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The Emergence of Greater China: The Diaspora Ascendant

By Andrew B. Brick

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Coleridge said that in politics what begins in fear usually ends in folly. In communist China, it was faith—or more nearly, a kind of ideological zealotry—as well as fear that produced the madness. Not a Lewis Carroll, nor even a Thomas DeQuincey, could capture the sheer lunacy of a system that insisted, under the incantation of a "great leap forward," that meals could be made without food, and pigs fattened without feed, and so engineered a famine that killed some 25 million people.

Yet, the roller coaster that carried the People's Republic through one communist party "campaign" after another, ruining lives and, for a time, the prospects of an entire nation, has given way to a desire for political calm, for stability. What emerges in today's China is the picture of a frightened and increasingly unrooted people stumbling down the road to an uncertain future, but one with perhaps the hint of promise.

Emerging as well is a sense that, despite all the horrors, the spirit of individualism has somehow remained alive. Trying to make good the losses they have suffered through four decades of communist rule, the orphans of China's failed revolution may still be canny enough to be good capitalists. A fledgling marketplace, itself the manifestation of a reawakening individuality, flourishes in significant parts of the country. On sidewalks throughout Beijing, or Shanghai, or any of several dozen Chinese cities, garish badges of Mao Zedong, for decades the quintessence of communist chic, are traded like baseball cards. Scarcely a generation removed from his worse excesses, even the founder of the People's Republic apparently has gone to market.

So, too, have many of the some 55 million overseas Chinese who are returning to the mainland to trade for those Mao pins—and a lot more. However unpalatable China's politics may be, the overseas Chinese have always felt the cultural, linguistic, and often the familial pull of the place they came from. "We are the best a nation could hope for in so-called 'traditional family values'," cheerily observed Winston Wang, the general manager of Taiwan's Nan Ya Plastics, in a recent conversation, "and our primary value is that we return with lots of money."[1]

Certainly Deng Xiaoping, China's paramount leader, realizes this. A decade and a half into his massive liberalization, which has seen not only a radical freeing of the economy but a dramatic opening to the West through travel, tourism, and modern communications, it is clear that cultivating the Chinese diaspora is integral to Deng's modernization program. Today, at least 75 percent

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1 Conversation in Taipei, Taiwan, January 1992. Dr. Wang's attributed quote, it should be noted, proves more the exception than the case in this essay. This is purposely so: To protect sources and sources' business interests, many quotations in the text, all of which are authentic, frequently must go without attribution.

of the mainland's roughly 28,000 enterprises with significant foreign equity are financed by ethnic Chinese who live outside China. Hong Kong and Taiwan together account for two-thirds of the direct investment. The Chinese of Southeast Asia add another 10 to 15 percent.[2] Dismissed as crooks and capitalists by Mao just day-before-yesterday, the overseas Chinese have accepted Deng Xiaoping's invitation and returned—or let their wallets do the walking—to their mother country.

Including Know-how and Technology. "I call it the 'Open Wallet, Open Heart' syndrome," a former Chinese ambassador remarked in a 1991 interview. "There are no tied loans like the ones the West or Japanese offer. Instead, it is direct foreign investment that includes know-how and technology. And it is indiscriminate as well. Those of modest means return to the homeland with cash and gifts for relatives, while the wealthy come ready to underwrite schools, roads, or libraries in their ancestral villages. This is especially important in a country as historically troubled by the onus of modernization as is ours." He then added, revealingly: "Today, the barbarians who come to change China are China's own children."[3]

Their impact is proving significant. The Chinese economy grew three times faster over the last decade than the wealthiest twenty countries in the world and will easily be number one, uncontested, in the 1990s. By the year 2000, southern China—the most immediate beneficiary of the Chinese diaspora's commercial in-migration—will be as wealthy as southern Europe. Indeed, if the southern Chinese provinces of Guangdong and Fujian were cut loose from the People's Republic and linked to Hong Kong and Taiwan in a mythical Republic of South China, that nation would have a population of 120 million, a combined gross domestic product of $320 billion, and would be an economic force roughly comparable to Brazil—only with much brighter prospects.

