 of them opened the first general meeting.

In May 1999, a joint international investment committee for overseas Chinese businesspeople was also held in Taipei. About 200 overseas Chinese and 80 Chinese businesses participated in the meeting on overcoming the Asian financial crisis and challenges for the 21st century. Under the guidance of the Overseas Chinese Affairs Commission of Taiwan, the meeting aimed at securing pro-Taiwan networks of overseas Chinese businesspeople and exchanging information on their investments. The Taiwanese government also managed to promote their global financial conference for friendship and exchanging information. Recently, the meeting was held in 2000 under the sponsorship of the US California Bank. There are also various other overseas Chinese business networks in each country, such as general Chinese business associations and Taiwanese merchants' associations.

The World Chinese Entrepreneurs' Convention (WCEC) is another good example of overseas Chinese organizing an international network. They established a national economic consultative body in response to the regionalism of the European Union and the North American Free Trade Agreement, and the globalism led by the World Trade Organization (WTO) in the 1990s. In 1991, then Singapore Prime Minister Lee Kuan-Yew proposed a global network of overseas Chinese to promote linkages between China and Southeast Asia. In his view, cooperation among them will become more and more important in the global age of the 21st century.

Accordingly, Lee supported a division of labor among economies: China as a production base, Hong Kong and Singapore as financial centers, and North America and Europe as final consumption markets. In particular, overseas Chinese international networks were important as domestic and

international markets for Singapore. The overseas Chinese global meeting reflected the inevitability and concerns of the Chinese system increasing the volume of trade, investment, and tourism in the age of globalization.

As was seen in the Tiananmen Square incident, social turmoil following the reform of the Chinese system threatened the Chinese Communist Party. Chinese reform needs help from overseas Chinese in taking paths of steady economic growth that will stabilize the country's social and political system. China can look at the successful cases of overseas Chinese under different systems in the transitional period. For instance, China has paid attention to Singapore for its successful reform measures. First, Singapore has achieved its social development during a period of 32 years, under the rule of the single government party. Second, Singapore is geographically and politically appropriate as a benchmark of national development for China. This is why the Singaporean Chinese Business Association has initiated an international overseas Chinese business network to promote economic cooperation and mutual understanding among industrial and commercial fields.

Moreover, the first WCEC meeting was held in Singapore in August 1991. It has been decided to hold a meeting every other year in major cities of the world; the second and third meetings were in Hong Kong and Bangkok, respectively. About 800 people from 30 countries attended the first meeting in Singapore. The Hong Kong meeting in November 1993 had 1,000 attendees discussing current global economic development and the role of overseas Chinese in the changing economy. The third WCEC meeting was held in Bangkok in 1995.

About 1,300 people from 20 countries attended the fourth WCEC meeting in Vancouver in August 1997. Participants discussed the influence of electronic communication and information technology (IT) in global market communication, and how to strengthen cooperation in the IT industries among overseas Chinese businesspeople.

China dispatched a large number of delegates to the fifth WCEC meeting in Melbourne to strengthen its linkages to the global network of overseas Chinese and thereby became a key country in the Chinese economic bloc. About 400 representatives from government and business sectors attended the meeting in 1999. Conversely, Taiwan sent a small number of delegates due to the earthquake and the protest over the participation of a larger number of Chinese from the mainland.

The sixth WCEC meeting was held in Nanjing in September 2001. About 3,300 participants came from 77 countries. The Beijing government spent \$1.1 billion, and the meeting resolved that China will lead the global economic bloc of overseas Chinese. On the basis of the meeting, the network of overseas Chinese businesspeople in Australia, Canada, China, Hong Kong, Singapore, and the United States is becoming more and more visible.

Currently, the PRC government has allocated more than 200,000 people and a large amount of money to deal with overseas Chinese. Conversely,

Taiwan's Overseas Chinese Affairs Commission has only 360 people with an annual budget of \$56 million. The Taiwanese government appeals to their moral values by revealing the human rights violations of the mainland Chinese. Recently, it tried to help overseas Chinese from Taiwan participate in local politics to show them that its political system is superior to that of the PRC. However, Taiwan's strategy is unlikely to be effective because of insufficient material and human resources as China takes active steps to attract the overseas Chinese.

The Role of the Council of 100

The Council of 100 consists of successful overseas Chinese in the various fields of finance, management, high technology, politics, economic trade, and entertainment and is organized as a nongovernmental organization to enhance the status of overseas Chinese in American society.¹⁹ Although it is not clear when it was established, it was supposed to have been after the Tiananmen Square incident in 1989, corresponding to the time the global meeting of overseas Chinese (WCEC) was launched. March Fong Eu, a leading member in the council and then the California secretary of state, attended the first WCEC meeting in Singapore in 1991, which shows the relationship between the Council of 100 and the WCEC. The theme of the 1993 general meeting was the Greater Chinese Economic Zone.

