

The “Small World” That Migration Has Created: Overseas Chinese and the Underlying Power of “Connections”

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Abstract

This study evaluates the influence that the process of migration has had on shaping the structure of Overseas Chinese networks from the viewpoint of recent developments in network theory. By concentrating on the structure and shape of Overseas Chinese business/social networks, various issues such as the dominance of SMEs in ethnic Chinese foreign investment and the high levels of high social capital among Overseas Chinese societies are explained. Light is also shed on the role of cultural proximity and on the costs of information. This study attempts to explain these mechanisms and the ways in which “connections” work to the advantage of Overseas Chinese, rather than taking them for granted.

Keywords: migration, overseas Chinese networks, science of networks, small world, SMEs, social capital, cultural proximity, information cost theory

Introduction

The remarkable economic growth of East and Southeast Asia in the closing decades of the 20th century, and the significant contributions of Overseas Chinese to this development have aroused a lot of interest among scholars, professional analysts, and policy makers to explain the roots of the success of the Overseas Chinese. The phenomenon of a rising China and the role played by Overseas Chinese investments in it have added further to the interest in this topic. Overseas Chinese are reported to be the main source of investment in China. Approximately 70 percent of foreign investment in China has come from Asia’s ethnic Chinese (Bolt, 2000: 84). Research carried out in 1993 ranks the “Overseas Chinese economy” as the fourth largest in the world in terms of its economic size (Kao, 1993: 24).

Various approaches have been developed to explain this phenomenal success and the spectacular dominance of Overseas Chinese economic activities in Asia. In the 1990s, the main approach was to explain this through culture, that is to say the “Chinese way” of economic organization and doing business. In the theoretical perspectives of these studies (also labeled the “culturalist” approach, Chan, 2000b: 10) culture is strongly emphasized as a conceptual tool of analysis, and they have tended to focus on the essentialistic cultural attributes of the Overseas Chinese in the analysis of various issues. Concepts such as “Confucian values” and “Chinese familism” are used to explain various aspects of Chinese societies, and these values

are argued to promote paternalism, loyalty, commitment, trust, reciprocity, and authority among Chinese, thereby strengthening the family, lineage, and kinship ties, and laying the foundations of their success. It is argued that these values are responsible for the “ethnic business style” of Overseas Chinese and the dominance of family businesses. They have also facilitated the creation and governing of various Overseas Chinese institutions such as guilds, township associations, and chambers of commerce (see e.g. Wong, 1985; Chan, 1982; Hamilton, 1991; Redding, 1990; Fukuyama, 1995).

However this “Chinese essentialist” approach received heavy criticism in the late 1990s and early 2000s. In a wide range of attacks, the critics drew attention to the “vagueness of the notion of ‘Chineseness’” (Dirlik, 1997: 23); the limited usefulness of Confucian ideology as a means of understanding Chinese businesses (Brown, 1996: 1); the excessive concentration on the “uniqueness” and essentialist cultural perspectives of Overseas Chinese, and its exclusive focus on personal/informal dimensions” (Liu 2001); and the assumption of homogeneity in Overseas Chinese businesses and societies (Chan, 2000b; Cartier, 2001; Brown, 2000; Chan et al., 2000a; Liu, 2001; Hamashita, 2003). It was criticized as a Weberian culturalistic approach, portraying the Chinese as unique, and endowing them with an essence that is not subject to any change with time or different social conditions (Holbig, 2000).

In response to this, other studies and approaches were developed, either from a more economic theoretical standpoint, as in the case of transaction cost theory (i.e. Chen, 1998); or from a more sociological perspective, such as seeing relationships as a medium for acquiring high social capital (Liu, 2001; Pye, 1999). There are also many studies that tend to explain Overseas Chinese economic success through the partnerships the Chinese forge with local political elites (i.e. Gomez, 1999).

This study concentrates on one term that binds all these different approaches mentioned above, namely “network.” It attempts to approach Overseas Chinese issues through the structure of the Chinese network, and the process of migration that has created this structure. “Network” is a term that appears in all the approaches listed above, though it tends to mean different things in different studies. Sometimes it simply means the connections one individual has, materialized in the word “networking,” and sometimes it means the dark and corrupt side of these connections. In these cases, the word *guanxi* (“connections”) is frequently utilized, to underline the cronyism, corruption, and nepotism in Southeast Asian countries. In many studies, it refers to the social structures created by the cultural properties of Overseas Chinese (i.e. Fukuyama, 1995, Redding, 1990).

