

**The Taiwanese Merchants in Mainland China: A Case Study
on Ethnicity, Cultural Identity, and Business Behavior**

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academic report. I appreciate those businesspeople sharing their original and interesting experiences with me. Their remarks will supplement the portion sometimes ignored by the scholarly works. I call them merchants of ideas.

Chapter 1

Introduction

1.1 Statement of the Problem

In the past decade, the term Taishang was added to our heavily used daily vocabulary. People tended to call the Taiwanese merchants in Mainland China Taishang. In spite of the fact that trading with Mainland China was severely banned by Taiwan government before 1987, quite a few merchants had already gone to the Mainland in the early 1980s. Out of personal enthusiasm and profit motive, those petty bourgeois began their business adventure in a Chinese society with different social and political systems. In fact, they were illegal traders. With the official permission of home visit for Mainlanders beginning from 1987, more local Taiwan Chinese looked for their business opportunities in the Mainland journey. It especially attracted the small investors intending to relocate their labor-intensive industries. Taiwan government legalized wide categories of indirect trade and investment flows towards China in the early 1990s. Numerous big entrepreneurs and the needed professional managers thus entered into the Mainland. Taishang no longer referred only to small Taiwanese merchants. They could be businesspeople investing and running large-scale enterprises. Taishang comprised of a rich variety of Taiwanese engaging themselves in business activities in Mainland China.

Traditionally, businesspeople were seldom treated as both merchants of ideas and amateur anthropologists in their cross cultural travels. However, Randall Stross lively delineated the interplay among business, culture, ideology and personality in his Bulls in the China Shop (1990). Unlike those popular authors simply focusing on capital investments and showing the ropes of doing business in China, Stross paid special attention to the emotional investments made by American merchants in Mainland China. Those American businesspeople and their Chinese counterparts, "in the course of negotiating, selling, buying, hiring, training, socializing, and arguing, gave considerable thought to larger issues concerning their own identities and belief" (Stross 1990:xv). Likewise, the psycho-cultural attributes shared by Taiwanese merchants that predisposed them to peculiar type of business and management behaviors in the Mainland also merited attention. As the number of Taiwan businessmen in China became larger, there came a topic for applied anthropologists to rethink their traditional goals and newly acquired missions. The hidden dimension of this emerging group's psyche itself could constitute a challenge for those cultural brokers exploring the human problems of Taiwanese enterprises in Mainland China.

This research attempts to identify the socio-cultural background of the business practice in two areas sharing

common traditional culture, and to see how the conventional value or cultural heritage functions as an active agent to work upon the business dialogues between the ethnic Chinese in Taiwan and the Mainland. A brief comparison between Taiwanese and other foreign investments in the Mainland could reveal the cultural factors influencing their divergent propensities towards capital involvement. Based on such understanding, I seek to analyze certain behaviors of Taiwanese merchants cultivated by Chinese traditional culture with relation to their economic performances in Mainland China.

However, the study of beliefs and values about economic action cost time and care to go through the methodological approaches. My anthropological interest in this hot business dialogues between Taiwan and the Mainland was mainly aroused by the strong disagreement between the two entities on political affairs. Never did I deny the great contribution of political economics in shedding light on the growth or dilemmas of this interactions, but regarded the cultural diversity in business as an area in which insights from anthropology could also serve society (Hofstede 1991:249). I was further reassured by Clifford Geertz's words in his Peddlers and Princes, "anthropological studies add depth and realism to the more abstract and formal analyses characteristic of aggregative economics" (Geertz 1963:143). Geertz took a close look into the ideology of sharp contrast

residing in the deep interiors of the petty bourgeois Muslim merchants and the haughty Hinduized aristocrats. He investigated the relationships between motive and other social institutions, as well as the ethics triggering modern socio-economic development. Impressed with the images of the two patterns of economic behavior portrayed by Geertz in Indonesia, Helen Siu also took special notice of the motive force behind the princely organizations paralleling collective enterprises in socialist China and the emerging peddlerlike small-scale private entrepreneurs to study the problems of economic liberalization in a market town in South China (Siu 1989). It turned out to be a successful effort. Both their data collecting ways and narration methods enlighten me a lot.

This thesis will appear as an ethnographic description interwoven with empirical case studies and qualitative analysis. In addition to the related literature reviews, my impression for the specific cultural features affecting people's interaction at the behavioral level was largely based on the managerial ideology interviews with certain ethnic Chinese entrepreneurs and some officials concerned. More often than not the field trips could only whet my appetite to know more about the intricacy existing in their relations as well as the causal significance between ethnicity, cultural identity and the business discourses in a co-tradition area.

1.2 Literature Reviews

As to the business activities and Chinese connections in Southeast Asia, both Eddie Kuo and Gungwu Wang called attention to the interplay between ethnicity, cultural identity, polity and economics (Kuo 1991; Wang 1988). I received the similar messages in my fieldwork encounters with Taiwanese merchants, ethnic Chinese from Hong Kong, Southeast Asia and North America, and certain Mainland officials. Being Chinese carrying either the meaning of ethnic identity or the historical contexts of cultural identity, could be an unseen power that ruled the capital involvements of those Chinese diasporas in Mainland China. Such a factor of great potential theoretical and empirical interests can not be over emphasized. This thesis is thus based on the hypothesis that historical context of cultural identity and ethnicity help to explain the increasing numbers of Taishang in Mainland China.

Numerous Taiwanese firms were carried away by the investment opportunities opening up across the strait and set out to make their ventures on a first track. This large scale industrial relocation in Mainland China threw a great impact upon the political, economic and social aspects of Taiwan. It became the forum of spotlight discussing current Taiwan. There are scholars like Michael Hsiao and Alvin So exploring the problem from the socio-political perspectives

(Hsiao & So 1994). Joseph Bosco examines the socio-cultural dimensions of this cross-straits relationship (Bosco 1994). Po-hsun Cheng studies the organizational culture of the parent companies in Taiwan and their branch companies in Mainland China to compare their managerial similarities and differences in value orientation (Cheng 1996). But there exist much more political economists like Charng Kao and Chi-tsung Huang (Kao 1995 & Liao 1995) engaging themselves in this discussion. The numerical data in the dazzling tabular forms presented by these authors are neat indeed, especially for those manufacturing industries. A clear picture for economic interactions between Taiwan and the Mainland can be acquired through the mathematical models plus comprehensive literal explanations. As the economic and trade relations is a matter of utmost concern to most of the Taiwanese population, these economists become the stars of the popular China-advice business in Taipei.

Nevertheless, such a quantitative analysis only partially assures us of the sound interpretations of the behavior patterns of businessmen. Man has his own affective attachment to specific traditional materials. This affect domain, according to Francis L.K. Hsu, "changes very little with social, economic, and political development. Affect means feeling: love or hate, sympathy or jealousy, ambition or alienation" (Hsu 1983:79). The Mainland's southern coastal provinces of Fujian and Guangdong happen to be the ancestral

homes of most native Taiwanese. Although hardly could they find any relatives or other connections there after centuries of separation, their affective attachment to certain conventional items altered very little with the passage of time. Like the early settlers, they still relished the same cookery, spoke Amoy Hokkien, and admired Matsu, Goddess of the Sea from Fujian, observed the specific social customs, and even conformed to the game rules handed down from generation to generation. The Chinese ways of doing business could not be exclusively free from those habitual grooves. In addition to the PRC's planning, the Special Economic Zones in Southern China endear themselves to the capitalists from Taiwan partly due to the socio-cultural development. In their case study of Fujian Province, Yue-man Yeung and David Chu also indicated such a potential connection between the Taiwanese investment and certain cultural factors due to similar ethnicity (Yeung & Chu 1995).

So far, the number of literature discussing the Taiwanese enterprises in Mainland China from the socio-cultural perspectives was quite limited. Michael Hsiao and Alvin So (1994) investigated the socio-political origin of Taiwan's Mainland investment. Some reasons other than economic factors were pointed out to explain both the timing, the locale and the ownership, and the speed of its development. We thus could better understand why the small-medium enterprisiers took the lead and chose the sole ownership form to invest in

Guangdong and Fujian starting from 1987 at a rapid speed. This weak small business class scarcely had a say in a strong authoritarian state in shaping the industrial policy in the past few decades. They solved their desperate immediate problems by taking the advantage of Taiwan government's political liberalization and the Mainland home visit movement from 1987 to explore their business opportunities in Mainland. On the other hand, the Mainland's coastal development strategy offered preferential treatment and physical infrastructure for them to relocate their labor-intensive industries in the southern provinces of the Mainland. Hsiao and So only briefly discussed the social networks of the small businessmen in the Mainland. But this short discussion was not enough for us to take a closer look on the socio-cultural resources used by Taiwanese merchants to facilitate their business operation in Mainland China.

Joseph Bosco (1994) focused more on the socio-cultural dimension in his Xiamen field work paper. He noticed that Taiwanese used the cultural knowledge and the identity of "Taiwan compatriot" to do business there. Cultural knowledge helped them deal with bribery and other business problems. Being from Taiwan gave their enterprises certain privileges. He delineated the multi-faceted nature of the ethnic and national identity of those Taiwanese merchants in Xiamen. Bosco also pointed out that the guanxi ties (i.e. social relationships) used by the Taishang in the Mainland was

more flexible and shallow than the ones they used in Taiwan. Although he sensed that such flexible guanxi ties helped them settle bribery and other business matters, he did not further explore the negative effect of such shallow guanxi. Quite a few Taiwanese merchants found their business planning jeopardized by such capricious guanxi. The social relations between Taiwanese merchants and their Chinese counterparts in Mainland must be different from the ones with their fellow Taiwanese in China. Again, Bosco did not carefully differentiate between the guanxi networks developed among Taiwanese businessmen in China and the ones derived from their interactions with the Mainlanders.

Po-hsun Cheng (1996) adopted the psychological approach to investigate the organizational culture of Taiwan and Mainland China. He identified the major characteristics of the social orientation in this co-tradition area. The four major cultural values of these Chinese societies were familism orientation, relationship orientation, authority orientation and altruism orientation. Although modernization process might weaken the social orientation, it threw the impact upon the society in a slow and gradual manner. On the other hand, the enforcement of stern man-made institutions could cause drastic change of social orientation. The leaders of the socialist China imposed more policies deviating from traditional cultural belief. Cheng therefore regarded that Taiwanese might exhibit stronger traditional value orientation

than the people of the Mainland. Socio-culture was the value system widely accepted by the social members. And social orientation could largely influence the organizational culture of the enterprises. The gratitude orientation was emphasized by both the people in Taiwan and the Mainland. But Taiwanese businesspeople revealed more familism, altruism and human relationship orientations. Cheng indicated the similar and different value orientations of the ethnic Chinese in Taiwan and the Mainland. Nevertheless, he did not provide sufficient information on how such similarity and difference might influence the business outcome of Taiwanese investment in Mainland China.

Recognizing the great impact of cognitive aspects of culture on managerial practice, S. Gordon Redding takes a psychological approach to study the dynamics of Chinese industrial capitalism (Redding 1990). His managerial ideology interviews with overseas Chinese entrepreneurs reminds us the words of Clifford Geertz in The Interpretation of Culture, "doing ethnography is like trying to read a manuscript ... written not in conventionalized graphs of sound but in transient examples of shaped behavior" (Geertz 1973:10). To Redding, the shaped organizational behavior is molded through long lasting sociocultural values, and the particular pattern of existing enterprises itself is a cultural artifact. In the course of socialization, one is instilled with the cultural belief that influencing his later life in a networked society,

and the subsequent business form of organization.

Attitude, value and behavioral outcome might not be the only cultural indicators to distinguish between "Chineseness". However, it can partially reveal the psychological conditions of Taiwan businesspeople in the Mainland and fill the lack of the extensive survey done by the economists stressing aggregate models. This research, therefore, chiefly considered Taishang and their enterprises in Mainland China with reference to the cultural tradition, social organization and the socio-cultural influence upon perception and action. Their business behaviors in Mainland China could be well examined from the aspects of their ethnic and cultural identities. This research attempted to add another important ethnographic study to the field of Taiwanese businesspeople in the Mainland. It also aimed to supplement the potential interests ignored by the existing limited literatures discussing them from the socio-cultural perspectives.

1.3 Fieldwork

How significant the Chinese culture or being Chineseness affected the outcome of business interactions in Mainland China? This is hard to tell from the scholarly publications or statistical materials. I also realized that using questionnaires or structured interviews to inquire into the sensitive issues might simply receive little feedback. So I turned to the participant observation and informal interviews to gain the successful access to the hints and echos of Taiwanese merchants. Except the Japanese with whom I interviewed in November 1994 in Tokyo, this fieldwork was chiefly conducted during June to December 1995. In Taipei and Hong Kong, I had interviewed with fifteen investors and managers working for Taiwanese and other foreign enterprises or multinational corporations in Shanghai, Beijing, Guangzhou, Shenzhen, Shantou, Dongguan and Fuzhou. One scholar of Chung-Hua Institution for Economic Research in Taipei was consulted. In Xiamen, Fujian I interviewed many Taiwanese factory owners, Taiwanese managers or Mainland staff working for Taiwan enterprises, and six China officials. I also discussed my research topic with two political economics professors of the Xiamen University. I stayed a short period no more than one week in Beijing to do some interviews. The deeper and wider understanding for Taiwanese investments in China on the strength of solid field data was chiefly acquired from the participant observation in Xiamen. But,

the field data were surely beyond the Xiamen local information owing to the contacts with the informants from other regions.

Some of the interviewees allowed me to indicate their real surnames and company names. Some of them asked me to change the real names to protect their confidences. They were promised anonymity. The individual backgrounds of the thirty-eight persons referred in this thesis were listed as index (see pp.15-20) for convenient reference. We usually took it for granted that the fortunes of individuals waxed and waned in different periods of history with the fate of the nation. But, it provided an interesting alternative to capture the great world in a nutshell by exercising the microscopic characteristic of ethnographic description. Personal accounts and life stories of the figures mentioned above could serve as the backdrop to present a theme of nation-wide concern. Their struggling experience would not deny itself to a very useful frame of reference for inquiry into certain aspects of social reality.

Being a native Taiwanese knowing Amoy language and customs from growing up in Taiwan, I found Xiamen an ideal spot for me to straighten up the causal significance between cultural belief and business behaviors. Most of the objects I studied in Xiamen were small scale enterprises. It was easier to do the informal interviews and participant observation among those merchants. I also visited Eupa and

Xianglu, the two largest Taiwan multinational corporation in Xiamen. However, I was alienated from the real scene of their internal activities by the formalized bureaucratic systems. Since their imposing buildings and socio-economic profiles heavily appeared on the cover stories, I could still take the best advantage of those reports by certain journalists with camera-eye.

On the other hand, how the Mainland authorities took advantage of the ethnicity, cultural identity and interpersonal relationships among overseas Chinese to facilitate their open reform policies also raised my attention in the fieldwork. "Xiamen ... has developed over the past decade thanks to the investment by capitalists, predominantly Fujianese, from Taiwan, Hong Kong, Southeast Asia and the United States" (Tien Lun Dynasty Hotel 1995:186). My frequent encounters with the Chinese officials and Taiwan merchants there did allow me the chances to listen to their homogeneous or divergent voices arising from the cultural contacts of the two sides as well as their respective ideologies towards ethnic nations. In addition to the interview activities, I spent several days to tour the museums and schools donated by overseas Chinese from Xiamen, especially the Jimei Business Academy by Jiageng Chen from Singapore. Then I had a talk with two finance professors in Xiamen University which was also donated by Jiageng Chen in 1919. All these interviews and tours helped me understand

how the ethnicity, economy and polity might work together to influence the divergent developments of Chinese and non-Chinese investments in Mainland China. The ethnographic description interwoven with analysis from Chapter 2 to Chapter 5 below was based on the fieldwork data and reference literatures.

Interviewees Index:

Mr. Chang: Aged 38. A Xiamen local resident working for a Taiwanese tea leaf company established in 1988 in Xiamen.

Mr. Chen: Aged 32. A Taiwanese working as a senior technician for an American precision equipments company in Taipei. He usually went to Shanghai and other cities of Mainland about 3 to 4 times per year to demonstrate the products.

Prof. Chen: Aged 42. A finance professor in Xiamen University.

Miss Cheng: Aged 29. A Singaporean working for a Japanese financial institution in Hong Kong to develop the business relations with the Taiwanese merchants in Fujian.

Mr. Chiang: Aged 58. A Taiwanese immigrant in Canada. The vice chairman of a golf club corporation established in 1989 in Xiamen. He had been a bank manager in Taichung twenty years ago.

Miss Chin: Aged 31. A Taiwanese. She worked for an American software company in Taipei after graduating from college. This company usually sent her to Beijing to demonstrate and promote products as needed.

Mr. Chu: Aged 45. A Xiamenese working as the strategic planning manager for Eupa, a Taiwan multinational corporation. This enterprise established its electric appliances plant in Xiamen in 1987.

Mr. Fang: Aged 40. A local cadre in Xiamen. He had a close relation with the Tsai family. This Taiwanese family firm depended much on him to overcome bureaucratic problems in Xiamen.

Mr. Fei: Aged 42. A Xiamen official of Association for Promotion of Asia-Pacific Economic and Cultural Exchanges.

Mr. Feng: Aged 45. A Taiwanese working as the study and development manager for Xianglu Chemical Fibers Corporation in Xiamen. This overseas Chinese group was co-established in 1995 by Wen-jing Lin, Shao-liang Lin from Indonesia, Yu-how Chen from Taiwan and some Hong Kong partners. The ancestral home of all these overseas Chinese was Fuquin in Fujian Province. Chen is the director of Taiwan Tungtex related enterprise. Tungtex also set up many plants in Thailand. The Lins' Group possesses two of the largest enterprises in Indonesia. The imposing building of the large-sized and advanced technological Xianglu Fiber Corporation plant has become one of the Xiamen architectural landmarks.

Mr. Fu: Aged 33. An America-born Chinese working for an American multinational corporation in Shanghai since 1991. He has a Master degree in International Relations Studies from Columbia University.

Mrs. Ho: Aged 33. A Taiwanese. The wife of a Taiwanese merchant in Shantou, Guangdong Province. The Ho couple stayed in their plastic cloth plant established in 1992. They went back to Taiwan only when there were other members of the family firm in Taipei took their turns to supervise the Shantou factory.

Mr. Hsu: Aged 45. A Xiamenese. The vice president of a large China investment company in Hong Kong.

Mr. Huang: Aged 48. A Taiwanese. The general manager of a Taiwan-China joint venture hotel in Xiamen. He was also one of the share holders of this enterprise. He gained his law and MBA degrees in USA.

Mr. Kao: Aged 52. A Taiwanese real estate businessman in Xiamen.

Dr. Kao: Aged 42. A researcher of Chung-Hua Institution for Economic Research in Taipei. He studied Taiwan investments in Mainland China.

Mr. Kong: Aged 50. A Xiamen official in charge of Taiwan affairs.

Mr. Kuo: Aged 30. A Taiwanese working as a special assistant to chairman for a Taiwan golf and country club corporation in Xiamen. He knew a Fujianese immigrant in Canada who run an entertaining business in Dongshan, Fujian.

Mr. Lee: Aged 32. A Hongkongese working as a business development manager for an American freight forwarding and project services company in Hong Kong. Every week he went to Guangzhou to coordinate the shipment matters for some

American enterprises in Beijing.