Among the council's major activities are to encourage China-United States reconciliation. On the basis of the significance of United States-China relations in opening China to the world for its development, the council offered scholarships to universities in mainland China to promote understanding of the United States. The scholarships intended to recognize basic differences between the two countries and to pursue mutual benefits. The council has promoted cultural exchanges and thus made great contributions to improving United States-China relations.

Internet Network of Overseas Chinese Businesspeople

At the second WCEC meeting in 1993, Lee Kuan-Yew, the former prime minister of Singapore, proposed exchanging information on the economy, trade, and investment among overseas Chinese businesspeople world-

19. The council's current leadership is as follows. The Advisory Group is led by Yo-Yo Ma (a musician), I.M. Pei (a world-renowned architect), the late Chang-Lin Tien (the former chancellor of the University of California, Berkeley) and Shirley Young (an overseas Chinese leader). The Representative Group is led by Henry S. Tang, chairman; Charlie Sie, vice chairman; Alice Young, treasurer; Dennis Wu, general secretary; and Nelson Dong. Its headquarters are in New York.

wide. Under the Chinese Business Association of Singapore, an Internet leadership service was started on December 8, 1995. In 1999, the Singapore Chinese Business Association and the *United Morning Post* jointly invested in the global network of overseas Chinese businesspeople to set up an Internet service, <http://wcbn.asial.com.sg>, which is available in English and Chinese. It collects information on overseas Chinese businesses in 20 countries, and plans to have information on more than 100,000 businesses.

Another effort is made by the Taiwanese government. Taiwan's Overseas Chinese Affairs Commission set up the Global Chinese Business Network (GCBN), <http://www.gcbn.net>, in 1998, which is linked to the Taiwanese government's Basic Construction Plan for National Information and Communication to provide information to overseas Chinese. Besides WCBN of Singapore and GCBN of Taiwan, Internet sites for global overseas Chinese businesspeople have been created by Chinatowns, Overseas Chinese Business Associations, and clan meetings.²⁰

The Overseas Chinese Contribution to China's Development

Thus far, this chapter has intensively reviewed the evolution of overseas Chinese business networks. Yet these networks still need to prove their effectiveness in the practical arena. In this regard, it is helpful to elaborate on evidence of the networks' effectiveness using the example of the PRC's Economic Reform and Open Door policies.

First of all, it is necessary to emphasize that there was also explicit preferential treatment²¹ by the PRC of overseas Chinese from Hong Kong, Macao, and Taiwan. It is noteworthy that the General Office of Overseas Chinese Affairs was set up in the 1980s to help overseas Chinese under

20. Chinese Overseas Promotion Association, <http://www.coea.org>; Worldwide Chinese Association, <http://www.worldwidechineseasso.org>; Overseas Chinese Youth Association, <http://www.ocya.org>; Huaren, <http://www.huaren.org>; CWO, <http://www.cwo.org>; China-Town.net, <http://www.china-town.net>; San Francisco Chinatown, <http://www.sfchina-town.com>; Singapore Federation of Chinese Clan Associations, <http://sfcca.org.sg/>; and JS Info, <http://www.huaqiao.jsinfo.net>.

21. Immigration Control Law on the Citizens of the PRC 1986; Law of the Chinese Labor Department (1983.9); Law to Exempt the Income Tax on Foreign Money to Be Sent for Family Members in China by Overseas Chinese Relatives (1980.10, State Council); Housing and Residential Areas for the Overseas Chinese who Returned to China for Good (1984.12.24, General Office of the State Council); Temporary Measures to Purchase or Build Houses Based on the Money Sent by the Overseas Chinese (1980.3.5, General Office for Overseas Chinese Affairs under the State Council); Regulations on the Employment of Overseas Chinese who Returned to China and Their Children (1983.3.21, General Office for Overseas Chinese Affairs Under the State Council); Law on Education for Overseas Chinese who Returned to China and Their Children (1983.3.21, General Office for Overseas Chinese Affairs Under the State Council).

the State Council. In 1980, China established the first Special Economic Zones (SEZs) in Shantou, Shenzhen, Xiamen, and Zhuhai, which are located in the vicinity of Hong Kong, Macao, and Taiwan. The SEZs are the hometowns of many overseas Chinese living in Hong Kong, Taiwan, and Macao and have provided them with various privileges, including taxation and facilities.²²