This lecture examines the emergence of the overseas Chinese businessman as an impelling factor behind the development of a commercially borderless (and increasingly influential) Greater China—an amalgam of economies, both formal and informal, that stretches from southern and coastal China, Taiwan, and Hong Kong, to diverse focal points of the Chinese diaspora around the Pacific rim. It examines the well-heeled and tightly-knit global network of family-owned Chinese firms through which flow money, goods, ideas, and occasionally people. Although the lecture explores the economic, political, and social future of the Chinese communist mainland, this is set in the context of the transnational Chinese economy. And deliberately so: it seeks to bring to the fore the evolving, but still elusive, presence of capitalism as a factor for change in the relationship between the communist mainland and its Chinese periphery; and to ascertain, however theoretically, what constraints this presence may impose on the future of Greater China's international economic role—and on the political institutions of the mainland, and the relations of each to the other.

Consequences of an Intermittent Diaspora

The Chinese dispersal across 109 of the world's countries is one of the great migratory sagas of all time. The ubiquitousness of Chinese overseas is an index of how much they have been part of universal population flows. There are said to be an approximate 55 million Chinese scattered

2 Many of the statistics on overseas Chinese economic activity in the mainland that are provided in this paper come from the General Statistical Department of the National Economy of the State Statistical Bureau, People's Republic of China. The author interviewed the director of this department, Zhang Zhongji, in June 1992. Also helpful: *The Overseas Chinese Economy Yearbook* (Hong Kong: Hong Kong University Press, annual).

3 The specific source has asked to be left unidentified.

around the world, the consequences of an intermittent diaspora that has been going on, by choice or compulsion, for the last five centuries.[4] Most of the exodus has been precipitated by the excesses of the Middle Kingdom within the last century. And while it is doubtless true that the Chinese have clustered in cities far from the compass of their native land, it is around the Pacific that they are most obvious, eager participants in the new social and economic order of the contemporary world.

This is not to say that they have little stake in their "immigrant" communities. In the dozen Asian lands through which they are sprinkled, the Chinese command resources far beyond their numbers. It is a diaspora stoked with masses of dollars. Even the most conservative estimates put the present gross national product of all Chinese living outside the mainland at $500 billion, a third larger than the PRC's $375 billion and, per capita, at about 80 percent the level of Italy or France.[5]

A disproportionate share of the commercial life of every Southeast Asian country is controlled by Chinese businessmen. Of Asia's so-called tigers—the "south's" fastest developers over the last thirty years—only Korea is not Chinese. Almost all the citizens of Hong Kong and Taiwan are Chinese. So are three-quarters of the Singaporeans. Indonesia, Malaysia, the Philippines, and Thailand all have Chinese minorities that account for shares of their economies out of all proportion to their numbers.

Precise shares can often only be estimated. But all the numbers point the same way.

- ✗ **In Indonesia,** a Chinese minority makes up only 4 percent of the population but controls an estimated 75 percent of the country's corporate assets and 17 of the top 25 business groups.
- ✗ **In Malaysia,** three decades of politics have been dominated by a debate over the division of wealth between the Chinese minority and the Malay majority. And the nation's biggest group of foreign investors is from Taiwan, cumulatively topping $2.3 billion in 1993.
- ✗ **In Thailand,** half the country's gross national product is produced in Bangkok, a Chinese city in Thai disguise. Ethnic Chinese, it is estimated, make up 10 percent of the population but own 90 percent of the nation's commercial and manufacturing assets, and half the capital of the banks.
- ✗ **In the Philippines,** fewer than one percent of the people are pure Chinese but nevertheless control some 58 percent of the nation's commerce. Chinese-owned firms, moreover, account for two-thirds of the sales of the Philippines' 67 biggest commercial enterprises and dominate the smaller ones to an even greater extent.
- ✗ **In Singapore,** some 3,000 multinationals have set up shop in order to take advantage of a planned "growth triangle" with the Malaysian state of Jahore and a handful of Indonesian islands off the coast of Sumatra. The island-state's 2.7 million people, 77 percent of whom are ethnic Chinese, enjoy the second largest hoard of foreign currency reserves per person

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4 Actually, quick calculation makes this number about 56.2 million. Including 21 million in Taiwan and 6 million in Hong Kong, there are 7.2 million ethnic Chinese in Indonesia, 5.8 million in Thailand, 5.2 million in Malaysia, 2 million in Singapore, 1.5 million in Burma, 800,000 in Vietnam, 800,000 in the Philippines, another 1.8 million spread throughout the rest of Asia, 1.8 million in the United States, 600,000 in Canada, 1 million in Latin America, 600,000 in Europe, and 100,000 in Africa.