Mr. Li: Aged 42. A Fujianese. The Secretary General of China Xiamen Association for Promotion of Asia-Pacific Economic and Cultural Exchanges. Before joining the Association, he had worked in the Special Economic Zones and Open Cities of Guangdong Province more than ten years.

Prof. Li: Aged 60. A political economics professor in Xiamen University. He has a son working for the American Express branch in Xiamen.

Mr. Lin: Aged 61. A retired Xiamen official. He worked as a consultant in a Taiwan tile manufacturing company in Xiamen.

Mr. Liu: Aged 55. Holding a high position in Xiamen Committee of the Communist Party. He came from Hobei Province 15 years ago.

Miss Lu: Aged 23. A Xiamenese working as a sales manager for a Taiwan precision industrial company in Xiamen. She graduated from Jimei Business Academy and was the former secretary of Miss Tsai. She changed to the present job because her family moved to Gulangyu.

Mr. Pei: Aged 46. A Taiwanese immigrant in USA. A jeweler. He usually went to Hunan Province to collect and buy red diamonds.

Miss Siu: Aged 58. A Taiwanese working for a family firm in Taipei. This firm has an umbrella factory in Shenzhen. She accompanied her boss to the Shenzhen factory to support the technicians as needed.

Mr. Su: Age 46. A Taiwanese selling plant medicinal materials.

He had travelled all over northeast China since 1985 to identify the supply sources. He sometimes went to visit his Taiwanese friends doing business in Xiamen.

Mr. Takeda: Aged 45. A Japanese running a knife and fork factory in Hobei Province.

Mr. Tsai: Aged 53. A Taiwanese. The chairman of a mini-spring factory in Xiamen.

Miss Tsai: Aged 26. The daughter of Mr. Tsai and the person-in-charge of that mini-spring factory established in 1989. She looked for the business opportunities in Xiamen before graduating from Tamkang Colleage in Taipei. Now she becomes the Xiamen deputy of a famous Taiwan suit brand.

Miss Tien: Aged 37. A Taiwanese working for a British financial service corporation in Taipei more than 5 years. In 1993 she was transferred to another branch in Beijing. She has a Master degree in Economics from Columbia University.

Mr. Tseng: Aged 41. A Taiwanese. A professional lawyer studying foreign investment regulations in China. He had been to Mainland more than 150 times and traveled all over the major cities in Mainland China. He had an experience of doing ginseng business in Meizhou, Fujiang 10 years ago.

Mr. Wang: Aged 43. A Taiwanese running a Mongolian barbecue restaurant in Xiamen.

Mr. Wei: Aged 33. A Taiwanese working in an American consultative company. He conducted the Mainland market research projects for the American and European investors.

He gained his MBA and Operation Research degrees in USA.

Mrs. Wen: Aged 58. A Taiwanese. Her husband is a Mainlander who moved to Taiwan in 1949. The Wen couple went to Shenzhen to run the real estate business in 1988.

Miss Yeh: Aged 32. A Taiwanese. She worked for a porcelain enamel firm in Taipei after graduating from college. Many Taiwan factories supplying her company products relocated to Dongguan, Guangdong Province five years ago. She had to go to Dongguan herself every other month to coordinate the source supply since then.

Mr. Yen: Aged 44. A Taiwanese working for a Dutch electric appliances company in Shanghai. He gained his MBA degree in USA.

Mr. Yu: Aged 28. A Taiwanese. He went to Fuzhou and some other Fujian cities regularly to collect the shoe parts samples for his company in Taipei. About six shoe parts factories run by the Taiwanese in Fuzhou and its nearby cities offered his company export products.

Chapter 2

China Policy Towards Foreign Investment and the Entry Mode of Taiwanese Investors

2.1 China Policy in SEZ and Foreign Investment

Throughout the thesis, my empirical case studies chiefly focused on the Taiwanese enterprises established in 1980s. Their entry into Mainland China happened to be a time that China initiated a policy to invite the overseas capital to develop its industrial construction and commercial growth. Many tax breaks and flexible policies to encourage overseas investment in the ancestral places of the investors were issued during this period. These policies also allowed the local governments of Guangdong and Fujian more autonomy to deal with the contacts with the overseas Chinese investors.

The capital, technology and business acumen of the extensive Chinese diaspora population had been taken into consideration in the designing of the Special Economic Zones (SEZ). "Each of the original Special Economic Zones was located according to its principal market. In the case of Shenzhen and Zhuhai this meant being easily accessible to Hong Kong, an economic powerhouse with strong family connections in Guangdong. Xiamen has similar advantages, being close to Taiwan and the ancestral birthplace of many

Taiwanese. Shantou is regarded as a traditional homeland for Chaozhou people who have made good in Southeast Asia and other parts of the Overseas Chinese world (Tien Lun Dynasty Hotel 1995:179). They were planned to attract those overseas Chinese to invest in their ancestral places in the early 1980s.

In fact, the China policy itself had gone through a changing process from 1970s to 1990s. During the Great Cultural Revolution in the 1970s, the influence of overseas kins was deemed as a colonial pollution to the Chinese patriotism and was thus discouraged. In 1980s China adopted an open economic policy to invite the overseas capital to develop its industrial construction and commercial facilities. Chinese diaspora were welcome to visit home and invest in their native places. Guangdong, Fujian and other south coastal provinces were thus carefully planned to serve the needs of small-medium export-oriented investors from Taiwan, Hong Kong and Southeast Asia. With the fast industrial and commercial growth in the past decade, China adopted an even more open policy in 1990s to allow the service industry and other third industry aiming at Mainland consumers to enter into the China market. The large-scale multinational corporations from all over the world found themselves having more space of flexibility to maneuver in the China market.

In the case study of Hong Kong and Macau businessmen' participating in China rural enterprise development, Eugene

Cooper and Xiong Pan found that certain rural industrial districts "take advantage of the recent open policies to call on its extensive expatriate population to contribute money, resources, and management skills to its rural development. In the Maoist period, such external kinship relations were regarded as a source of corrupting influences, although remittances from overseas were never interrupted". Now the overseas kin investment and the capital from expatriates was highly prized by the Chinese leadership to develop China township enterprises (Cooper & Pan 1992:139-40). On the other hand, Hong Kong and Macau also actively responded to the ethnicity propaganda of China chiefly for their own business benefits.

However, the Mainland policy itself also changed with its further economic development in 1990s. The open economic areas almost stretched to everywhere along the Mainland coastal regions after 1988. And now the preferential tariff or other flexible measures might be used to favor those investing in the inland provinces. The multinational corporations invested by non-Chinese, were now in many respects, entitled to the same terms as those overseas Chinese used to receive. Or the special favors once enjoyed by the Chinese diaspora were now cancelled step by step to meet the demands of global market operation and international investment standardization. So will the issue of ethnicity, economy and polity dwindle away to an oblivion ending?

According to the investigation of Nomura Research Institute in Japan, the favorite investment sites for Japan enterprises in Mainland China nowadays were Shanghai city, Zhejiang and Shandong Provinces. They intentionally avoided the four special economic zones of Shenzhen, Zhuhai, Xiamen and Shantou mostly occupied by Taiwanese and other overseas Chinese investors. In 1980s, China authorities opened the four special economic zones plus Hainan to invite the foreign investors. Unlike the ordinary industrial zones in other Asian countries, these China economic zones carried special political purpose. Their geographically neighboring with Hong Kong, Macau and Taiwan implied the national unification goal. The capital investment and economic performance of Japanese merchants in these areas, were far behind those of Hongkongese and Taiwanese businesspeople (Li 1995:50-2).

In 1985, fourteen open cities along the seashore of Yangtze River Delta, Pearl River Delta and southern Fujian were established. In 1988, Shandong Peninsula and Liaodong Peninsula were allocated as economic open areas. Thus far, China authorities had almost opened its seashore regions to foreign merchants for business activities. Japan therefore, comprehensively identified the potential candidate of sound industrial growth and economic development. One of the item in their consideration list was the areas less occupied by

overseas Chinese. In Mainland China, the overseas Chinese enterprises seldom cooperated with Japanese enterprises. They generally competed with each other. The labor cost in the Pearl River Delta of Guangdong Province was raised by many Hong Kong Chinese. Its merits for labor-intensive industries dwindled. Similarly, too many Taiwan small-medium enterprises rushed into Fujian also diminished the business opportunities for Japanese merchants there. However, the infrastructure construction, industrial outputs and consuming standards of Shanghai, Zhejiang and Shandong grew at a high speed. They thus fell into the favorite list for investment environment (Li 1995:51-2).

Min Shi pointed out the potential Yellow-Bohai Sea Economic Sphere forming in the recent stage. It "comprises of the western parts of North and South Korea on the Korean peninsula, the Chinese Mainland's 4 provinces and 3 cities along the coast of the Yellow Sea and the Bohai Sea, and Kyushu of Japan". Within the constituents of this sphere, the "economic and cultural interchanges are much inconvenienced by the national and language impediments". Yet, "it has a fairly developed economy, pretty rich resources and high- and low-grade products of all sorts" (Shi 1995:23-4). This economic zone also created favorable conditions for Japan to augment its ties with this area.

2.2 The Entry Mode of Taiwanese Investors

Although he accepted the Confucian-derived ethics and values toward work, family, and organizational authority as comparative advantages for modern Asian capitalism, Michael Hsiao emphasized the relations between political institutions and economic performance (Hsiao 1988). Hsiao highlighted the uniqueness of East Asian development model in terms of the favorable world system timing, institutional factors and cultural-psychological forces. He saw that the Confucianist moral definition of the state enabled East Asian nations like Taiwan "to mobilize resources more autonomously, without being confronted with too much opposition from various sectors of the society" (Hsiao 1988:18). The power of growth-committed hard political leadership encountered little challenge on its export-led manufacturing policy and rapid modernization of Taiwan in the past two decades actually. And the small family firms happened to constitute the largest part of those labor-intensive as well as export-oriented industrialists.

Michael Hsiao's deep concern for socio-political development of local history revealed in his more recent research on Taiwan-Mainland economic nexus (Hsiao & So 1994). He took a notice on the labor-intensive industries of Taiwan's small businessmen "solving their immediate and increasingly desperate problems in the early 1980s" by relocation to Fujian, Guangdong and other coastal provinces of the Mainland.

In Taiwan, these small merchants seldom had a say in the strong authoritarian state and could hardly "secure assistance from the public banking system" for their export business. With "the keen competition and the protectionism in world market since 1980s", Taiwan industrialists also faced their own problems domestically such as labor shortage and rising cost of wages, limited land and high rent, soaring voice of censure on the adverse impact of export-led manufacturing upon environment, etc. The policies adopted by government to deal with such problems were "industrial restructuring, the diversification of trade, and relocation to Southeast Asia". They did not prove themselves "a workable and effective remedy" for these petty businessmen's immediate future. The small merchants therefore, "had to rely upon their own efforts to survive, for example, turning to traditional business practices, informal money markets, and 'self-exploitation' of themselves and their families in order to stay in business" (Hsiao & So 1994:4-5). But why did most of the small businessmen choose Mainland China instead of Southeast Asia to find a way out?

The economic and political control of factory workers could reveal in Taiwan government-business relationship before 1980s. With the martial law coercion and world market uncertainty, Taiwan workers suffered from the social consequences of a lack of union representation like the suppression of workers' grievances as well as the ineffective

enforcement of labor regulations. Such authoritarian state rule that largely deprived those factory workers of social welfare was unduly used for the functioning of domestic industrial investment. On the other hand, running small business was deemed as the main channel of social mobility and factory work was used as an entrepreneurial strategy to achieve such an end. "The prevalence of small factories in Taiwan, and the ease of setting them up, encourages both poor working conditions and the toleration of those conditions by workers who aspire to be entrepreneurs" (Stites 1985:242). However, the wide-spread education and opulent living standard caused the serious domestic labor shortage and the ensuing high wages since 1980s. The numerous small entrepreneurs earning the marginal profit in the commercial society filled with competition relocated their industrial sites mostly either to Southeast Asia or Mainland China to solve their immediate labor problems and perpetuate their family-based enterprises.

Those small Taiwan enterprisers took the best advantage of China policy to promote the ethnic identity and overseas investment. As Michael Hsiao and Alvin So put it, "In general, Mainland government officials appeared to be more comfortable dealing with Taiwanese than with Americans and Japanese. This may be because both Mainlander and Taiwanese are Chinese, sharing similar customs, habits, language, and other cultural traits such as a 'Chinese' way of doing business. Furthermore,

Mainland officials have been more flexible in such matters as labor practices, foreign currency policies, and tariffs in dealing with their Taiwan compatriots because these favors can be rationalized through appeals for national unification" (Hsiao & So 1994:8). Yet, how did those Taiwan merchants respond to the ethnicity and foreign investment policy to run their business? In the following case studies we will see some of them rejuvenating their declining small family or non-family enterprises by this opportunity. Their commercial success was also related to the support of their family members.

I heard many daily happenings from some friends working for Taiwan small family or non-family enterprises in the Mainland. One was in an umbrella factory in Shenzhen, one in a plastic cloth plant in Shantou, one in a porcelain enamel plant in Dongguan, and the other in a shoeparts factory in Fuzhou. All these Taiwan staffs pointed out that transportation was the most important item for their bosses who were engaging themselves in export-oriented manufacturing industries, to select the southern coastal areas as their investment sites. These regions also appealed to them with low labor cost and certain tax breaks. Unlike the large-scale enterprise newcomers aiming at the import potential China market, these small-sized manufacturers came early in 1980s simply to save their declining export-led business and perpetuate their family firms in Taiwan. The friend working for a shoe parts company told me that the widespread high education standard

and the ensuing socio-political democratization made it difficult to manage the workers in Taiwan. In the Mainland, you could be carefree about this for the time being. Mainland workers would not pose so many opinions against your policy when you imposed an industrial strategy. Did he suggest that the merits of flexibility and informality once attached to the employer-employee relationships in the past few decades dwindled away with the advancement of Taiwan democratization beginning in the 1980s?

When I visited the Xianglu Fibers plant in Xiamen, one of its Taiwanese managers responsible for study and development told me that it was rather for the acceptable infrastructure and convenient transportation made them invest here. Xianglu was located in the Haicang industrial zone. Originally this zone was carefully planned by China government to invite the largest Formosa plastics enterpriser Yung-ching Wang to come. Wang and Shao-liang Lin were old family friends. Lin had already made a good real estate business in northern and western Fujian. He encouraged Wang also set his business in southern Fujian. Unfortunately, Wang was too famous to come in a period that illegal trade with the Mainland was banned in Taiwan. The politically aggressive Xiamen City government had no choice but to yield this reserved zone to another group. Lin was now one of the major share holders of Xianglu. In addition to the Xiamen plant, this Indonesia overseas Chinese tycoon "undertook a plot of land as large as 50sq km

with the consent of Fuzhou authorities" (Yeung & Chu 1995:20).

For Taiwanese entrepreneurs in Mainland China, the uncertainty came not only from the Mainland market itself, but also from the government policies of Taiwan and Mainland authorities. With the strong disagreement between the two entities on political and social affairs, the increasing Taiwan capital involvements in the Mainland led to a de facto splitting of economic arrangement into two parts -- rational and irrational. In spite of the fact that the Mainland was politically ambitious, some factors rooted in socio-cultural reality and other realistic considerations still made many Taiwanese merchants preferred to invest in China than in other countries. For those intending to avoid the uncertainty of political policies against their business careers, one of the good alternatives could be choosing sole ownership free from the Mainland partners' managerial intervention and conflict over sharing proprietary assets. Of course, it might not be the best way, but many businesspeople selected it as an alternative to mitigate the anxiety on their uncertain future.

Chapter 3

Cultural Identity and Business Behavior of the Taiwanese Businesspeople in Mainland China

This Chapter mainly reviews certain Taiwanese entrepreneurs in the Mainland and the relevant case studies on their identities towards traditional Chinese culture and business activities. As mentioned in Chapter 1, being Chinese carried the meaning of ethnic identity or the historical contexts of cultural identity. It could be an unseen power ruling the the capital involvements of those Chinese diasporas in Mainland China. Ethnicity and cultural identity helped to explain the increasing numbers of Taiwanese merchants and their business activities in the Mainland. Cultural identity was kind of particular cultural forms used by people to distinguish between themselves and others. The organization and conceptual base of a group identity could be found in many cultural forms. It was a product of historical development. This cultural identity might be based on the sources of co-tradition in Chinese societies, like socio-linguistic, religious or philosophical roots. And its relation with the business behaviors of Taiwanese entrepreneurs in the Mainland should be placed under a careful review. Usually the interviewees provided me quite a few alternatives to appreciate the same problem. It was received with unanimity that language as an important

ingredient in the common culture of Taiwan and China helped them do business in the Mainland. Some of them also regarded the popular religion and food culture as the significant continuity of traditional values and habits that influenced their investments in Mainland China. Most of them saw guanxi (i.e. personal connections) as a cultural factor of great importance to do business in the Mainland. Also the relationship between personal connections and economic performance was generally deemed as the most sophisticated part in all.

According to a questionnaire survey conducted by the scholars of the Business Administration Council in Taipei, smaller Taiwan enterprises depended more on easy communication due to similar language and ethnicity than bigger ones did to set their business in motion (Hsiao & So 1994:9). They tended to choose Fujian and other southern coastal provinces as their investment sites. Such enterprises of this very area also depended more on personal connections than those of other regions did to achieve their business success (Chiu, etc. 1994:129,151). I took several field trips to the industrial areas in Fujian and other provinces of the Mainland to investigate the dialect group identity as well as guanxi problems, and to what extent the familiar language and the rule of relationships predisposed those businessmen to associate themselves with the investment environment.

In his study of emergence of a Taiwanese popular culture, Joseph Bosco saw that "identity must take a cultural form; persons adopt behavior, symbols, and rituals that allow identity to be recognized. The emerging Taiwanese popular culture is noticeable in ... language, religion, and the arts and entertainment" (Bosco 1992:54). I went to Xiamen, the place from which most portion of Taiwanese popular culture was derived. On the way from the airport to the hotel, I listened to the talkative taxi driver. He said, "You Taiwanese came here either for doing business or making your pilgrimage to Matsu temple. I estimated that 30,000 Taiwanese had populated Xiamen. I could even name the stores run by Taiwanese along the streets for you. One other possibility to make you come was visiting your ancestral homes to let them know that you had prospered in Taiwan, right?". I had no comment on this. Strolling about through the market later on, I sighted the peddling stand selling Taiwanese incense. Impressed with the people with exactly the same Taiwanese language and similar features here, I was immersed in my question while eating the familiar Amoy cuisines. How did such sense of cultural loyalty paid to ancestral homes might contribute to the hot business dialogues between Taiwanese merchants and their Chinese counterparts in the Mainland?

Beseiged with the problems of high-priced land and labor shortage, quite a few Taiwanese merchants visited Fujian, especially Xiamen, to find a way to invest with their limited

capital. Was it possible that they felt culturally comfortable to choose a place similar to their hometown in Taiwan in many ways to invest? Common language, popular religion and food culture could serve as kind of cultural forms to examine the identity of Taiwanese merchants and their business activities in Mainland China as follows.