The reason why all these differing approaches utilize the word “network” can be found in the convenience offered by the vagueness of this term. Most of these studies use the term without any specific meaning, utilizing it in a manner just to signify the “connectedness” of Chinese businesses and societies. We all know that it is “connections” that have made Overseas Chinese so successful economically. We all know that they can internalize costs, acquire crucial market information through these “connections,” and proceed to investment with relative ease. We all know that it was “connections” that allowed them to secure government contracts. We also know that it was “connections” that allowed Overseas Chinese business empires to stretch all over Southeast Asia and beyond. The term “network,” however, is insufficiently systematic or scientific to explain the workings of these “connections” and how they allowed the Overseas Chinese economy to become the fourth largest in the world.

So how do connections enable overseas Chinese to acquire wealth and success? The answer can be found in a new field called the *science of networks*, and the works

of sociologists such as Mark Granovetter. This study attempts to explain the role connections played in Overseas Chinese success through the process of migration and human movements, the world these processes forged for the networks of Overseas Chinese, and how “connections” worked so well for them. Rather than taking the importance of “connections” for granted, it attempts to give a scientific basis for this concept. Lets now look at the science of networks and what it can tell us about the overseas Chinese networks.

Network science and the “Small Worlds” of the Overseas Chinese

Network science can be crudely explained as a science that investigates the relation between the structure (shape) of a network, and its dynamics and strength. What the science of networks shows us is that there is a universal aspect of networks, especially networks of living things: *the structure of a network influences its properties*. Networks have properties hidden in their construction that limit or enhance their abilities. Applications, observations and tests on different types of networks have shown that when the shape of a network changes, their inherent features as well as their efficiency change too. Studying the construction and structure of networks is the key to understanding the complex world around us. By the application of the science of networks to the field of Overseas Chinese, the relation between the actual shape of their networks and their influence on them can be exposed.

Research on networks has already been going on for a long time in various fields. However, since the publication of a ground-braking article by mathematicians Watts and Strogatz in *Nature* (Watts and Strogatz, 1998), network science research has exploded and became a field of its own. In their article, Watts and Strogatz laid down the foundations of a structurally special type of network, called the “Small World” network. After the publication of this article, a huge number of other publications arose in a short time, particularly in physics but also in many other fields from epidemiology and ecology to sociology. All these applications of the “Small World” theory showed that a small number of amazingly simple and far-reaching natural laws govern the structure and evolution of all complex networks that surround us. These studies found that the food webs of ecosystems, electricity power distribution lines, the neural system of a worm, *C. elegans*,¹ the spread of infectious diseases, the network of connected neurons in the human brain, the Hollywood movie database, and the network of molecules interacting in a living cell all share common structural properties, and these structural properties are also shared by social networks. The impact of these findings has been so great that there are even arguments claiming we are facing a paradigm shift (Kuhn, 1962) in all fields of science.

Incredibly, in all of the networks that have come to the attention of researchers from diverse fields, from biology, economy and sociology, to theoretical physics, the same principals of design seem to be at work. Networks that have grown up under different conditions to meet markedly different purposes have turned out to be almost identical in their architecture. Understanding the structure and dynamics of these complex webs is giving researchers new insights into the issues surrounding them. Also, in the case of the Overseas Chinese, some of the deepest truths of their world may turn out to be truths about their organization and about the structure and topology

¹ *C. elegans* is a primitive organisms that shares many biological characteristics of humans. Its simplicity has allowed scientists to succeed in figuring out the precise wiring of its nervous system. These worms were also the only survivors of the Space Shuttle Colombia accident.

of their networks rather than about what kinds of things make up their world or how those things behave in isolation.

In their extensive research on networks, Watts and Strogatz have found out that most of the real world networks display a high degree of *clustering*, with *long-distance links* (shortcuts) tying these clusters to each other. Small World theory rests heavily on the findings and theories of the sociologist Mark Granovetter, and the concept of “strong” and “weak” ties within a network, introduced in his classical work *The Strength of Weak Ties* (Granovetter, 1973). In Granovetter’s depiction, society is structured into highly connected clusters, or close-knit circles of friends, in which everybody knows everybody else. A few external links connecting these clusters keep them from being isolated from the rest of the world.

According to this interpretation, the internal links connecting the members of these clusters are called the “strong ties.” These clusters can be labeled in many ways. They can be friendship circles, families, ethnic associations, guilds etc. The members of these groups might be meeting regularly, doing things together, establishing bonds, and exchanging information. Each member of these groups would also have a collection of *acquaintances*, who would be members of different groups as well. According to Granovetter, these links that tie one cluster to another are called the “weak ties.” It must be noted that the term “weak tie” can be misleading. The strength of a tie is determined not by some inherent feature of the tie itself, but by the structure of the surrounding network. To put it in other words: strong ties are the *intra*-cluster ties and weak ties are the *inter*-cluster ties.

In a later article, Granovetter stresses that weak ties are, in fact, more significant in a social network than their “strong” counterparts. “Each of the weak ties becomes not only a trivial acquaintance tie, but rather a crucial bridge between the two densely knit clumps of close friends” (Granovetter, 1983: 203). The weak ties are significant in making the overall network a highly connected, strongly knit network, where information as well as social traits (such as social capital) can diffuse speedily on a large scale.

