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Made in China vs. Made by Chinese: Global Identities of Chinese Business: An Introduction

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Abstract:

The interaction between two perspectives--China as world factory and Chinese business knowledge has been complicated by the ever tensions generated from the national—China—and the transnational actors—Chinese—in understanding the economic driving force behind the real meanings of the rise of China. The construction process of the rise of Chinese economic power puts the state in direct contacts with the regional and global economic/political changes. On the one hand, Chinese business knowledge, identities, economic and political interactions also give rise to the notion of networks building and sub-regional development, which help transcend country-specific relations. On the other hand, the notion of the rise of China

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is still being re-constructed through the interplay between regional and global political economy.

In *Territory, Authority, Rights: From Medieval to Global Assemblages*, Saskia Sassen further questions the tension between globalization and nation-state by reminding us that ‘For today’s globalizing dynamics to have the transformative capacities they evince entails far deeper imbrications with the national—whether governments, firms, legal systems, or citizens—than prevailing analyses allow us to recognise.’¹ Her thesis covers more broadly the global affairs. Yet, in East Asia, as far as business and economic development are concerned, it is increasingly an imperative to look at, other than the state, transnational actors’ activities (business practice, capital movement, knowledge transfer and even social and cultural traits) to understand business and economic development. More importantly, the rise of China further complicates such tension between the national—China—and the transnational actors—Chinese—in understanding the driving force behind the economic behemoth.

There are two perspectives in looking at the rise of Chinese economy. The first one is the notion of ‘Made in China’. This point becomes more salient after China became the member of the World Trade Organization (WTO) in December 2001. This way of seeing refers to the identity of China as ‘the factory of the world’ which, due

to its huge population, market potential, cheap labours and manufacturing prowess, creates a gigantic economic development, if not economic miracle.² Increasingly, such notion also creates global repugnance on the image of the health and safety issues attached with general household products that made in China.³ China as the factory of the world also symbolises the competitiveness of Chinese work force in the international market, and inevitably, it also creates some political pressure from the global (the US especially) as well as East Asian region. In a Testimony before the Hearing on US-China Economic Relations Revisited Committee on Finance, United States Senate on March 29, 2006, C. Fred Bergsten, from the Peterson Institute, pointed out that as a result of the huge US merchandise trade and current account deficits (US\$900 billion in the fourth quarter of 2005) and the Chinese current account surplus (US\$150 billion in 2005), 'it is thus essential to reduce the US and China imbalances by substantial amounts in an orderly manner.'⁴ From the Asian Pacific region, the rise of China pushes the frontier of debate beyond the conventional regional security stability to something more down-to-earth such as the competition between China and neighbouring countries in the production of lower-end products for the global market.⁵

Made in China, coinciding the notion of China as the factory of the world, provides a conventional way of thinking that China, especially the People's Republic of China (PRC) is the linchpin of business and economic development. China has drawn the global attention toward its growth, its economic development and its so-called peaceful rise. In other words, everything is under the canopy of China. This is particularly so, especially in terms of military relations. However, as far as economic and business activities are concerned, we have to take into consideration more broadly the notion of Chineseness in trying to understand the whole meaning of the intricate of capital, money, business relations, human capital, business network, information gathering, etc in formulating the concept of Made by Chinese.

This view 'Made by Chinese' directs us to examine the ways in which factors such as economic capital, market forces, business practices, capital mobility, industrial relations, Chinese diaspora, human capital mobility, foreign direct investment (FDI), political and business relations, technological transfer are being worked out interactively among Chinese business and regional economic communities in connection with the global economy.⁶ Such idea, on the one hand, embedded some uniqueness behind the notion of Asian capitalism. On the other hand, such idea cannot be able to deviate from regional and general economic consents as Lucian Pye once

reminded us that ‘In short, the Confucian tradition had to be coupled with advances in economics as an intellectual discipline in order to produce the economic miracles of East Asia.’⁷ The notion of Chineseness and its ways of dealing with business activities are therefore under scrutiny by the entire global economy as well as East Asian region because these ‘Chinese’ elements sometime echo unnecessary human scarify (over the sub-standard mining site incidents), intellectual property infringement or simply corruption, if not political business relations.⁸

Made in China refers more to the state as an actor in the international political economy, where countries’ options will be limited to some conventional tactics such as financial policy, economic negotiation, trade talks, economic treaties and free trade agreement in dealing with the rise of China. Made by Chinese is a soul-searching idea which needs some conceptual thinking and empirical tools of analysis in dealing with the notion of the ‘soft power’ or ‘network power’ of the rise of China through different economic, business and political power construction process.⁹ Both notions cannot substitute each other. Nor can they be implemented without the consent and agreement of the East Asian and global community. One thing, however, rather clear, is that the tension between China and Chinese in mapping out the business identities will be a resounding issue in this region.

