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Inter-Ethnic Relations, Business and Identity

The Chinese in Britain and Malaysia

Edmund Terence Gomez

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Identity, Ethnicity and Business: Context of Problem

This study traces the links between ethnicity and business and demonstrates how these ties provide insights into daily social relations among ethnic communities. Understanding of the economic ties developed among ethnic communities will be used to draw attention to the issue of identity and communal cohesion involving the Chinese, a minority community in Malaysia and Britain.

Britain has been receiving ethnic Chinese migrants more or less uninterruptedly since the nineteenth century. While new immigrant arrivals numerically replenished the Chinese community, they also added to its complexity and the already existing cleavages within the community. Meanwhile, new generations of British-born Chinese have emerged. In Malaysia, on the other hand, the government ceased large-scale entry of immigrants into the country from the 1930s. The stock of Chinese and Indians that were brought in to serve the labor needs of the tin mining and rubber plantation sectors of colonial Malaya were subsequently not replenished. In Malaysia, the descendants of these migrants are now well into their third and fourth generations. The emergence of new generations of locally born and bred minority communities has spawned new debates about 'identity' among descendants of migrants in both Malaysia and Britain.[1]

In spite of the emergence of new generations of ethnic minorities, there is still an exceptionally large body of literature that advocates the idea that the Chinese – and other minority groups in Southeast Asia and Britain, such as the Indians – share a strong collective identity, which also influences the development of their enterprises. This literature argues that the cultural traits of this community are, in essence, the same because Chinese enterprise displays an 'ethnic style', characterized by family firms and intra-ethnic business networks formed for mutual benefit.[2] The family firm and intra-ethnic national and transnational networks reputedly play a crucial role in capital formation and accumulation.[3] This cultural thesis has been used to explain the rise of and dominant presence of Chinese enterprises in Asia.[4]

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[1] See, for example, Shamsul 1999; Benton and Gomez 2001; Mandal 2004.

[2] Chinese economic behavior has been widely attributed to cultural traditions, particularly Confucian ethics (Redding 1990; Bond and Hofstede 1990). Whitley (1992), who adopts an institutional rather than a cultural approach, characterizes the form of corporate organization among members of this ethnic community as the 'Chinese family business'.

[3] A revisionist literature questions if the 'Chineseness' of business people determines the way they make decisions and develop their enterprises. The basis and extent of business ties among Chinese firms has been misrepresented and seen as being formed in a single dimension. These ties, or networks, in actuality go through various processes of change and operate at multiple

Another body of literature has long promoted the argument that ethnic minorities like the Chinese, specifically those in the developing world, command considerable ownership and control of key economic sectors.[5] In somewhat similar fashion, Amy Chua,[6] in her study of equity distribution and ethnic conflicts, posits the argument that in developing countries with 'market-dominant minorities', the combination of a free market and democracy would inevitably lead to racial strife. Chua is clearly a critic of modernization theory, which argues that an authoritarian political system is imperative to ensure communal peace until economic parity is achieved among the various ethnic communities.[7] Chua's argument is that in multi-ethnic societies, if discontentment arises over the control of the economy by market-dominant minority groups, numerous avenues already exist within a democratic system that would allow for this dissatisfaction to evolve into racial conflict.

Chua defines market-dominant minorities as "ethnic minorities who, for widely varying reasons, tend under market conditions to dominate economically" and that they "are the Achilles' heel of free market democracy".[8] This is because "markets concentrate wealth, often spectacular wealth, in the hands of the market-dominant minority, while democracy increases the political power of the impoverished majority".[9]

There are a number of problems with Chua's thesis. First, her perspective tends to homogenize ethnic communities and to essentialize their pattern of enterprise development. Chua's study assumes a high degree of ethnic congruence, with little or no acknowledgement of class, sub-ethnic or other intra-ethnic divisions within these communities. Ethnic groups presumably view each other as competitors, and this ostensibly encourages them to organize themselves and work collectively to ensure they can compete effectively. According to this argument, since market-dominant minorities have the economic edge over indigenous communities, the latter inevitably is unable to compete, leading to further wealth disparity that will unavoidably cause conflict.