5 *The Economist* conservatively estimates the "GNP" of overseas Chinese to be $450 billion but apparently excludes the Chinese living outside Asia. See "A Driving Force," in *The Economist*, July 18, 1992, p. 21.

in the world: $12,834.13. Only Brunei's $38,000 per person is greater (and this is a "fake" statistic, reflecting the fabulous personal wealth of the Sultan).

- ✗ **In Taiwan,** some twenty million Chinese on an island the size of New Hampshire have realized staggering levels of economic growth. In 1950, the year Chiang Kai-shek's Nationalists fled mainland China for "temporary" exile on Taiwan, the incomes of Taiwanese and mainland Chinese were about the same. Four decades later, Taiwan's per capita gross national product dwarfs that of the mainland; per capita annual income, in a society with few extremes of wealth and poverty, is today $8,813 (and on the mainland, $350). The island has not recorded a decline in gross domestic product in 40 years. Taipei's foreign exchange reserves are over $86 billion, the largest anywhere in the world. They rose by $10 billion in the last year, are expected to rise by another $10 billion this year, and could reach $100 billion by the end of 1993.

- ✗ **In war-torn Indochina,** most operating Cambodian factories, from distilleries to cement mills, have been sold or leased to Sino-Khmer businessmen and their overseas Chinese cousins from Hong Kong, Singapore, and Thailand. The largest foreign investment in Vietnam, moreover, is by far that of Chinese businessmen from Taiwan.

- ✗ **And in the Hong Kong complex,** economies boom beyond all expectation. Serving as the management and financial hub of a region where economic growth tops 13 percent a year, Hong Kong hovers over southern China just as New York City does over the northeastern United States—it is the mother of all development. Twenty percent of Hong Kong's bank notes circulate in China's Guangdong province, where some 16,000 Hong Kong-owned factories employ three million workers and export almost $11 billion worth of goods a year.[6] Guangdong's estimated gross domestic product is $78 billion (or $1,230 per capita), roughly the equivalent of Thailand's and almost double that of Malaysia.[7]

Numerous academics, learned papers, and Ph.D. dissertations have advanced theories to account for the Chinese diaspora's remarkable commercial performance. Some have sought explanations in Chinese business style and practice, others in Chinese culture.[8]

Undoubtedly, both explanations are to some extent correct. The overseas Chinese indeed comprise one of the world's great economic engines and their performance rests on sturdy and time-tested foundations. The Chinese always have had a predilection for low-margin, high-turnover business. As far back as the sixteenth century, European travelers in Asia admired the efficiency of Chinese firms and their ability to persevere on the strength of a steady accumulation of small returns.

Moreover, the Chinese are prodigious savers and investors. "Chinese just hate debt," one American banker in Hong Kong recently remarked in conversation, "so they save and save, not merely for a rainy day, but for a rainy year."[9]

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6 In November 1991, the Research Department of the Hong Kong Trade Development Council estimated that some 28,000 factories in the mainland are actually owned by Hong Kong interests. See its "Survey on Hong Kong Domestic Exports, Re-exports and Triangular Trade."

7 This is a World Bank estimate. See *Transition*, Volume 3, Number 2 (February 1992), from the Socialist Economies Reform Unit.

8 The best work on the Chinese businessman is by S. Gordon Redding, *The Spirit of Chinese Capitalism* (New York: Walter de Gruyter Press, 1990). See, too, a feature article on the overseas Chinese, "A Driving Force," in *The Economist*, July 18, 1992, pp. 21-24.

9 Conversations at The Heritage Foundation, August 1992.

He exaggerated only slightly. Bank deposits alone on Taiwan exceed $300 billion; add to that gold holdings and deposits in an underground financial system, and the figure for ready capital easily doubles. This, by the way, excludes the island's $4,128 worth per capita of foreign exchange holdings. *The Economist* guesses that in Chinese parts of Asia, savings rates run at 25 to 45 percent of gross national product. Worldwide, meanwhile, overseas Chinese hold about $2 trillion of liquid assets, excluding securities. Japan boasts some $3 trillion in bank deposits, but there are twice as many Japanese as overseas Chinese.[10]

Capital accumulation is further encouraged by Asia's penchant for high, market-determined real interest rates and low taxes. Most of Asia that is. "Chinese would never have accepted the Korean path to prosperity," one of Taiwan's economic policymakers observed in a 1991 interview. "Government allocation of low-interest credit fundamentally runs counter to the Chinese business spirit which favors relatively tiny, equity-based family firms." He then added, with a devilish look: "And Chinese businessmen know exactly how to get what they want from governments."[11]

