



FROM "US" TO "THEM": DIASPORIC LINKAGES AND IDENTITY POLITICS

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Global diasporas— a type of social formation mediating economic, political, and cultural affairs across borders—have been a focus of globalization researchers for some time. However, up to now, little knowledge exists on how social identification affects business participation in diaspora communities and how such participation modifies social identification. This article, based on empirical research on diasporic linkages between Taiwanese transnationals and ethnic Chinese overseas, serves to illustrate a) how globalization has enhanced the practical and economic roles of diasporas, and b) how economic practices and ethnic identification interact within diasporic communities. The author argues that ethnic membership still remains contested, despite diasporas serving as flexible forms of social organization in the mediation of capital flow.

Key Words: diasporas; identity politics; overseas Chinese; economic globalization; Taiwanese transnationals

According to Barth (1969:14), "to the extent that actors use ethnic identities to categorize themselves and others for purposes of interaction, they form ethnic groups in the *organizational* sense" [emphasis added]. Such categorization is very common among members of what has come to be known as the diaspora—the dispersion of individuals with a shared identification based on ethnicity, language, religion, or customs away from their real or *imagined* homelands (Cohen 1997). Members of various contemporary diasporas are now forming efficient social organizations that meet the requirements of today's movement toward economic globalization. Vertovec (1999: 449) believes that the dispersed diasporas of the past are becoming today's transnational communities, "sustained by a range of modes of social organization, mobility, and communication."

Global diasporas serving as long-distance social organizations have existed for centuries. Commercial skills, entrepreneurship, and international contacts in key cities made it possible for early diaspora members to dominate certain trade routes as early as the 16th century (Braudel 1984). The existence of coethnic migrant communities was particularly important to the first international merchants, who

depended on a shared sense of trustworthiness when making long-distance transactions.¹ While the tools are different, contemporary economic networks among diaspora members continue to wield great power and influence. Cohen (1971) was among the first to study contemporary commercial diasporas and to conceptualize long-distance cooperative trade networks consisting of members of a single ethnic group. Based on his investigation of the Hausa trading network in West Africa, Cohen argued that contemporary diasporas operate "alongside, indeed in response to, and interconnecting with, new economic-political factors" (1971: 269). Other contemporary examples of global ethnic networks include the recruitment from throughout the Jewish diaspora of capital, engineers, and technical knowledge by high-tech firms in Israel, making that country the current source of some of the world's most innovative technology (Hiltzik 2000).

In most studies on diasporic linkages in the global economy, shared origin is presumed as being helpful in the establishment of economic co-operation among interdependent communities, which includes the movement of personnel and capital. This article challenges the assumption that such linkages are based on automatic ethnic identity. For example, Kotkin (1992) claims that global diasporic links function as ready-made networks serving their members' efforts to expand their overseas economic activities. Chen (2000: 48), in his study on the contribution of Chinese diaspora to the South China economic boom, used the phrase "the *magic* of transnational social capital" [emphasis added] when referring to Chinese diasporic networks, as if Chinese linkages appeared out of a vacuum and that ethnic Chinese all benefited from what Lee Kuan Yew, Senior Singaporean Minister, called "the glow of Chinese fraternity" (quoted in Ong 1997: 197). In this article, my focus is on the Chinese diaspora that involves native-place identity, one of the contemporary global diasporas mediating economic, political, and cultural affairs across borders. My point of departure, different from most of these previous studies, begins with the assumption that perceptions of shared origin among diaspora members should be considered as a dependent variable needing explanations.

This article begins with a brief overview on what Lever-Tracy (2000: 5) called "Chinese diaspora capitalism," a term referring to a Chinese-based economy based on ethnic, linguistic, and cultural ties. In describing this transnational economy, Douw and Huang (2000) point out that the Chinese diaspora is equivalent to an international social organization that has influenced the formation of Chinese-based transnational economies. The phenomenon entails economic networks spread across worldwide communities. Though the major focus has been in Southeast Asia and East Asia, and on the Taiwanese and Hong Kong Chinese, both of those groups originated in the Chinese provinces of Fujian and Guangdong, the same homelands of many Southeast Asian Chinese (Redding 1993). Lever-Tracy and Ip (1996) argue that such Chinese cultural attributes as a common language and shared communication modes reinforce transnational links among widely dispersed Chinese-managed businesses. The impact of this Chinese diaspora capitalism is most easily observed in today's South China region. Therefore, most of the recent studies con-

centrated on this region. For example, Chen (2000) has described the social capital that comes in the form of Chinese ethnic networks as a potent resource for establishing economic connections across political boundaries, especially when governments place strong restrictions on such economic links.

There is considerable evidence showing that current economic links among Chinese communities in East and Southeast Asia are gaining strength. Overseas Chinese investment in China (including from Hong Kong and Taiwan) accounted for 80% of all foreign direct investment in that country between 1978 and 1998 (Huang 1999). Over 75% of Taiwan's foreign direct investment (FDI) between 1987 and 2000 was directed toward Mainland China and Southeast Asia (Republic of China Investment Inspection Commission 2001). Over half of the FDI money from Hong Kong and Singapore went to China and Southeast Asia between 1984 and 1989² (Bloom and Noor 1997). In such locations as the Malaysian city of Penang, the presence of Fujianese Chinese has resulted in considerable Taiwanese influence (both groups speak a Fujian-based dialect of Chinese) (Chen 1998). Simply put, ethnic Chinese have invested heavily in Chinese-dominated economies.

Dicken (1992: 131) has pointed out that a firm's perception of "psychic distance" between potential investment locations and its home base plays an important role in determining whether or not investment occurs. The cultural, ethnic, and linguistic motivations for Taiwanese, Hong Kong, and Singaporean investment in China and Southeast Asia have been discussed by Chen (1998), Gomez and Hsiao (1999), Lee (1998), and Low (1995). However, most of these studies have focused on macro- (e.g., political economy) and meso- (e.g., organizations and networks) analyses, thus overlooking the importance of ethnic negotiations and identity politics on micro-level economic processes.