This term "market-dominant minority", which elides the differences within ethnic communities, parallels the use of such concepts or terms as 'ethnic enterprise' and 'ethnic economies', common principally in the literature on business development by migrant groups in the United States (US).[10] The now fashionable and pervasive use of terms such as 'global tribes'[11] and 'global diasporas'[12] has further encouraged the homogenizing of ethnic communities. This type of 'essentializing' literature overlooks the claim on national identity by ethnic minorities and, probably inadvertently, reinforces the indigenous communities' stereotyped belief that these minorities have little sense of

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levels. Co-ethnic cooperation for the benefit of the community, the ostensible basis for these networks, is not the reason for these business ties. See Gomez and Hsiao 2001, 2003; Benton and Gomez 2001.

[4] See, for example, Redding 1990; Sender 1991; Kao 1993, Lever-Tracy, Ip and Tracy 1996.

[5] See, for example, Yoshihara 1988; Lever-Tracy, Ip and Tracy 1996.

[6] Chua 2003.

[7] Chua 2003: 260-64.

[8] Chua 2003: 6.

[9] Chua 2003: 6.

[10] See, for example, Waldinger *et al*. 1990 and Light and Gold 2000.

[11] Kotkin 1993.

[12] Cohen 1997.

belonging or of loyalty to the country they live in. Chua's argument, in effect, dangerously distorts the process of identity formation, particularly the emergence of national affiliations and identifications, among immigrants and their descendants.

The contention that ethnic identity can serve as tool for group and business formation is, as I have shown elsewhere,[13] usually true only at or around the point of a migrant's entry into the country. This need to use their ethnicity to develop their enterprise diminishes as migrants become acclimatized to the new environment. Most studies on ethnic communities and their enterprises rarely explore how migrants develop their firms over the long term or how their relationship to their new country of domicile changes over time. Nor do these studies focus on how the children of migrants, born and bred in the country settled in by their parents, view themselves in terms of identity and national belonging. The descendants of migrants are not usually subjected to the sort of push factors that had driven their parents to emigrate. There is little likelihood that the children of migrants, particularly those who have attained a high level of education, will harbor intentions of leaving the country of their birth. This span of a generation or more has a profound impact on identity, giving rise to its hybrid formations with successive generations.

The second major problem with Chua's thesis is that she assumes that common ethnicity helps engender capital formation and development when in fact there is considerable intra-ethnic competition in business. Chua also argues that market-dominant minorities have a reputation of being 'crony capitalists'.[14] Crony capitalism usually involves the cultivation of inter-ethnic ties between rent-seekers from minority groups, who may not necessarily have entrepreneurial capacity but who enter into alliances with ruling politicians from the indigenous community. These kinds on unproductive inter-ethnic political business links have contributed to the creation of intra-ethnic divisions, between competent business people and rent-seekers who deploy lucrative government rents in an unproductive or wasteful manner.[15] Intra-ethnic class disparities have also emerged within the indigenous community because of the corrupt deployment of government rents by leaders professing to protect their interests. This argument suggests that Chua provides inadequate analysis of the state and the forms of enterprise development by these minorities or of their interaction in daily life with other members of their society.

Ashis Nandy,[16] on the other hand, draws attention to the diversity of characters that make up a nation. His mode of analysis helps both to de-homogenize ethnic and religious communities as well as de-essentialize the patterns of political behavior of these groups. Nandy notes that in order to understand society, we must be aware of social relations, how communities of people evolve, and how the state, or in particular its leaders, can play a major role in either promoting social cohesion or in re-igniting old tensions and divisions through the racialization of politics.