Watts and Strogatz’s study formalized Granovetter’s vision, not only by offering a network model that displayed significant clustering, but also by providing mathematical tools that made it possible to systematically measure clustering and the influence of “weak ties” in networks. The surprising finding of Watts and Strogatz is that, by the introduction of a small number of *long-distance* links to the network that act as bridges connecting clusters to each other, the average separation between the members of the network decreases drastically. Because of these links, thanks to the long bridges they form, the network suddenly becomes a “Small World” network.² By the addition of a few short-cut links in the net, the members of the network become closer to each other, with greater chances of information, trust, money, fashion, or culture passing from one cluster to another, spreading to the entire network. This makes the network not only more durable and strong, but also various parts of it will be tied much more closely to each other. These bridging links increase the “proximity” of the members of the network, despite the divisions, conflicts, and heterogeneity contained within it.

² The origin of the term “Small World” comes from a social experience we all share time to time. Sometimes when we meet someone for the first time, we recognize that we have a common friend, and we exclaim: “It’s a small world after all.” Small World theory looks into the underlying principles of this intriguing aspect of our social world. Certainly, researchers investigating the “intricately” linked world of Overseas Chinese frequently have the same feeling.

With a Small World structure, the cohesiveness and the efficiency of the network will persist over very long distances, as the Overseas Chinese networks display. Also, this cohesiveness will not be undermined by some cracks and unconnected links within the network, as these shortcuts between the clusters (and the multiplicity of these so-called “weak ties”) will compensate for the lost links by connecting them through different pathways. According to Small World theory, these newer paths will not be significantly distant; hence the network’s “closeness” (the average proximity of its members) will remain. According to the theory, a few long-distance links are enough to make a network a “small” one. Only a few long-distance connections among the Overseas Chinese will make it possible to make the network robust and well-connected with a high average degree of cooperation between its members. The networks which demonstrate the Small World phenomenon are markedly more efficient as mediums for transfer, whether the things transmitted are business information, norms and values, or infectious diseases.

The Small World that migration has created

Now that the secret of “connections” and their power has been revealed, let us look at how it works for Overseas Chinese, and the formation of a Small World structure in their networks. As mentioned above, a network has a Small World structure if it is a *clustered* network with *long-distance ties* linking these clusters to each other. It is through the process of migration that Overseas Chinese business and social networks have acquired such a structure.

The process of migration, together with Overseas Chinese cultural values and the special political and social environments that Overseas Chinese found themselves in, functioned to create a very clustered social structure. What we mean by clusters are formal or informal *groupings* among the ethnic Chinese. The first things that come to mind in forming the basis of clusters are the various institutions of the Overseas Chinese; whether these be families, ethnic associations, or conglomerates. In a study of Chinese migrant networks in the Americas, McKeown argues that institutions are taken as “the nodes in interlinked networks that moved people throughout the world.” According to him, “networks are indistinguishable from institutions” (McKeown; 2001: 20). While McKeown tends to define institutions as “nodes,” here, it is believed that “clusters” would be a better definition. In network science terminology, we would prefer to say; “*clusters* are indistinguishable from institutions.”

As for these formal and informal groupings and institutions of Overseas Chinese, the following can be listed: native-place associations (*qiaoxiang* ties); economic clusters (as in guilds, conglomerates, chambers of commerce etc.); and dialect- and religion-based clusters (as in *bangs* and temple associations). In almost all of these institutions Confucianism is commonly given as the basis of their values to a certain extent.

Most of these groupings and institutions have emerged as a result of migration patterns and various historical tides in the region. Various associations, such as clan associations, locality associations, dialect associations, and guilds, formed as mutual-help societies, which was a phenomenon accompanying the immigration of Chinese throughout Asia. Creation of mutual help societies was based around clans in each place of new settlement. Usually, these organizations helped the newly arriving migrants to settle, and also with finance and information. These mutual help associations were formed around principles of kinship, locality, dialect, or crafts (East Asia Analytical Unit, 1995; Pann, 1990). It can be argued that *qiaoxiang* (same

locality) is the origin and the basis of the formation of guilds and dialect associations. Originating from the same native village or region in China creates a strong bond among the immigrant communities. This creates a basis for trust, and a way of dealing with the homesickness experienced in the new home, especially for the newcomers, as well as a way to be connected to home through publications produced by these associations (such as Hong Kong's *tongxianghui* that reported on conditions in the place of origin). By such means, through the symbol of a common place of origin, the bonds between the Chinese were strengthened and this became the basis of clustering and groupism among the Overseas Chinese. The native-palace clusters have continued their existence until today. For the later generations, these clusters have been maintained mainly because of the trust element coming from the commonality of originating from the same native place, continuation of bonds established by previous generations, and because of the business opportunities these create. Even people who have been totally uninterested in their fellow townsmen for decades have started to participate in these associations, mainly because of the opportunities for political and business connections that comes from membership of them. To give an example of this point from the Overseas Chinese networks, the membership roll of the International Association of Fuzhou Corporation is reported to be "like a who's who of Overseas Chinese business barons,"³ including Malaysia's biggest timber tycoon Tiong Hiew King, Robert Kuok, and the patriarch of Indonesia's Salim Group, Liem Sioe Liong.