3.1 Special Economic Zones and Dialect Group Identity

Language as an efficient communicating tool might develop a feeling of intimacy, establish a complex of group belonging, and further arose sorts of cooperative spirits. In my first field trip from Beijing to Xiamen, I had a cordial conversation with a Singaporean sharing the mother tongue with me. He was on the tour way to Quanzhou in Fujian, his ancestral home. I even made friends with a Chinese couple from Malaysia while sitting at the lobby bench of the hotel in Xiamen. Our distance was bridged by the Minnan dialect. They had just come back from a visit at the home of their relatives in Yongchun which was not far away from here. We talked much about the same daily religious practices in Malaysia and Taiwan and the Gods we worshipped before they rushed to catch their tour bus. Lau-fong Mak observed that dialect group identity played a central role in bringing harmony for an open as well as highly developed organization in the Chinese society. It broke the encumbrance to communication and facilitated the profitable trade unions for the overseas Chinese in the host society (Mak 1985:182-5).

First of all, dialect group identity might have fallen into the consideration list of the Chinese authorities concerned in designing the Special Economic Zones. Hong Kong investors might find their business trips not so rewarding in Shenzhen and Zhuhai of Guangdong Province if Cantonese was

not spoken there. Ezra Vogel reviewed the political and economic reform of Guangdong in the One Step Ahead in China, and discussed its business relations with Hong Kong. At the end of the book, Vogel also included the cases of Taiwan and South Korea in his remark about their investments in Mainland. "For Taiwan the major potential partner was ... Fujian, which spoke Taiwan's Fujianese dialect ... Korean ... showed greater long-range interest in Shandong and north China, which are located near Korea and contain Korean-speaking minorities" (Vogel 1989:448).

As to the development corridor in Fujian, Yue-man Yeung and David Chu indicated that "being the capital city of the province, Fuzhou was not granted the open city status until 1984. Its bureaucracy, its own dialect (which is different from the Minnan dialect spoken by 80% of the Taiwanese), its geographical position and so on made it less favourable to attracting foreign investment in comparison with Xiamen" (Yeung & Chu 1995:20). According to Charng Kao, the scholar of Chung-Hua Institute of Economic Research, it was reasonable to take the dialect factor into consideration.^{#1} The skilled labors or technicians constituted most of the early Taiwan investors in Xiamen during the 1980s. Some of these petty factory owners ranking from machine repairmen did not receive much school education. They could not even speak fluent Mandarin. The region using the dialect same as their daily language could definitely make a cordial business environment

for them.

In the conversation with one of my informants doing business in the Mainland, I learned that it was for dialect group identity for him to make the investment decision. He was afraid that the executives and workers in Southeast Asia might not be fully instructed in his words. The persons in the Mainland shared a common language with him, and that saved him from learning another language before starting his business. Someone might argue that the communication gap related with language differences could be filled in another manner. In his case studies on the recent Taiwanese investment in Beijing and Xiamen, Keun Lee posed a critical point. He saw that "(c)omparing China with Southeast Asia as an investment site for Taiwanese capital, language difference is not a problem in either area because overseas Chinese are widespread in Southeast Asia; for instance, about 30 percent of the total population in Malaysia are overseas Chinese. Most Taiwanese investment in Southeast Asia is linked with local overseas Chinese" (Lee 1993:186). The wage cost and tax rate should be more telling for the investment outcome. But, we could still find a fact from the comparison list of Keun Lee to further elaborate our language problem analysis.

Obviously, Southeast Asia countries outshone China in terms of financial institutions and credit availability as well as investment-related legislation and its enforcement

(Lee 1993:187). These strong points attracted more large-scale Taiwan enterprises instead of small ones to invest in Southeast Asia (Yu & Yeh 1994:42). In addition to the socio-political and economic reasons, we could also find some cultural ingredients associated with language differences to account for this unbecoming result. For example, Tungtex, the renowned Taiwan related enterprise, held a large business networks in both Southeast Asia and Mainland China. They manufactured different products in the respective areas. In a seminar, the chairman of this multi-national corporation Yu-how Chen compared the advantages and drawbacks between the investment environment of the two regions (Chen 1995). His apt remark based on his personal experience shed a light on my empirical studies.

Despite the fact that Mainland China, comparatively speaking, lacked a sound legal framework for foreign enterprises to gain the loan from local financial institutions as needed and thus badly impaired the normal exercise and growth of their organizations, this chairman saw that the small entrepreneurs' preferring to invest in China than in Southeast Asian countries was still understandable. Beseiged with the problems of high-priced land and labor shortage, quite a few Taiwan businesspeople visited the Mainland to find a way out with their limited capital. On the one hand, most of the out-migrated small scale enterprises were labor intensive and export oriented, they depended not so much on

lending and loan as those large scale enterprises seeking the import markets in Mainland China did. On the other hand, the relatively easier adaptation for sharing common language and custom with their counterparts in the Mainland could further lend probability for them to invest in China (Chen 1995:103-8).

When I visited a mini-spring manufacturing factory in Xiamen, the van driver told me that his Taiwanese boss chose here as the factory site for the weather similar to that of his hometown. My encounter with a local Xiamen inhabitant Mr. Chang working for a large Taiwan tea leaf corporation rendered an even clearer picture for this notion. This manager invited me to have a tour at his company. He showed me the photographs of their tea leaf fields on the mountainside and the staff dormitories. The altitude and climate of the field location were excellent for Taiwan tea leaf breed Oolong.

However, the son of the Taiwan mini-spring factory owner Mr. Tsai also stressed that his father just could not stand any language beyond his comprehension. Mr. Chang told me, "although lots of migrant workers from neighboring provinces were hired, my boss only used staffs from his Taiwan firm and Xiamen locals as high level administrators". According to his explanation, a common language and similar outlook alone would not enable the Taiwanese in Fujian to

easily give and assimilate values. They were seldom well prepared with the economic, political or social systems somewhat different from theirs in Taiwan. Thanks to the sophisticated knowledge of the Xiamen locals, these local managers could explain to them the key points and make things work out. They were generally well educated, but were easily attracted by the fat jobs in more open city like Shenzhen. Anyway, the population of Xiamen itself constituted a valuable human resource. His comment involved a profound problem of language, ideology and power. Through Bourdieu's linguistic approach, these managers could be seen as agents holding the symbolic capital not only in the practical speech competency, but also in the capacity to deal with the social interactions problem and interpret the meaning of linguistic expression in accordance with certain concepts of propriety and the situational needs (Thompson 1984:64). With the knowledge of Xiamen affairs, they helped Taiwanese merchants dovetail into the local institutional orders and facilitated "the relations of domination which ideology serves to sustain" while playing their communication role (Thompson 1984:66).

Obviously, the dialect group identity had occurred to the Chinese authorities concerned in their planning of southern coast economic development. And the small Taishang depended more on this cultural factor than the big ones did to work out their business operation in Mainland China.

2.2 Religious Connections

As I mentioned before, the taxi driver took me as a Taiwanese believing in Matzu, the Goddess of Sea. Judging from the great number of the pious Matzu believers in Taiwan, his conjecture was not without factual support. I also sighted the peddling stand selling Taiwanese incense. That raised another question for me to think over in the domain of business and popular religion. In Taiwan, people usually prepared the daily incense, candles and materials for altar in honor of their dieties and ancestors. Businesspeople paid special attention to the offerings presented to the God of Earth on the First and Fifteenth of every month (i.e. according to lunar calendar). They contiuene this practice in Xiamen.

Meizhou island of Putian County in Fujian was the birthplace of Matzu (i.e. Tianhou). Even away from their ancestral places, those properous overseas businessmen mostly from Fujian were greatly reassured by the Matzu belief in the course of their efforts. Many of them made their fortunes in Taiwan and Southeast Asia on the strength of this religion to pray for the well-being and the power to beat the trouble. Their belief never dwindled with the passage of time. Based on the Matzu belief and the spirit of Chinese capitalism, Wou Wei regarded that there existed a close relationship between Matzu belief and the wealth

accumulation of overseas Chinese (Wei 1995).

Before the home visit movement was allowed in 1987, numerous Matzu believers had already headed from Taiwan to pay their pilgrimage in Meizhou. These Taiwan residents might not have relatives or connections there after centuries of separation from Mainland. However, their cultural loyalty paid to the ancestral homes was well represented in this religious voyage. The China authorities thus privileged the pilgrims from a 72 hours transit visa to serve the convenience demands of these earnest visitors arriving in fishing boats, and to boost their consumption as well as religious donation there. With this cultural affinity plus the good condition to make a natural harbor, Meizhou Bay should become an ideal industrial area for Taiwan merchants to invest. Kai-en Ting, the chairman of Taiwan Commerce Promotion Council in Hong Kong, believed that the Meizhou Bay could become the most promising place to bridge the people of the two sides of Taiwan Strait by means of cultural exchange and economic cooperation. He assessed its criteria from the viewpoints of historical development and geographical position to justify his proposition (Ting 1993:62-5).

Now the tourist business of Putian County was booming indeed. There were about 100,000 overseas Chinese from Taiwan, Hong Kong and Southeast Asia to visit the Matzu Temple every year. Besides, this harbor city was emerging from the

cultivation of salt fields, aquaculture, fishery and agricultural product like bamboo under the deliberative planning of its city government in recent years (Wang & Lin 1995:77-8). Yue-man Yeung and David Chu studied the factor that favours Meizhou Bay for development. They noticed its close linguistic and ethnic affinity to Taiwan. "In addition, there is an additional bond between the people in Meizhou Bay and Taiwan in their common religious faith in the Goddess of the Sea (Tianhou)" (Yeung & Chu 1995:32). Tianhou Temple in Meizhou Island is also a great asset capable of developing into a major tourist destination, complemented by value-added food industries (Yeung & Chu 1995:34).

I once discussed with a Taiwanese merchant Mr. Tseng who had been doing business in Meizhou since one decade ago. He immediately discouraged me from further studying this religious issue. "Such a fragile cultural identity based on popular religion should not be extended to the business strategies any more", he stated. "Don't you remember that southern Fujian had been the battlefield decades ago when Taiwan and the Mainland was at war? How could it possible that sound facilities were under construction in a period of conflict of arms? Its infrastructure fell behind those of the early open cities or economic areas. Even its recent economic reform had improved a lot, there left much to be desired. Business is business. If you wanted the markets or resources, it was a must to go northward. Shanghai or

northeast provinces would suit the investors much better".

Mr. Tseng deemed his personal experience in Meizhou was mediocre. Ten years ago he imported ginseng from the northeast provinces to Meizhou to find a market among the Taiwan pilgrims. Ginseng was cherished as kind of dear medicinal material then. Most of the clients were farmers and laborers who believed it a panacea and were willing to buy it in their travels. Nevertheless, ginseng was now widely circulated in the stand peddlers of the city night markets during the period of drastic open reform policy these years. Its easy availability made his business earn less profit. Through the eyes of this merchant, Meizhou and its neighboring regions should not be listed in the priority consideration for investing places.

China authorities never gave up the opportunities to pull the social relations with Taiwanese by using this popular religious belief. We could find many newly published academic journals to serve the Fujian local trade and economic promotion like New Asia Commerce and The Investigation and Research of the Xiamen Special Economic Zone in Xiamen or Open Tide in Fuzhou. Readers might easily catch the religious rhetoric from those publications such as "Polish up the Matzu rhetoric to extend the exchange activities with Taiwan. Putian County was the birthplace of Matzu culture. There were 14 million Matzu believers in Taiwan. Matzu culture

carried an influential weight in Taiwan" (Sheu & Wu 1995:30). "Try hard to promote the economic and commerce organizations and actively attract the Taiwan capital investment by combining the persuasive activities like Matsu inspection trips" (Chern 1995:31-2).

Of course, Taiwanese merchants were not totally apathetic to the booming religious propaganda. But, from my observation more often than not they treated their business and religious affection domains separately. Realistic merchants scarcely took the birthplace of Matzu into their account for investment motivation unless its infrastructure was largely enhanced to meet the physical facility standard. In the progress to their business success, men consulted their religious belief to overcome the problem of uncontrollable reality. I frequently came across the believers at the temples to ask their fortunes by casting of two kidney-shaped divination blocks. But, merchants also had their own faculty of rationality. They tried hard to play their own parts at the usual time.

It might be difficult to test the effect of religious affiliation on social, political and economic networking patterns, or to examine the business deals stemmed from the ties of religious connections. Businessmen took the best advantage of their reason, experience and skills to bring them profits. No matter what cultural practices threw their

weight upon their decision making, they employed the handy strategies to achieve their lucrative ends. They could hardly plan their business blueprints sheerly on the ground of firm religious belief. Concerning the Matzu culture, popular religion could serve, at most, as a factor among others to reinforce their profitable planning like the portion Yeung & Chu (1995:32-4) adding to their enumerative analysis.

The mini-spring factory owner Mr. Tsai kindly invited me to his home. I therefore had the chance to enter his social space and religious life. Basically, this family remained the same ways of living as in Taiwan. They watched the Taiwan newspapers subscribed from the Xiamen Office for Taiwan Affairs. Their television could also receive Taiwan programs. The local maids cooked the dishes with Taiwanese flavor for them. His family members observed the traditional Taiwanese ways of religious beliefs and practices. He arrived in Xiamen to establish his factory in 1989 and felt comfortable to realize that Xiamen people shared many common worshipping festivals in Taiwan, especially the ceremonial practices held on the 1st and 15th of every month. I was impressed by the imposing altar and ancestral tablets in his living room. Mr. Tsai told me that all his family members moved to Xiamen to work. Even his brother and nephews had to look after the plants in Shenzhen. There was no one in Taiwan to serve the ancestral tablets for him. The only

way to fulfill his duty was establishing the incense table here. There was a time when one of his Mainland workers stole the offerings from the altar at an event of the 15th worshipping. Unlike his lenient father, the boss's daughter who was also the real person in charge of this company, was angry with this. Miss Tsai severely scolded the worker for such a rude behavior to blaspheme the diety. The worker just said "In China, when you unduly took something from the public, you returned it to the public unit. That was all". He did not feel guilty at all. From then on, she recognized that she and her Mainland counterparts sometimes held the different value systems to assess the same matter. Their religious belief of the dieties and the rituals performed might appear same in outlook, but different in essence. This incident made her reconsider her usual way of supervising the factory workers. I will discuss it more in the management field of the later chapter.

It seemed safe to conclude that the religious belief and practice of this merchant belonged to his personal life domain. He observed his usual way of religious practices to fulfill his role as a male descent. He was also in search of the grace from Heaven and the blessing from ancestors for his family prosperity. Nevertheless, the similar form of popular religion in Xiamen could not be counted as the major reason for him to make the investment choice. From the two genuine cases reviewed in this section, I found it difficult to

claim that the business decisions of Taiwanese entrepreneurs were influenced to a degree by the cultural identity based on their religious affiliation.

3.3 Trends of Popular Culture

The feeling of intimacy caused by the effect of common language and dialect group identity could also enter into other unnoticed daily business and culture domains. In her psycho-linguistic study of the Whorfian Hypothesis based on the Japanese passive, Agnes Niyekawa-Howard admitted that "if the language has features corresponding to themes present in the nonlinguistic aspects of the culture, language is likely to reinforce and solidify the perceptual habit induced by these nonlinguistic aspects of the culture" (Niyekawa-Howard 1968:6). In my fieldwork observation in Xiamen, certain Taiwan food products or cultural commodities like popular music and soap operas were well received by local people. The rapid and wide acceptance of these seemingly non-linguistic aspects of popular culture and consuming habits was favorably influenced by the social implications associated with rhetoric. The linguistic expression of the Taiwan song lyrics or film scripts might create kind of sympathetic vibrations among the Mainlanders.

When I arrived on Gulangyu, a small island near Xiamen, I noticed that all the radios of the peddling stands played the Minnan dialect songs of Taiwan singers. And there was a time that I dined in a Karaoke restaurant run by Taiwanese. After perusing the song menu and stealing a peek around, I tried to figure out what really arrested the interests

of these persons. It seemed to me that they were moved not only by the melody, but also by the words of the songs. The lyrics could have a say in their songs selection. According to the statistics of a Beijing Television Station allowing audiences to pick songs by dialing, it lasted quite a period in 1995 that the hit rate always went to the tape of Taiwan singer Su Rui's mandarin song Hold Hands. The melody of this song was quite simple, but its lyric that told the mutual life long spiritual support of a couple was really moving. I began to wonder that the local listeners loved the songs because they understood the literal meanings of these lyrics.

Then I consulted a lecturer of the Beijing Central Conservatory of Music who studied the psychology of music.#2 He told me that linguistic expression of the lyrics surely carried the positive effect to supplement and reinforce the right kind of melody of the songs, be it happy or sad. Especially when the lines of the lyrics coincided with the themes of personal experience or real incidents within living memory. Before the Open Policy adopted in the early 1980s, the popular culture was rigidly used as a propaganda to glorify the collectivist ideal and serve the public purposes. And quite a few Taiwan popular songs were most welcome right after the Cultural Revolution Movement because of their warm reception allowing individuals to express personal feeling without keeping one's passion under discipline.

The comment of this music psychologist bore a similar nature with Mayfair Yang's explanation for the popularity of some Taiwan TV serials or films among the Mainlanders. Yang saw that the films from Taiwan endeared themselves to the general public lay in "their stronger 'renqin flavor' (i.e. human feelings flavor), and their themes of interpersonal emotions that are not subsumed to the higher ends of political doctrines, as in most Mainland films" since the Cultural Revolution time (Yang 1994:69). Apparently these cultural commodities sold well in the Chinese societies cherishing social relationships partly because they carried the content of human feeling and personal connections. Through the linguistic expression, they arosed the familiar feeling they had lost quite a bit in the past few decades but never forgotten. Now such identity revived through certain kind of popular cultural forms.

Concerning the language and social context, Gary Ferraro (1994) pointed that China belonged to a high-context culture society. To communicate well in such society, people relied heavily on "restricted codes" and "contextual cues such as nonverbal behavior, social context, and the nature of interpersonal relationships" (Ferraro 1994:50). Some popular brands of Taiwan food products were largely promoted by sucessful advertisement programs. The lines presented at the commercial broadcasting might demonstrate the excellent

rhetorical skills of the planners. The Ching Hsiang cooking oil could make a good example. The consumers knew the Taiwan actress pretty well. She was remembered for the role she played in the Stars know my heart, one of the most popular Taiwan TV serial in Mainland China (Chen 1994:22-8). In that serial, she acted as a great mother struggling with the cancer herself to protect her five children after her husband died. Though she uttered the plain words in the commercial TV presentation, the actress impressed the audiences with her intimacy and warmth closely related with their personal daily experience. It was easier for the consumers to receive the advertising-like behavior through the linguistic expressions filled with human feelings flavor.

For foreign products to sell well in Mainland China, a name adequately rendered in Chinese language was important. In her study of Chinese mind game and inner culture, Chin-ning Chu found that the best selling of Coca Cola in the Mainland was partially to do with this American corporation' choosing a wonderful Chinese name for the product - 'Delight To The Mouth And Delight To The Heart' (Chu 1988:241). Randall Stross also indicated that "Coca-Cola's Paul Austin was delighted to learn that the Chinese rendering of Coca-Cola -- Kekoukele, literally, 'Can-Be-Tasty-Can-Be-Happy'-- conveyed the idea of refreshment ..." (Stross 1990:268). It was not difficult to name more profits benefited from dialect group identity for Taiwan food items in Mainland. For instance, it

was believed that an interesting name as Kang Shih Fu helped to sell the instant noodles. Out of psychological reason, the ordinary man might be attracted. Probably for his Chinese wisdom, he caught the implication of 'health' (rendered by Kang) and decent professional title of 'experienced cook' (rendered by Shih Fu) (Yazhou Zhoukan 1996 10(2):49). The word of Kang Shih Fu delivered a concept easily received by the local consumers and sold well especially in the northern China. In the local world view of northern China, Shih Fu was deemed as a respectful term to call the professionals.