Although not evenly distributed, the five papers included in this section can generally be grouped either toward Made by China and Made by Chinese. More importantly, these papers are complementing one another, and at some points, are debating fiercely among themselves. The first two papers by Pan, and Ravenhill and Chung are trying to give rise to some global/regional concerns in a way to interrogate the orientation of the statist meaning of China's rise. Chung and Hamilton, Jacobsen and Cheung's papers re-examine the economic, business and political functions of Chineseness in historical, regional and sub-regional context.

The main message of Pan's paper is that the rise of China is a reluctant coronation which should be critically assessed in connection with the global capitalist development. His paper juxtaposes international relations theories with a view to re-position China's 'normal' economic function under the lenses of global production network (GPN). Such empirical tool helps the readers to re-examine China's rise from a transnational process, which helps de-construct the notion of Chineseness behind China's being the 'factory of the world', and re-construct a new phenomenon of 'world factories in China.' Another tacit message in the paper demonstrates that the state (government of China) actually gives little help in promoting some very famous Chinese brands today by the time when they urgently needed financial help at the very

initial stage of their business establishment. Their success is very much a private entrepreneurial attempt. This observation may change or at least allow ones to re-examine another conventional model of East Asian development—the developmental state model.

Ravenhill and Jiang's paper takes a regional perspective in studying China's increasing zest for Free Trade Agreement with Asian countries, Australia, New Zealand, Pakistan, ASEAN and etc. They were puzzled by the very means and the contents of the FTA signed by China and other Asian countries. Although FTA, in principle, indicates bilateral or multilateral trade relations, the ways in which China acts, according to their findings, suggest that there are something different in the so-called 'soft power' relations, if not regional hegemony, or Chinese mentality in handling business affairs, whether involving state or non-state actors. China's ways of dealing with most of the FTA seem to follow the strategy of sacrificing short term gain in order to obtain the long term gain. To add on the understanding behind the motives of the FTA from other conventional approaches, they further point out that China's being a market economy will allow China to gain less in those negotiations of FTA. They identify three cases, China-Hong Kong Economic Partnership Agreement (CEPA), China-ASEAN Free Trade Agreement and Australia-China FTA (AUCFTA)

to substantiate their points that national interests are the basic elements behind these FTAs, although there are some differences in contents. The question that we are going to ask is that can FTA help accelerate the economic reform that China is aiming at?

Chung and Hamilton address a conventional question: the Chinese diasporic business with historical cases and substantial historical records. Their paper recognizes the importance of Chinese business elites but refuses to resort to the cultural essentialism such as Bamboo networks or *guanxi* networks only. Instead, they, through various cases, point out that Chinese business elites are able to adapt to Western organizational methods to tailor their specific needs. Their study is echoed from Joe Studwell's recent work *Asian Godfathers: Money and Power in Hong Kong and Southeast Asia*. In his words, Asian business tycoons are able to blend elitism, professionalism, capitalism and local political structure to an extent that is having no different from a cartel, for example the housing industry in Hong Kong¹⁰

Like many overseas Chinese business observers, they began to look at the economic empire of Robert Kuok (the wealthiest person in Southeast Asia) to trace the illusive networks among his business together with many intricate subsidies beneath his business empire. However, they challenge both institutionalist (gradual

transformation of Asian business to Western style firm and organization) and political economy (developmental state model). They make their argument through the historical search of *huiguan* or *gongsuo*, the merchant association, especially the private banking in Shanghai to locate the elements behind Chinese capitalism. Their conclusion points to the argument that Chinese businesses are practicing capitalism and adopting Western style organization method by retaining some essential Chinese business cohesion, family and clanship style.