The clustering effect of bonds of origin from the same locality must not be underestimated. As investment in China has boomed, the *qiaoxiang* ties are becoming even more important. Investment in home towns indicates a feeling of connection and obligation to the place of origin. There are sound economic reasons for this too, as in having good connections with officials to ensure the smooth functioning of business deals, knowledge of local economic and political conditions, help in breaking down the language barrier, and the existence of relatives to help with the work. According to a survey by John Kao of Harvard Business School, 52 per cent of Chinese entrepreneurs noted that more than half of their domestic working relationships and 39 per cent of their international working relationships were with other Chinese (Kao, 1993). As he noted in another study, in an interview with the president of the Singapore Cai Clan Association, he commented that "those who invest in China often find it easier to deal with others of the same surname or from same locality."⁴

Direct economic motivations have also been a basis for clustering. Guilds and trade associations were established, both in China and overseas, as a way of counteracting foreign competition and state control in business (Wang, 1991). Known in Chinese as *huiguan*⁵ or *gongsuo*⁶ and loosely translated as "guilds," these merchant associations have played an important role in the economic life of China and Southeast Asia. Hamilton defines the guilds' activities as "networked economic activities," which reflects their function as a part of a larger network. In the more

³ Raphael Pura, "A breed apart: stamina and success mark Fuzhou Chinese diaspora," *Asian Wall Street Journal*, 8 June 1994, as cited in Liu, 1998.

⁴ *Sunday Times* (Singapore), 17 April 1994, as cited in Liu, 1998.

⁵ Formal Association of sojourning persons from the same native-place. The term refers to both to the building in which the associations conducted its business and to the body of people it housed. To translate it, scholars have used "guild" or "landsmannschaften" (Pann, 1988: 77).

⁶ Sometimes translated as "guilds" or "chambers of commerce," these were also commercial or craft associations, though they were based more along lines of trade specialization rather than regional origin (Pann, 1998: 76).

systematic approach taken here, guilds are taken as a form of clustering within the Overseas Chinese network.

Guilds were a formidable economic force in the early stages of the treaty system in China. They gradually began to dominate the foreign trade, pushing Western merchants out of the very enterprises they had come to control. Western consuls complained about the absence of Western commercial activity in Fuzhou and Ningbo, and blamed the failure of Western business on the power of local guilds. However, according to Hamilton, the superior competitiveness of local merchants can be better understood as based in the diverse contacts maintained through these associations (Hamilton, 1977). It is claimed that the early guilds were formed during the Song dynasty following the high degree of urbanization that characterized that era. The long periods of stability and the population growth during the Ming and Qing, and the resulting expansion of the commercial economy further institutionalized merchant activity by bringing in an officially sanctioned brokerage system. At this time, licensed brokers were responsible for the behavior of the traveling merchants. They provided hostelry, dockage and storage facilities to long-distance merchants, hence giving rise to the term “guild” in Chinese (*huiguan*, or “clubhouse”) (Liu, 1988). Guilds were formed by merchants whose native places were far away from the cities in which they were sojourning. In this way, these guilds, with their *qiaoxiang* basis, started to become important grounds for trust building and clustering in overseas Chinese networks. Their importance and influence, together with their exclusive and protectionist aspects, increased in the second half of the 19th century, becoming important forces for regulating prices against fluctuations, setting standards for weights and measures, and a medium for mediating quarrels and settling disputes. In due time, towards the late 18th century, guilds started to put more emphasis on common trade, rather than common geographic origins. Even in the original phases, it was common for merchants from the same geographical background to enter into the same professions and crafts. However, persons of different origin were not explicitly barred from membership. Sizable fees were demanded from those newly entering the trade and apprentices were recruited locally. Gradually the common-origin principle in the organization of Chinese guilds increasingly gave way to the common-trade principle. Nevertheless, even today it is not easy to distinguish whether the base of one cluster is a *qiaoxiang* grouping or a *huiguan* grouping, that is to say a native place organization or a common trade organization. Today these old groupings continue in different forms of association as native place associations or chambers of commerce. The old groupings of merchants and craftsmen have turned into large multinational conglomerates and influential companies, ruling the economic landscape of Southeast Asia and further increasing the level of clustering in Overseas Chinese networks. While most of these have their roots in old *qiaoxiang* ties and mutual help societies, the continuation of these groupings, even after the heat of migration had cooled down and new generations had been born in the new homelands, can be explained by the advantages in transaction costs produced through membership of these associations.