Buying Protection. That the Chinese businessman is no stranger to the world of bribes and back-room deal-making should come as no surprise. In Asia, corruption has often oiled the wheels of bureaucracies. And history is replete with examples of rich but politically vulnerable minorities, wherever in the world they find themselves, buying protection by making mutually beneficial and sometimes corrupt bargains with those in power. Today, joint ventures between Chinese businesses and government enterprises, ruling parties, military interests, and presidents' families are not uncommon in Asia. Observed Nan Ya Plastic's Winston Wang: "For Chinese migrants, it hasn't always been enough to be shrewd, adaptable, daring, credit-worthy, and all the rest of it; the diaspora deposited us Chinese in climates where it was also necessary to be politically canny."[12]

Canny is one way to describe the typical Chinese business. Based on a commercial structure that is highly decentralized and secretive, Chinese firms are almost invariably family-owned and run autocratically, yet cooperate smoothly and informally with each other, frequently across national borders that are becoming ever more porous. "A company for carrying on an undertaking of great advantage, but no one to know what it is," is how the Chinese South Sea Trading Company described itself in 1711.[13] The description fits most Chinese firms today.

The Family Always Rules. No doubt the typical overseas Chinese enterprise would confound management pundits in American business schools. Business is bound by kinship and directed by one man, the family patriarch, who alone knows how the cash circulates among the myriad companies he has single-handedly created. If it seems a certain synergy among the parts of his operation is missing, that is illusion. The family always rules. The diaspora's distinctive form of social and business organization, observes the Hong Kong billionaire entrepreneur Gordon Wu, is like a tray of sand. Each grain on the tray is not an individual but a family, and the family is held together not by law, or government, or national solidarity, but by blood, trust, and obligation.[14]

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10 See *The Economist*, July 18, 1992. These numbers were also confirmed in October 1991 interviews with K.C. Lee, director of research, at the Council for Economic Planning and Development, Taipei, Taiwan.

11 Conversations in Taipei, October 1991.

12 Conversations in Taipei, January 1992.

13 This line is taken from an excellent article on "Asia's Emerging Economies" by Andrew Cowley in *The Economist*, November 16, 1991, p. 6.

14 Quotation is from an October 1991 Hong Kong Radio Interview with Gordon Wu.

In such light, it is easy to see how the global network through which money, goods, ideas, and sometimes people move from one firm to another is made possible by the special nature of the Chinese diaspora. Many of today's overseas Chinese originated in Shanghai, notably the textile-makers who fled from communism to Hong Kong in the late 1940s and sparked the British colony's first industrial boom. Southern China is at the heart of an ethnic Chinese network that stretches across East and Southeast Asia and has made the overseas Chinese a business force in the region. Guangdong's emigrants have gone not only to Hong Kong but to Thailand as well. The Fujianese diaspora has outposts in Indonesia, Malaysia, the Philippines, Singapore, and Taiwan. Money, factories, managers, and trade flow through channels opened by language and blood.[15]

A Single, Informal Market. However widely separated they may be in the diaspora, Hakka will work with Hakka, Cantonese with Cantonese, and Chiu Chownese with Chiu Chownese. The certainties this provides and the informalities it allows shape the grandest transactions as well as the most humble. Indeed, throughout the Chinese diaspora there exists a single, informal market for capital and commerce that helps shape the unique structure of the overseas Chinese economy. Today, it is a relatively simple matter for a Chinese family in Taipei to move money through Asia simply by transferring large sums of cash between affiliated Chinese gold shops throughout the diaspora. In Greater China, the ties that bind are also the ties that bank, even if that "bank" masquerades as a jewelry store or a restaurant.

Citizen Chen

Deciphering the worldwide overseas Chinese commercial network is straightforward enough, as long as the ritual is not confused with the real.