To sell commodities well in a high-context language society through advertisement presentation, the knowing of local world views was of equal paramount importance with the acquisition of language itself. Yet, it was usually easier for Chinese-speaking than non-Chinese-speaking people to follow the words beyond the literal meanings and render an adequate expression. Taiwanese and other ethnic Chinese might benefit from this advantage due to their similarity of language and ethnicity with their counterparts in the Mainland.

3.4 Business of Food Culture

Food industry in Mainland China is one of the major sectors to examine the relationship between business and cultural affinity of Taiwanese investors. Taiwanese enterprises surpassed other foreign corporations in Mainland China chiefly at certain fields of food industry (Shih 1996: 70-2). People in the Mainland shared the common food culture to a high degree with the ethnic Chinese in Taiwan. The popularity of certain Taiwan food commodities in the Mainland societies indicates the social implications associated with the food industry. Taiwanese enterprises add an inventory of rich food varieties to the China markets. The psychocultural approach will be used to analyze (1) how the Mainlanders engage themselves in the consumption of certain Taiwan and foreign food items; and (2) how the cultural identity might condition their consuming habits and brand selections accordingly.

It might be useful to learn the background knowledge of Taiwan investment categories in Southeast Asia and Mainland China, the two largest areas to invest overseas. From the comparison list, we could find a divergent interest existing between the entrepreneurs investing in Mainland China and those in Southeast Asia. Their common investment items in the respective region only confined in the fields of electric machinery, electric appliances, base metals and articles of

base metal, chemical products, and textiles. And their salient difference revealed in many other fields. The investors in Mainland China showed additional interest in precision instruments and apparatus, plastics and articles thereof as well as food and beverage industries. On the other hand, the businessmen investing in the Southeast Asia exhibited preference in non-metal and mineral products, articles of paper pulp as well as rubber and articles thereof (Yu & Yeh 1994:208).

From the categories chosen based on the entrepreneurs' actual consideration, we might argue that the cheap labor and tax breaks could help generate the common investment items because both the Mainland China and Southeast Asia owned the two merits. But, the bountiful natural resources of Southeast Asia, and the relatively more professional workers as well as potentially huge market of Mainland China could induce a divergent interest in the investment categories list. The potentially huge market of Mainland might give rise to the Taiwan food and beverage industries in China instead of Southeast Asia. According to Wei Shih, a journalist of the China Market, food industry was now escalating to top 3 industries on the list of Taiwan investment items in Mainland China, only second to the manufacturing industries of electrical machinery and electrical appliances. The investment capital was estimated to be US\$610,000,000 in the first half of 1996 (Shih 1996:70). And Taiwan restaurants in the Mainland

had also achieved their business success to a degree (Lu 1994; Liang 1994; Chen 1996b).

I gained some ideas from two successful restaurants run by Taiwanese in Xiamen. First example comes from a Mongolian barbecue restaurant and the second a hotel restaurant. I was able to observe their management. Both the managers of the restaurants stressed the importance of combining the food with quality service. Their food was well received by the local consumers based on two reasons. It not only suited the taste of the local society, but also satisfied the psychological pleasure of the local consumers.

The buffet meal of that Mongolian barbecue restaurant contained Mongolian barbecue meat, seafood, chafing dish, steaks, fruit bar, salad bar, scraped ice and drinks. Clients might serve themselves several rounds till they felt full at a fixed price (i.e. 58 RMB). Such a dish menu and charging arrangement was not unfamiliar in Taiwan. They transplanted the authentic management style of their Taiwan chain stores to establish their 106th store in Xiamen. They kept the identical store name and trademark. Even the music tapes played here were all the popular Taiwan Minnan dialect songs and some Mandarin songs of Teresa Li Chun Teng. I could name all these original Taiwan singers. It was hard to find an empty seat in this hall having a capacity of 200 guests. There were about 15 waiters and waitresses mostly from the

neighboring provinces. About 10 staffs did the paperworks and public relations in the office upstairs. Five of them including the president were from Taiwan. The others were Xiamen locals.

The success of the business seemed to have lots to do with the identity of the local dishes and the same taste between Xiamen and Taiwan. But the owner of the Mongolian restaurant Mr. Wang saw this only telling part of the story. Conventional culture could be an important factor. However, he believed that the clients were largely attracted by the reasonable price they could afford and the rich varieties of the dishes. Among others, the eating style was special to them. The clients were not only Xiamen locals, but also a lot from other places working in Xiamen. Mr. Wang also humbly told me that his store was booming in Xiamen partly because it was not an advanced city like Shanghai. Quite a few people here were illiterates. He did not think the taste of this restaurant capable of attracting those highly educated and westernized guests in Shanghai. Hai Pa Wang, a famous Taiwan seafood chafing dish restaurant, for example, could not appeal to the long-term clients in Shanghai because of the limited variety in dishes arrangement.

The manager of a hotel restaurant Mr. Huang treated me the Hong Kong style drinking tea with refreshments. From the seats filled to full capacity, I could tell that the food

here endeared itself to the local residents. The dishes might not be so authentically delicate as those in Hong Kong, but Mr. Huang believed that the taste of the 'people' he served should be placed into the first priority. He did not mind tailoring the original recipe of the authentic Cantonese cuisine to cater for the Xiamen local customers. It seemed to be a fashion having breakfast in this stylish restaurant with families or friends. Relatively speaking, the price of these Hong Kong cuisines here was more expensive than those of many other eating houses in this region. But, this Taiwanese manager told me that people would rather be respected and served well even though they had to pay a little more price for this quality service.

We might learn some lessons from the two cases to explore the potentials of Taiwan food industries in the China market. Both the two persons in charge of the practical management caught our attention to the following phenomena. The food selection and consumption of the local residents was beyond the biologically imperative consideration. They seriously fathomed the degree to which the local consumers could afford. But, they supposed that consumers would not mind spending a little more money to pursue a special feeling like the metropolitan style of Hong Kong tea drinking or the new wave of Taiwan buffet meals plus chafing dishes. They treated their food selection and consumption behaviors as kind of socio-cultural representation. They could serve

the food that carried prestige and induced the changing psychological states of the local residents.

There were two opposite forces in operation to shape the fashion of popular food culture. On the one hand, adaptation was recognized as a significant factor to cater for the taste of the local consumers. The owner of the barbecue restaurant thus keenly grasped the homogeneity of Amoy and Taiwanese cuisines to take Xiamen as his investing spot. The popular songs played in the store were those acceptable to the local residents in terms of the linguistic expression of the lyrics and the melody of Minnan music. It might be easy to adapt the recipe of their Taiwan chain stores to suit the flavor of this host community. Even the hotel restaurant manager realized the benefit of integrating their food items into the taste of Fujianese by tailoring the Cantonese cuisines.

On the other hand, both of them were evidently aware that the force of distinction was important to make themselves different from others in fashion modes. The local people felt that food consumption in those restaurants could reflect their social status and cultural identification towards a different living way deriving from Hong Kong or Taiwan. So the two bosses never forgot to emphasize the metropolitan and stylish characteristics of their food items plus eating habits from Hong Kong or Taiwan.

Many social scientists studying the psychology of Chinese people regarded that Chinese societies valued highly the 'face culture' (Bond 1986:243-9; King 1992:41-63). In analyzing the Chinese family business form of organization, Gordon Redding also sensed that the intimate relationship between face and values for supporting the group structure could be traceable in the psycho-social legacy of China (Redding 1990:63). Face stood for kind of prestige that people found themselves ill affording to lose. They tried hard to maintain their face in every aspect of their social lives. Such a cultural belief could certainly regulate their choosing behaviors congenial to their status and reputation. If the food selection could help the consumers secure sort of social prestige, food consumption must have involved a process of face-work. Consumers themselves might use their food intake to perceive their place alongside others. In addition to adaptation, we therefore could not ignore the importance of distinction force in shaping popular food culture. These two factors should be taken into our assessing the investment of Taiwan food industries in the China market which will be discussed later.

In his case study on Cantonese cuisine, Taiwanese cuisine and the emergence of Taiwan identity, David Y.H. Wu hypothesized that Taiwanese and Cantonese cuisines might positively involve in the creation of a modern Taiwan identity.#3 Ethnic pride and consciousness could be revealed

from the hierarchically ordered food habit and eating taste. The newly emerging political Taiwan identity noticeably reflected in the Taiwanese popular food culture these days. David Wu analyzed the reciprocal relationship of Taiwanese cuisine and identity through the dishes served in the eating houses and classy restaurants. He regarded that the types of popular dishes could be correlated with the social judgement towards status and prestige. So the food selection and consumption might properly exhibit the ethos of certain society. His findings might also be used to develop our further discussion on the connections between the food consumption and cultural identity in another Chinese societies.

Wu's theory could be illustrated with the examples from the report on the trend of Mainland China restaurant and food culture by Liang Liang (Liang 1994). The Cantonese cuisine of Hong Kong had distinguished itself from that of Guangdong Province by the end of 1970s. The former differed from the latter in that it absorbed many strong points of foreign cuisines and placed additional emphasis on fresh seafood and original flavor of broth. During the late period of 1980s in Mainland China, the official and private dinner parties were frequently held in those Hong Kong restaurants. People took it as a great honor and a symbol of superior status to gather and throw banquets there (Liang 1994:64-5).

The 1980s saw a trend toward multi-cultural cuisine. In

Mainland China, American corporations like McDonald and Kentucky tremendously satisfied young people's psychology of fast food happiness. The famous Hong Kong fast food chainstores like Cafe de Coral and Fairwood were popular too. There were also numerous decent restaurants under the name of Taiwanese cuisine and convenient eating houses serving Taiwan stew beef noodles or lunch boxes appearing in Beijing and Shanghai (Liang 1994:68-9; Lu 1994:76-80; Chen 1996b). These investors used the unique Taiwan dish flavor and the special decoration of the restaurant settings with a mnemonic store name deliberately designed to give relish to the meals. In Taiwan, the new fervor for Taiwanese cuisine could be seen as a phenomenon telling the identity towards local culture. It was a native effort to transform into the unorthodox cosmopolitanism free from the authority of the central government as David Wu suggested. But, under the selling strategy planning of Taiwanese merchants in Mainland China, Taiwan food items caused a different interpretation of cultural identify among the Mainland residents to whet their consuming appetite.

Mainlanders showed great preference toward foreign products and believed the advertisement broadcasting. It was interesting to note that the sales of Taiwan Beer was two times as large as that of Tsingtao Beer in the Mainland. The former brand surpassed the latter one in selling amount partly because the local residents were attracted by the

advertisement lines accentuating that it was from Taiwan. Yet, Taiwan businessmen themselves mostly consumed old famous Tsingtao Beer produced in Shandong Province (Chen 1995:116). In Mainland China, foreign enterprises boosted the price of instant noodle. But instant noodle still became the major food item in breakfast, picnicking, business trips nowadays. Contrary to the practice using it as an emergency substitute in Taiwan, Mainlanders deemed the consuming of instant noodle as an eating habit that added to their 'face' or enhanced their prestige (Yazhou Zhoukan 1996 10(2):50).

According to the statistics quoted from Beijing and Shanghai, Wei Shih indicated that the top brands of instant noodles all went to Taiwan enterprises in terms of the selling amount and the reputation survey conducted among the Mainland consumers (Shih 1996:71-2). Of course, this coincidence might be easily explained by the relatively homogeneous food culture of the two regions. It was generally supposed that Taiwan food and drink companies kept the business booming to a miracle in Mainland chiefly owing to the homogeneity of their eating habits (Kung Shang Shih Pao 1994:2-23,148-52).

Nevertheless, we could also find the cases quite the opposite from western food items. Coca Cola, for example, told us another story. In her study about the appeal to the Chinese inner culture, Chin-ning Chu found that Coca Cola

was taken by Chinese as an elite and prestigious drink. They chose the Coke that was more expensive than their Chinese soft drink because Coke drinking was a status symbol. "It is a symbols of success. The rich Chinese drink Coke; the poor Chinese drink tea ... It will be difficult for Pepsi Cola to top Coke's sales in China ... by lowering its price. The price needs to stay up to maintain its image as a status symbol" (Chu 1988:241). To her surprise, Chu asked many Chinese to find that most of them preferred the taste of Pepsi Cola to that of Coca Cola (Chu 1988:242). But people would rather consume a product best known of its kind in the world to maintain their face.

The similarity of food culture between Taiwanese and Fujianese was based on its historical development as mentioned in earlier sections. It was possible that the Mainland consumers weaved the familiar products into their daily identities and food selection in a more easy way than their counterparts in other areas did. There existed a unanimous comment among the Taiwan instant noodle manufacturers that the credit of their booming business should partially go to the Nationalist Government retreating from Mainland to Taiwan in 1949. It brought the Mainland consumers from different provinces to this island and made it possible to study the wide varieties of their tastes to suit different Chinese consumers. That was why foreign enterprises could hardly beat them in this field.

Chapter 4

Taiwanese Business Behavior Pattern in the China Market

Guanxi is what we call personal connections or personal relationship in Chinese usage. It could be treated as a factor carrying the meaning of the historical contexts of cultural identity. It was a cultural phenomenon shared by ethnic Chinese everywhere in Mainland, Taiwan, Hong Kong as well as by overseas Chinese in Southeast Asia and even in North America. Its implications appeared in economic transactions (Yang 1994:6) and closely related with the Taiwanese merchants in Mainland China. The emphasis on guanxi is one of the most striking components in Chinese culture. It became apparent that we could not afford to skip such a crucial topic in our discussion on ethnicity, cultural identity and business practices. Its affinity with Chinese ways of doing business is subtle and its ubiquitous power can not be overstated.

3.1 Guanxi as a Socio-cultural Value Shared by Ethnic Chinese

Mayfair Yang indicated that the art of guanxi chiefly comprised of gifts, favors and banquets (Yang 1994). Michael Bond saw that the reciprocation of greetings, favors and gifts were the value orientations taken straight from the teachings of Confucious (Hofstede 1991:166). Geert Hofstede had incorporated such values into his discussion on the

Confucious and recent economic growth of the East Asian countries that preserved much belief in tradition (Hofstede 1991:166-70). Ambrose King deemed the Confucian dynamism as a positive factor that propelled the modernization. King also regarded that the transformation of Confucianism and emergence of rationalistic tradition could be congenial to the economic development of industrial East Asia (King 1991b). Noticing the dazzling prosperity of the Four Little Dragons, Carol Jones felt that the rule of relationships based on Confucian hierarchy once deemed as ominous for business performance should receive a favorable reconsideration. The Chinese societies of Singapore, Taiwan and Hong Kong used the guanxi to largely supplement the rule of law in their industrial development and globalization process (Jones 1994).

Based on a long-term investigation in Mainland China, Mayfair Yang lays the anthropological definition of guanxi as follows. "The art of guanxi is a complex cultural phenomenon that combines instrumental motivations with highly developed set of ethics rooted in aspects of a popular form of the Confucian tradition" (Yang 1994:71). Mayfair Yang also pointed out that guanxi was heavily used by the general public during the period of Cultural Revolution and came into vogue again with the China economic reform policy since the beginning of 1980s (Yang 1994). And Ambrose King saw that guanxi and networks building was not at odds with the commercial energies in the Post-Mao era. It came to meet the

special needs in a period of the socio-political transition (King 1991a). How the guanxi functioned in business practices received a fuller cultural analysis by Carol Jones in her study of capitalism, globalization and the rule of law. Jones regarded that "despite its lack of formal legal rationality, Mainland China also seems able to provide sufficient predicability, calculability and stability for capitalism to thrive. It can be argued that guanxi facilitates rather than hinders this process" (Jones 1994:200).

We thus understood that the cultural preference for guanxi was shared by the Mainland and overseas Chinese societies. But, how did the latter meet the former in China market? According to Jones, "the majority of foreign investment in China flows from Chinese in the 'Four Little Dragons' - 70 percent of China's foreign investments comes from Chinese investors abroad" (Jones 1994:202). She also noticed that "the main investors - the overseas Chinese are not concerned with the absense of 'rule of law' since they primarily depend upon guanxi to secure their investment ... most (non-Chinese foreign) investment in China is handled through Hong Kong lawyers well acquainted with the need for guanxi; and non-Chinese foreign investment in China is far outstripped by overseas Chinese investors, also well versed in the art of guanxi (Jones 1994:208-9).

The high correlation between guanxi and business

performance in Mainland China had been confirmed by Alan and Josephine Smart (Smart & Smart 1992; Smart 1993) and many other businesspeople. The merit of using guanxi in speeding up the process of establishing an enterprise had been referred to by Alan Smart. Yet, it came to his attention that this convenience might also be "at the cost of relying upon social guarantees rather than on carefully negotiated legal guarantees set out in contractual documents" (Smart 1993:397).

Was there any conceptual variation between Taiwanese businesspeople and their Chinese counterparts in the Mainland on the cultural form of guanxi? As lawyer Wei-hsiung Chu indicated, their business networks in Taiwan were based on renqinwang (Chu 1995:12). Such networks of human feelings were cultivated through years in their working places and home towns. People could not afford to lose their prestige or 'face' in front of their acquaintances if they broke the social relationships in their neighborhood. So the business practices should proceed in a trustworthy manner. Nevertheless, how could they possibly generate the same kind of social networks with their partners in the Mainland without costing the parallel amounts of time and attention? This fragile cultural identity of guanxi based on short-terms mutual benefits might incur unpredictability in their later partnership development.

Po-hsun Cheng studied the organizational culture of those

investors having parent companies in Taiwan and branch companies in Mainland China (Cheng 1996). He compared the managerial practices and value orientation between the two regions under different regimes. Cheng found that the divergent economic, political and social developments in the two areas in the past five decades, had led to certain cultural variations. But some similarities in cultural beliefs and practices still remained intact. According to the samples collected from the electric industry, food industry and service industry, Cheng found that among many other cultural values, people in both sides of Taiwan Strait placed the same five priorities in their value orientation lists. They were spiritual debt or gratitude orientation, human feelings orientation, altruism orientation, familism orientation and power or authority orientation according to the ascending importance sequence. The major differences of the two sides laid in that Taiwanese merchants exhibited stronger orientation in familism, altruism, and human feelings than their Chinese counterparts. As to how individuals related to authority in the workplaces, Mainlanders also showed a stronger power distance orientation than Taiwanese did (Cheng 1996:17).

What Cheng called human feelings orientation involved the return of the debt of human feelings, caring about the face or prestige of the persons with whom one interacted, and fulfilling one's role in the frameworks of his social

relationships (Cheng 1996:14). As lawyer Chu indicated, the business networks of the Taiwanese merchants could still work out at home on the ground that their networks of human feelings were cultivated through years in their familiar working and living environments. If they left for the Mainland for the sake of business, they should adapt themselves to the new environment which carried less human feelings webs than their original surroundings did.