It is common that associations based on common trade and local origin like *gongsuo* or *huiguan* have common language as their basis as well. In this case, the term *bang* is often used interchangeably with the previous terms. It denotes dialect-based groupings, good examples being the dialect associations that can still be found among the Chinese communities around the world. Formed around the usage of the same dialect of Chinese, the members of these groups share a linguistic identity (besides other ones) and are regularly in contact with each other, thereby establishing bonds within the group. Ethnicity should be thought of as going beyond native-place

ties or economic organizations. Beyond the same village, district, or state in China, as in the example of the Hakkas, members of the same ethnic group can be referred as an ethnic cluster unbound by space. The Hakkas, whose name means “guest people” or “newcomers,” are sometimes thought of as migrants to the southern coastal provinces from an unknown place of origin. While other groups claim a coherent homeland of their own, Hakkas live, with few exceptions, as a dispersed minority scattered around southern China. Hakkas are today found in parts of Guangdong, Jiangxi, and Fujian, and in pockets in Sichuan, Hunan, Guangxi, Yunnan, Hainan and Taiwan (Pann, 1998: 26). Once they migrated to Southeast Asia, partly because they were perceived to be of low class among the Han Chinese, they tended to bond more strongly with each other. Because they migrated from different places in China, their associations have multiple places of origin among the membership as a result of this background.

Religion can be taken as a basis of ethnic clustering as well. At the time of migration or even before it, Overseas Chinese started to have quite a differentiated religious composition. Chinese sharing the same religious beliefs surrounding temple associations and churches formed clusters that laid the basis for regular meetings, socialization, and trust-building. Some of these religious groupings also overlap with ethnic clusters, as the case of the *Peranakan* Chinese of Indonesia, most of whom have converted to Christianity in relatively recent times. Furthermore, intermarriage between the early migrant Chinese and the members of the indigenous populations (facilitated by the initial shortage of Chinese females in the early migrant Chinese communities) worked to create different ethnic groups as well. Together with these, immigration at different historical epochs and the resulting differences in the level of assimilation make the ethnic make-up of Overseas Chinese networks even richer. Some examples of these are the *Baba* culture in the Straits Settlements of Singapore, Malaysia and Penang, and the *Totok* and *Peranakan* Chinese communities in Indonesia.

Any check on the heterogeneity of Overseas Chinese and their formal/informal institutionalization will reveal that their network is highly clustered. However, as mentioned above, Small World theory suggests that being a clustered network is not enough to make the network a “Small-World” network. As a matter of fact, Granovetter’s study shows that too much clustering can have damaging consequences for the efficiency of the network *in the case of an absence of “weak ties” to link these clusters to each other.*

We can say that patterns of migrations, the processes that created the social, economic, cultural, and political shape of the region, also functioned to bless Overseas Chinese networks with a multitude of long-distance links. The winds of migration have created many bridging ties among the Overseas Chinese groups, in geographical terms as well as in social terms. It was the winds of migration that created overlapping clusters, spread people and their connections around the region, and forced family members to locate in different countries.

Remigration and secondary migration of Overseas Chinese had the effect of stretching out the “strong ties,” turning them into “weak ties” (using Granovetter’s terminology). What this means is that what was an *intra*-cluster tie before became an *inter*-cluster tie after migration. The early waves of migration from China involved *sojourning*. The sojourners were expected to return to their homeland once their fortunes were made. However not all returnees ended up back in their hometowns. After resettlement in a non-native town or city, some of them migrated again, bringing their newly acquired ties to their new destinations as well. For instance of the approximately 100,000 Indonesian Chinese who returned to China in the 1960s,

unsatisfied with their life in Indonesia, a large number resettled in Hong Kong (Pann, 1998). Assuming some of them have kept their old linkages to their fellow men in Indonesia, the intra-cluster links (strong ties) they had in Indonesia before the migration became long-distance links (weak ties), bridging the new clusters they formed in Hong Kong to the old clusters that remained in Indonesia.

Secondary migration is a recurring theme in Overseas Chinese migration histories. With ups and downs in their adopted lands, recurring political turmoil, persecutions and hostilities, and the rise and fall of fortunes, quite a portion of the migrants had to migrate once more to another place, again carrying their old connections to their old networks to the new locations with them. As mentioned above, all these migration patterns stretched out the old strong ties, turning them into crucial weak ties. Here we prefer to call this “the stretching-out effect of migration.” In the new communities and clusters the migrants joined, their previous links acted to tie these new clusters to the old ones, thereby increasing the connectedness of the Overseas Chinese networks.