This especially is so when one encounters the modern-day Chinese businessman. Consider, for example, Tony Chen of Taiwan.[16] It is ritual for a businessman like Tony Chen to describe himself as a Confucian. In the company of foreigners he will be clever, appear well-educated, discerning, and imbued with an unerring sense of taste and style. He will admit to an abiding love for the better things of life—good music and painting, fine food and wine, an evening of rare tobacco in a long churchwarden. He will insist, however, that he is no snob: his position has been gained by hard work and ferocious competition, with no social or economic advantage to give him a head start. He simply is a man who enjoys the common touch, easy in the company of kings, yet comfortable with those who are his intellectual and social inferiors. He respects his country and the system under which it is ruled. He displays reverence for his elderly parents, bestows much of his income to their benefit, and provides them space in his home no matter how cramped it might be. Likewise, he honors the memories of his ancestors and takes care to visit their graves, keeping them tidy and blessed. He expects obedience and respect from his children, and brooks no argument or dissent. They will labor hard at their studies, he insists, just as he did before them. He treats his friends generously. He is courteous to strangers. He is, in the eyes of Westerners, almost the caricature of a pillar of rectitude from the pages of Norman Vincent Peale.

Economic Miracle Maker. In reality, though, Tony Chen is a long way divorced from the Confucian idea of a cultivated man. He is 54, married with two children, and a hard-faced disciple of the Asian economic miracle. Tony Chen is as ambitious as Gordon Gekko and, at times, just about as unscrupulous. He runs several factories throughout Asia that hire low-wage work-

15 See Redding, *op. cit.*

16 The author first introduced Tony Chen, a fictional construct from real sources, in his Heritage Foundation studies. See his *Heritage Lecture* No. 363, "Chinese Water Torture: Subversion Through Development."

ers to sew hideous clothes—stone-washed denim mini-skirts trimmed with sequins—that are the fancy of Eastern European schlockmeisters. His life is the stuff of which economic miracles are made.

Consider Tony Chen's daily routine. He arrives at the office every morning at eight o'clock sharp and assembles his staff for a meeting at 8:10. He is never late, and will accept no excuse from anyone who is: those who straggle in after the deadline are fined—$50 for the first offense, $100 for the next, $200 for the third, and so on. Mercifully, his system recycles itself to zero each month.

Tony Chen runs his office along strictly hierarchical lines. Everyone has a rank, from tea-boy to clerk to section supervisor. Everyone in the office must display deference to those of senior rank and studied indifference to those below. Only employees of a certain rank may write internal memos.

Tony Chen presides over the single open-plan, cockroach-infested, smoky office. Under a sign that demands, "Why aren't you a millionaire yet?" he distrusts all of his employees. He insists on seeing all inbound correspondence, signing and countersigning all outgoing papers, approving all decisions, affirming all minutes, and initialing all orders. Everyone must call Tony Chen "sir."

Particularly his two sons, the only people in the business whom Tony Chen really does trust. "They are my eyes and ears," he always says. Number One Son oversees factory production and spends much of his time traveling from Taipei to the family's industrial estate outside Wenzhou in mainland China's Zhejiang province. His primary mission is to keep corrupt local officials happy with generous gifts and bribes. It is they, after all, who have rented the land to the Chen family and help smooth over any bureaucratic potholes. Number Two Son recently graduated from UCLA and now works for Levi-Strauss in San Francisco as a kind of benign industrial spy.

Tony Chen instructs his children on the ethics of their craft, ethics that would have turned even Willie Loman's hair white. The end justifies any means, he tells them. They may lie, cheat, and harass without let or hindrance in order to make a sale. Their high-pressure activities may result in mistakes, and furious customers, but Tony Chen tells his children never to apologize for anything: blame the customer for failing to understand, blame others in the organization, blame paperwork or translation problems, blame the gods if need be—but never take the blame themselves. "Making money is the only reason we are here…everything you do must aim to keep the family business on top."

Binding Blood. And blood literally binds Tony Chen's business. Attending to the family finances and exploiting personal relationships—in Chinese called *guanxi*—are his most important business objectives. "The company's interests and reach are as global as our network of connections," Tony Chen tells his sons. "The family is gold."

So Tony Chen spends most of the day on the phone, cajoling and "networking" with kinsmen from the same province, village, or clan in mainland China that long ago moved abroad. There are Chens in Taipei, New York City, Lima, Bangkok, Wenzhou, China, and Hong Kong. The family's hegira identifies business opportunities around the world and, jokes Tony Chen, is self-perpetuating, "As long as there exists a Chen, anywhere, there almost certainly will be a tycoon on the make."