ETHNIC NEGOTIATION WITHIN CHINESE DIASPORA

In the above cases, global diasporas are viewed as being built on membership in a group having a distinct sense of solidarity and strongly perceived differences from others. Such self-perceptions allow for the construction of economic connections, a process exemplified in this quote from an Israeli high-tech businessman: "If not for Zionist sentiment, this entire industry would be in California" (Hiltzik 2000: 11).

However, as Lever-Tracy points out "insofar as a diaspora is constituted by shared memories and common attributes, these are likely, with the passage of time, to fade and assimilate as it adapts to its diverse environments" (2000: 5). Many analysts fail to recognize such dynamics and equate Chinese ethnicity with descent and blood without taking into account a) the ways in which diasporic communities have adapted to their host countries, or b) the construction of ethnic identities among different diaspora communities during different historical periods (Wang 1999: 120-121).

Some researchers went deeper than simply viewing diasporic connections as

being ready-made and therefore taken for granted. For example, Hsing (1998), in a study on Taiwanese who utilize ethnic connections in the process of capitalist accumulation in China, has pointed out the problems associated with viewing Chinese ethnicity as having fixed boundaries. In her study of ethnic ties of Chinese diaspora in South China, Siu (1993) focused on cultural identity and the politics of difference. Her basic assumption was that "'Chineseness' is not an immutable set of beliefs and practices, but a process which captures a wide range of emotions and states of being." In their report on the same region, Smart and Smart (1999: 103) suggested that the ways in which transnational ethnic networks operate involve "shared identities and claims of exclusion operating within a process of situated ethnicity."

This is closer to the Barthian approach in studying ethnicity, an approach taking into account a) how ethnic actors subjectively label themselves, and b) the objective cultural differences that they believe distinguish themselves from others (1969). Accepting Barth's argument means rejecting the assumption that an individual "possesses" an identity; instead, ethnic identification must be dialogic in the sense that it is created, preserved, reaffirmed, and even rejected through a continuous set of contrasts between one's own group and others. However, ethnic contestations cannot be reduced to individual quests for identity, since they are rooted in social, political, and economic relationships. Calhoun (1994: 21) describes these "identity politics" as being "collective, not merely individual, and public, not private." In the same manner, Nonni and Ong (1997:4) suggest that

Chineseness is no longer . . . a property or essence of a person calculated by that person's having more or fewer "Chinese" values or norms, but instead can be understood only in terms of the multiplicity of ways in which "being Chinese" is an inscribed relation of persons and groups to forces and processes associated with global capitalism and its modernities.

Following this line of inquiry, the article uses the experiences of Taiwanese entrepreneurs in Indonesia to argue that even though a global diaspora serves as a flexible form of social organization in mediating capital flow, ethnic membership still remains contested. It is shown how two groups within the Chinese diaspora—Taiwanese and overseas Chinese—forge links via power struggles over identity politics, and how ethnic identification forged within the diaspora is subject to negotiation. The assumptions of the present article are: 1) actors carry economically meaningful identification prior to their economic actions, and 2) their identifications are negotiated through those economic actions.

THE RESEARCH

Data was collected from historical documents, newspapers, journals, and interviews with 99 Taiwanese associated with businesses or business investments in

Indonesia. Interviewees were identified from the Directory of Taiwanese Firms Abroad published by the Republic of China Ministry of Economic Affairs. The directory lists the names of individuals and medium-to-large companies who registered their foreign direct investments with the government. Given that the small businesses tend not to register their foreign direct investment with the government in Taiwan to compensate for potential bias in terms of firm size, I used the membership list of the Taiwanese Chamber of Commerce in Indonesia to locate the owners of small businesses.³ To produce a varied sample, potential interviewees were chosen according to a combination of industry type and firm size. Most of the respondents were entrepreneurs, but a few managers and technicians were also willing to participate. To verify the information offered by the Taiwanese respondents, I interviewed ten ethnic Chinese working for or associated with the Taiwanese entrepreneurs. Interviews were conducted in Taiwan, Jakarta, Surabaya, and Bandung. Interviewees from Taiwan and Jakarta represent more diverse industrial backgrounds and a larger range in terms of size of companies, while interviews in Surabaya concentrated on the footwear industry and the interviews in Bandung centered on the garment/textile industries, both reflecting the industrial clustering patterns in these two localities.

During the research period (1998–2000), there were several incidents of ethnic violence aimed at ethnic Chinese businesses, due in large part to the country's unstable political and economic situation resulting from the 1997 Asian financial crisis. Therefore, the data were collected under very tense conditions, which may have encouraged the Taiwanese investors I spoke with to reflect more deeply on their ethnic membership/identification and its ramifications regarding daily business operations. My decision to focus on Taiwanese investors and managers in Indonesia was partly based on the progressively worsening relationships between ethnic Chinese and indigenous people during the previous decade. Accordingly, I felt that the Taiwanese working in that country had to deal with more intense challenges to their ethnic membership in terms of their relations with ethnic Chinese Indonesians.

According to Taiwan's Ministry of Economic Affairs, Indonesia is home to the largest number of Taiwanese (approximately 30,000) managing or investing in businesses in Southeast Asia (reported in the *China Times*, 16 May, 1998: 13). The data does not show how many of these Taiwanese actually own the firms they are working for. From the information gathered during my interviews, my impression is that the percentage is large, since the majority of small and medium overseas enterprises are, for the most part, operated by the business owners themselves. The majority of Taiwanese transnational companies consists of small- and medium-sized firms in such labor-intensive, export-oriented manufacturing industries as footwear and apparel (Chen 1998). Most owners make the decision to invest in these overseas companies to avoid the strict environmental regulations, higher labor costs, and shortage of cheap industrial space in Taiwan. Their decisions to move their operations overseas are more likely for purposes of relocation

than expansion. Moving a business operation overseas is a long-term, life-changing decision. Some small business owners told me that they expected their children to continue their overseas businesses once they finished their education. In a previous study, I reported that Taiwanese entrepreneurs in Southeast Asia (including Indonesia) tend to spend longer periods of time at their overseas operations than business expatriates who work for multinational companies (Tseng 2000).