The relation between Taiwanese merchants and their counterparts in Mainland China was similar to what Yunxiang Yan called 'extended form of guanxi'. The business networks they cultivated in Taiwan were imbedded in what Yan called the 'primary form of guanxi'. "The expressive components of these primary relations - familial, kinship and communal - determine the importance of moral obligations, emotional attachments, and stable reciprocity over long periods within the guanxi networks, all of which are reflected in the notion of renqin, 'human feelings'" (Yan 1996:22). With the temporary and personal interest nature, much Mainlanders treated the Taiwanese merchants as the newly encountered outsiders. The 'extended forms of guanxi and renqin derive from interactions with outsiders for utilitarian purposes" (Yan 1996:23), and are irrelevant to "the local moral world in which one lives" (Yan 1996:22).

With such understanding that the guanxi they used to

know at home might transmute into another cultural form in Mainland China, Taiwanese merchants could be more prepared to adapt their guanxi-like behavior to interact with their counterparts in the host societies. The extended form of guanxi might be built out of practical business needs to meet the expectations of the both parties involved. If they did not have enough time in their business travels to participate the cultural construction of the primary form of guanxi, formal legal protection would be an advised item to supplement the lack of stability in the extended form of guanxi with their partners in Mainland China.

These discussions can help us understand the complex operations of the business interactions between the Taiwanese investors and their Mainland counterparts. Some informants even develop their own philosophical views from their experiences. To arrive at a sound interpretation for the cultural phenomenon and the behavior patterns of the Taiwanese entrepreneurs in Mainland China, it is a must to place the art of social relationships and high correlation between guanxi and economic performances under a careful review.

4.2 The Political Culture of Guanxi

According to Geert Hofstede, the Chinese societies as a variant of 'large power distance societies' are prevailed with the "philosophical systems stressing hierarchy and stratification". Furthermore, in Chinese societies, "power is based on family or friends, charisma, and ability to use force. The powerful have privileges. The way to change a political system is by changing the people at the top" (Hofstede 1991:42-3).

Michael Bond also observed that "Chinese in leadership positions enjoy a wider range of authority for which they are unaccountable than do those from more democratic legalistic systems" (Bond 1991:85). He also came to the conclusion that the bribery used to influence the decision making process of the persons in charge that occurred in Chinese organizational life, was largely induced by the Confucian hierarchy. Bond established the correlation between the corruption behavior and Confucian value system. This value system is also represented in the Chinese way of managerial practices and organization behaviors. Robert Silin's analysis of the Chinese leadership pattern in the large-scale Taiwan enterprises revealed such Chinese political culture and value orientation in the art of ruling and strict superior-subordinate relationship (Silin 1976).

Mayfair Yang gave even greater details of the origin and socio-political development of the art of guanxi and Confucian hierarchy. But she did not see the using of guanxi to achieve personal benefits as a kind of bribery or corruption in terms of western notion. Its operation contributes to weave the sense of obligation into the wider social fabric of lives and identities. In accordance with Confucianism, the subordinates owed the superiors respect and obedience; the superiors owed the subordinates protection and consideration. In the type of large distance societies, people "accept and appreciate inequality, but feel the use of power should be moderated by a sense of obligation" (Hofstede 1991:40).

Mr. Tsai, a Taiwanese businessman, once was requested by the Chinese local authority to apply for a license of his manufacturing factory. As far as I knew, a local cadre, Mr. Fang came to this Taiwanese friend's assistance when the latter was blackmailed by the local authority. It happened once the workers of this Taiwanese merchant were unduly arrested and beaten by the local Joint Brigade, this cadre also gave him a hand. I could feel his affective guanxi sincere support for the Taiwanese businessman from his narration.

During the period of deflation in China in 1993, this businessman risked a problem of bankruptcy. The Chinese cadre got the Taiwanese a timely loan in bank without any interests charge. At that time China just implemented a

macro-economic control policy and strictly discouraged any lending of money to foreign investors.

Political office implies control over a particular resource in the Mainland China today. Mayfair Yang showed us "how guanxixue (i.e. the art of social relationships) exploits the discrepancy that exists between hierarchical authority in general and specific jurisdictional authority" (Yang 1994:87,74). As seen in Mr. Tsai's case described above, he did not appeal to the top officials as expected. Instead, he rather turned to a key figure in charge of practical matters through his personal networks for a special favor and saved his firm from crisis.

In Michael Bond's observation of Chinese organizational behavior, "corruption" was one of the indirect consequences of the Confucian hierarchy. He indicated, "the Chinese have always conferred considerable discretionary authority on those in responsible positions, preferring to trust human judgement rather than mechanistic laws. Within a hierarchy these authorities are less subject to supervisory checks and balances than are those in a more democratic political tradition. The stage is thus set for petitioners to attempt to influence the decisions of such officials through what Westerners call 'bribery'" (Bond 1991:85-6). "The granting of 'favours' is an important component of paternalism, as it builds a network of people tied to someone in authority out

of indebtedness and obligation. Such a network is an invaluable resource in an arbitrary world unprotected by the rule of law" (Bond 1991:86).

In the large power distance and particularist societies like Chinese communities, people valued highly the personal connections and trusted the usage of guanxi mechanism. As shown above, its personalistic qualities of obligation, indebtedness and reciprocity were part of life and identity of both the Taiwanese merchant and the local cadre. Mayfair Yang rarely saw eye to eye with him on the way Bond described the social relationships above. Yang put it this way, "the art of guanxi cannot be reduced to a modern notion of corruption because the personalistic qualities of obligation, indebtedness, and reciprocity are just as important as transactions in material benefit" (Yang 1994:108).

The subtlety of guanxi was not easy for non-Chinese to follow. Bribery or corruption was apparently against the law. But guanxi in a way smoothed the business procedures without breaking the law. With its ethical and emotional nature, guanxi became more understandable to the ethnic Chinese. From some examples we could see that Western and Japanese businessmen shared the interest of guanxi with their Taiwanese counterparts. Ethnic Chinese professionals from Taiwan, Hong Kong, Southeast Asia and North America were hired as expatriate managers in Mainland China. They fully

developed the guanxi networks to bridge their employers' ethnic and cultural distance from Chinese commercial societies.

4.3 Taiwanese Ethnic Edge in the China Market

Does guanxi really matter for the economic performances of the Taiwanese merchants in Mainland China and deserve our special attention? In her study of the trade secret of the East, Chin-ning Chu compared the competitive business tactics of Americans, Japanese, Europeans and Hongkongese. She also pointed out that Hongkongese had an edge over others and put it this way, "Hong Kong Chinese have a natural advantage in dealing with China ... expensive gifts are often given by the Hong Kong business people to their Chinese partners. These gifts are such things as refrigerators, televisions, electronic consumer items or scholarships for their children to schools in the United States or Europe. Although these are bribes, the Hong Kong Chinese are able to present them in such an elegant manner that the bribery is disguised. These gentle bribes sweeten proposed financial deals" (Chu 1988:244). Chu indicated the gifts and bribes tactfully used by the Hong Kong Chinese in their business strategy.

After investigating the Hong Kong investment in Mainland China, Alan Smart and Josephine Smart suggested that guanxi as a valuable cultural asset might help the Hong Kong Chinese be favorably situated in the China market (Smart & Smart 1992; Smart 1993). Furthermore, "international investors can utilize the advantages possessed by the Hong Kong investors by using them as subcontractors" (Smart & Smart 1992:60).

The most common strategy employed by the Hong Kong businessmen was the utilization of the social connections in the location of investment and relationship of gift exchange. Alan Smart (1993) in his another case study saw that gifts, bribes and guanxi as a means of social investment could exercise an invisible power upon economic activities. Only sophisticated persons cultivated with Chinese cultural tradition could sense the subtle social situations and foresee the chances. That could largely explain the prosperity of businessmen from Hong Kong. Smart deemed the art of guanxi as a unique Chinese cultural asset for doing business in the Mainland. The economic success of the Hong Kong merchants was highly correlated with their familiarity with the art of guanxi. The European and American corporations lost ground to some degree from their restricting practices to contract and market exchange and paid little attention to the aspects of social relationship (Smart 1993:402). Chu also has the same observation, "when it comes to understanding the subtleties of Chinese mind, American business people and politicians usually take a back seat to Europeans and other Asians" (Chu 1988:243).

In other words, the art of guanxi that involved a highly developed set of traditional knowledge, might not be so easy for the non-Chinese to follow. One of my Japanese friends Mr. Takeda complained that he observed the conventional practices and had not earned much satisfactory result so far.

The meetings opened with giving their Chinese partners envelopes of money as a rule. He might not fully recognize certain points of the art of guanxi and could hardly tell the blurring line between gift exchange and effective bribe, the subtlety residing in the personal relationships as well as the cultural persistence in Chinese philosophy on decency, thus failed to grasp the messages in their interactions and set his business in motion.

So, with the knowledge of Chinese convention, Taiwanese merchants might also make better use of such available social capital than other foreign investors in the Mainland to go through the red-tape. Other things being equal, investors from Taiwan as well as Hong Kong might be more entitled to earn the PR bonus and enlist the help from the authorities concerned partly because they held the social and cultural resources to transfer into economic capital. When I expressed my surprise with the big numbers of Taiwan-Japan joint ventures in Xiamen, the prudent official Mr. Kong added, "By the same token, quite a few small-scale American and European corporations were ushered into the Mainland by Hong Kong Chinese or Singaporeans chiefly due to their unfamiliarity with an alien socio-cultural environment at the early developmental stages. Now the large-scale multinational investors only needed to negotiate with central authorities to finalize the deals. They could be saved from the trouble due to socio-cultural maladjustment". Yet, the advantage of

being large-scale corporations he mentioned was offset in part by the fact I learned from certain Taiwanese and Hong Kong Chinese managers working for those well-known multinational companies. They showed me how Chinese beliefs and practices influenced their decision making, and in what manner they employed the skillful strategies to cope with the public relations problem.

Thus, it was generally supposed that Taiwan businessmen took the best advantage of their inherent cultural skills to adjust themselves to new, yet comparatively familiar condition in the Mainland, and make things easier to work out. Like the grammatical rules ingrained in the daily language, cultural habit and custom came to their plain living so naturally that people somehow use it without effort. They could win over foreign investors or managers in the Mainland by this unnoticed cultural advantage (Bosco 1994:9). Nevertheless, their easy circumstances might be more apparent than real.

My fieldwork encounter with the hotel manager Mr. Huang from Taiwan reminded me of the hardships that he had been gone through in his early socialization process and later incessant life long practices. His hotel was a joint venture enterprise with Taiwanese partners holding a larger shares. At first he said much in praise of his Chinese partners' caring about the benefits of other shareholders. These old men cherished the traditional Confucian teachings on the

harmonious and peaceful personal relationships. Basically the internal management was run by the staff recruited from Taiwan. He introduced me to the other well-educated Taiwanese managers. Some of them even mastered Japanese and Korean languages. When we became familiar with each other later, he began to talk more negative but candid comments. In addition to securing their own part of the revenues, he admitted that the China side of the joint venture corporation did impose some nuisance persons and fees. Not long ago he paid a fine for not purchasing the restaurant menus or garbage cans from the designated units.

As to the social relationships, Mr. Huang drew a sigh and told me, "It was hard to be a Chinese. In the West, you might say what you intended to do and clearly claim your expectation. But in Chinese societies, there was something you just could not speak out though you might do it. Taiwan and Mainland alike, their developmental stages and business cycles might not be synchronized with each other, but, they showed the same essence in using gifts, favors and banquets to go through red-tape. They differed only in degree". A conscientious man with law as well as MBA background like him still clung to traditional world view to work up his business and get along with his Chinese colleagues in the Mainland. He proudly told me his golden principle in dealing with interpersonal relations, "I would rather make people owe me a debt of human feeling than otherwise at the

usual time, then save it for future moments of need."

The comments of Mr. Takeda and Mr. Huang could be used as a reference for inquiry into the relations between personal connections and Chinese ways of doing business. They also served to test the uniqueness of guanxi that distinguished ethnic Chinese merchants and non-Chinese in dealing with business matters in Mainland China.

4.4 The Practice of Guanxi of the Taiwanese Businessmen in China

A real estate businessman Mr. Kao taught me, "money itself would not necessarily buy you useful personal connections. Only heart-to-heart friends were good for depending on when you needed help. Time permitting, go to visit the officials concerned first to pay your regards. Don't just send your subordinates to call on them until you really needed them to settle serious matters for you. These big figures are just like Tiger Balm in the very occasion. Their comments could carry ointment with soothing effect to save your projects or peppery mint contents to destroy your careers depending on the genuine quality of your personal relations to decide where to place on." I knew he was not alone. A Taiwan immigrant in Canada Mr. Chiang also seconded his idea. Although his golf club business was not booming these days, he did not complain about the Chinese bureaucratic system, but rather deemed it a "timing" problem. His company was established in 1989. Since his chief partner withdrew the investment right after June Fourth, he had no choice but to run on his own. So far he never felt bothered by bribery problem. Basically he believed in harmonious relations built out of mutual respect.

When asked what would be the most important criteria in

his negotiation process with the authorities concerned, a capable young Taiwanese staff Mr. Kuo affiliated to a golf club corporation told me, "guanxi background came first, western management second. You had to be patient with the entanglement of personal tie of affect and obligation." He then offered a concrete example. There was a time when he learned that the relevant Mainland officials in charge of land and other project approval matters would have a tour in Hong Kong. He and his co-workers flew from Taipei immediately to treat them a big meal. It was an unforgettable banquet for both sides. The price of the lobsters, fine Japanese rice wine and other specialty cuisines was so dear that made him bewildered. Much to their entertainment, the guests enjoyed the impressive dishes. He threw the banquet well in advance of making a request. When he arrived in the Mainland for a project one morning, this young man sighted the familiar face of the official sitting there waiting for him. One of his friends made fun of him by saying that "So moved. How enthusiastic and sincere you were!"

As Mayfair Yang suggested, "Gift or banquet giving both involve much etiquette and polite rituals, which serve to save face for both sides. Efforts are made by the gift giver or dinner host to leave the impression that he or she does not regard the gift or dinner as a crude bribe or mere payment for services rendered, but as a social occasion for establishing good relations" (Yang 1994:136). This young man

further showed me the ropes of throwing business banquets he learned from trial and error. Mr. Kuo once made a phone call to reserve a dining table in a famous tourist city and was shocked by the response of the Mainland waitress. She put it straight forward, "What was the status level of the guests you intended to serve? Say, three hundred RMB for director of department under provincial government, five hundred for county magistrate, etc. We would arrange for you." He then realized the prevalence of official banquets in the society.

The life stories narrated by the merchants themselves all indicated the prevalence of using personal networks to get dealings done by means of gifts, favors and banquets in their business activities. They corresponded well with Mayfair Yang' argument. Yang earned her insight for the gift economy or art of guanxi in socialist China by searching the skeleton of the local history. She went to great lengths to identify the socio-cultural legacy and the institutional legacy of China.

Another example was a Hong Kong Chinese manager Mr. Lee working for a well-known American corporation in the Mainland. He went to Guangzhou quite often to coordinate the source supply and shipment matters. The short working hours of the customs caused serious delay problem. Both his former British supervisor and ex-Chinese American colleague failed to settle it because they never earned the friendship of the customs

officials. The British did not know why the way it was. And the America born Chinese just bluntly asked them to fire the irresponsible officials. The Hong Kong manager was wise to see that their western way of thinking would not work out in the Mainland with half an eye. The special social situation in Mainland China should be recognized. Gifts, banquets and favors could be one of the solutions to answer the mind games of those Cantonese officials. He learned that the cultural habits and social environment lent support to each other and mutually reinforced in shaping human thinking and behaviors.

Mr. Lee then invited the officials concerned to decent restaurants from time to time. When they asked the name of the shark's fin delicacy on the menu under the guise of curiosity, he would tell the boss, "Why not serve every body this dish to know what the shark's fin look like?" When they complained the delay owing to the communication difficulty, he said, "Go ahead. Buy the high-tech mobile telephone right away. My company would pay for it." He quickly grasped their questions with suggestions and soon established a smooth cooperation relations with those customs staff. They set the seal for him even after working hours and the delay delivery seldom happened from then on. It was the Chinese wisdom of this Hong Kong manager to bring a happy ending for both parties. He then nicely showed me how the American multinational firm digested the lubrication fees under the dissimulation fund of research and development. He even

indicated that Taiwan businessmen lost ground to some degree since they were not generous enough in treating the persons concerned. Partly for the small scale of the enterprises, the bosses themselves were the public relations managers. Unlike the hired staff spending public funds like him, those petty Taiwan entrepreneurs felt reluctant to pay such expensive lubrication fees which they could not afford in a long period, and liked to seek the items in grey areas to save their tax burdens.

I was convinced from my field observation that most of the personal relations were soundly based on mutual benefit consideration rather than purely triggered by renqin (i.e. human feelings). The gift economy might be largely diluted with lucrative ends. Here Ambrose King had a good grasp of such cultural meanings. He sensed that the traditional kin or fictive kin-based normative orientation could be changed by changing events in the cultural secularization or the rational transformation into modern capitalism. Though the business behavior was conditioned by Confucian concept, people preferred to select the elements propitious for their enterprises, and sometimes left the ominous ones without much hesitation to preserve their business careers. Thus the prototype of a new Confucianism surfaced to meet their profitable ends practically (King 1991b). Such an understanding would certainly help us better appreciate Chinese art of social relationships.

4.5 The Changing Patterns of Guanxi Practice

Mayfair Yang distinguished the guanxi phenomenon of the Economic Reform of the 1980s from that of the Cultural Revolution by pointing out the transition from 'Use-value' to 'exchange-value'. "That is to say, with the introduction of elements of a market economy, oftentimes, it is not direct use and consumption that is at stake in each guanxi exchange, but guanxi's transmutation into further wealth and opportunities. The means are now often the end" (Yang 1994:159). She noticed that "In the late 1980s and 1990s, American and British cigarettes ... entered the guanxi circuits. Alcoholic spirits are often given in conjunction with cigarettes for pulling guanxi ... In the ten years from 1982 to 1992, however, money gifts in certain contexts became more acceptable socially and more popular, their legal status having been assured by increasing market forces which sanctioned payment for services rendered" (Yang 1994:128-9).

A Taiwanese jeweler Mr. Pei told me that a NT\$10 lighter would suit the needs of the Mainland co-workers well when he visited an inland province for diamond field in the early 1980s. Now even the American tobacco and wine could scarcely meet their desires. He thus allowed them to have shares in the business firm to motivate their cooperative spirits. There was a time he had all his raw diamonds cut and refined in a public factory half a year to please the authorities

concerned. Although he knew it well that two weeks would be enough for the professional workers in other countries to finish the same job, he would rather waste the time and wages to pave the way for good relations with those officials for further use. The interest motivation was quite clear for both sides.

The gift given did not have to be a concrete object. A local cadre I knew pretty well happily drove his high class Japanese car to show me around. As a capable man and taking an active interest in public life, he thought himself deserving the present from his Hong Kong friend. But, in this socialist nation, he found no way to import such a luxurious automobile in his own name. Since each foreign corporation could apply at least two cars for business use, one of his Taiwanese friend made the application for him. This merchant depended heavily on him for security and red-tape matters all the time. His application form for business use cars itself could be an invisible gift for the cadre. It was also an unspeakably precious gift in current China. And it was acquired under favor of the grey area of the unsound regulations. Their affectionate friendship built out of actual needs, now grew even stronger with the mutual benefits.

Besides, the young cadre's sister worked in this Taiwanese firm as a sales manager. He really cared about the

fate of this company as well as his sister's job and bonus. Actually, his older sister was more than an ordinary woman. Her husband was the chairman of one big state-run corporation and knew quite a few high ranking Chinese officials. That Taiwanese boss had a business brain to use this Mainland manager to settle the dealings. Through the networks and influence of this sales manager, he might earn many orders.