After meeting with senior employees over Chinese food and Napoleon brandies, Tony Chen returns home around ten in the evening. His wife says little to him as he enters the small apartment. He asks in Mandarin if his mother has gone to bed and sits down on one of two nylon-covered sofas in the family's small living room. In the corner, there is a large cage of noisy, of polyvinyl chloride sheeting and almost 90 percent of its polyurethane production is sold to Hong Kong companies that ship it to China. Meanwhile, Nan Ya's parent corporation, the Formosa Plastics Group, conducts environmental studies for future projects in Fujian. Some 8 percent of the petrochemical giant's output already ends up on the mainland. And its founder and Taiwan's most successful entrepreneur, Wang Yung-ching, has intermittently toyed with the idea of setting up a $7 billion petrochemical complex in Xiamen.

The understandable consequence of such enterprise is that business booms across the Taiwan Strait. Cloth, machinery, electronics, chemical fiber, and raw materials for chemical industries constitute the principal Chinese mainland imports from Taiwan. The mainland exports large amounts of coal, petroleum, cotton, and minerals like mercury, tin, and tungsten to Taiwan. Traditional Chinese medicinal herbs, and animal and plant products used in Chinese art supplies, many of which can be found only on the mainland, also do brisk business in Taipei.[22]

Obviously, the formal ban on direct dealings scarcely impedes indirect trade between the mainland and Taiwan. Expanding at an average of 40 percent a year each of the last four years, trade through Hong Kong between the mainland and Taiwan officially reached $5.8 billion last year. Taipei predicts at least $7 billion worth this year, equal to some five percent of Taiwan's $138 billion in total trade.[23]

But these numbers are surely understatements. Consider, for instance, some statistics from Hong Kong, the entrepot through which the overwhelming bulk of the two enemies' indirect trade passes. If one were to assume, generously, that a quarter of the British colony's $13.6 billion in trade with Taiwan was unconnected with China, the numbers would still indicate that some $10.2 billion worth of China-Taiwan trade was conducted last year, almost 80 percent more than Taipei's official figure. Indeed, using the same method of calculation, China-Taiwan trade in the first five months of 1992 was 17 percent higher than in the same period last year, with Taiwan's indirect exports to China growing by some 20 percent. By the end of 1992, the real value of Taiwan's trade with China could well reach $14 billion.[24]

If the political hostility between Taiwan and the mainland makes the volume of such trade seem surprising, recall that the diaspora developed its particular manner of doing business not least to ensure that politics do not get in the way. This is fundamentally important. "Politics used to impose borders on business," observed Xiamen vice-mayor Zhang Zongxu, "but today, overseas Chinese from Taiwan, Hong Kong, and Southeast Asia are responsible for 90 percent of all foreign-invested enterprises in my city alone. What this is about is bigger than just politics, I think. What this is about is 21st century China."

China's Borderless Economy

Marxist and Leninist theories of imperialism assumed that the quest for ever-expanding markets would in time compel nation-based capitalist economies to push across national boundaries in search of an international economic imperium. Whatever else has happened to the scientistic predictions of Marxism, in this domain they may have proved farsighted. Today, almost all national economies are vulnerable to the inroads of larger, transnational markets—and of the

22 See Mitchell A. Silk, "Special Report: China-Taiwan Commercial Links," *The China Business Review*, September-October 1990, p. 32.

23 Statistics provided by the ROC and PRC governments. See as well "China's Snare," *The Economist*, January 4, 1992, p. 30.

24 Calculations made by author, derived from figures provided by the Industry and Research Division, Federation of Hong Kong Industries.

supranational enterprises that both create and require these markets—within which trade is relatively free, currencies are usually convertible, and contracts are generally respected.

Communist China is no exception. As the links to an entrepreneurially vigorous overseas Chinese economy increase, the People's Republic becomes ever more commercially borderless. Chinese corporations, both within the mainland and outside, are now astonishingly free of the constraints of time and space, and thus of the control of political authorities. With the punch of a key, huge amounts of capital move around Greater China. Factories in Guangdong province operate through the night to manufacture goods that will go on sale in Hong Kong the following day. Cellular phones in Fujian keep businessmen connected with partners in Singapore. Satellites beam images of new fashions across the globe faster than a speeding bullet and, just as quickly, Tony Chen's factory in Zhejiang is pirating sewing patterns for prospective customers. It is as though the market ignores sovereign borders as much as and wherever it can.

Beyond Government Control. This marketplace makes its own rules. Like its global kinfolk, Greater China's economy has swollen to a volatile "presence" that no government can fully regulate. To be sure, each government throughout the region can avail itself of various macroeconomic tools to control financial movements, impose quotas or tariffs to impede international trade, or pressure business leaders to pursue a particular commercial tack. But there is little illusion in capitals from Beijing to Bangkok that many decisions are today beyond their control, and maybe for the better. "Sovereignty is not like virginity anymore," Singapore's strongman Lee Kuan Yew once commented. Indeed, if Greater China is any example, there are emerging in international economic relations degrees of sovereignty; triumphant capitalism is eroding the notion of absolute and exclusive nation states.