These long-distance ties have been very important, not only in making the Overseas Chinese networks better connected and stronger, but also in terms of the effects they had on development and change in China. Cartier claims that the change in coastal China, open ports, and their hinterlands can much better be understood as a result of “*long-distance* economies tied to the Nanyang” rather than the more commonly believed “Western impact-Eastern response” paradigm. She claims that the emigration and eventual establishment of merchant networks “substantially transformed both coastal China and Maritime cities of Southeast Asia” (Cartier, 2001: 139). The fortunes earned elsewhere were circulated back through these networks. In her study of southern China, Cartier argues that the financial base of Xiamen lay well outside of China: through these merchant network organizations, Chinese could maintain commercial enterprise in the face of foreign competition and manage capital returns in distant ports. It is well known that these connections are still transforming coastal China at the beginning of the 21st century, as the investments of Overseas Chinese flow towards the region.

Some of the clusters that we mentioned above function as a collection of weak ties as well, thanks to globalization and the ease technology has brought to human movements. For instance, in a study on the impact of globalization on Overseas Chinese voluntary associations, it has been shown that the meetings of these associations have come to be characterized by their high frequency and large scale, their strong financial and political backing, and their high-level of institutionalization (in the form of permanent secretariats etc.). These factors have thus turned them into important venues for the creation of “long-distance/weak ties.” For example, in 1980 the Fifth Hakka International Reunion was held in Tokyo, with 1,100 participants representing 33 associations worldwide. Then in 1987, the Third Guanxi World Convention took place in Kuala Lumpur, drawing some 1,000 participants. In 1991, more than 30 associations sent 1,000 delegates to the Sixth International Teochiu Convention in Paris. In 1993 the Third World Chinese Entrepreneurs Convention attracted 1,500 delegates representing 55 Chinese chambers of commerce in 23 nations to Bangkok. This list can be expanded, but preliminary data shows that nearly 100 world conventions of Chinese voluntary associations have taken place during recent decades, particularly since 1980, and the number is still growing. These conventions usually result in the establishment of international coordinating entities and permanent secretariats, strongly linking the Chinese world (Liu, 1998).

It should be mentioned that the family is another of the institutions creating weak ties. Thanks to migration, there are many “global families” among the Overseas Chinese networks. These “global families” create many long-distance ties in the case of the Overseas Chinese. One good example is the Sophonpanich family of Thailand. Chin Sophonpanich was the founder of the biggest bank in Thailand, the Bangkok Bank. Each member of the Sophonpanich family has taken up residence in a different part of the world. This functions in a way to create geographically long-distance ties. Pann defines the Sophonpanich empire as a typical example of “big overseas Chinese enterprises in having an overseas nexus” (Pann, 1990: 239) Father Chin Sophonpanich’s eldest son has always lived in Hong Kong, looking after the family interests there. One son, Chote headed the London branch of the bank. Another son in Singapore, a brother in Hong Kong, an uncle in Manila, a cousin in New York, and various other relatives all around the world make up the “global family,” each one living and working in a different part of the world. While the family can be taken as a cluster in itself, the distance between the members make the links between them “weak ties,” to follow Granovetter’s terminology. Being family members, and presumably with few problems of trust or information flow between them, the ties they have can be said to be rather *strong* “weak ties.” With their activities in the institutions of their disparate locations and the various local/international clusters they are members of, the family itself bridges widely separated locations within the Overseas Chinese global network.

Some empirical studies show the importance of family links in business. In Yeung’s study, a survey was conducted to determine the distribution and importance of different types of connections in the expansion processes of Hong Kong transnational companies into the ASEAN region (Yeung, 1998: 162). In the survey, 25 per cent of responses gave family connections as an important way for expanding business into the region. Surprisingly, other actors along the production chain such as customers, suppliers, and subcontractors were given less importance. These findings show that Chinese entrepreneurs tend to dominate the market by activating particularistic ties that move through family and kin, rather than by building large, impersonal corporations.

Another finding in Yeung’s study is that close friends who are socialized into the “family” are also instrumental in cross-border operations. An example given is the case of Suntec’s expansion, where close friendship ties were also involved besides the father-son connections (Suntec Chairman Frank Tsao and his son Calvin Tsao). The friendship circle, which Yeung defines as “a group of close friends working as a giant ‘Hong Kong corporate family,’” can be seen as a modified form of family. In the business environment of Southeast Asia it would be much easier to “obtain a ‘favor’ or to develop personal relationships in these ‘arms’s-length’ transactional ties” (Yeung, 1998: 163). What Yeung defines as “arm’s-length” is actually a critical “long-distance tie” in the Small World network model described here, and the critical role it plays in the network is aptly shown by Yeung’s study.