According to Helen F. Siu's ethnographic findings on the merchant culture and region's unorthodox development in Pearl River Delta of Guangdong Province, the new generation of local cadres in the post-Mao era largely controlled the business operation.^{#4} Through their positions in the state system, these new local bosses, in a sense, captured the market and engaged themselves in commercial activities. Considering the current social situations, Taiwan merchants in Mainland China might take this source of socio-political energy into account while deciding their economic actions.

From what they encountered in the daily business lives, these merchants not only conformed themselves to the ways of the world and applied their knowledge of guanxi networks, but they also molded their own philosophy towards the art of social relationships in China, and included their learning newly acquired from the changing events to further develop their skills. On the one hand, Taiwanese merchants were the children of their Chinese culture valuing Confucian hierarchy

and guanxi scheme. On the other hand, they were conscious of and participating in the changing world in a creative way to shape the art of social relations. From the experiences of certain Taiwanese merchants, we could find the crucial role of guanxi in their business activities. The major components of guanxi included the familiarity, harmonious relations built out of mutual trust and respect, personal tie of affect and obligation, sincerity, etc. Gifts, favors, and banquets were the common ways to establish the relations with their counterparts in the Mainland.

4.6 Discussion on the Rationality of the Guanxi Value System

Interest-oriented social connections mostly resulted from the practical needs of capitalist investment. Far from building a castle in the air, businessmen rationalized the instrumental role of guanxi. Ambrose King regarded that "the practice of kuan-hsi (i.e. guanxi) was "not necessarily incompatible with modernization" (King 1991a:80). The devious way of walking through the back door in the Mainland today was chiefly due to its special situation arising from drastic social and economic transition. "The often criticized traditional behavioral norms are officially sanctioned in privatized, interpersonal relations. During this rapid transition stage when the socialist universalistic values are cast into doubt and the market is not yet fully opened, kuan-hsi blossoms to play a new instrumental role for people to achieve what is usually denied them through normal channels" (King 1991a:80). Taiwanese merchants usually enlisted the help from the authorities concerned by means of guanxi. It was not totally because they were, by nature, circumscribed by the Chinese cultural habits, but rather out of realistic considerations. To excavate the meanings behind the phenomena interwoven with industrial impact and socio-cultural background, the great economic concern of the bourgeois and ordinary people as well, should be placed under careful review.

Carol Jones argues that East Asia and China thrive, to a degree, on the rule of relationships and marginalization of formal law. They adopted an alternative trajectory which is contrary to the development of western capitalism insisting on a rational formal law. Thus, the cultural role of guanxi will not necessarily deny itself to the growth of capitalism and a successful market economy in the Four Little Dragons and Mainland China (Jones 1994). But, from the statistics released by the governmental units, however, we can still find numerous Taiwan businesspeople failed their business because of their over trusting guanxi which neglecting the rule of law in Mainland China (Executive Yuan 1992).

In the following paragraphs, I will carefully review the experience of a Taiwan manufacturing factory owner and a semi-retirement Mainland staff serving as a consultant in another company. So far, the Taiwan cases discussed are mostly confined to the small-medium scale enterprises. We can read a large scale reputed Taiwan corporation benefiting from its guanxi networks.

Mr. Lin, a Mainland Official in semi-retirement worked as a consultant in a Taiwan company. Once he complained to me that his boss was so careless in the legal matters that he signed the contracts bearing obvious disadvantages to himself. When he asked the gullible boss to be more cautious, this merchant just naively replied that in Taiwan he usually

made several phonecalls to settle these dealings without formal written documents. Those long-term friends and familiar clients were all trustworthy. There was no reason to be picky and break the good relations with them. This consultant deemed these outlandish words inconceivable at first. After knowing each other better in the later days, he warned his boss with kind of understanding by telling him "be mindful of legal aspects for transactions in Mainland China. People cheated you because you were ignorant of law, not because you were Taiwanese. Japanese or other foreigners alike, could be cheated if they did not understand the business law." Mr. Lin continued, "it was a must to pay attention to the social environment here as well as what the people thought here if you wanted to do business with them."

In my understanding, this consultant had retired from a long service in the state commercial office. His rich experience in business circles and vast networks of guanxi cultivated through years in different sectors of industry and government kept him well informed of the supply sources with low prices. That Taiwanese boss was wise to hire him and use his guanxi networks to identify the socio-political and economic sources. Indeed, this Mainland consultant was helpful and indicated the invisible pitfalls lying in the transactions for him.

But, what would happen if the very businessman trusted

a man in an unstable position of the Chinese bureaucratic system. Or a man generously gaved his words of pledge that had never been fulfilled. According to the study of the failed Taiwan cases in Mainland China compiled by the Working Committee on Mainland Affairs in Taipei (Executive Yuan 1992), most of the Taiwanese merchants regarded that their failures had unfortunately much to do with the guanxi problem. After analyzing the cause and effect, these merchants found that guanxi was even more important in Mainland China societies tinged with the personal rule than they imagined. They failed because they did not pay enough time and care to it and were thus excluded from the favorist lists. They had to suffer nightmares like being cut of the factory electricity supply without prior notice. They might also fail because they touched the wrong persons that placed their serious pledge on banquets, then ate their own words later. And the merchants could fail because the persons with whom they built networks retired or transferred to another official positions, and thus discontinued the projects in agreement.

Compared with Euro-American businesspeople, Taiwanese merchants obviously placed little emphasis on law. When commercial disagreements arised, westerners judged the situation with legal contracts while Taiwanese reasoned in terms of friendship with special obligation. After settling the business dealings, westerners signed the contracts without necessarily having banquets for their partners while Taiwanese

threw the banquets without necessarily signing the contracts. They depended much upon oral commitment to get things done. Such a business practice relied largely on renqinwang (i.e. networks of human feelings) to maintain the social relationship and economic operation at the same time. This practice without legal guarantee might still work out in Taiwan society (Chu 1995:12-3).

Generally speaking, problems seldom occurred in the stage of application for licences, permissions or certificates issued by the Chinese governmental units because Taiwanese merchants valued highly the personal relations with the officials concerned. Problems usually happened in the contractual relations with other enterprises and consumers like suppliers, re-processing factories, distributors and sub-contractors. There also existed the problems in the contractual relations with the internal share holders and staff members (Chu 1995:12-3).

It became apparent that using guanxi did help them smoothly get through the red tape. Some businesspeople were so immersed in the personal connections that they ignored certain critical legal matters, especially the contracts law and labor law, as Chu pointed out. He felt that guanxi should not become the limelight at the cost of law. To dovetail into China market, neither one of them could be underestimated (Chu 1995:13).

According to the recent talk presented by Kung-lien Kao, the Taipei official in charge of the trade affairs between Taiwanese merchants and their counterparts in Mainland China, Chinese Communists tried hard to establish various legal institutions to meet the requirement of a sound market economy. To protect their own rights, Taiwanese investors must learn the way of multinational corporations which dealt business matters in accordance with the rule of law (Kao 1996:13-4). This statement suggested a point that big enterprises relied little on the rule of relationships and guanxi itself was an unadvised element in the business practices. My observation in Mainland China might provide the cases quite the opposite. It cost less efforts for multinational corporations to pave the way for guanxi networks with their partners in Mainland China because the Mainland authorities generally prized the relations with the big foreign enterprisers and actively sought to cooperate with them. These large corporations still could not be totally free from the involvement of personal relationships or social networks pertaining to traditional Chinese culture.

Eupa was a reputable big Taiwan enterprise. The products of this multinational corporation occupied almost up to $\frac{1}{4}$ of the world market of irons and many other electric appliances. It followed strictly the required procedures to set up its business in Mainland China. In October 1995 I went to visit

its factory for electric appliances production in Xiamen. It was about the same time in 1994 that both this multinational corporation and another big Taiwan precision instruments group located in Shenzhen entrusted the Hitron Technology Inc. to develop an enterprise information highway (EIH) to facilitate their own picture telecommunication conference system and hi-fi sonagraph system. Those projects tended to enhance the simultaneous communication between their parent companies in Taiwan and branch units in Mainland China. Their initiating the high-tech information networks was not only based on the cost-benefit analysis, but also on the timing effect upon their decision making and problem solving. The president of Eupa placed much emphasis upon the research and development on streamline design as well as its own-brand promotion (Li 1995). He valued the research outcome of his Taiwan parent company and information analysis by his staff of overseas agencies in Japan and the United States. He deemed it the sooner the better to transfer the research result to the assembly line in Mainland China.

At first sight, Shenzhen was a better situated city in terms of infrastructure to work out such an information engineering project. Other things being equal, the related enterprise group in Shenzhen said above should have completed the project faster than that of Eupa. However, the event was opposite to what I expected. It finished the EIH production six months later than that of Eupa because it had to build

the cable ranging from Hong Kong to Shenzhen by itself. On the other hand, Xiamen government favored Eupa by building a cable line free for Eupa to connect outside regions. The manager of Hitron Technology could only explain this discrepancy of networks building schedule from the view of guanxi. He said, "many things could be dealt quite differently in the Mainland according to the depth of one's personal connections with the persons-in-charge in different areas" (Chao 1995:109-11).

I was told by the Eupa general strategic planning manager Mr. Chu in Xiamen that his president had expressed the wish of EIH with Xiamen mayor long before the project implementation. This Mainland manager happened to have a college classmate holding high position in the telecom bureau. That made things easier to work out. His mother was a Xiamenese. He gained his degree as well as many years working experience in Beijing. He had been served in the customs bureau before joining Eupa. I wondered such kind of special experience made his boss appointing him as the top supervisor. But, he saw that his previous customs experience simply help the company handle those practical shipment procedures easily. All the matters were settled on a sound legal basis.

It was clear that guanxi would not necessarily be at variance with the rule of law. The rule of relationships could work hand in hand with the formal legal system to

facilitate the business procedures. The president of Eupa was a conscientious Taiwanese that I learned from many Xiamen locals. Even his using guanxi did not harm his reputation. Usually small enterprises sought to handle their business matters with their local social connections. The multinational corporations like Eupa and Xiang Lu Industries manufacturing chemical fibers in Xiamen might negotiate directly with the central authorities. Yet, large enterprises as they were, they could scarcely be free from using guanxi. They employed the rule of relationships as they saw fit to use. They could even use it more justifiably for the blessing from the central authorities.

4.7 Concluding Remarks

We have reviewed the art of guanxi in business practices and the correlation between guanxi and economic performances in the previous sections. In addition to the scholastic approval of the guanxi as the inevitable in Chinese business implementation environment, we have, so far, seen quite a few merchants believing in guanxi and successfully putting it into practice in their business affairs. It stood reason to them that guanxi set good terms for their negotiation process with the authorities concerned and made their plans work out satisfactorily. It paid to spend the time and money to build the relations with their Chinese partners. Guanxi might play a positive role to aid the business matters in a flexible and effective manner. Guanxi also suggests an informal way to deal with the matters in accordance with the particularistic ties which is different from the universalistic values attaching to the modern western rational legal system.

Chapter 5

Investment, Management and Cultural Affinity

5.1 Cultural Affinity and Investment Behavior: From Donation to Investment

In her recent ethnographic studies on the merchants in South Chinese local society, Helen Siu found that community rituals and the language of native place again came into vogue to attract the overseas Chinese capital and pave the ground for business connections.^{#5} Carol Jones found that Hong Kong, Taiwan and other overseas Chinese abroad together accounted for 70 percent of all foreign investment in the Mainland (Jones 1994:202). In the Tribes, Joel Kotkin studied how race, religion, and identity determine the success in the new global economy. Owing to the intrinsic ethnic identity, Kotkin sensed that the partnerships between the Chinese diaspora and their counterparts in Mainland China promised well for their future business arena. He saw that "firms from Hong Kong, Taiwan and other (Chinese) diaspora centers represent easily the largest source of foreign investment within Mainland China, itself both an enormous source of inexpensive labor and raw materials and a huge potential market" (Kotkin 1993:167).

The causal significance between ethnicity and economics

was further demonstrated by Gerald Segal, "China's new prosperity is based on interdependence with the outside world ... The closest ties are those between parts of Greater China. Some 80 percent of total investment in China comes from overseas Chinese in Hong Kong, Taiwan, Singapore and beyond ... These thickening webs of international interdependence - among Chinese in Greater China, with Chinese minorities living throughout Southeast Asia and even with neighboring non-Chinese countries - are creating unique 'natural economic territories'" (Segal 1994:48). In a sense, the ethnic ties made the economic integration feasible. A large portion of the overseas Chinese capital entered into Mainland China to maintain the ethnically based economic links.

According to Kotkin, after the Tianmen massacre "American and other foreign firms might have pulled back in horror from the brutal regime, but the overseas Chinese, including as many as 3,000 Taiwanese entrepreneurs, actually accelerated their investments. Virtually illegal at the beginning of the 1980s, trade with the Mainland grew so as much as 10 percent of all Taiwan's 'foreign' trade and accounted for nearly one third of its total worldwide surplus" (Kotkin 1993:196). Taiwanese and other overseas Chinese "in 1990 accounted for ten times as much of China's new foreign investment as did the Japanese - already have transformed the mainland's southern coastal provinces of Guangdong and Fukien, the ancestral homes of most Chinese abroad, into arguably the

world's most rapidly growing economic region" (Kotkin 1993: 196-7).

In his study on the villages in the Pearl River Delta, Graham Johnson found that Chinese familism and strong cultural identity provided the context in which the Guangdong immigrants in Hong Kong, Southeast Asia and North America distinguished themselves from the people of other areas.^{#6} The peculiar behavior pattern of these immigrants bore the stamp of their feelings of moral obligation toward their kins in their community of origin. The urbanization, industrialization as well as commercialization in the Pearl River Delta region were intimately related to the investment and donation activities of these overseas Chinese. The temples, ancestral halls, educational institutions, infrastructure facilities and dynamic economic transformation might be seen as the ethnic identity consequence of those investors. These sojourn Cantonese felt culturally comfortable to invest in their lineage cousins and in turn, preserved the integrity of certain distinctive features in this single culture area.

Such sense of social commitment or cultural loyalty paid to ancestral homes could also partially explain the hot business dialogues between Taiwan and Mainland China. Johnson also carefully differentiated the behavior patterns between the overseas Chinese and the compatriots from Taiwan

and Hong Kong. The former tended to donate and the latter to invest.#7 It held true to a degree in my observation in Fujian Province. Most of the imposing constructions bearing ritual or social welfare significance were generously sponsored by overseas Chinese from Southeast Asia. Hong Kong Chinese sometimes kindly gave money to develop local public utility. But, according to one of the officials in Xiamen, they were usually granted flexible terms of trade like tax breaks or tariffs, etc. at the same time. In a sense, their situational selection of ethnic identity in an alien society reflected the great economic concern of the bourgeois. They placed the "class interests, interests which cross ethnic and national boundaries" high above the pressing priority (Wang 1988:13).

On the one hand, the donation activities of the overseas Chinese could be seen as a behavior corresponding to their ethnic identity and a practice of community rituals. The museums, the Jimei business academy, and the Xiamen University donated by Jiageng Chen, the celebrated Singaporean merchant, is a good example. These cultural assets exhibited Chen's respect towards the Chinese lineage elaboration structure. Chen impressed every Xiamenese with his contribution to his ancestral home. When I expressed my doubt that Taiwanese merchants could find their near relatives and choose their investment sites in Fujian out of sheer ethnic identity, a Xiamen official refuted me with the case of Jiageng Chen. He

told me that he had helped Taiwan businesspeople many times out of ethnic identity. He once led a lumberer to Heilongjiang Province rich in timber located at the northeast China. He firmly said that he would never do this for a Japanese. He could hardly forget the resentment towards the Japanese stemming from Japan's military invasion upon China and using live Chinese to conduct bacteria experiments in northeastern area of Mainland during World War II. I thus understood why the Japanese enterprises like Matsushita electric appliances and many other food industries in Xiamen would find the Taiwan corporations as their joint venture partners to enter into China market. It could at least lessen the ethnic tension due to the direct encounter between China and Japan. Taiwanese partners could serve as a useful buffer while settling the business deals.

It was a precious chance to talk with a finance professor in Xiamen University who had spent three years in Beijing to help carry out the investment and donation plans for Yu-kang Pao, the powerful capitalist from Hong Kong. The ancestral home of Pao was Ningbo, a city in Zhejiang Province. He intended to donate the money for the birth of Ningbo University. Besides, he sought to cooperate with China for investing steel industry. This was the first time for overseas Chinese to help generously to establish such kind of ethnic industry. The Chinese leader Deng Xiao Ping valued highly this matter and ordered this professor who was also a

Ningboese to settle this project. Unfortunately Pao died in the middle of progress and the project was discontinued. Ningbo University did not work out satisfactorily either. In Prof. Chen's opinion, it would take an incessant financial support to run a sound educational institution. Even the big initial cash donation would not ensure the future staffing and the good maintenance of the facilities. The Shantou University in Guangdong Province sponsored by Ka-sheng Li was different. It received an endless financial aids from this influential Hong Kong Chinese who also currently invested a rich variety of industries in China.

However, the donation behaviors, basically, did not contradict with the business ambitions of those overseas entrepreneurs. Siu-lun Wong analyzed this form of philanthropy. "Their donations are mainly channelled towards higher education ... the type of education they support is mostly related to their business vocation, such as management and engineering. Their major donations also tend to be directed to their native place, the source of their regional ties". Wong raised our attention that these entrepreneurs might be "keenly aware of the physical impermanence of their business enterprises". They thus sought "to ensure the immortality of their family name" and "the perpetuation of Chinese culture and identity which provides the moral underpinnings to their business endeavours" (Wong 1995:147).

On the other hand, the China authorities were eager to know what happened in the current Southeast Asian societies and aggressively using ethnic identity to whet the appetite of their Chinese capitalists to invest in Fujian. I once accompanied an official Mr. Fei to get a newly published book by the Overseas Chinese Institute of Xiamen University. He served in the Association for Promotion of Asia Pacific Economic and Cultural Exchanges. He told me many stories about his tour exhibitions to show the overseas capitalists the Fujian industrial profile in the Philippines and Malaysia. And those overseas entrepreneurs were also smart to assess their target investment environments from ethnicity and many other respects.

The large overseas group Xianglu Fibers could be a good example. Although Fujian was the ancestral home of all its establishers, by no means could the affective attachment to the place of origin and dialect group identity alone make Xiamen the ideal investment site. The good infrastructure and transportation were more important for them to make the choice. The Taiwanese manager who had been to Dongshan to visit his friend, offered me another example for overseas investments in the Mainland. One of his fellow professionals from Canada was a Fujianese. This immigrant from Canada run an entertaining business in Dongshan Island. Most of its consumers came from the nearby cities, especially the new rich profiting from the local private enterprises or the

sons of the ruling classes who could afford such luxury. His investment site happened to be a rising star market town that China authorities eagerly planned to attract overseas capital. He was one of the merchants responding to the community of origin and the language of native place to set up business in his ancestral place. But out of realistic assessment, he chose the entertaining industry to serve both the local community and his personal economic consideration. The mutual benefit motivation of both sides was quite clear.