The information gathered from the interviews shows that Taiwanese entrepreneurs invest a substantial proportion of their financial and managerial resources into their overseas operations. Although they are “temporary” business migrants by official status, many of them settle and work on a more permanent basis. Some eventually apply for citizenship, in order to gain the conveniences offered by permanent residency and to protect their investments.⁴ They become even more deeply involved in social fields in the host society and establish a larger number of local relationships compared to the expatriate employees of multinational firms.

THE CHINESE DIASPORA IN INDONESIA

It is challenging to identify Chinese who have been in Indonesia for more than one generation, since many have Indonesian surnames and some have stopped speaking Chinese as their first language.⁵ In other respects, however, they still participate in some economic and social forms common in ethnic Chinese enclaves elsewhere—for example, religion is still an important dividing line between ethnic groups in Indonesia. But regardless of the degree to which ethnic Chinese have integrated into Indonesian society, they continue to be the victims of special treatment and discrimination. A Chinese accountant working in a Taiwanese firm in Surabaya, a long-time resident whose family views itself as part of the Indonesian middle class, told me that she never used public transportation because her parents were afraid for her safety due to her ethnic membership. This change shows that for many ethnic Chinese living in Indonesia, economic status does not equal feeling of security. Part of the reason for this lack of security may be found in resentment shown toward the 25 to 30 Chinese families that control a large portion of the Indonesian economy; these families are known as *cukong*, which in Fujianese dialect refers to ethnic Chinese businessmen who cooperate with the local power elite (Chalmers and Hadiz 1997). Using economic data from the mid-1980s, Robison (1986) went so far as to claim that ethnic Chinese, who account for 3–4% of the Indonesian population, controlled 70%–75% of its private domestic capital, an extraordinary proportion.⁶ However, as the *cukong* label implies, members of powerful Chinese families tend to avoid politics, preferring instead to cooperate with the indigenous rulers in return for the freedom to pursue their economic goals.

Chinese identity politics in Indonesia are closely tied to their middleman-minority status, but being “essential outsiders” (Chirot 1997) explains their established position economically but not politically.⁷ Thus, “outsiders” status existed

prior to Dutch occupation but was reinforced during the occupation. Chinese acted as buffers between the colonialists and the general Indonesian population; as the Dutch increasingly adopted a "divide-and-rule" policy, they chose ethnic Chinese traders and merchants as their allies, elevating their legal status to a position below the Dutch, but well above the Indonesian majority. However, the Chinese were encouraged to stick to their own identity via colonial laws that were written so as to hinder their assimilation into Indonesian society (Shiraishi 1997). To ensure separation, they were even forbidden to live outside of urban centers. From this policy grew the image of ethnic Chinese as an outsider group; at the same time, it set the stage for the consolidation of their in-group solidarity, a situation that is typical of reactive ethnicity.

Chinese outsider status continued during the post-colonial period (Lim and Gosling 1983). Mackie (1976) notes that few Chinese participated in the Indonesian process of nation-building, and were therefore accused of not supporting the country's independence movement. Thus, in 1997, Chinese were still treated as a separate category of Indonesian citizen; for example, Jakarta's identity card system uses a special code that distinguishes ethnic Chinese from indigenous Indonesians (Suryadinata 1997). For a long time, documents printed in Chinese could not be brought into the country, giving them a status equal to guns and drugs. During my visit to Indonesia in 2000, the Chinese New Year celebration in that year was the first to be given official permission in years. However, it is still illegal to establish an all-Chinese school.

In the beginning of the 20th century, ethnic Chinese in Indonesia were given a reason to identify more closely with their ancestral homelands than their adopted country. During the early years of the Chinese Republic (created in 1911), an official "overseas Chinese policy" was established, with Chinese bureaucrats creating special rights for Chinese citizens who were viewed as temporarily living under foreign governments. It was during this period that the term *huaqiao* (literally, "outside Chinese") was created to describe overseas Chinese (Wang 1981). Decades later, the Taiwanese government established a cabinet-level agency called the Overseas Chinese Affairs Commission (OCAC) to address *huaqiao*-related issues. According to the mission statement offered by the OCAC chair in 1990, "there would be no such group of overseas Chinese if there were no involvement in organizing them and keeping Chinese culture alive in their communities" (OCAC 1990: 4). Many ethnic Chinese did not view the underlying basis of *huaqiao* as being consistent with their identity, but some were willing to accept their categorization because of the benefits it conferred, such as ensuring access to Taiwanese universities and vocational schools without having to take the country's rigorous entrance examinations.

DESCENDANTS OF "DRAGON": BECOMING CHINESE IN TAIWAN

There is a well-known popular song in Taiwan⁸ called "Descendants of Dragon", the lyrics go like this: "In the remote past of the orient, there was a group of people called "Chinese". In the remote past of the orient, there was a dragon called "China". Although we have never been to Yantze River, we always dreamed of its beauty. Although we have never seen the Yellow River, we always dreamed of its splendor... We will be forever Chinese." This song was made famous by a popular singer and received tremendous market success. However, it reflects the success of a half-century's Taiwan state project of forging Taiwanese identification surrounding "China" and "Chinese".⁹

The majority of Taiwanese are the descendants of migrants who moved there from South China over the last 400 years. However, during Japanese colonization, the dynasty on the mainland that used to govern the island was replaced by a new nation-state. As a result, Taiwanese had gradually developed a separate national identity, until the Kuomintang (KMT, or Nationalist) government retreated to Taiwan from the mainland in 1949 (Wu 1993).