Preferential treatment can be more important if it is implicit than if it is explicit. Projects receiving preference are often given to global overseas Chinese businesspeople. This sort of preferential treatment is closely linked to the traditional *guanxi*, which is very important in business. For example, Beijing's real estate development project business in the central district²³ has been dominated by Li Kasheng, an overseas Chinese world celebrity from Hong Kong. Recently, Jiang Mianheng, son of Jiang Zemin, has been working in the semiconductor business, together with Wang Yongxiang, son of the owner of Formosa Plastic.²⁴

Second, the influx of overseas Chinese capital to China has played a key role in developing the Chinese economy. As a developing country, China stands to attract the largest amount of foreign direct investment (FDI); see table 3.3. As of the end of 2001, the total FDI flow to China was \$393.5 billion in accumulation on an actual basis. The FDI in 2001 increased by 15.2 percent, amounting to \$46.9 billion, which reflects the positive expectations of foreign investors after the entry of China into the WTO. It also reflects Southeast Asia's recovery from recession and the Taiwanese government's easing of restrictions on investment in China. Recently, new investments have been made in semiconductors and petrochemicals.

FDI has accounted for a significant portion of the Chinese economy in the areas of industrial production, trade, tax income, and employment. The investments have made important contributions to improving high technology, management techniques, and skilled technical labor. The entry of China into the WTO will improve the transparency of regulations and policies, the business environment, and the openness of new business such as information services as an important base for further expanding FDI.²⁵

China has risen as a global manufacturing nation thanks to the investments of overseas Chinese. The countries where overseas Chinese reside account for the major portion of FDI in China. In the mid-1990s, they ac-

22. When overseas Chinese invested in the SEZs, income tax was exempted for two years and reduced to half for three years afterwards.

23. Wangfujing, located in the center of Beijing City, and as such being a most bustling street, is one of the representative areas of those developments.

24. Wang Yong Qing, the owner of Formosa Plastic, is one of the leading Nationalist Party entrepreneurs.

25. The Chinese Academy of Social Science expects actual foreign direct investment to increase to \$100 billion in 2005—twice as much as the current amount.

Table 3.3 Distribution by economy of foreign direct investment flows to China, 1995-2000 (billions of US dollars)

Economy	1995	1996	1997	1998	1999	2000
Hong Kong and Macao	20.50	21.26	21.03	18.93	16.67	15.85
United States	3.08	3.44	3.24	3.90	4.22	4.38
British Virgin Islands	0.30	0.54	1.72	4.03	2.66	3.84
Japan	3.11	3.68	4.33	3.40	2.97	2.92
Taiwan	3.16	3.47	3.29	2.92	2.60	2.30
Singapore	1.85	2.24	2.61	3.40	2.64	2.17
Korea	1.04	1.36	2.14	1.80	1.27	1.49
United Kingdom	0.91	1.30	1.86	1.17	1.04	1.16
Germany	0.39	0.52	0.99	0.74	1.37	1.04
Others	3.17	3.91	4.06	5.17	4.87	5.56
Total	37.52	41.73	45.26	45.46	40.32	40.71

Source: *Chinese Foreign Trade Yearbook 2001*.

counted for 70 to 75 percent; at present, the rate of FDI has sunk below 60 percent. However, their share is still being maintained at about two-thirds of the total investment. As of the end of 2000, 53 percent of the total FDI was from overseas Chinese capital. There are 136,400 investment companies based in Hong Kong, Malaysia, Macao, or Singapore operating in China (67.1 percent of the total). A major portion of overseas Chinese capital has come from Hong Kong. Between 1979 and 1994, 78 percent (\$93 billion) of FDI was accounted for by Hong Kong capital. Between 1997 and 2000, 78 percent (\$65 billion) out of \$83.5 billion was accounted for by Hong Kong capital. This was because of the geographical proximity of Hong Kong, its relations with China, and the status of Hong Kong in Southeast Asia and Chinese societies. As Hong Kong's manufacturing businesses moved to the Zhujiang Delta areas of China, overseas Chinese businesspeople's investments were made in such tertiary industries as finance and trade.

Between 1991 and 2000, Taiwanese investment in China reached about \$17.1 billion, according to the estimation of the Taiwanese authority. According to the Chinese authority, it was estimated at \$25 billion. The actual investment amount is estimated at \$70 billion to \$100 billion. Given the loss of investment in Southeast Asia caused by the Asian financial crisis, it is expected that Taiwanese investment in China will increase unless there is political tension mostly related to issues of "taidu" (independence of China).