The overseas Chinese from North America also included the elite of management and engineering. What Joel Kotkin described as the specemen belonged to a new breed of trans-Pacific nomads. These Chinese diaspora traveled between and tied together North America and Mainland China to conduct business for their American technological companies. Some of them also established their own companies. They coordinated the financial links within the Chinese-dominated economies of East Asia and the production facilities of Mainland China to construct a Chinese economic zone (Kotkin 1993:168,199). As American citizens, they "think not so much in terms of nations or states but a seamless global network connecting communities nevertheless united by a common ethnic identity" (Kotkin 1993:169). It was the ethnic identity to make their dreams of successful international business come true.

Hongkongese did not differ much from Southeast Asian or

North American Chinese in investment motivation. In addition to the labor force, tax breaks, potential China market and low-priced land, they all deemed the easy communication due to the similar language and ethnicity as a favorable factor (Kao 1994:195). The major difference was the scale types of their enterprises and the subsequent business behaviors in Mainland China. According to the comparative study of Charng Kao to investigate the foreign investments in Mainland China, Hong Kong, Macau or Taiwan investors were different from Singapore, America or Japan investors in terms of enterprise scale and the ways of seeking their partners in the Mainland. Most of the Hong Kong, Macau and Taiwan enterprises were small-sized while the Singapore, America and Japan enterprises were relatively large-scale (Kao 1995:209-10). In the light of joint venture partnerships, the former ones tended to cooperate with China's township enterprises to curtail the negotiation process and gain the profit in a comparatively short period. The later ones tended to cooperate with the state and collective or parallel upper administrative level enterprises to secure the authorized documents at the cost of time. Since the lower administrative level enterprises were more flexible and market-oriented than those state and collective ones, Hong Kong, Macau and Taiwan merchants could expect to reap what they had invested sooner (Kao 1995:205-6).

As to the transferring of manufacturing from Hong Kong to China, Alan and Josephine Smart found this process smoothly

facilitated by the "social linkages and cultural commonalities of Hong Kong investors and their Chinese counterparts". "Most Hong Kong investors are relatively small-scale enterprises set up in locations where the investors have pre-existing social connections ... Hong Kong investors generally negotiate directly with local officials, and the negotiations are usually socially mediated through their local guanxi" (Smart & Smart 1992:60). And the guanxi as a cultural asset which was transformed into their economic capital had been discussed in Chapter 4.

In their research on the kin employment in Guangdong Province, Josephine and Alan Smart found that many Hong Kong factories in the Pearl River Delta used kin recruitment to resolve the effective capitalist labour management problems. Kinship "provides a context in which mutual trust can be established quickly, which in turn facilitates the business interest of both parties. One's employing his kins and other people from his ancestral home was "a practice which improved his social status in his native place, and served to fulfill an obligation that he felt to improve the living standards of his relatives and friends there. Employing kin was not just a cost, but also a benefit in itself" (Smart & Smart 1993:16,29).

Actually the cultural value of familism could be extended and applied to many other material aspects. Siu-lun

Wong found the kinship terms widely used in the strong familial ethos societies like Hong Kong and Singapore. "Chinese traders in Singapore have been found to refer to their more important business associates as 'uncles' to whom they are not genealogically related" (Wong 1995:141). I once talked with a Xiamen official in charge of the trade promotion and cultural exchange with the Southeast Asian Chinese and Hongkongese. After spending more than a decade in Shenzhen and Guangzhou, he admired the open and progressive Cantonese way to set business in motion. He wondered why Xiamenese could not learn their styles to call some associates 'elder brother' or 'uncle' to ask for business opportunities while drinking tea. This direct and intimate way to pull relations could generate an ethnic tie and lubricate the business process. Ethnicity could carry a pragmatic nature in the business dialogues between the overseas Chinese and their counterparts in Mainland China.

5.2 Taiwanese Investment and Management

Did Taiwanese really act as Graham Johnson suggested that most of them aimed at investment rather than donation in Mainland China? Basically the motivation of Taiwan merchants' investing in their ancestral places was similar to those of Southeast Asian and Hong Kong Chinese. Yet, their donation activities in both the number and scale were overshadowed by the overseas Chinese from those two areas. I knew that a female Taiwan publisher of celebrity went to Mei county of Guangdong Province to visit her ancestral home and established a hospital there around 1988. The Provincial governor was so moved that a Taiwan compatriot went back to her native place to invest such an institution bearing great social welfare significance. The official thought that ethnic identity justified her investment decision. He thus issued her a license for pharmaceutical manufacturing factory. This reward added one more profitable item to her rich varieties of investments in Mainland China (Wang 1995:91-2).

On the other hand, Michael Hsiao and Alvin So found that many small Taiwanese investors were generous in donating local schools and sports arenas to invoke "their mainland kinship and community ties". They did so to "strengthen their social bonds with mainlanders". And this social bonds through friends and kin could save them from future troubles and overcharging fees while going through numerous bureaucratic

process in the Mainland (Hsiao & So 1994:9-10).

Taiwanese felt culturally comfortable to invest in Fujian. How did they differ from other overseas Chinese from Southeast Asia and Hong Kong concerning the ethnic identity? I will explore it by examining certain Taiwanese merchants in Fujian and Guangdong. Most of the samples I collected from fieldwork were small-sized family or non-family enterprises. There existed one interesting phenomenon deserving our attention. Many small Taiwanese entrepreneurs found that their investments in the Mainland rejuvenated their declining manufacturing business in Taiwan. This relocation also further sustained their original family form of business organization. Some of their commercial success in Mainland China even had much to do with the support of their family members in Taiwan. Actually, such kind of small-scale family or non-family firms constitute the largest amount of Taiwan investors in Mainland China nowadays.

According to the explanation of Yue-man Yeung and David Chu, Fujian was a nice candidate for the industrial relocation of Taiwanese businesspeople. "First, because of the fact that many Taiwanese came from southern Fujian, investing in and bringing prosperity to their home town was part of a good Chinese tradition, especially for overseas Chinese. The investors or donors would be honoured by their fellow folks in one way or another. Besides, their home town offered an

environment that facilitated relocation, such as communication in the same dialect, convenience that outsiders usually could not enjoy and flexibility viewed sometimes as close to bending regulations and laws. Red tapes that outsiders found very annoying could be circumscribed by appealing to kinship and small favours if they invested in their home town. In addition, under the open policy and the goal of promoting a unified China, some privileges were legitimately accorded to visitors and investors from Taiwan in Fujian" (Yeung & Chu 1995:9).

Compared with other foreign investors in the Mainland, Taiwan enterprises constituted the largest portion of the foreign investors in Fujian, especially in Xiamen (Kao 1995: 207-8). But the exact numbers of the Taiwanese investors having relatives or near kins in the Mainland might be little. After centuries of separation from the Mainland, most of the native Taiwanese could hardly find their near relatives or any kin connections there. Yet, what the advantages for investing in the ancestral place mentioned by Yeung and Chu still held true. In my field observation, the differentiation between the ones having relatives or connections and those having no relatives in the Mainland might be more apparent than real. The businessmen without relatives or acquaintances in the Mainland could also use other techniques to find their brokers and build delicate social connections with the authorities concerned as long as they became aware of the local culture.

Taiwanese merchants in Fujian region counted more on personal connections than those of other areas did to achieve their business success (Chiu, etc. 1994:150-1). Owing to the similar language and ethnicity, they could gain a deeper understanding about the local culture and make better use of guanxi capital in the local societies, just like the situation of Hong Kong investors in Guangdong Province (Smart & Smart 1992; 1993). In fact, most of the small Taiwan family enterprises believed the value of social relationships and heavily used it in Taiwan societies to set business in motion. Even having no near kins in the host societies, Taiwan businesspeople were not strange to these practices in Mainland China. They could dexterously find the substitutes to cultivate the fictive-kin relationships as well as guanxi-like connections, and to develop the social networks as needed.

Only two cases of my ethnographic studies belonged to the type of Taiwan investors having relatives in Mainland. One of them I knew was a middle-aged woman married to a Mainlander moving to Taiwan in 1949. Her husband Mr. Wen had a nephew holding high positions in Communist Party. After retiring from the civil service career, they gave all their money to the young man and set to work on real estate business in Shenzhen through his arrangement. This short cut kept them free from bothering about trivial but vital to red-tape

matters. And their nephew acting as a local intermediary using his social connections also benefited tremendously from his uncle's economic support. However, their apartments did not sell well at the earlier stage in Shenzhen. They could scarcely reap any profit from what they had invested and support themselves. The Wen couple thus went back to Taipei to raise more funds among their old neighbors and friends. Their primary form of guanxi which they had cultivated in Taiwan through years, provided them the sufficient capital necessary for their business career in Shenzhen. Through the arrangement of their Mainland relatives, their extended form of guanxi they exercised in Shenzhen, also helped to settle the bureaucratic procedures to run business.

The prevalence of small factories in Taiwan told the psychology of these petty bourgeois that better to be the head of a chicken than tail of an ox. The strong drives towards self-employment of Taiwanese and the family-centered entrepreneurial ethics was received as an admitted fact by Richard Stites and Stevan Harrell (Stites 1985; Harrell 1985). S. Gordon Redding explored such spirit of Chinese capitalism (Redding 1990). In the course of socialization, one was instilled with Confucian philosophy stressing familism and authoritarianism. This cultural belief influenced his later life in a networked society, and the subsequent personalized organization run paternalistically. Redding made an effort to

identify the attitudes shared by businessmen that predisposed them to the peculiar type of family firms favoring ownership overlapping with management hegemony.

Siu-lun Wong also discussed the correspondence between traditional stability of family and economic ties (Wong 1988, 1995). Wong held a positive attitude towards Chinese family values and business networks to bring favorable social dynamics for industrial growth. He examined the features attached to paternalistic managerial ideology and practice, nepotistic employment, and family ownership. "The metaphor of the family provides a form of ready-made cultural rhetoric to legitimize managerial authority" (Wong 1988:137) and tranquilize industrial conflicts. Family members or other relatives provided reliable and cheap labor. The quick decisions were easily attained among family members. They all contributed to the resilience and competitiveness needed in times of recession or in high risky situations (Wong 1988: 138-9). Indeed, such kind of small family firms contributed a great portion to the Taiwan economic prosperity in the last two decades. As Wong indicated, the applicability of Chinese family values and business networks to other sociocultural settings promised well for the economic development of East Asian societies.

According to one investigation result by Chung-Hua Institute for Economic Research in 1994 (Yu & Yeh 1994), Taiwan

investors in Mainland China outweighed those in Southeast Asia in terms of numbers. In terms of the average capital, however, each case of investment in Southeast Asia was eleven times greater than that in the Mainland. Obviously, there were more Taiwanese investing capital-intensive industries in Southeast Asia. That kind of capital-intensive investments might better use quality technology, management, manpower and capital. These resources were generally restricted to transplant to the Mainland under the regulations of Taiwan government based on political consideration (Yu & Yeh 1994: 65). Besides, most of the Taiwan investors in the Mainland adopted the form of sole ownership while those in Southeast Asia took the form of joint venture (Yu & Yeh 1994:199).

The investment behaviors of the Taiwanese merchants in the Mainland bore much similarity to their behaviors in Taiwan. Those small businesspeople used to enlist the resources provided by their family members to run their business. The sound financial institutions and formal social control systems in Southeast Asia meant much more important to multinational corporations than to small-sized enterprises. Their drives towards self-employment also made they prefer sole ownership to joint venture. Most of them chose the labor-intensive type of industries to invest in south coast provinces of the Mainland.

5.3 Kinship and Management

My fieldwork data convinced me that one's having no kins in the Mainland would not necessarily deny him having good relations with his Chinese counterparts in Mainland to work out his business strategy. The diamond merchant Mr. Pei told me that he usually set the deals through the local brokers. That could help to gain a reasonable condition on price acceptable to both parties because the middlemen knew the local culture better than he. The tea leaf enterpriser in Xiamen used the local manager to settle the administrative matters. The chief Eupa manager in charge of development and planning was also a Xiamen local. The umbrella factory owner got along well with Shenzhen social security officers to secure a cheap piece of land. The shoeparts company manager found it easy to buy the necessary licenses from the friends of the officials concerned. The mini-spring manufacturer had an intimate fellowship with a helpful local cadre.

All these Taiwan firm owners or managers said above had no near kins in Mainland China. There is a likeness between Hong Kong and Taiwan investors. They tended to cooperate with the township enterprises in rural China districts. Many small Taiwan businesspeople sought the local rural enterprises as their partners of joint venture in the Mainland (Kao 1995: 205-6). They might not use the Mainland kin employment as Hong Kong investors did (Smart & Smart 1993). But their

knowledge of the art of guanxi paralleled those of Hongkongese. That kind of knowledge helped them to get along with their Chinese partners in the Mainland.

For those small merchants, the local social bond in their native societies was important. Much of the financial and human resource needed for the business careers in the Mainland was acquired from their kin groups and family members in Taiwan. The Mongolian barbecue restaurant owner told me that he had a brother successfully relocating a bicycle manufacturing factory to Shenzhen. And he was encouraged to buy the chainstore trademark from one of his brother-in-laws in Taichung to establish this restaurant in Xiamen. The medium-sized tea leaf corporation owner worked hard to set his business in Xiamen and take care of the leaf fields in nearby villages. His brother lent him financial support when he expressed that he wanted to expand his business zone northward.

The Eupa electric appliances offered an example that small-medium scale enterprise rejuvenated its declining business in Taiwan and perpetuated its family firm. The president of Eupa, Mr. Wu was so famous in Xiamen. During the periods of China Communists launching military exercises along Taiwan Strait in August 1995, this merchant raised his voice to protest against such a rude behavior threatening the security of Taiwan. He was a native Taiwanese. In 1987

he went to Xiamen to set his plant. It happened to be a time that illegal trade with Mainland was severely banned. Facing the uncertain fate, he and his wife could not help crying. They were afraid of not being able to go back to Taiwan. Later their products were among the categories of indirect trade and investment flows toward PRC legally approved by Taiwan's Economic Ministry. With the low cost and sufficient labor force plus sound management in Xiamen, it generated more outputs and greater employment levels. Its production and profit accelerated at a dazzling speed. Eupa had now become a world wide known brand and owned its branch corporations in Taiwan, Japan, United States and Switzerland. It was also the first sole ownership Taiwan enterprise entered into the Mainland stock market in 1993. Eupa ranked from a small-medium firm to become a multinational corporation. Wu entered into China at the opportune moment to rejuvenate his twenty years old enterprise (Kao 1994:134-9).

Regarding the business expansion of family enterprises in a host society, David Y.H. Wu enlightened us with his case study of Papua New Guineas Chinese (Wu 1982). The correlation between kinship and entrepreneurship was apparent. Wu noticed the common features of entrepreneurship of overseas Chinese, such as "the manipulation of human relationship as an adaptive strategy in achieving desirable ends--success in commerce", "the organization of kinship members in managing a small-scale enterprise which later expands both in terms of the number

of kinsmen organized and the volume of business transacted", etc. (Wu 1982:88). To understand the kinship-oriented entrepreneurship, we might review two cases of Taiwan family firms in the Mainland as follows. The development of their corporations revealed the managerial ideology and practice of personalism and paternalism. Although there attached certain drawbacks to family business form of organization, their commercial success and business expansion in Mainland was related with the nepotistic employment and family ownership.

The umbrella factory I mentioned above was run by a Taiwanese family. Its kinship structure overlapped to a degree with its firm organization and corporate culture. Every family member had his or her own corresponding duty in the company. The president of this company was a capable woman. After her father died, she became the heir to this family enterprise. In 1989 she decided to move the plant to Shenzhen, then sent the manager who was also the husband of one of her classmates, and her younger brother with sister-in-law to look after the factory in turn. She and the other family members working at the company kept their paper work and office routines same at Taipei. She was responsible for securing the orders from the American and European clients. Before divorcing her husband, she let the man and his sister take the major roles in its business operation more than ten years. Her mother was always the company accountant. The errand boy was her aunt's smallest son. The secretary was her

college classmate. And a female worker was a person from her same home town in central Taiwan as well as her mother's high school classmate. There were a man and a woman had no previous connections with this family before entering into this firm. These two persons were also the group ususally excluded from the company meeting and alienated from the family discussion.

After analyzing the belief and workflow operation of the Chinese family enterprises, S. Gordon Redding found the unfortunate traits attached to the small scale firms. Redding argued that personalism denied "the emergence of the kind of objectivity and neutrality in which truly rational and professional bureaucracy can flourish" (Redding 1990:135). And paternalism allowed that "nobody outside the owning group can generate for himself truly legitimate authority" (Redding 1990:158). They all led to capital starvation and impaired the optimal organizational growth. However, it seemed that the management based on personal relationships did not bother this family firm said above. Its production and profit progressed at a steady pace. As to the familial values and industrial growth, Ambrose King weighed the nepotism in a different way. It never vanished in employee recruitment might because the mutual trust between family members was still cherished, and believed to stablize organizational development as well as enhance corporate interests (King 1991b). This family enterprise was now expanding its assembly lines in Mainland to cope with the flooding order slips from

western nations. Its family members worked harder than ever before to handle their increasing company duties.

Miss Tsai, the woman scolding the Mainland factory worker for stealing the offerings from the altar at an event of 15th worshipping, was the president of that mini-spring company. She grew up in a mercantile family in the suburbs of Taipei. In 1989 she went alone to Xiamen to seek for business opportunity. After establishing the same type of manufacturing business there, she took her father, mother and younger brother to look after the plant and continued their family business. She developed her own interest in department store business and focused on man-made high-class suits. Now she not only became the Xiamen deputy of a famous Taiwan suit brand, but also was the share holder of its plants in Shanghai and Hungzhou city in Jiang-su Province. She spent twenty days per month in Shanghai and ten days in Xiamen.

Most of her employees of mini-spring factory in Xiamen were from Jiang-xi Province because her mother was once an adopted daughter of a KMT soldier retreating from Mainland in 1949 to Taiwan. The native place of this adopter happened to be Jiang-xi. Her father also engaged himself in the real estate business with zest. He was so lenient towards those Jiang-xi workers that they usually idled about in the office hours without fearing being fired. The young lady president always disagreed with her father's way to treat the people

holding views different from their usual familial values in Taiwan. There was once a time that a relative Jiang-xi worker stole the suit stocks from her warehouse. She was really mad when she sighted the suits worn by his wife. This worker took his other five brothers and sisters from Jiang-xi to serve this company. This lady president and her family members treated them nicely. Why should such things still happen? Did they spoil the Mainland relative workers? She became harsher after learning this lesson.

With the expanding of their manufacturing business, her older brother and the son of her uncle established another factory in Shenzhen to deal with the increasing product demand. Now her uncle and his wife moved to Xiamen to live with her parents. That made life busy without sacrificing family happiness. This lady was an optimistic woman. She told me that she also tried to open the Beijing suits market by setting a counter in a renown department store. In her progress to achieve her multi-products manufacturing and selling in Mainland China, she enlisted the human resources from most of her family members in Taiwan. Their cooperation made her empire of family enterprise grow much stronger than ever before. Her familiar terms with one local cadre also saved her family corporation from many hardships generally gone through by the strangers in a host society. The kinship and entrepreneurship had much to do with her family's industrial relocation and commercial success in the Mainland.