Jacobsen's paper also uses Chinese diaspora in Southeast Asia as an example. But, he has been trying to situate the Chinese diaspora within the discursive analysis between nation-state and citizenship. He critically examines the ethnic and cultural traits of Chinese business relations by reminding us the importance of the circumstantial socio-political structure of the resident country that conditions their ways of business relations. This paper mirror-images the contesting nature between the state (China) and the more intangible notion of sojourner (Chinese). The analytical aspect of this paper goes further to understand how well Chinese ethnic relations can be able to stand on the wings of globalization to empower their relative importance in relation to the respective resident countries. The case of the Indonesia Chinese diaspora seems to suggest that the tide is gradually turning to the benefit of the Chinese, so far. Yet, the

counter argument is that the situational changes of the Chinese diaspora can also be explained by the shadow of the rise of the China, which means the state's image is having some calling power, from a very long distance of course.

Cheung's paper takes a further sub-regional view to examine the governance of the People's Republic of China, Hong Kong and Taiwan (the so-called Greater China) to evaluate the interactions through economic, social and political changes of Greater China. He, by using a more conceptual approach, demonstrates that Hong Kong and Taiwan are effective variables in providing not just economic and human capital to construct the notion of the rise of China. Such conceptual approach gives rise to various factors (integration, interdependence, identity and independence) that can serve as thought provoking elements in studying the sub-regional meanings of the notion of Chineseness in assessing the politics of the economic meanings of the economic rise of China.

In conclusion, the key element of these papers is that if we study China's economic rise from the state centric angle, we may put ourselves in a very vulnerable position of not being able to appreciate the whole picture. Alternativeness, if we study from the various traits or Chinese practices, we will be drawn into cultural essentialism, no

matter how efficient they are in painting the uniqueness of Chinese ways of business.

‘Made in China’ and ‘made by Chinese’ are two complementary while contending concepts which cannot be studied individually without referring to their interactive functions. These papers are therefore presented here, very tentatively, to facilitate future discussion on these two concepts.

NOTES:

¹ Saskia Sassen, *Territory, Authority, Rights: From Medieval to Global Assemblages* (Princeton: Princeton University Press, 2007): 1.

² See Nicholas R. Lardy, *China's Unfinished Economic Revolution* (Washington D.C.: Brookings Institution Press, 1998) and Donald N. Sull, *Made in China: What Western Managers Can Learn from Trailblazing Chinese Entrepreneurs* (Mass., Harvard University Press, 2005).

³ Ken DeWoskin, 'The "Made in China" Stigma Shock,' *Far Eastern Economic Review* (September 2007): 9-13.

⁴ The Peterson Institute for International Economics
[<http://www.petersoninstitute.org/publications/papers/paper.cfm?ResearchID=611>]
(assessed on 14 October 2007).

⁵ Julie Gilson, 'Strategic Regionalism in East Asia,' *Review of International Studies* 33(1) (January 2007): 145-163 and Sanjaya Lall and Manuel Albaladejo, 'China's Competitive Performance: A Threat to East Asian Manufactured Exports?' *World Development* 32(9) (2004): 1441-1466.

⁶ Barry Naughton, *The China Circle: Economics and Technology in the PRC, Taiwan and Hong Kong* (Washington D.C.: Brookings Institution Press, 1997) and Alvin Y. So, ed, *China's Developmental Miracle: Origins, Transformations and Challenges* (Armonk: M.E. Sharpe, 2003)

⁷ Lucian W. Pye, 'The New Asian Capitalism: A Political Portrait,' in *In Search of an East Asian Development Model*, edited by Peter I. Berger and Hsin-Huang Michael Hsiao (New Brunswick: Transaction Publishers, 1993): 86.

⁸ Edmund Terence Gomez, ed. *Political Business in East Asia* (London: Routledge, 2002).

⁹ Yanzhong Huang and Sheng Ding, 'Dragon's Underbelly: An Analysis of China's Soft Power,' *East Asia: A International Quarterly* 23(4) (Winter 2006): 3-21 and Tse-Kang Leng, 'Economic Globalization and it Talent Flows Across the Taiwan Strait: The Taipei/Shanghai/Silicon Valley Triangle' *Asian Survey* 42(2) (March/April 2002): 230-250.

¹⁰ Joe Studwell, *Asian Godfathers: Money and Power in Hong Kong and Southeast Asia* (London: Profile Books, 2007): 67-71.