Third, it is impossible to separate trade from investment. The size of Chinese imports from and exports to countries dominated by overseas Chinese shows the strong relationship between them and China. According to Chinese data,²⁶ Hong Kong recorded \$56 billion (exports,

26. Based on the Web site of the Ministry of Foreign Trade and Economic Cooperation, <http://www.moftec.gov.cn>.

\$46.6 billion; imports, \$9.4 billion); Taiwan, \$32.3 billion (exports, \$5 billion; imports, \$27.3 billion); Singapore, \$10.9 billion (exports, \$5.8 billion; imports, \$5.1 billion); Malaysia, \$9.4 billion (exports, \$3.2 billion; imports, \$6.2 billion); Thailand, \$7 billion (exports, \$2.3 billion; imports, \$4.7 billion); Indonesia, \$6.7 billion (exports, \$2.8 billion; imports, \$3.9 billion); the Philippines, \$3.6 billion (exports, \$1.6 billion; imports, \$2 billion); and Macao, \$0.9 billion (exports, \$0.8 billion; imports, \$0.1 billion) in 2001. Europe recorded \$97.6 billion (exports, \$49.2 billion; imports, \$48.4 billion); Japan, \$87.7 billion (exports, \$44.9 billion; imports, \$42.8 billion); the United States, \$80.5 billion (exports, \$54.3 billion; imports, \$26.2 billion); and South Korea, \$35.9 billion (exports, \$12.5 billion; imports, \$23.4 billion) in 2001.

Overseas Chinese served as an important channel for promoting the sales of Chinese products in the international market. The Southeast Asian region close to Hong Kong and Taiwan was favorable for their investment, considering the importance of blood ties and linguistic and cultural identity. With this investment, the productivity of the Chinese provinces has increased drastically. This is shown by the fact that non-governmental investments led by joint-venture companies (including township enterprises and overseas Chinese companies) account for half of current Chinese trade.

An increase in the new immigration by overseas Chinese, their big investments of Taiwan, their economic strength in Southeast Asia, and an increase in the number of their elites in advanced nations, all helped change their social, economic, and political structure in relation to China.

The Chinese provincial governments also have invited overseas Chinese of the same town or family to invest, as follows. First, a global trade network was formed to promote economic benefits. Second, information exchange with the hometown was facilitated under the government's sponsorship. Third, major figures from the hometown were included in the leadership, which then could take advantage of their personal networks. The provincial government also could exercise influence over them. Fourth, the organizational style was less forceful than traditional organizations; overseas Chinese were offered business opportunities in their global business meetings, which were held to promote business activities. Through the networks of overseas Chinese businesspeople, Chinese potentialities could be developed.

The capital investments by overseas Chinese were first concentrated in Fujian and Guangdong, where most of them had originated, and later extended to other areas. Between 1979 to 1987, \$2.04 billion—39.1 percent of the total \$5.22 billion overseas capital invested in the mainland—was invested in the four SEZs. Up through 1993, more than 50 percent of overseas capital flowed to Guangdong and Fujian. From the early 1990s on, overseas capital was not concentrated in Guangdong and Fujian but dis-

persed to the areas of the industrial cities and provinces, such as Beijing, Jiangsu, Liaoning, Shandong, Shanghai, and Zhejiang.

The main elements of recent Chinese economic development are growing exports, an increase in domestic consumption based on investment in infrastructure, and the expansion of the information technology industry. Among them is the new economy of IT and biotechnology. It has grown by the combination of well-developed basic Chinese science, Chinese professionals having worked for multinational companies that began operating in China after 1978, and the return of professional overseas Chinese who have studied abroad. Currently, the Chinese IT economy comprises 2.2 billion Internet Chinese users (those who use the Internet for at least 1 hour a week), 120 million mobile telephone users, and the world's largest market for cable television as of end of 2001.

The Chinese government well recognizes the importance of talented personnel in modernizing China. The Chinese Academy of Science is planning to invite overseas Chinese elites from all over the world. Under the plan, 400 overseas scientists have been invited to China. Since 2001, RMB1 billion (\$0.12 billion) has been invested for 5 years to invite 500 Chinese scientists.²⁷

According to a Chinese newspaper in the United States,²⁸ there were 4,895 high-technology industries in California's Silicon Valley in 1995, and 240,000 employees were hired there. One-fourth were Asian, and one-third were Asian technical engineers, most of whom were Chinese. Overseas Chinese companies or engineers in Silicon Valley also made great contributions to the promotion of IT industries in Southeast Asia, where overseas Chinese networks in Hong Kong, Singapore, and Taiwan grew deep roots. For example, two-thirds of 600 key engineers at IBM are known to be overseas Chinese; 35 percent of IT workers in Silicon Valley are Indian, and 28 percent Chinese. However, the proportion of Chinese is on the rise. As of the end of 2000, official data showed about 400,000 Chinese students studying abroad. This number would have increased to about 1 million if students who went abroad for short-term training had been included.