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[13] Gomez and Benton 2004

[14] The roots of this term can be traced back to the Weberian tradition of describing Jewish entrepreneurial activities as a type of 'pariah capitalism', an expression that later was extensively deployed to describe the business style of the Chinese in Southeast Asia. See, for example, Hamilton 1978.

[15] See McVey 1992; Yoshihara 1998; Gomez 1999.

[16] Nandy 2002.

In his study of the multi-ethnic Indian port city of Cochin and its 'success' in maintaining inter-ethnic and religious harmony, Nandy is confronted with a paradox – he identifies a fine balance between communal and religious enmity and co-existence. The reason why harmony prevails in Cochin, Nandy argues, is because Cochinese identity is defined in terms of the inter-linkages in the daily activities of people of different ethnic and religious backgrounds, and because of this, a sense of mutual respect and inter-connectedness binds them together. Nandy suggests that civic engagement between different ethnic communities serves to contain ethnic conflict. What divides nations then is the divisive politics of race and religion that self-serving and reactionary politicians propagate. Put differently, Nandy draws attention to the role of the state in ethnic conflicts, as government leaders exploit cleavages in society for vested interests.

One reason for this poor understanding of how minorities view identity is because of inadequate research on daily-life relationships between communities in multi-ethnic societies, like those to be found in Britain and Malaysia. Moreover, most research on ownership and control of capital by minorities in multi-racial developing countries has been on the leading capitalists. A number of these business people have close links with the state, which has facilitated their rise in these developing economies. In Southeast Asia, many leading business figures that emerged as major capitalists remained extremely subservient to a strong state. More importantly, these big business figures were not representative of how ethnic minorities, including the so-called market-dominant minorities, fared in an economy.

Where Chua's thesis is weakest is on the issues of identity and culture. These are not static concepts; identity and culture are constantly in a process of change. This train of changes in identity, where national identity is usually important, even among the migrant cohort, is reflected in the growing number of immigrants who seek and win political office in Australia, Canada, the US and the UK. This point indicates the complexity of the notions of ethnic and national identity – how such identifications evolve over time, how they are reconfigured by political and economic change, and how the sense of cohesion of the migrant generation dies away.

These transitions in identity, and the complexity of this concept, are more pronounced among the descendants of immigrants. In the UK, for example, by the late 1980s and early 1990s, a new generation of British-born Chinese had emerged who could arguably be classified as belonging to the middle class in terms of educational qualifications and earning capacity, a development that reflected the significantly improved economic position of this community.[17] In spite of the rise of these British-born Chinese who have immersed themselves in mainstream society and economy, they are still commonly viewed by white British as 'outsiders' or 'migrants' who have come and 'invaded' their society. Part of the cause for this reasoning by white British society is the burgeoning literature that depicts the Chinese in Britain as a people of a 'diaspora', always on the move across national borders, rather than focusing on them as a part of a nation. The term 'diaspora' is too loosely applied in much of this literature, and is a misleading term when applied to minorities who have lived in one country for generations, as it alludes to the idea of return or eventual re-gathering in the motherland.

The inappropriate and liberal use of terms like diaspora tends to perpetuate the impression that the Chinese can think and act only as a group rather than as individuals.

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[17] Jones 1996; Metcalf *et al*. 1997; Berthoud 1998.

In Southeast Asia, home to a large Chinese population, the racial politics fostered by some government leaders has reinforced the indigenous view that the Chinese have little sense of loyalty to the 'host country' and identify exclusively with the 'home country', i.e., their ancestral motherland. In Southeast Asia, questioning ethnic Chinese loyalty takes on an added significance in view of their ubiquitous economic role in the region. When economic crises emerge, like the 1997 currency debacle, misconceptions about identity can contribute to serious racial clashes, as was the case in Indonesia.

Research Methodology

To assess the nature of social relations between ethnic communities, this study provides an analysis of enterprise development by the Chinese in Malaysia and Britain. There are three primary reasons for this comparison of the Chinese in these two countries.