Brubaker and Cooper (2000) have suggested that a state apparatus is one of the most important potential agents of identification and categorization, since it has the power "to name, to categorize, and to state what is what and who is who" (15). In Taiwan, identity politics began with a state-centric construction of Chinese ethnicity. The Nationalist government based its legitimacy on its continuity as a political regime in exile from mainland China, and therefore felt compelled to present itself as a version of the motherland to all Chinese, including huaqiao and Taiwanese. In the second half of the 20th century, the KMT tried to systematically remold the identities of pre-1949 Taiwanese residents (who had lived the previous 60 years under Japanese colonial rule) into strongly nationalist Chinese. Wilson (1970) described this policy as "learning to be Chinese"—a process involving the initial reconsolidation of Taiwanese identity as ethnic Chinese followed by a connection between cultural identity and political commitment as Chinese nationals.

Part of the KMT government's task entailed the reorientation of the island's majority (80%) population toward their mainland origins, regardless of how long ago their ancestors had moved across the Taiwan Strait. However, Taiwanese continued to identify themselves in terms of how many generations had passed since the first family member moved off the mainland. In this respect, Taiwanese living in Taiwan could, if they desired, consider themselves as members of the great Chinese diaspora. This line of logic dictates that overseas Chinese should be considered as Chinese nationals, no matter how long ago they left the motherland. For example, Taiwanese schoolchildren were instructed to consider huaqiao as compatriots; government-approved elementary school textbooks emphasized that Chinese are everywhere all around the globe, and that Overseas Chinese engendered the Sun Yat-sen revolution. Overseas Chinese are even said to be the mother

of the nationalist revolution. Thus, until 1990 the Taiwan government automatically granted citizenship to all ethnic Chinese upon their "return" to Taiwan.

As a result of these efforts at building bonds between Taiwan and an ethnic Chinese heritage, most of the Taiwanese interviewed for this study expressed a sense of belonging to the same Chinese diaspora as *huaqiao*—in other words, of sharing a migratory history and a sense of co-ethnicity with others from the same homeland. When asked how he identified himself, one interviewee answered:

In general, I would say I am a Taiwanese, but when speaking to Chinese here, I emphasize that we all originated from the same region, though our fate separated us when our ancestors chose to migrate to different places. Mine took a short trip and yours took a long journey.

One could argue that this attitude is an example of what Anderson (1991: 6) calls an "imagined community," in which "members of even the smallest nation will never know most of their fellow-members . . . yet in the minds of each lives the image of their communion."

BEYOND IMAGINED COMMUNITY

Taiwanese and overseas Chinese are bound by several relationships that go well beyond the confines of an imagined community, with the most important aspects involving economic links. For example, one interviewee, a garment manufacturer in Bandung, described the connection between Taiwanese and Chinese in Indonesia in terms of the flow of commodities, human resources, and capital investment required to run a successful business:

We do not do businesses with local Indians because Chinese-owned firms are easier to communicate with. Their firms are full of Taiwanese connections. Technicians, technology and know-how, materials, and machine systems are mostly brought in from Taiwan.

Similar comments made in other interviews showed the strength of Taiwanese ties, as well as the active trade networks operating between Taiwanese and Chinese Indonesians. The majority of Taiwanese I spoke with for this research said that they were acquainted with ethnic Chinese in Indonesia prior to moving.¹⁰ Taiwan-based businesses rely on Chinese-dominated regional sales networks. To support these networks, the Taiwan government established a semi-official trade agency in Jakarta. When I spoke with the Taiwanese trade representative, he repeatedly emphasized the sense of mutual dependency that could result from such close trade ties:

I am often approached by foreign buyers to provide names of businesses to give orders. I will transfer appropriate inquiries to local Chinese businesses when there

are no Taiwanese manufacturers available. Once Chinese are in need of machinery, technology and materials, they will purchase these from Taiwan. It is not only because they can get cheaper prices from Taiwan. It is also because they have special attachments to Taiwan, so they will not buy from countries such as Japan and Korea.

The flow of expertise and personnel is steadily increasing in both directions. Some of the interviewees said that they were originally recruited by Chinese firms operating in Indonesia but later established their own businesses. Taiwanese have long provided technological and managerial assistance to firms operating overseas, especially in such industries as footwear and garment manufacturing. The flow of human capital goes both ways. Chinese Indonesian students who attended university in Taiwan also supply a key source of expertise for Taiwanese firms. They also are immediately accepted into an informal social-professional circle consisting of "students who had studied in Taiwan," whose members are readily recruited by many Taiwanese firms.

Starting in 1990, the Taiwan state became increasingly active in encouraging Taiwanese to invest in Southeast Asian countries as a means of reducing the amount of Taiwanese capital being invested in Mainland China.¹¹ The flow of investment money to Southeast Asia was guided by a series of government measures referred to as the "southward policies." According to Hughes (1998), an argument used to steer Taiwanese investors in a certain direction was the strong economic presence of overseas Chinese in the targeted region. The OCAC organized visits, seminars, and conferences between overseas Chinese and local Taiwanese entrepreneurs to promote closer ties. With the largest ethnic Chinese population in the region (approximately 7 million), Indonesia was promoted as a primary investment destination. In part because the Taiwan government helped finance the construction of two industrial parks in Indonesia (one each in Medan and Battan), Taiwanese foreign direct investment in that country grew five-fold during the 1990s (ROC Investment Commission 2001).

While these economic exchanges and projects certainly solidified relations between Taiwanese and Chinese Indonesians in ways that went well beyond an imagined community, they also supported the creation of a "diaspora imagination." The importance of that secondary goal was made clear in an editorial in the OCAC's (1996: i) monthly *Overseas Chinese Economic Affairs Report*:

Chinese have settled worldwide and have been prominent in the economic sector . . . to supply information regarding their economic activities would strengthen their exchanges with the mother country in terms of technology, trade, and capital. This way, overseas Chinese and Taiwanese investors can benefit from such ethnic ties.