Capital is the key. The movements of capital around Greater China, deposited one day in Hong Kong and withdrawn the next in Shanghai, have rendered borders ever more transparent. Throughout the arc of countries that sweeps down from Taiwan and mainland China into Southeast Asia, vast pools of capital are controlled by and distributed among "stateless" Chinese enterprises that have the ability to communicate with and control operations across the globe; the wherewithal to transport materials across oceanic distances at extremely low cost; and the means to combine relatively untrained labor forces with high technology for private gain. All these factors bring into being a capacity for trade and investment that can ignore or override a nation's protective barriers, not to mention its borders, that is unprecedented in Chinese history—or anyone else's, for that matter.

Greater China's emerging structure of economic relations is phenomenal enough; its dynamics may prove even more seminal. For one thing, the market is now recognized throughout the region as *the* arbiter of economic advancement. Even China's communists officially sing its praises. Just this past February 23, a front page *People's Daily* encomium on the once-dreaded "C" word not only lauded capitalists but also called for "adequately developing the capitalist economy inside the People's Republic."[25] That Beijing's doddering leadership should make such a concession scarcely should have come as a surprise. A decade ago, over 80 percent of China's means of production was directly owned by the state. Today, about half is state-owned, and it is the less efficient half by far; individual entrepreneurs, joint-venture partnerships, and market-oriented cooperatives control the rest. This year, the burgeoning private sector will account for almost 70 percent of China's some $375 billion national income, a level of private-to-public enterprise as high as that of France or Italy.[26]

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25 See *Renmin Ribao* (Overseas Edition), February 24, 1992, p. 1.

26 See Nicholas R. Lardy, "Redefining U.S-China Relations," in NBR Analysis, No. 5 (Seattle: National Bureau

For another thing, the ascendance of Greater China's own ethnically driven marketplace engenders the establishment of bases of capitalism throughout the region that are altering the nature of Asia's international economic relations in ways that can be only dimly discerned. Where, in the past, the extension of capitalist links with the underdeveloped world led to little more than colonial outposts of capitalism—such as sundry collection or shipping points, local enclaves of plantation or mining, or overseas offices whose place was at the bottom of the commodity chain—the effect of a Greater China transnational economy has been to create "outposts" that are in fact the pre-eminent counting houses and board rooms. The Hong Kongs, Taiwans, and Singapores of Greater China are today genuine centers of full-fledged capitalism, not merely provincial dependencies of some distant Rome. Their importance lies in the unmistakable proof that high-value commodity production can be located in low-wage areas; their significance lies in the prospect that this phenomenon might be applied to other low-wage areas around Greater China.

In mainland China, for example. The nature of capitalist international growth makes possible a reversal of the ancient relationship between China's hinterland and its periphery. Today, it is not so much the Middle Kingdom that dictates terms of commercial engagement with its periphery—compelled, as in the 19th century, to establish treaty ports to regulate foreign encroachment. Instead, it is the diaspora that reaches inward from the periphery to snap up the safest and best commercial opportunities on the mainland. The dynamic impetus of the marketplace has moved across the invisible—and once inviolable —borders of China, as a capitalist Chinese periphery combines high technology and capital to extract surplus from a low-wage and increasingly accommodating quasi-capitalist People's Republic.

What this means for the future of development on mainland China is still unclear. The wealth that has accrued to those parts of China lucky enough to attract the Chinese diaspora's business has added to the polarization between richer and poorer regions of the mainland. This is especially true in the on-going competition for investment between the wealthy areas of China's southeastern coastline and the poorer, less enticing interior. "Guangzhou—Guangdong's capital—gets the gold and we get the crumbs," recently observed Zhang Donghui from the Chongqing Municipal government in Sichuan province.[27] Adding to the tension is the fact that Guangzhou, and wealthy localities like it, are attracting not only the Chinese diaspora's investment but also Chinese workers from the interior. Growing millions of jobless peasants swarm through China looking for work; three million such peasants make up the so-called "Sichuan Army" alone.[28]

Safeguarding Their Markets. The consequence of all this has been to exacerbate regional protectionism. In recent years, rich local governments and provinces have moved to safeguard their markets for manufactured goods and raw materials despite Beijing's vigorous protestations. Indeed, the emergence of the provinces as increasingly autonomous and self-willed entities has become a crucial theme in the mainland's national development. As one government official in Guangdong observed, "China's leaders still maintain influence over any sizable business in the country, foreign or domestic. But real commercial decisions—the stuff of development—are made at local and provincial levels. It's here where the power to direct the economy really lies."[29]

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of Asian and Soviet Research, June 1991).