Besides these, other cultural, educational, and recreational organizations are also numerous, acting as extra venues for establishing bridges between clusters, and this list can be extended much further. The regular meetings of these associations are stages for new ties to be established where members come together, talk business or other social issues, and create bonds of trust. As the members return back to their usual social communities, and thanks to the wide membership some of these associations have, most of the new connections made by these means become

long-distance connections, thus increasing the Small-World character of the Overseas Chinese networks.

All these discussions, cases, and empirical studies mentioned above not only show the importance of weak ties in the Overseas Chinese networks, but also show that the Overseas Chinese networks are also blessed with a multitude of such long-distance links. Small World theory in its purely mathematical form requires only a few “weak ties” to make the network a “Small-World” one. However when the issue is “trust” or “business information” or “values,” there is no doubt that a large number of long-distance links benefit the Overseas Chinese networks a lot, by increasing its level of connectedness and also by increasing the robustness and strength of the network. Almost every analysis of the subject shows that Overseas Chinese networks do not only have a large number of “weak ties,” but that these ties are also rather “strong” weak ties.

Small World, small sized enterprises, and high social capital

This “Small-World” structure that migration has created also provides an alternative explanation for the persistence of small-scale enterprises that dominate Chinese capitalism, other than the usual familistic, paternalistic explanations. In a study of the success of small Taiwanese firms against the big Western and Japanese corporations, Chen defines networking as an essential mechanism through which small and medium sized enterprises (SMEs) in Taiwan can gain access to international markets (Chen, 1998). Foreign direct investment is a difficult process. It is perceived as a risky process that only large and strong companies are qualified to enter. The conventional image of transnational firms is that they are big, resourceful, prestigious, and hierarchical. Small multinationals supposedly suffer from their operational characteristics based on size, which in turn lead to shortages of capital, managerial resources, and risk-absorbing capacity. These problems are particularly detrimental in overseas operations as the small firms’ already shallow pool of capital can easily dry up; a shortage in managerial resources will limit their scope for internationalization, and a lack of risk-absorbing capacity will further limit their overseas ventures. A business venture which goes wrong may have catastrophic consequences for the whole enterprise.

Connected to these factors is the problem of the transaction costs of foreign direct investment. Substantial costs will be incurred in collecting information, assessing the feasibility of the investment, establishing production facilities abroad such as factories, adjusting operations at home, and so on. At this point the choice is simple: if the potential benefits from FDI are not large enough to offset the transaction costs, foreign investment will be abandoned. Generally in the case of small businesses these transaction costs are seen as so forbidding that, in the end, large multinationals seem to be the only enterprises with sufficient resources to absorb these costs and risks.

As Chan points out, the Taiwanese transnationals stand in sharp contrast to this image: they are small, short of managerial and technological resources, lack prestige, and are quite independent from their parent companies. The problems of FDI that mark small firms do not seem to hold in the case of small Overseas Chinese firms. In Taiwan’s overseas FDI, small- and medium-sized firms play an important, and in some cases, dominant role. Between 1986 and 1991, the Southeast Asian countries of Thailand, Malaysia, Indonesia, Vietnam and the Philippines approved 2,526 investment projects from Taiwan, with a proposed capital investment totaling

US\$13.8 billion. Among these investments, only 200 cases can be identified as having been proposed by Taiwan's large firms. The rest were presumably undertaken by small- and medium-sized firms.⁷

When examining the sources of the strength of SMEs in Taiwan, researchers often point out the flexibility and nimbleness small size provides. However we propose another perspective on the unusual strength of small Taiwanese companies in engaging in international business. Here we suggest that Taiwanese firms enjoy the benefits accruing to the Small World structure of the networks that they are a part of. This point is actually hinted at in the studies by Chan, Hamilton, and many others of the so-called "networking" capability of Overseas Chinese businesses. "Network linkage provides the impetus to drive an export-oriented economy like Taiwan's in which SMEs play a dominant role" (Chen, 1998: xiii). Redding defines the Taiwanese small- and medium-sized firms as weak organizations linked by strong networks (Redding, 1991). Chen argues that the success of SMEs can be found in their ability to compensate for the resources they lack through these linkages. These resources may include market opportunities, natural resources, labor, capital, technology and other strategic assets that are essential for the investor's long-term survival. Through the utilization of these linkages, it becomes possible to minimize transaction costs and provide the Taiwanese small firms with a competitive edge in overseas ventures.

"Cultural-proximity" is also given from time to time as an instant explanation of this strength. To the extent that resource deficiency and transaction costs matter, the countries that offer geographical, cultural, and structural proximity to the host country will be most attractive to small- and medium-sized firms. The closeness in location, culture, and market structure will reduce both the transaction costs as well as the necessity of managerial resources needed to run a viable transnational operation. However this approach still lacks a structural perspective. Cultural affiliation is not enough by itself to bring about this strength: the Malays in the region, no doubt culturally "proximate" to each other, do not seem to share this strength, nor do many Chinese who seem to be left out of the network structure. For a successful analysis, the structure that underlies and makes it possible for this "cultural-proximity" to have its most extensive influence must also be considered.