CHINESE AS "US"

Calhoun (1994) defines ethnic identification as a person's use of racial, national, or religious terms to identify oneself, and thereby relate to others. He has further

argued that these ethnic terms or general categories provide a universal framework for ordering social relationships. In this section, I would argue that Taiwanese use "Chinese-as-us" as a universal framework for ordering social relationships with local Indonesians.

A dependent relationship begins as soon as a Taiwanese entrepreneur chooses to invest in Indonesia, since local ethnic Chinese expertise is required to help with applications, site location, construction, and worker recruitment. The majority of entrepreneurs I interviewed had Chinese-Indonesian business partners who were experienced in handling these details and who, prior to 1994, could help them acquire the 50% lid on foreign ownership in firms operating in the country. A few of the largest firms share ownership with local Chinese conglomerates, but most small firm owners create fictitious joint ventures with Chinese partners, and actually retain 100% control of their businesses and capital. Most Taiwanese investments in Indonesia are export-oriented; in order to retain as much of their profit as possible, business owners tend to take product orders and manage the movement of raw materials from their Taiwan offices, which allows them to avoid paying Indonesian taxes.¹²

Investors are known to recruit local partners who are willing to sign documents without contesting control or ownership in a company. It is a practice that requires enormous trust between parties, which most Taiwanese are more likely to extend to ethnic Chinese. In certain areas, several Taiwanese share a small pool of ethnic Chinese partners who sign agreements stating that they do not own any part of the enterprise in question—a legally questionable practice if any of them ever decided to file a lawsuit. When asked why ethnic Chinese deserve such trust, interviewees said that compared to other Indonesians, Chinese were easier to communicate with regarding the need to disguise investments and less likely to break agreements. Although I heard numerous second-hand stories of Taiwanese being betrayed by their Chinese partners, and even with the 1994 changes in foreign ownership laws, the Taiwanese still prefer to disguise their ownership through the use of local intermediaries.¹³

With very few exceptions, Taiwanese hire ethnic Chinese to fill key posts in accounting, finance, and purchasing, in addition to acting as administrative staff and translators. Many Taiwanese employees have adopted the local Chinese name for office, *wenfang*; in Indonesia, *wenfang* are usually found above the factory or production space, segregating them from the indigenous Indonesians. The disproportionate presence of ethnic Chinese office personnel was apparent when I conducted research interviews at these companies. After the interviews, I noticed that the ethnic Chinese employees usually accompanied their Taiwanese bosses to lunches and dinners, where they interacted more informally.

The Taiwanese entrepreneurs I spoke with usually gave two reasons for placing ethnic Chinese in key positions: trustworthiness and Chinese proficiency and "business sense." Taiwanese preference for hiring Chinese as accountants illustrates the trustworthiness. The concern with accounting is an extension of the concern shown

by domestic Taiwanese business operators, who have a long history of keeping two sets of books—one for tax officials, one for shareholders. Due to the risks involved, it is a common practice in Taiwan for business owners to put their closest relatives (wives and daughter-in-laws are most common) in charge of accounting¹⁴ (Greenhalgh, 1994). When such relatives are not available (as is usually the case in Indonesia), a top priority is finding a trustworthy accountant. The job is almost always given to a Chinese, based on the assumption that shared ethnicity will provide some protection. One interviewee made a revealing comment on this topic:

I used to hire [non-Chinese] Indonesians to be in charge of accounting, and they took care of both versions. I felt very insecure. I thought about the likelihood of our business secrets being leaked. Now I feel much better by putting Chinese in charge of this area.

Some Taiwanese entrepreneurs also rely on ethnic Chinese to supervise production lines, especially during the first few years of establishing a business. One practical reason for this is the need for bilingual personnel to manage local employees and to teach the owners about indigenous culture, customs, and religious practices. The trust requirements remain fairly high, considering that these go-betweens transmit the majority of communications between different levels within the organization. This is an area where complaints are frequently voiced, yet ethnic Chinese are still highly valued by Taiwanese to serve in such roles.

Sztompka (1999:25) defines trust as “a bet about the future contingent on the actions of others.” He points out that the strength of a commitment or belief in another individual’s future performance is directly related to the amount of risk involved, with the level and quality of trust closely tied to the kinds of risk that are activated by potential abuses. He notes that the most serious form of risk involves entrusting a valued object to somebody’s voluntary care. According to his definition, Taiwanese investors continue to place a great deal of trust in ethnic Chinese because of the risk involved in placing tangible interests (e.g., assets, profits, and labor) under their control.

More problematic is the Taiwanese claim that Chinese are better endowed with needed human capital. Wallerstein’s (1991) concept of the ethnicization of a work force is very helpful in interpreting these personnel choices. He argues that a work force “needs to be socialized into specific sets of attitudes, and that the ‘culture’ of an ethnic group is precisely the set of rules into which parents belonging to that ethnic group are pressured to socialize their children” (1991: 83). I would argue that it takes considerable effort on the part of parents to socialize their children to acquire appropriate human capital, such as Chinese proficiency in an environment that is as unfriendly to Chinese culture as that found in Indonesia. As mentioned earlier, Chinese are not allowed to establish their own schools, and so ethnic Chinese who want to teach their children Chinese language skills and cultural values must pay for private tutors or send them to Taiwan. Many choose to make such

efforts. As a community that is heavily involved in business sectors, Chinese families also encourage the reproduction of business-related skills (accounting, management).

The preferences of Taiwanese for Chinese as form of social capital can easily be perceived as what Portes and Landolt (1996) described as a "conspiracy against the public." Taiwanese entrepreneurs seem to be aware of this, and many make the effort to hide such preferences. One interviewee mentioned a specific example of preferential treatment in his company:

For college graduates, we give Chinese staff about 50,000 Rupiah, but the local graduates only get about 40,000 Rupiah. We can not afford to let the local graduates know about this wage gap. We write the same amount of wages on the payroll, but give Chinese staff extra money off the books. We also warn the Chinese not to let the others know.