Finally, the PRC's Economic Reform and Open Door policies were modeled upon the dictatorial development of Singapore. Singapore offered the model of training and developing government officials. The overseas Chinese organizations of Hong Kong and Singapore invited Chinese officials on a weekly or monthly basis to educate them free of charge. They made use of this channel to establish a *guanxi* and extended it to get favoritism from Chinese officials and leaders.

27. This provides for an average annual salary of RMB4 million, including research funds.

28. See details in Zhao Hongying (2001).

Implications for Overseas Koreans

There are about 6 million overseas Koreans in the world. They have great potential to help South Korean economic development if they were well linked to the Korean economy. Nevertheless, overseas Korean networks have not been commercially influential due to a lack of effective networks and to friction among overseas Koreans following the division of Korea. Recently, however, there has been a recognition of the importance of networking in the 21st century. If 6 million overseas Koreans were organized into a single efficient network, they would be able to enhance the economic interests of all Koreans. In this regard, the experiences of overseas Chinese networks would be good models for Korea.

Evaluation of Past Activities

Koreans have tried to organize a global community to link overseas Koreans all over the world. In particular, the Overseas Koreans Foundation has been established in 1997 to cultivate the future leadership of overseas Koreans and to conduct various programs to enhance the rights and privileges of overseas Koreans.

The South Korean government has also made efforts to employ a practical policy for overseas Koreans. For example, overseas Korean businesspeople are invited to meetings in Korea, briefed on the domestic economic situation, and encouraged to help the Korean economy by stimulating their patriotism. Annual Korean economic community meetings are held to promote their unity and love for the country and to encourage them to form a broad overseas Korean network. As a matter of fact, along with globalization efforts in the 1980s, global overseas Korean organizations also have been established. The Overseas Korean Traders Association (OKTA) was established in 1981. It has made contributions to promoting trade with South Korea, helped the export of Korean products to the international market, and facilitated the exchange of information among members. It has about 6,000 members in 79 regions of 68 countries. In particular, it has a secretariat office in the Korea Trade and Investment Promotion Agency (KOTRA) in Seoul to promote its work.²⁹

The World Federation of Korean Commerce (WFOKC) is headed by a chief director, Kim Deog Ryong, who is a South Korean national assembly member from the Hanara Party, the Grand National Party. In 1993, it was started as a global overseas Korean commerce and industry federation. It has 156 branches in 68 countries. It has been active in organizing net-

29. The president is Chung Jinchul, who lives in Los Angeles, where he runs real estate businesses.

works of global overseas Korean businesspeople through a cooperative body with businesspeople in Korea. Like OKTA, it has its secretariat office in Seoul.

The International Network of Korean Entrepreneurs was established in October 2001 to strengthen the national competitiveness and globalization of the Korean venture capital industry through mutual exchanges and cooperation among global Korean venture businesspeople. It plans to set up branches in 50 countries by 2004, including in the United States (New York, San Francisco, Washington), Australia, China (Beijing, Shanghai, Dalian), Brazil, Indonesia, Canada (Toronto), Japan (Tokyo), and the United Kingdom.

There are also a number of organizations for overseas Korean businesspeople in various countries. The Overseas Korean American Businessmen's Association³⁰ was created in Silicon Valley in 1997. It has about 1,000 members, including Korean-American businesspeople, scientists, business executives, venture capitalists, and professors. They try to organize networks of Korean businesspeople. The Korean American Commerce and Industry Federation³¹ was established in New York in 1981. It is designed to promote the rights and privileges of Korean-American businesspeople and to foster cooperation among Korean-American economic organizations.

The Korean Chamber of Commerce in Japan was organized in 1962. Its local branches in all the provinces of Japan are intended to protect the rights and privileges of Korean-Japanese and to provide information on commerce and industry. The director is Hong Chaesik. The Korean Japanese Credit Association³² was set up in 1956 aimed at promoting cooperation among Korean-Japanese. It provides Korean-Japanese with loans and has an investment trust to assist in capital formation.

The Korean Chinese Business Association³³ was created in 1993 to help South Korean companies advance in the Chinese market, whose environment is quite new due to a different economic system and long antagonistic relationship, following the normalization of Korean-Chinese diplomatic relations. Korean companies in Beijing are organized under the sponsorship of the Korean Chamber of Commerce and Industry. There are 28 branches nationwide, which provide information on the Chinese market and promote friendship among members.