27 Interviews in Washington, D.C., September 1992.

28 See James McGregor, "Growing Millions of Jobless," *The Asian Wall Street Journal*, May 6, 1991.

29 Conversations in Guangdong province, November 1991.

This is seen most clearly when Beijing tries to raise revenue. With one-third of this year's central government's $62 billion budget going toward price subsidies for urban consumers and to prop up money-losing state industries, Beijing is trying to increase its tax take. But in China the central government does not assess taxes. It begs for them. Provinces and local governments collect all taxes, then essentially bargain with Beijing over remittances. Needless to say, local authorities have balked at the central government's profligate ways—Beijing currently runs a $14 billion budget deficit. "The old men are fiscally pressured by the provinces to maintain economic reform programs," recently commented a Chinese businessman in discussions in Washington. "Local government and party leaders listen to Beijing for the latest gossip but they watch the coast to make policies. That's one of the most crucial themes defining China's politics today."[30] Knowing, or sensing, how far to stretch the envelope of *de facto* autonomy is the key to maintaining a kind of "stable tension."

Crucial as well is the changing temperament of the provincial work force. Significant areas of China are infected with the ambitions and expectations of their private economies. In Guangzhou, restaurants and nightspots are packed with customers until late in the evening, a rarity in dour, buttoned-up Beijing. Shanghai businessmen not only dress like their Singaporean counterparts, they carry around the same portable telephones; one city official estimates that there are 15,000 portables in Shanghai alone. Televisions in Fujian pick up Taipei stations. And businessmen across southern China set their watches to Hong Kong standard time rather than the special summer time decreed by Beijing.

Whether the growing links between the Chinese mainland and its Chinese periphery will gradually pull some of the more economically dynamic provinces out of Beijing's orbit altogether is impossible to say. China has a long history of territorial fragmentation. Many in southern China argue that the process may already be underway as Fujian's economy becomes ever more closely intertwined with Taiwan's, and the Hong Kong-Macao-Pearl River Delta region increasingly operates as a single economic unit, essentially autonomous.

But the prospects for such division in China proper are unlikely in the foreseeable future. Indeed, regions like Fujian or Guangdong do not need to secede in order to enjoy a high degree of economic independence. They already have it. Moreover, political cohesion within the regions is remarkably weak. Urban residents throughout the country view themselves primarily as members of a national urban class while rural residents' sense of political identity is likely to be invested in a smaller town or village where some sub-dialect is spoken. In the final analysis, the wide differences of status between urban residents and rural peasants undermine any sense of common regional identity.

Thriving in Chaotic Marketplace. More likely, China will develop in much the same manner as its Asian periphery: under the guidance of city-states, emerging on the mainland like the city-states that surround it—Taipei, Hong Kong, Singapore, or even Bangkok, are cases in point. And for the overseas Chinese businessman, this is all for the better. "Scholars lament the economic and social partitioning of China as some terrible tragedy, and politically it may eventually be so," one Hong Kong businessman admits. "But the fact that it is impossible to speak of a single homogeneous China today, with divisions between the city and the countryside, is not a bad thing for my business. We Chinese are used to these things. We thrive in chaotic marketplaces. It allows precisely for the kind of manipulation of circumstances that the Chinese business style encourages and for which it is designed."[31]

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30 Conversations in Washington, D.C., September 1992. The source asked not to be cited.

31 Conversations in Washington, D.C., August 1992. The businessman asked not to be identified.

Using his contacts, paying off bribes, and nurturing his relatives, this entrepreneur and others like him will conduct business on the mainland just as he always has: in and around the seams of Greater China's many economies. Whether he strikes a bargain with the central authorities to achieve a necessary freedom of action—in return, presumably, for the maintenance of at least the outward forms of public order—may very well determine the shape of the regime's political institutions for a long time to come. The jury is still out on the potential permutations of capitalist, free-market economics and democratic politics.

The Asian development model, as well as the Chinese experience so far, gives off ambivalent signals.

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