First, this comparison of an ethnic minority community in a developed and developing economy will help highlight the similarities in inter-ethnic social relations as well as evolution of identity among migrants and their descendants.

Second, since Chua's focus is on market-dominant minorities, a comparison between the development of Chinese-owned firms in Malaysia and in the UK will emphasize an important point: that decisions made by business people are not always or primarily determined by considerations of a common ethnic identity. While the Chinese can be classified as a market-dominant minority in Malaysia, this ethnic group has little corporate presence in the UK. Yet, the pattern of enterprise development of the Chinese in both countries suggests little to support arguments for intra-ethnic cohesion.

Third, since Britain, unlike Malaysia, is a democracy, this comparison will point to why it is unnecessary for Chua to make the link between economic development and democracy. The similarities in the evolution of minority communities and the prevalence of inter-ethnic relations help contest her argument that democracy in a free market multi-ethnic developing economy is ultimately a dangerous mix.

This study of ethnic relations and capital development will address two fundamental questions. In multi-racial societies, does common ethnic identity shape decision-making by business people from minority groups? Does the state play a key role in determining how ethnic minorities develop their enterprises, from an inter-ethnic or intra-ethnic perspective?

The empirical focus is on the creation of inter-ethnic business links and forms of partnerships among migrants as well as their descendants. The premise here is that business ties provide us with insights into issues such as class, intra-ethnic cleavages and generational change. Case studies of business patterns in Britain and Malaysia will be provided to reveal growing inter-ethnic linkages, which challenge the perception that intra-ethnic cohesion facilitates the expansion of firms owned by ethnic communities.

My primary hypotheses are that ethnic groups are prevented by already existing cleavages from coming together to do business. Inter-ethnic partnerships that have been forged are without any interference by the state, although specific policies have been formulated to encourage the involvement of minorities in business in the UK and the development of indigenous capital in Malaysia.

Chinese Society and Business in the UK

At the turn of the twentieth century, the number of Chinese in Britain was small. Most were sailors who had deserted or been abandoned by their employers after landing in British ports. In the 1880s, some Chinese migrants had fled the US during the anti-Chinese campaign and settled in Britain, where they started up businesses based on their experience in America. There is little evidence to suggest that these 'double migrants' had established close ties with Britain's other, longer-standing Chinese community. By the middle of the twentieth century, the community was on the point of extinction, and would probably have lost its cultural distinctiveness if not for the arrival of tens of thousands of Hong Kong Chinese beginning from the 1950s.

Starting a small business was the main way the Chinese coped with their limited ability to find employment in a generally alien and hostile, English-speaking environment. They forged inter-ethnic partnerships to overcome the twin problem of raising funds and finding employees. In the first half of the twentieth century, most Chinese were involved in the laundry business, while migrants who arrived after the Second World War worked primarily in the catering industry. As these businesses grew, so too did the demand for labor, which entrepreneurs met by exploiting kinship ties to import family members into Britain. Business partnerships broke up and evolved into family firms, starting and gradually reinforcing the move away from community-based enterprise. With this, competition escalated, since most migrants were involved in the same sector of industry.

This competition necessitated the community's geographical dispersal which further hindered its attempts to struggle collectively for greater protection from the authorities against racist discrimination. In urban areas, the experience of racism forced the Chinese into 'ethnic niches', comprising primarily of restaurants and takeaways, thus heightening competition and placing further limits on communal cooperation. The more entrepreneurial of these migrants would strive to leave these enclaves and were usually the ones who achieved social mobility. Later arrivals – the seafarers (in the first half of the twentieth century) and immigrants from Hong Kong (from the 1960s) – were unable to cooperate to challenge the policies of the British government which were designed to prevent them from entering other economic sectors, even as part of the labor force. In addition to the generalized racism that they encountered, these Chinese migrants were trapped by policies to remain in economic spheres where their links with the majority population were curtailed and competition with the latter was minimized.