The placement of Chinese in positions above indigenous employees is a reflection of the Taiwanese entrepreneurs' belief that the former are more trustworthy and skilled—a preference that arguably involves a sense of belonging to a moral community whose members are defined as "us." The evidence shows that because they are endowed with a Chinese orientation, Taiwanese maintain certain in-group feelings toward ethnic Chinese—a function of the ethnic category they use to identify themselves.

FROM "US" TO "THEM"

Indigenous Indonesians might not perceive Taiwanese as part of ethnic Chinese. However, Taiwanese tend to have a sense of insecurity especially during unstable and sometimes violent clashes involving Chinese and Indonesians, due to their own perceptions that they and local Chinese share a common origin and ethnicity. In the wake of ethnic violence against Chinese businesses in 1998, the Taiwanese were reported putting signs in their car windows stating "We are not Chinese" or "We are Taiwanese" in Bahasa Indonesian in attempts to avoid possible violence. Accordingly, Taiwanese investors make the effort to express sensitivity over potent nationalist sentiments regarding "Chinese domination." At the same time, local Chinese are concerned about being put into the same category as Taiwanese investors, knowing that Taiwanese behavior holds implications for their ethnic Chinese image. One Indonesian Chinese told me, "Whenever I hear bad stories about Taiwanese firms, for example, sometimes they close down their factories but fail to compensate workers for their layoffs, I think that creates a bad image for Chinese as a whole" (personal communication, 22 June, 2000).

Therefore, this section deals with the subsequent efforts on Taiwanese part to detach their identification from "Chinese," a process of turning ethnic Chinese from "us" to "them." First, Taiwanese are acutely aware of the potential for bias if they exclusively rely on Chinese to mediate between themselves and local resi-

dents. When they notice that Chinese supervisors are reluctant to confront their workers, they begin to question whether ethnic Chinese are capable of being effective managers. In the worst cases, information becomes distorted because of racist attitudes held toward Indonesians, as revealed in one story I heard about toilet facilities:

My factory was designed by a Chinese architect, and he told me that according to local customs the restrooms for Chinese and locals have to be separated. I did not know it was not true, so I adopted his suggestions. Now we have these two separate restrooms.

Taiwanese also hold racially based biases towards Indonesians; I heard several comments regarding the belief that they are less intelligent than Chinese. However, they tend to feel uneasy about the way that some ethnic Chinese openly express stereotypical attitudes toward local workers, since the Taiwanese managers' expectations are that their Chinese employees should act as buffers between them and the production workers. One interviewee said that he overtly asked Chinese to refrain from using the Fujianese term for "barbarian" when referring to indigenous workers, saying "even though the workers may not understand the word in Fujianese, it holds potential for damage to management because of the sense of racial arrogance."

Second, besides racial stereotypes, there is evidence that some Taiwanese are also sensitive to the class issues underlying ethnic conflicts between Chinese and Indonesians. Many interviewees described Taiwanese as being less rigid in maintaining class distinctions. Several used the way that Taiwanese treat domestic workers to support their assertions. For example, one company owner told me:

Chinese do not respect Indonesians as equals. For example, they do not provide tools for their domestic workers to do the cleaning. They ask them to scrub the floor on their knees. They don't even allow their workers to leave the house without permission.

This was an area where Taiwanese tried to distance themselves from ethnic Chinese in order to achieve a more favorable image. Taiwanese interviewees claimed that they paid higher wages to domestic workers than ethnic Chinese, gave them higher tips, and allowed them to share meals at the same table. Regardless of the truth of these claims, their comments reflect a need among Taiwanese to establish an image that separates them from ethnic Chinese.

Taiwanese entrepreneurs also made conscious efforts to construct identities that went against local perceptions of Chinese in business, primarily regarding the issues of generosity and class distinctions. Their efforts included paying workers slightly higher wages than ethnic Chinese-owned firms in the same industry, providing better benefits (occasionally paying for meals and transportation), and accommodating religious practices by providing prayer rooms for Muslims. A sense

of greediness was another topic that was used to distinguish Taiwanese from Chinese. A representative working in the Taiwan Trade Office in Jakarta made a comment that reflects a popular image that Taiwanese entrepreneurs have of Chinese business operators:

Chinese business people like to earn "instant money." You can't blame them, in this society they are sojourners. They have shorter-term prospects because they are ready to move elsewhere anytime, whereas Taiwanese businesses have longer-term plans because they have lived in their own country. They have stability to depend on.

Another interviewee told me that he often made direct appeals to the workers in his company in order to make clear the distinction between his Taiwanese background and the backgrounds of local ethnic Chinese, saying "I often remind my employees that we brought resources from Taiwan to invest here. We are unlike Chinese firms whose capital is from wealth accumulated locally."

As a result of their concern regarding the stigmatized image of ethnic Chinese, Taiwanese business operators in Indonesia have clearly practiced a certain degree of "image management" in their daily business operations. The Taiwanese concern for being perceived as Chinese influences their business and personal behavior in ways that I consider to be signs of intentional desinicization. After settling into their new surroundings, Taiwanese often take on a larger-than-average number of management responsibilities, reduce the number of Chinese middlemen they hire, learn to speak Bahasa Indonesian, and make attempts to understand the local culture.

To avoid being labeled as a Chinese company, some Taiwanese investors try to create a sense of non-Chinese control in terms of language, personnel, and other organizational features. This is not an easy task, and some efforts in this regard have resulted in decreased business efficiency. Two examples of strategies used to promote a sense of separation between Taiwanese and ethnic Chinese were noted by respondents in interviews:

The upper and upper-middle level managers in my firm are Chinese, but to avoid possible problems by association, we use English as the official language. Meetings are conducted in English and documents are written in English. We don't even have a Chinese version of our company's name. Of course, it creates communication difficulties for management. Taiwanese managers think in Chinese but have to translate their thoughts into English before communicating them to Chinese managers, then everything has to be translated into Indonesian in order to communicate with the workers. But this is how we prove that we are a foreign company that has nothing to do with the Chinese. Our firm has been totally localized by hiring non-Chinese managers. We Taiwanese do not have any titles or positions, but they [the managers] all have to consult with us. Viewed from the outside, this firm is 100% Indonesian. This way, we can be free of the trouble associated with anti-Chinese sentiments and violence.