The Korean National Economic Community Meeting was started with the participation of the members of OKTA and WFOKC, led by the Overseas Koreans Foundation and KOTRA, to overcome the Korean for-

30. Currently, Brandon Kim of Altos Ventures is the president of the association.

31. The president is Lim Changbin, who has a textile business in Atlanta.

32. The chairman is Lee Jongdae, who is the chairman of the Commercial Bank in Yokohama.

33. The president is Park Yunsik, who is general manager of LG Corporation in Beijing.

eign exchange crisis in 1998. Its first meeting was held in Seoul in October 1998, followed by a second one in Chicago in October 1999, a third one in Seoul in October 2000, and a fourth one in Los Angeles in November 2001. Meetings are held in South Korea and the United States every other year. In sum, these meetings promote the exports of domestic companies to overseas markets through overseas Korean buyers and the investment of overseas Korean capital.

Applying the Overseas Chinese Networking Model to Koreans

The overseas Chinese community consists of 36 million people (excluding Hong Kong and Taiwan), who make up 2.6 percent of the total Chinese population. The overseas Korean community has 6 million people, 9.8 percent of the total Korean population—living primarily in the United States, China, Japan, and Russia. There are at least four critical differences between overseas Koreans and Chinese. First, there is no country not on the Korean peninsula having Koreans as the dominant political leadership. Conversely, with regard to Chinese, along with mainland China, three separate economies are ruled by Chinese leadership: Hong Kong, Singapore, and Taiwan. If they are well connected, they can promote their common interests through their networks based on homogenous composition of Han people. This suggests that if such a South Korean effort directed toward overseas Koreans is not carefully handled, it could inhibit the sovereignty of host countries of overseas Koreans.

Second, there is a lack of leading Korean businesspeople with global prestige. Overseas Chinese business leaders, however, have a widespread presence across the world due to their long history of immigration and their much larger population. In Korea, voluntary and spontaneous migration has a relatively short history. As a result, there are relatively few overseas Korean business celebrities, which may work against forming global overseas Korean networks.

Third, there have been significant differences between government policies toward overseas Chinese and Koreans. During Mao Ze-dong's period, China adopted an isolationist policy, which created distrust between overseas Chinese and their home country. However, the policy was modified to focus on economic aspects during the Deng Xiaoping era, resulting in a policy of attracting overseas Chinese to promote mutual cooperation between them and China. Conversely, South Korea considered overseas Koreans as having abandoned their home country, which somewhat resembles Mao's policy. In particular, some politicians even exploited the overseas Korean community politically.

Fourth, there have been differences in perceptions of overseas Chinese and overseas Koreans toward their home countries. Overseas Chinese believed that they would be well treated and would make money on their

investments in China. Overseas Koreans, however, received more skeptical responses to their investments from their home country, which resulted in their loss of interest in investing. Yet even though South Korea treated them coldly, overseas Koreans participated in donating funds to help Korea in the Olympics and the IMF crisis. There is an increase in the number of Korean businesspeople who have been successful in IT and biotechnology industries in the United States and Japan. Most of them still have pessimistic attitudes toward investing in Korea, given the way businesses there are managed, and toward returning to Korea under the current overseas Korean policy.

China's policy toward overseas Chinese has been accommodative and active under the current central government's leadership. The government passed laws and arranged offices for them. They are led by the unique Chinese personal network, *guanxi*, which links individuals, hometown associations, business associations in the same industry, and associations of people with the same family name. In particular, it is worth noting again that under the leadership of Singapore prime minister Lee Kuan-Yew and Chinese political leader Deng Xiaoping, a global overseas Chinese business meeting (WCEC) was held in 1991 (see above).

Yet China's policy toward overseas Chinese is an important benchmark for South Korea's policy toward overseas Koreans. The policy under review is to seek the possibility of connecting the overseas Korean community with overseas Chinese businesspeople. If China's policy continues to be successful and Korea's policy continues to fail, Korea's national competitiveness will lose its edge. However, the systematic improvement of Korea's policy to utilize overseas Koreans' potential talents may have a great positive impact on Korean economic development.

Given the points mentioned above, the potential assets of overseas Koreans are best evaluated as precious human and material resources. Judging from the contribution of overseas Chinese to China, it is also expected that overseas Koreans can benefit South Korean economic development—as an investment source, for trade expansion, as a talented personnel pipeline, and in constructing a new and advanced economic system. Therefore, there should be changes in Korea's policy toward overseas Koreans in the direction of organizing networks of overseas Koreans to coexist with their home country. The government should adopt a policy of restoring trust in overseas Koreans. It should take a pragmatic approach to mutual interests in economic relations instead of taking a political approach to overseas Koreans.

In particular, overseas Koreans should organize networks to contribute to a new economy led by information technology and biotechnology. The government should grant incentives for their contributions to Korea. For example, the government could arrange measures to give preferential treatment to overseas Koreans that would not violate international norms.

There should be efforts to remove obstacles to the participation of overseas Koreans in the domestic economy.