5.4 Taiwanese Employees in Multinational Corporations

Why was this group included in my discussion on the ethnicity and business behavior? It was important because it brought a parallel case of non-Chinese foreign enterprises to test the significance of cultural affinity in the business discourses. An interesting phenomenon came to my attention while I was conducting the research of Taiwanese merchants in Mainland China. In field interviews, I frequently encountered Taiwanese managers and technicians who were sent to the Mainland by American and European multinational corporations. These managerial and technical personnel were needed for the reasons of culture, language and technology. Such kind of Chinese expatriate managers I knew recently also included one Singaporean Miss Cheng serving for a Japanese financial institution in Hong Kong to develop the business relations with Taiwanese merchants in Fujian. I believed that her language ability of Minnan dialect and Mandarin helped her gain this job. The Hongkongese Mr. Lee went to Guangzhou quite often to negotiate with the Cantonese officials for an American multinational corporation. He earned his MBA degree in the United States and could speak Mandarin fluently. And one America-born Chinese Mr. Fu who learned his Chinese from his parents in New York, became an ideal candidate for the expatriate in the business travels to Shanghai.

All their experiences guided me to think a problem of

the ambiguity of symbolic actions of human societies posed by Victor Turner in his Dramas, Fields, and Metaphors (Turner 1974). In the interaction between capitalism and socialism, these expatriates acted as the social linkage to bridge two, in a sense, cultural conflict societies. They were the representatives of the western or Japanese organizations in the Mainland. But they were physically ethnic Chinese themselves. In addition to their knowledge of Chinese culture, did their ethnic identity bear the symbolic function to assuage the cultural cleavage between two different ethnic societies? In my observation, their being Chinese did carry the ethnic symbolic meaning to facilitate their mediary action in the negotiation process in Mainland China. But I wondered how they perceived their positions in relation to their home country organizations as well as to their Chinese counterparts in the Mainland. Did their cultural sensitivity to Chinese societies expedite the cultural transformation to sinicize the business operation of foreign companies in China? They were entrepreneur bureaucratic middlemen and cultural brokers to ride the waves of cultural diversity in business. After finishing their tasks in the host societies, they reaffirmed their social identity and reintegrated into their home country organizations in the United States, Europe and Japan.

To Victor Turner, ritual metaphor functioned as a vehicle for mediating fissions in a phase of liminality and a state of communitas (Turner 1974:37,56). In a sense, these

ethnic Chinese were such ritual metaphors themselves. They brought the ambiguity of symbolic communication that helped avoid the chaos erupting from a cross-ethnicity tension when the west met the east. They controlled not only the important communication channels, but also the access to the headquarters of power and authority. They won their colleagues of ethnic outsiders to their interpretation of the Chinese local community culture. Yet, why were they entrusted with such roles in this social drama to act as intermediary in facilitating the east-west business dialogues?

These expatriates were sent by their non-Chinese employers to bridge the ethnic and cultural distance with a Chinese commercial society. They obtained the understanding and support of those foreign organizations. However, there existed numerous Americans, Europeans and Japanese capable of bilingual Chinese-English. Why were these ethnic Chinese chosen to substitute for their bosses' fellow countrymen in the United States, Europe and Japan? Quite a few non-Chinese paralleling their Chinese language and technological skills were excluded from the consideration lists. Randall Stross deemed it an unfair fact concerning the expatriates in the Mainland. "Chinese-speaking Americans who were not ethnically Chinese saw that they were excluded from the blood nexus that tied Chinese-Americans to the motherland, and they saw deals were lost as a result ... These ... were often explained by foreigners as illustrations of the importance of guanxi in

Chinese culture" (Stross 1990:142).

The personal connections and the racial rhetoric was obvious choice for foreign corporations to appoint managers in the business expedition to China. The social relationship was regarded as a major asset during the culture shock period for foreigners in Mainland China. Such cultural sensitivity to guanxi was difficult to acquire for non-Chinese. On the other hand, ethnic Chinese might hold the natural advantage on the strength of their early socialization process in family lives to master the art of guanxi. That could partly explain the comparatively large numbers of Chinese expatriate managers in Mainland China.

The cost-benefit analysis might also contribute to this result. The Hongkongese manager mentioned above and two managers from Taiwan working for American corporations all pointed out that a British or American expatriate manager might cost twice or three times of their salaries. The cost analysis partially decided the outcome that the bosses would rather use the Taiwanese or Hongkongese well versed in English to settle their sales or technical problems in China. But, they also indicated that some of their American or British colleagues were not well adapted themselves to their Mainland lives due to the unfamiliar custom. Annually they only stayed a relatively short period there. On the contrary, Chinese expatriates could spend the larger part of a whole

year there without too much difficulty.

Again, they all felt that Chinese linguistic expression itself was not so easy to grasp for non-Chinese. Successful business communication depended heavily on contextual cues such as nonverbal behaviors, social situations, and the nature of interpersonal relationships (Ferraro 1994:50-4). Different forms of the same language were spoken depending on the social situations (Ferraro 1994:54). In many occasions, foreigners could not explain the conversations in the literal sense of the word. The high correlation between language and social context made the verbal messages difficult to follow. The indirect styles of communication might not suit the businesspeople from the low context culture societies like the United States or West Europe in the negotiation occasions (Ferraro 1994:52).

In recent years, quite a few European, American and Japanese pharmaceutical industries held high expectation towards the potential big China market. They generally sought the Taiwanese enterprises as their joint partners and set to make their ventures on a first track in the Mainland. According to one Taiwanese representative for Japanese firm in the Mainland, those foreign multinational corporations trusted the people like Taiwanese sharing the same language and ethnicity with their counterparts in Mainland China to facilitate the business operations (Chang 1995:142-3).

5.5 Patterns of Investments

Most of the Taiwanese investors in Mainland China adopted the form of sole ownership while those in Southeast Asia took the form of joint venture (Yu & Yeh 1994:199). According to the comparative study of foreign investments in Mainland China conducted by Charng Kao, American and Japanese entrepreneurs tended to adopt the form of joint venture while Singaporean and Taiwanese enterprisers tended to take the form of sole ownership (Kao 1995:205). Wei-ru Chen also indicated that the Taishang in Fujian and Guangdong Provinces showed more tendency to take the investment form of sole ownership than those in other regions of Mainland China did (Chen 1996a:38-9,53). Taiwanese businesspeople, overall, revealed in the investment a propensity for sole ownership of entry mode than those non-Chinese investors did. They inclined to invest in the common-traditional areas sharing the similar culture with them. Concerning the wholly owned greenfield investment, Mainland China was favored over Southeast Asia, and Fujian and Guangdong were favored over the other regions of the Mainland.

Bruce Kogut and Harbir Singh (1988) lent us theoretical as well as empirical support to explain the relationship between a firm's country of origin and the mode of entry in foreign investment. According to Kogut and Singh, there existed a negative correlation between the wholly owned

investment and the psychic distance. Psychic distance "is meant the degree to which a firm is uncertain of the characteristics of a foreign market". It "would be influenced by differences in the culture and language of the home and target countries" (Kogut & Singh 1988:413). Compared with the other countries making the foreign direct investment in the United States, United Kingdom and Canada adopted, to a high degree, the acquisitions and wholly owned greenfield as their entry modes. Their culturally relatively similar to each other might shorten the psychic distance between the nation of investing firm and the nation of entry (Kogut & Singh 1988:419). It was based on the hypothesis that "the more culturally distant the country of the investing firm from the United States, the more likely the choice to set up a joint venture" (Kogut & Singh 1988:422). With the rather small cultural distance between the United Kingdom and the United States, the former might select the acquisitions and wholly owned greenfield investment to enter into the U.S. market.

With the easy communication due to similar language and ethnicity, the cultural distance between Mainland China and Taiwan or Singapore was certainly short. From this point of view, Taiwanese or Singaporean entrepreneurs might exhibit more sole ownership tendency than the United States or Japan did in their Mainland China investment. Besides, compared with the multinational corporations of North America, the

enterprises of Taiwan, Hong Kong and Southeast Asia Chinese showed a strong preference towards family firms with ownership overlapping with management hegemony (Yearbook of the World Chinese Entrepreneurs 1995:227). These Chinese family firms usually took the form of sole ownership and enlisted the financial as well as human resources from their family members. Most of them changed little such investment form to enter into Mainland China. They still observed the cultural belief and practice towards familial values to set up their business in the Mainland.

For Taiwanese entrepreneurs, the cultural distance with Mainland China was smaller than that with Southeast Asia. That could partially explain why their sole ownership investment cases in the Mainland were greater than those in Southeast Asia. By the same token, the culture of Fujian and Guangdong was more familiar to them. That could also partly explain why their wholly owned investment cases in Fujian and Guangdong were larger than those in other areas of the Mainland.

Kogut and Singh also hypothesized that the "more uncertainty avoiding a culture tends to be, the less attractive is the acquisitions mode due to the organizational risks of integrating foreign management into the parent organization" (Kogut & Singh 1988:423). It was possible that United Kingdom and Canada bore less uncertain avoidance towards their direct investment in the United States which

was relatively culturally similar to them. According to the uncertainty avoidance index values empirically found by Geert Hofstede, Taiwan rated midway between the weak and strong uncertainty avoidance index while Singapore hit the lowest index value (Hofstede 1991:113). Both of them were excluded from the strong uncertainty avoidance societies. Their choosing wholly owned greenfield investment to enter China market was not at variance with such value orientation. It corresponded well with the venturesome spirit of Chinese entrepreneurship and strong self-employment drives.

There existed an interesting phenomenon relating to the self-employment drives. Although the average capital of each Taiwan investment in Southeast Asia was much greater than that of Taiwan investment in the Mainland, the number of Taiwan investment items in the Mainland was much larger than that of investment categories in Southeast Asia. The rich variety could partially indicate that Mainland China implied more business opportunities for those small businessmen with venturesome spirits. It also raised the possibility that more kinds of Taiwan products might be customized to suit the Mainland consumers and rejuvenate their small-medium scale consuming product industries in the potential China market (Yu & Yeh 1994:204-5).

Last summer I encountered a Taiwanese merchant for plant medicinal materials in Xiamen. He told me that he began his

business adventure in 1985. At first, he identified the supply sources in Northeast Provinces of the Mainland, then gradually sought the export markets in Taiwan, Hong Kong, Southeast Asia and Japan on his own instead of searching the joint venture partners to cooperate. I was impressed with his diligence and entrepreneurial spirit.

Both the cultural familiarity with Mainland China and the strong self-employment drive contributed to the sole ownership pattern of Taiwanese investment in the Mainland. However, Taishang also exhibited their anxiety towards the uncertain government policies of China and Taiwan. Numerous entrepreneurs chose the sole ownership investment to protect their proprietary assets and managerial autonomy in the Mainland.

Chapter 6

Concluding Remarks

The objects of study in this thesis comprised four types of businesspeople as follows:

1. Family or non-family based small and medium enterprises run by native Taiwanese with no relatives in China. The institutional foundation of Taiwan's business organization was typically small-scale family-based firm. This family firm structure was not replaced by modern organizational types even had its manufacturing plants moved to the Mainland. The family firms usually sent one of the family members who are in charge to look after the factories in Shenzhen and Shantou in Guangdong or Xiamen in Fujian. The other family members working at the home companies in Taipei handled the paper work and office routines in the same fashion. Those non-family-based small enterprises made no much difference from this manner. Periodically or irregularly they sent their staffs on an errand for the supply sources or shipment matters. They just used the low-cost labor force in China to earn marginal profit and kept their business surviving in the commercial society filled with competition.

2. The investors from Taiwan who had relatives or connections in the Mainland. The amount was so small that it

hardly counted.

3. Big Taiwanese enterprises enjoying high reputation.

These new comers, in general, were cherished and kindly supported by the Chinese government. They seemed to integrate well with the dynamics of modern industrial capitalism and made "the three-pronged investment in manufacturing, marketing, and management essential to exploit fully the economies of scale and scope" (Chandler 1990:393). Contrary to those personally managed and personally owned enterprises favoring current dividends over long-term growth, they were committed to large-scale, long-term reinvestment in their enterprises.

4. Taiwanese, Hong Kong Chinese or Chinese-Americans

working for foreign enterprises in the Mainland. Many American, European or Japanese corporations would rather send managers from Taiwan or Hong Kong than use their fellow country men as executives. The Chinese-Americans were deemed as being cut out for the expatriates in China. To promote the product or facilitate the investment, it seemed reasonable to hire these ethnic Chinese. They were superior to the non-Chinese staff from their home country organizations in language ability as well as the insights to handle public relations within Chinese community.

The differentiation between the first two categories might be more apparent than real. Actually the businessmen

without relatives or acquaintances in the Mainland could also use other techniques to find their brokers and build delicate social connections with the authorities concerned as long as they became aware of the local culture. Unlike the small-medium enterprises tending to count the easy communication due to similar language and ethnicity as the most favorable factor in the Mainland's investment climate, the big enterprises depended more on modern legal system or other formal social control systems. But category three and four still offered many examples of personal relationships or social networks pertaining to traditional Chinese culture. Type four was important because it brought a parallel case of non-Chinese foreign enterprises to test the significance of cultural affinity in the business discourses.

Category one constituted most part of the Taishang in Mainland China. Numerous small-medium labor-intensive and export-oriented Taiwan enterprises relocated their assembly lines to the southern coastal provinces of the Mainland in 1980s. They solved their immediate domestic labor shortage, high-priced land and other industrial problems by taking advantage of China's preferential policy towards overseas Chinese investors. This region happened to be an area sharing common traditional custom with Taiwan. Taiwanese felt culturally comfortable to invest in this zone due to similar language and ethnicity.

Nevertheless, both the China policies towards foreign investment and the entry modes of Taiwan enterprises themselves had gone through a drastic change in 1990s. On the one hand, the Mainland authorities were now actively developing the northern and inland regions to bridge the economic distance between the north and south, and the coastal and inland regions. The preferential policies were extended to those areas other than the Special Economic Zones having much connections with overseas Chinese. And non-Chinese investors from all over the world were allowed to enter into the Mainland market with the equal opportunities enjoyed by overseas Chinese.

On the other hand, the investment patterns of the new Taishang were different from those of the early comers. According the new trend of Taiwan's investing activities in Mainland China found by Min Shi, "Taiwan investors' plan to 'Run away with the capital as soon as fighting breaks out' was replaced by that of 'Striking roots in the earth'. They invest no longer mainly in medium and small enterprises but in businesses of all scales. Instead of investing mainly in labor-intensive industries, they have made investment in part of the capital- and technology-based industries as well. They have extended the areas of their investment from the coastal regions to the northern part and hinterland of the Mainland" (Shi 1995:12).

This new progress of the "expansion of the localities of investment", the "expansion of the fields of, and the rising of the level of, investment", the "elevation of the scale of investment" and the "extending of the period of investment" was further confirmed by Yanshen Wei (Wei 1995:12-3). There included many Taiwanese new comers of large-scale and capital- or technology-intensive enterprises. They aimed at China's import market and tended to use the joint venture to explore the sales channels or source supplies in the Mainland. Their investment sites moved northward and inward compared with those early comers. Even their patterns of donation behavior had changed a lot. Some of them chose to sponsor orphanages or clean the city environment, instead of building ancestral halls or local schools. They rendered social services to better their corporation image.

The current situation suggested the increasing importance of the Taishang categories three and four. But the Taishang types one and two would still constitute the significant portion of the Taiwanese businesspeople in Mainland China. In recent years, numerous Taiwanese investors noticed the potential of the Mainland township enterprises in manufacturing the foodstuffs and other livelihood products of great demand for the north or inland regions of China. With the unchanged Mainland policy to create the jobs for the surplus rural population and shorten the economic distance between the urban and country areas, the rural industrial enterprises

might promise well for those small entrepreneurs tending to cultivate and use their social connections in the local communities in their business operation.

Although more multinational corporations from all over the world would enter into the China market, the socio-cultural assets held by the ethnic Chinese might continue to throw an impact upon the foreign investment in Mainland China. Those Chinese expatriates of the category four owned the intercultural communication abilities and the knowledge to decipher the symbols and rituals of a local community culture. This was a strong argument for making cultural considerations part of strategic planning in a foreign market. "Successful intercultural encounters presuppose that the partners believe in their own value" (Hofstede 1991:237). The rule of social relationship was indispensable to communicate in a high-context language society. That made the personal connections and racial rhetoric still mattered in the Mainland investment.

Now the overseas Chinese investment constituted most part of foreign investment in Mainland China. Much of their cultural belief and practice pertaining to Chinese tradition would not be likely to vanish in an investment environment sharing much common value orientation with them. Even the multinational corporations of the Taishang category three could not be totally free from using the guanxi networks to

settle their problems. For those big enterprises of non-Chinese, they might find the Chinese expatriate managers to handle the public relations problems in the host societies for them. For Taiwanese firms, it cost less efforts for multinational corporations to pave the way for guanxi networks with their partners in the Mainland because the China authorities generally prized the relations with the big foreign enterprises. Mainland authorities actively sought to cooperate with them partly because they generated more output and brought greater employment levels. They negotiated directly with the central authorities instead of dealing business matters by using local social connections. In a sense, they could use guanxi more justifiably for the blessing from the central authorities. Basically, they followed the legal procedures to set up their business and only used guanxi in certain situations as they saw fit. The rule of law could work hand in hand with the rule of social relationships to facilitate their business operation.

Besides, the new China policy in 1990 allowed more foreign service industries and other third industries like department stores, supermarkets and banks to enter into the Mainland market. Such industries aiming at Mainland consumers could involve more personal interactions and human problems. Those large-scale enterprises might highlight the importance of public relations and the ensuing social networks issue to cope with it. They showed their desire to build more personal

relations and social connections to establish the active sales channels and to open more potential markets. Some special business categories like restaurants, Karaoke Televisions or other entertaining business even needed the firm and extensive guanxi with the authorities concerned to ensure their security. Judging from the foreign investment items newly approved by the Mainland authorities, certain cultural factors congenial to social networks building might be used more heavily to boost the business dialogues between Taiwanese entrepreneurs and their counterparts in Mainland China. Again, the shared identity based on similar culture and ethnicity might prove to be useful to develop guanxi and business networks. The cultural knowledge could still remain its significant role for Taishang and other foreign investors in Mainland China.

Notes:

1. Interviewed with Dr. Charng Kao on 1st June 1995 at The Chung-Hua Institute of Economic Research in Taipei.
2. Interviewed with Mr. Haihong Zhou at The Chinese University of Hong Kong on 24th April 1996.
3. Seminar talk on "'Cantonese Cuisine', 'Taiwanese Cuisine', and the Emergence of Taiwan Identity", presented by David Y.H. Wu on 17th November 1995 at The Dept. of Anthropology, The Chinese University of Hong Kong.
4. Seminar talk on "The Grounding of Cosmopolitans: A Historical Perspective on Merchants in South Chinese Local Society", presented by Helen F. Siu on 8th March 1996 at The Dept. of Anthropology, The Chinese University of Hong Kong.
5. Seminar talk on "The Grounding of Cosmopolitans: A Historical Perspective on Merchants in South Chinese Local Society", presented by Helen F. Siu on 8th March 1996 at The Dept. of Anthropology, The Chinese University of Hong Kong.
6. Seminar talk on "Villages in the Pearl River Delta: A Twenty-Year Perspective", presented by Graham Johnson on 27th October 1995 at The Dept. of Anthropology, The Chinese University of Hong Kong.
7. Seminar talk on "Villages in the Pearl River Delta: A Twenty-Year Perspective", presented by Graham Johnson on 27th October 1995 at The Dept. of Anthropology, The Chinese University of Hong Kong.

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