These efforts are not necessarily focused on addressing localization issues. Instead, they often reflect anxieties over establishing appropriate positions in terms of ethnic Chinese-Indonesian relations. This also means that the potential exists for multiple identities, chosen according to strategic and rational considerations. Lyman and Douglas (1973:350) noted this potential when arguing that:

Treating ethnic identity strictly as a group phenomenon in which recruitment of membership is ascriptive forecloses study of the process whereby individuals make use of ethnicity as a maneuver or stratagem in working out their own life chances in an ethnically pluralistic social setting.

POLITICS OF DIFFERENCES

Taiwanese entrepreneurs are dependent upon local Chinese assistance when they first arrive in Indonesia, but tend to distance themselves from ethnic Chinese the longer they stay. The experience of being categorized as Chinese seems to trigger a process of resistance and reaction. When dealing with categorization as Taiwanese and/or Chinese, Taiwanese actively create an identity that provides new categorization and promotes them in the host society. But it also appears that ethnic Chinese often object to Taiwanese efforts to distance themselves from their Chinese identity. As one interviewee pointed out:

Each time when local Indonesians ask my ethnic background, I have to say I am a Taiwanese. And each time when I am asked whether I am Chinese, I have to say I am not. Actually, I feel guilty about saying that, but I have to protect myself and my business.

Another example is offered by the following statement:

Chinese here still consider China as their *zuguo* [nation], and they think we (Taiwanese) are like them in this respect. But whenever I tell them that I don't consider myself a *zhongguoren* [Chinese national], they usually want to remind me that Taiwanese are *zhongguoren*, too. But I reply: 'Maybe you are *zhongguoren*, but I'm not, I'm Taiwanese.'

Other stories I heard also provided evidence of bad feelings between Taiwanese and ethnic Chinese regarding ethnicity; this particular anecdote, which took place during the 1998 breakout, was also revealing in what it says about the attitudes of local Indonesians toward Chinese:

Once I was driving my car and was stopped by an Indonesian. He said something against Chinese and threatened to hit my car. I told him that I am not a Chinese, but a Taiwanese. He did not threaten any further violence. I told my Chinese business partner what I had experienced. He got very angry and accused me of abandoning

my Chinese membership too easily. He said he did not want to continue to be my partner if I really thought I was not Chinese.

However, the strengthened Taiwanese identity is closely related to the politics of differentiating Taiwanese from Chinese which is emerging as Taiwanese nationalist sentiments at home. Since the mid-1990s, the Taiwan state has been involved in a process of establishing a separate Taiwanese identity.¹⁵ Along the process, the state has actively encouraged Taiwanese transnational investors to adopt a Taiwanese identity. The government efforts are being supported by the increasing globalization of national economies. Wang argues that the Taiwanese identity discourse is closely tied to the globalization of Taiwanese capitalists, since "flows of capital have been heavily vested with symbolic meanings related to the Taiwanese national image" (2000: 103). This form of identity construction has been expressed in one of the OCAC's monthly publications, which describes overseas Taiwanese entrepreneurs as "unofficial representatives of our country." It went on to state that "their economic power represents our national power and their economic influence extends our national influence internationally" (OCAC 1997: 28).

Several actions taken by the government are indicative of efforts to incorporate globalizing forces into the construction of a national identity; in some ways, these efforts encourage Taiwanese investors to establish a separate identity. The clearest sign of such a shift can be found in the OCAC. Originally designed to bring together Taiwanese and huaqiao, the agency's focus has evolved to assist immigrants and overseas investors who originate from Taiwan; in other words, their emphasis has shifted from the Chinese diaspora to overseas Taiwanese.

A second important change has been the Taiwan government's significant involvement in organizing worldwide Taiwanese business networks. In 1992, it helped to establish a pan-Asian Taiwanese Chamber of Commerce; membership quickly grew to more than 3,000 firms from Malaysia, Indonesia, Hong Kong, Japan, Singapore, Thailand, and the Philippines. The OCAC provided strong financial and organizational support to this and a second group, the World Taiwanese Chamber of Commerce (WTCC), which was established two years later. Its 16,000 member firms are given special access to investment loans and Internet business information (OCAC 1999). This shift in emphasis to overseas Taiwanese represents a politics of difference that serve the current interests of both the state and businesses.

CONCLUSION

The Chinese diaspora is an example of global links that are based on historical relationships that are constantly being re-shaped by external forces. For Taiwanese at home, learning to become Chinese was once an important official agenda. Regardless of the success of this state project of identity construction, ethnic iden-

tification can be reflexive and situational, with Taiwanese alternately accepting, rejecting, inverting, or ignoring labels that others try to place on them. The effort, however, does lend some support to the assertion that identity politics involve the refusal, diminishing, or displacement of identities that others wish to recognize in individuals (Calhoun 1994). Thus, the ethnic identity of Taiwanese transnationals involves multiple and often contradictory experiences of being Chinese and Taiwanese.

The discussions presented in this article also have implications in terms of ethnic economy and economic globalization. First, the Taiwanese business community in Indonesia can be viewed as an ethnic economy that consists of co-ethnic business owners as well as employees. Economic links among co-ethnics serve as ethnic resources that are mobilized through communal solidarity as well as a collective resource that ethnic group members can draw on. Light and Gold (2000) have suggested that such resources support the competitive positions of individual firms whose owners have the same ethnic background. However, the dynamics of ethnicity are rarely discussed. Light and Gold also believe that "the puzzling issue is how to define an ethnic group" (2000: 20). They simply define an ethnic economy as one whose participants are co-ethnics. This leads to the conclusion that "the concept of ethnic economy neither requires nor assumes an ethnic cultural ambience within the firm or among sellers and buyers" (2000: 10).