Therefore, a global overseas Korean businesspeople's convention should be formed and positively established, despite South Korea's limits in developing ways to overcome its difficulties in the 21st century. There should be a caveat in the Korean case, however. If the government became too deeply involved in overseas Korean matters, it might inhibit the sovereignty of host countries. Therefore, a prudent measure is needed. It is worth a cautionary note that it has been 10 years since the sixth WCEC meeting was held in Nanjing, China.

Because the 21st century is an age of networks, overseas Koreans must network worldwide in their economic and business activities. To function effectively, the proposed global overseas Korean businesspeople's convention should observe a few basic principles. It should be nonpolitical³⁴ and consist of networking professional groups, followed by global networks operating organizations in the United States, Japan, China, and Russia, in addition to South America and Southeast Asia. Its thrust should be to organize networks in local communities to promote the convenience of overseas Koreans utilizing their existing organizations. The leaders of these constituent organizations should include scientists, engineers, bankers, lawyers, businesspeople, and other professional groups, as seen in the Chinese case. In this regard, the selection of core group leaders (voluntarily led by the United States) as modeled after the Chinese Council of 100, is promising.

The South Korean government, however, has to help create business opportunities to attract more overseas Koreans with intellectual expertise—implementing programs to invite their scientists, and starting programs so that their children can learn about Korea on their vacations (like Taiwan's programs to invite young people). The government also needs to organize a system to provide information on business opportunities and domestic situations via various channels, including the establishment of an overseas Koreans' office in cyberspace to unify the concerns of overseas Koreans that are handled in various departments. And Korean domestic organizations must dispatch Korean delegates to a global meeting of overseas Korean businesspeople.

Another option is creating exclusive industrial zones for overseas Koreans that resemble China's Special Economic Zones. In addition, there should be Korean national scholarships for overseas Koreans, modeled after those of the Chiang Ching-kuo Foundation for International Scholarly Exchange. Scholarships for overseas Koreans will help them to play a leading role in overseas Koreans' business networks.

The revision of special laws for overseas Koreans is also required, similar to that undertaken for Chinese or Japanese laws. The establishment of

34. A strict division between the politics and economics is required.

a council of economic advisers for overseas Koreans is necessary, as is the construction of a business center for them. In this regard, a study of the Chinese policy toward overseas Chinese would offer a valuable lesson for South Korea's policy toward overseas Koreans. The study would be important to Korea, whose 6 million people overseas can play a leading role in promoting national reunification, spurring economic development, and preserving cultural values.

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Comments on Chapter 3

KIHWAN KIM

In chapter 3, Young Rok Cheong has done an outstanding job in three areas. First of all, he presents an excellent account of how overseas Chinese communities have evolved over time. Second, he gives a detailed account of the efforts made by not just the Chinese government in Beijing, but also the governments of Singapore and Taiwan, to enlist the support of overseas Chinese for development in their respective jurisdictions. Third, he has done a good analysis of the ways in which overseas Chinese have contributed to the economic development of China through investment and trade.

Cheong's main findings in these areas may be summarized as follows. The history of Chinese emigration goes back quite far. In fact, it can be traced back as far as the Sung Dynasty in the eleventh and twelfth centuries. As a result, the overseas Chinese population today is very large, numbering no less than 36 million or 2.6 percent of the total Chinese population. At least 52 countries have an overseas Chinese population of more than 10,000. However, a large majority of overseas Chinese—about 80 percent of the total—is found in Southeast Asia. Overseas Chinese communities today account for many prominent leaders in business as well as other fields.

To accelerate their own economic development over the years, the governments of China, Singapore, and Taiwan have pursued deliberate policies to organize overseas Chinese. These policies have taken several forms, including government-sponsored conferences to which prominent overseas Chinese are invited, explicit recognition of outstanding professional performance, special tax incentives for overseas Chinese investment, and scholarships for promising young overseas Chinese. It is also interesting to note that, until recently, the Chinese and Taiwanese governments in particular competed with each other to win loyalty and support from overseas Chinese for their political causes.

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Overseas Chinese have made tremendous contributions to the economic development of China. As of the end of 2000, according to Cheong, overseas Chinese were responsible for 53 percent of the total foreign direct investment outstanding in China. The lion's share of that investment, however, came from Hong Kong. Overseas Chinese have also served as important conduits for two-way trade between China and the countries where they reside. In short, with respect to the information on these three areas, Cheong's chapter is encyclopedic.

Yet when it comes to evaluating the implications of overseas Chinese communities for South Korea, the chapter leaves much to be desired. This is due in large measure to its failure to look more closely into overseas Korean communities as well as to appreciate some fundamental differences between South Korea and China politically and culturally. To be sure, Cheong notes that the population of overseas Koreans today is about 6 million, or 9.2 percent of the total population on the Korean peninsula. But he fails to tell us how overseas Koreans are geographically distributed. Nor does he tell us much about the social status of overseas Koreans in the countries where they live. If he had examined these matters more closely, his policy recommendations for the South Korean government would have been very different from those he has actually made.