The underlying structure that provides the basis for the accumulation of all these benefits, making it possible for "cultural-proximity" to work, can be found in Small World theory. The science of networks and Small World theory suggest that networks with this particular structure are better instruments for transfer, internal diffusion, and creating connectedness. Therefore it can be said with certainty that, in terms of transaction costs, in terms of managerial and other resource allocations, and in terms of the collection of market information as well as other essentials for FDI, Overseas Chinese networks benefit from their Small-World structure. Furthermore, this structure also provides the best infrastructure to allow "cultural proximity" to function to its fullest extent and benefit the members of the network. The reason for the success of Taiwanese firms' overseas ventures can also be found to lie in the Small-World topology of their networks.

It must also be mentioned that the Small World structure of the overseas Chinese business/social networks does not always work to their advantage. This closely connected, interwoven structure may also lead to the diffusion of trouble and failure as well as information or "success." The 1997 Asian currency crises and SARS are two manifestations of this. The Asian Crisis started with initially insignificant-looking

⁷ According to data by Foreign Investment Commission, Ministry of Economic Affairs of Taiwan, as cited in Chen, 1998:2.

events such as missed repayments on foreign debt by some Korean and Thai companies. But these created a cascade of collapses throughout the region leading to the spectacular meltdown of some Southeast Asian economies. Similarly SARS spread among the Chinese communities around the world, not because of some genetic disposition to infection by the virus, but because of the wonderfully (and tragically in this case) interconnected Small-World structure of the Overseas Chinese social networks.

One other advantage that should be mentioned that Overseas Chinese gain from their network structure is that the Small-World structure also invests them with a high level of social capital. As explained above, the fact that a network is a Small World network means that the members of the network are closer to each other. This creates many opportunities for interaction, so that sociability can develop in within it. Bourdieu, the doyen of social capital theorists, states that social capital “is the product of an endless effort at institution” (Bourdieu, 1986). The more opportunities there are to interact, the greater the chance that social capital will materialize. Efficient diffusion within the network means that the social capital will be transferred from one component of the network to another speedily. According to Bourdieu, the volume of social capital depends on the size of the network of connections. He terms this the “multiplier effect.” By membership of groups, and by maintaining and reinforcing exchanges, the amount of social capital is “multiplied.”

The Small-World structure of Overseas Chinese networks ensures that the members of the network will be densely connected to each other. This structure provides a pattern of connections where each member, with efficiency and without conscious effort, will be connected to the rest, thus benefiting the flow of social capital to the fullest extent. To put it in other words, because the Small-World structure assures the best level of connectedness on a large scale, it also is the best medium for the accumulation of social capital.

Coleman, another leading theorist of social capital, states that social capital inheres in the structure of relations between actors, and that it is embodied in relations among persons (Coleman, 1988). Intense linking of social networks has the effect of proliferation of obligations and expectations within the network. This, in turn, is another factor for creating trust within the society. This has the same effect of what Coleman calls the “closure” of social structures. He claims that closure of a social network will impose more effective sanctions on its members, therefore increasing the chances that norms will be followed, thus endowing the society with a higher social capital. While the “closeness” (as defined in Coleman’s work) of the Overseas Chinese networks is debatable since Overseas Chinese are connected to non-Chinese as well, it can be argued that the Small World structure of their networks creates a similar effect by tying its members nearer to each other, weaving a closely-knit society.

The Small World theory explanation argues that while trust (and social capital) is embedded and created by the networks, the structure of a network is a factor influencing its degree of existence, and this structure also manages to create this social capital in the first place by providing an efficient medium for diffusion, transaction, and connectedness among its members. This is another reason for the high business acumen, high educational level, industriousness, and connectedness of the Overseas Chinese, suggesting another explanation for their socio-economic success.

Conclusion

In this study we have tried to show that Overseas Chinese networks have a Small World topology through various examples, case studies, and empirical findings. These are all coupled with the an explanation of the historical processes, especially migration, that gave this Small World structure to the network, together with some cultural elements that shaped and formed its clustered, long-distance-tied basis. Through the findings of the science of networks, we have suggested some structural explanations for the dominance and success of small businesses, the underlying mechanism of cultural-proximity and information-cost advantages of the Overseas Chinese businesses, and the high level of social capital among Overseas Chinese societies. We can conclude that migration can be singled out as the most important process underlying the architecture of the Overseas Chinese networks, and is therefore also the root of their dominance and success in the region. We hope that the approach taken in this study will provide an insight into the workings of migration patterns, and that it also clarifies the way we perceive the meaning of “connections,” providing a basis for the intricate way in which they work for the benefit of Overseas Chinese businesses.

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