The problem with such an approach is that it presumes static ethnic boundaries and stable associations among individuals sharing ethnic similarities. This reflects a social science paradigm that emphasizes hard variables (e.g., patterns, structures, networks, and organization) at the expense of soft variables (e.g., meaning, identity, symbols, rules, values, and forms of discourse).¹⁶ Commenting on current research on ethnic economy, Pecoud (2000) notes that the topic has primarily been approached from a socio-economic perspective, at the expense of analyzing its implications in terms of identity and culture.¹⁷ As a result, we know a great deal about industrial structure, entrepreneurship, and economic networks built on ethnic resources, but very little about how people interpret their ethnic membership in market relations, how they negotiate their identification during interactions with each other and with outsiders, or how their interpretations and negotiations affect economic mobilization.

On the other hand, economic globalization research also pays much less attention to the issues of self-understanding and social location among capitalists or managers, since most researchers assume that such understanding is irrelevant to economic activities. The mainstream economic models tend to portray the modern world economy as independent from other aspects of everyday life, including the individual senses of belonging and trust, and feelings of responsibility towards others with shared values, interests, and goals (Sztompka 1999). Smart and Smart (1999), however, are among those who insist that "to describe these transnational practices, we must move beyond political economy to consider 'moral economies' or 'social economies.'"

In this article, I have presented evidence supporting the position that ethnicity should be examined as an example of situated subjectivity, since ethnic membership is articulated by one's perceptions as well as by reactions to others' perceptions. At issue here is the particularistic understanding of one's self and others. If we fail to account for such particularistic views when we investigate the subjective meanings of ethnicity to members of ethnic groups, we may not come to a full understanding of how ethnicity helps to create, sustain, or even deconstruct economic endeavors.

NOTES

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1. Braudel, in describing a sixteenth century commercial diaspora, gave an excellent example of the potential economic power of countrymen who move to different parts of the world: "In fact, these money-changers, usually Italian, really called the tune for the whole fair. Their equipment consisted simply of a 'table covered with a cloth . . . ' all the international and above all more modern aspects of the Champagne fairs were controlled, on the spot or at a distance, by Italian merchants" (Braudel 1984:112).
2. By comparison, 16.5% of Korea's 1981–1983 FDI and 31% of its 1988–1990 FDI were invested in the same region (Bloom and Noor 1997).
3. The Taiwanese Chamber of Commerce in Indonesia is not an official association. Therefore, their membership is greater than those listed in the official directory.
4. An interviewee who invested in Indonesia in the early 1980s (when foreign ownership could not exceed 50% of a firm's total investment) told me: "I have acquired Indonesian nationality. The main intention was to own my business legally. When I first invested in this country, I had to hide my investment under local Indonesian names. I took a high risk by doing that. After I successfully obtained citizenship, we changed the arrangement. Now I am the sole owner. The longer you invest in this country, the more you feel that without citizenship there is simply too much risk involved."
5. One should be reminded that the Chinese in Indonesia are not a homogeneous cultural group. According to Suryadinata (1997), in the 19th century they seldom identified themselves as having a common bond, marked as they were by geographical and linguistic differences in their origins (the latter having always hindered oral communication between Chinese from separate parts of China), as well as by degree of indigenization. Two groups of Chinese live in Indonesia—Totok and Peranakan Chinese—with distinctions based on the degree of assimilation. Totok Chinese are more recent migrants, still culturally "Chinese" in the sense that they speak Chinese dialects. They are more heavily involved in trade, manufacturing, and banking, and live mostly on the country's outer islands. Peranakan Chinese, products of intermarriage prior to the 20th century, speak Bahasa Indonesian or local languages, and use them as their primary medium of communication. The majority of Peranakan Chinese, who are concentrated in Java, no longer speak Chinese.
6. Others, including Redding (1993) and Wu and Wu (1980) offer less dramatic estimates, but it is nevertheless clear that Chinese Indonesians control a disproportionate percentage of Indonesian wealth.
7. Zenner (1991) suggests that a middleman-minority can be defined as a distinct ethnic group if 1) a

- substantial and disproportionate number of its members are engaged in trade and finance; 2) they are buffers between the ruling class and the masses; or 3) its members have the propensity to engage in self-employment.
8. The official name for Taiwan is Republic of China (ROC). The official name reflects the long-term political self-identification with its origin, China. However, in this article, I have used the name Taiwan instead of ROC to avoid possible confusion with People's Republic of China..
 9. Placing Taiwanese under the label of "Chinese" is also a result of international naming systems. As a result, Taiwan's official name registered with Olympics Games is "Chinese, Taipei."
 10. T. Chen (1998), in his survey of Taiwanese investment in Southeast Asia, found that almost 80% of all firms had overseas Chinese business contacts prior to making their investments.
 11. This was meant to reduce dependency on the PRC - the largest recipient of overseas investments made by Taiwanese. However, due to the hostility that currently exists between the two countries, the ROC government is concerned over the current concentration of indigenous capital on the mainland.
 12. By putting a higher price on materials and inflating their overall cost, Taiwanese firms can hold more money in the home country.
 13. In order to participate in such off-limits industries as transportation and financial services, some Taiwanese have continued this practice, even though the foreign investment restrictions have been eliminated. Others claim that they continue the practice in order to shorten the processing time for foreign-owned business applications.
 14. Outsiders hired as accounting personnel are treated well. For example, when accounting personnel (mostly women) leave a firm to get married, they usually receive a generous financial gift from their former employer because of their inside knowledge of the company's bookkeeping practices.
 15. Wu (1993) has shown that a wave of late 1980s nationalism among the country's political elite triggered a new quest for identity—namely, Taiwanese.
 16. I have borrowed the terms "hard" and "soft" variables from Sztompka's (1999: 1-2) discussion of two major sociological paradigms.
 17. By showing how the Turks' cultural hybridity and cosmopolitan identities helped build a successful restaurant business, Pecoud (2000) spotlighted the link between the specificity of migrants' identity and ethnic business practices.

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