As for Cheong's policy recommendations, it appears that he wants to recommend to the South Korean government almost everything that the Chinese, Singaporean, and Taiwanese governments have done vis-à-vis overseas Chinese—notwithstanding that there are several critical differences between overseas Chinese and overseas Korean communities. On the whole, overseas Koreans are potentially a far more valuable resource than Cheong realizes. For one thing, proportionally, there are more overseas Koreans than overseas Chinese. On average, first-generation overseas Koreans are far better educated than overseas Chinese. Moreover, it is simply not true that overseas Korean communities account for fewer outstanding business leaders and celebrities than overseas Chinese communities, relatively speaking.

To give just a few examples of outstanding Korean leaders overseas, Shin Kyuk-Ho, chairman of the Lotte Group in South Korea, is a prominent businessman in Japan as well. The late founder of the Poongsan Group was an outstanding businessman in Japan before he made his name in Korea. Son Masayoshi, widely regarded as the Bill Gates of Japan, is a third-generation Korean-Japanese. The late Paik Namjoon was a world-renowned pioneer in what could be called electronic art. The list goes on. And many of the brightest students on leading university campuses in the United States today are from the so-called 1.5-generation Korean-Americans. What all this means is that overseas Koreans can serve as a far more important source of not only capital but also knowledge and expertise for Korea's development in the years to come.

Although Cheong notes that for overseas Koreans to play a more significant role in South Korea's development, the obstacles specific to them must be removed, he fails to spell out what these are. One particular obstacle he could have identified, but did not, has to do with the universal military service obligation that the Korean government forces on many young men of Korean descent whose nationalities are not fully clear once they land in Korea. As long as this is an issue, Korea will not be able to make use of the talents and aspirations of many young Korean-Americans who belong to the 1.5 generation.

There is one obstacle that Cheong does discuss. This has to do with "cold treatment," meaning the low esteem in which Koreans who have emigrated are held by Koreans who have stayed in South Korea. In making this point, he is probably right with respect to those Koreans who emigrated before World War II; for the most part, they were poorer and less educated than the average Korean. However, almost the opposite is true of recent emigrants, who are on the whole better educated than ordinary Koreans.

Moreover, many of these recent emigrants have done very well abroad professionally, as well as in the education they have given their children. If anything, many of them are held in great respect and are the envy of other Koreans. Needless to say, these observations have one very important policy implication: If South Korea wants to attract more foreign investment from overseas Koreans, it needs to make its entire business environment as good as or even better than those that overseas Koreans find in the countries where they live and work. This of course means that Korea should continue with its reform efforts in every sector of its economy and society.

Nonetheless, Cheong says much about the need to extend preferential treatment to overseas Koreans to encourage them to increase their investment in South Korea. He fails, however, to specify what this treatment should be. As far as I am concerned, what overseas Koreans need more than anything else is equal rather than preferential treatment. Foreign investors in Korea in general want to be assured of what is technically called "national treatment" rather than preferential treatment that goes beyond national treatment.

If extending preferential treatment to bona fide foreign investors is not desirable, why should it be extended to overseas Koreans? In this regard, it needs to be noted that designing and implementing preferential policy for any group, including overseas Koreans, is not as easy as Cheong may think, especially in these days when most insist that the economy work on the basis of market principles. For this reason alone, I question the wisdom of establishing special economic zones for overseas Koreans.

To make an observation on one specific recommendation by Cheong: He recommends that the South Korean government organize a "Council of 100" to give recognition to overseas Koreans, as the Chinese govern-

ment has done. As he notes, overseas Chinese have a “collective character” in the sense that they tend to work together. But overseas Koreans are very individualistic, wherever they are. Moreover, they have taken with them a high dose of regionalism from home. For this reason, instituting a council of 100 would be more likely to further fragment Korean communities abroad.

However, I do not want to conclude my comments on chapter 3 on a negative note. Cheong is absolutely right when he says that South Korean political leaders should be very careful in trying to enlist help from overseas Koreans in connection with domestic political forays. Attempts of this sort will surely worsen the fragmentation of Korean communities overseas. In addition, policymakers should remember that similar attempts have backfired time and again—as in the unhappy episode involving Park Tong-Sun in the 1970s.

In short, chapter 3 has laid a good foundation for formulating government policy toward overseas Koreans. I, for one, would like to ask Young Rok Cheong to further study overseas Korean communities, as well as South Korea as a nation and economy, and then make policy recommendations.