



*Routledge Frontiers of Political Economy*

# THE POLITICAL ECONOMY OF TRANSNATIONAL GOVERNANCE

CHINA AND SOUTHEAST ASIA IN THE 21ST CENTURY

Hong Liu



# The Political Economy of Transnational Governance

The past two decades have witnessed far-reaching socioeconomic and political changes in Asia, such as the growing intraregional flows of capital, goods, people, and knowledge, the rise of China as the world's second largest economy, and its increasing influence in Southeast Asia, intensified US–China confrontations in the global arena, and the onslaught of the global Covid-19 pandemic. Focusing on multidimensional interactions (including geopolitical and economic relationships, diaspora engagement, and knowledge exchange) between China and Southeast Asia, this book argues that an interwoven perspective of the political economy, transnational governance, and regional networks serves as an effective analytical framework for deciphering these transformations as well as their global and theoretical implications.

Drawing upon a wide range of primary data and engaging with the latest interdisciplinary scholarship on contemporary Asia, this book's thought-provoking and nuanced analyses will appeal to scholars and students in Chinese and Southeast Asian studies, international political economy, international relationships, ethnic and migration studies, and public governance.

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# The Political Economy of Transnational Governance

China and Southeast Asia in the  
21st Century

Hong Liu

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# Introduction

## A rising Asia in three keys<sup>1</sup>

### Introduction

In the opening paragraph of a September 2019 report entitled *The Future of Asia: Asian Flows and Networks are Defining the Next Phase of Globalization*,<sup>2</sup> the consultancy firm McKinsey declares confidently:

Asia is the world's largest regional economy, and its power is expected to grow as its constituent economies integrate more deeply with one another in trade, innovation, and culture and people flows. Asia will fuel and shape the next phase of globalization in what can justifiably be called the Asian Century.

The report goes on to detail a number of remarkable transformations over the preceding two decades and the promising future trajectories of the region such as:

- Asia is increasingly becoming the world's center. Between 2000 and 2017, its share of global real GDP in purchasing-power-parity terms rose from 32% to 42%; its share of global consumption from 23% to 28%; and its share of the world's middle classes from 23% to 40%. By 2040, those three measures of scale are expected to increase further to 52%, 39%, and 54%, respectively.
- Global flows are shifting toward Asia on seven dimensions – trade, capital, people, knowledge, transport, culture, and resources. From 2007 to 2017, Asia's share of global goods trade rose from 27% to 33%, of global capital flows from 13% to 23%, and of worldwide patents from 52% to 65%.
- Asia is becoming more Asian as intraregional flows expand – moving within the region are 60% of goods traded by Asian economies, 59% of foreign direct investment, 74% of Asian air travelers, and 71% of Asian investment in startups.

The global Covid-19 pandemic has produced a devastating impact upon the social, economic, and political lives of every country on the earth; the world is still combating against the pandemic to return to normal. East Asia seems to have

## 2 Introduction

been relatively more effective in coping with the public health crisis and engineering a post-pandemic economic recovery. The region's infection and death rates from Covid-19 have been lower than the global average. As of June 5, 2021, the world average rate for total cases and deaths for every 1 million population was 22,235 and 478.2, respectively, which were much higher than those for East Asian countries: China (63 and 3), Japan (5,987 and 106), South Korea (2,799 and 38), Indonesia (6,675 and 186), Thailand (2,498 and 17), Cambodia (1,958 and 14), and Singapore (10,548 and 6).<sup>3</sup> China was the only major economy in the world that registered positive GDP growth in 2020. It was also in the first quarter of 2020 that the Association of Southeast Asian Nations (ASEAN) replaced the European Union as China's largest trading partner. According to the ASEAN+3 Macroeconomic Research Office's (AMRO) annual flagship report published on March 31, 2021, the *ASEAN+3 Regional Economic Outlook*, the ASEAN+3 (China, Japan, and Korea) region would expand by 6.7% in 2021 and 4.9% in 2022, after contracting marginally by 0.2% in 2020.<sup>4</sup>

Amidst the height of the Covid-19, disruption of the global supply chains, and the growing tides of deglobalization, the ten members of ASEAN, China, Japan, Korea, Australia, and New Zealand signed in November 2020 the Regional Comprehensive Economic Partnership (RCEP). As the largest trading bloc in the world, RCEP member countries make up nearly one-third of the global population and account for about 30% of global GDP. Once implemented, RCEP will eliminate tariffs for at least 92% of goods, with additional preferential market access for exports, thus significantly expediting and expanding the flow of goods (as well as capital and population). At the virtual signing ceremony, Singapore's Prime Minister Lee Hsien Loong spoke, 'It signals our collective commitment to maintaining open and connected supply chains, and to promoting freer trade and closer interdependence especially in the face of Covid-19 when countries are turning inwards and are under protectionist pressures' (*Straits Times*, November 16, 2020).

About a month after the inking of the RCEP agreement, the UK think tank Centre for Economics and Business Research released a report at the end of December, predicting that China would overtake the United States to become the world's biggest economy in 2028, five years earlier than previously estimated due to the contrasting recoveries of the two countries from the Covid-19 pandemic.<sup>5</sup>

While the developments in the closing months of 2020 reaffirmed the central theses of the abovementioned McKinsey report, such as intra-Asian flows and the region's economic prospect, the fact that India pulled out from the RCEP at the end of 2019 – after almost seven years of negotiations – highlights one characteristic of an emerging Asia, namely the competing interests among various nation-states both domestically and regionally. This has been further complicated by global geopolitics, especially the mounting tensions between the United States and China. The quest for 'new spheres of influence', to borrow from the Harvard academic Graham Allison (2020), who famously coined the term 'Thucydides Trap' in describing the US–China confrontation, has been felt particularly acute in Asia throughout the year 2020, which was called by the *Time* magazine as the 'Worst Year Ever'.

One of the major recent developments with regard to China and its place in the world is the renewed partnership between the United States and its key allies, symbolized by the 8th G7 Summit held in Cornwall on June 11–13, 2021, which was also attended by leaders of Australia, Korea, India, and South Africa. China featured prominently in the meeting agendas. Vowing to take global action built on ‘our commitment to international cooperation, multilateralism and an open, resilient, rules-based world order’, the final Communiqué calls on ‘China to respect human rights and fundamental freedoms, especially in relation to Xinjiang and those rights, freedoms and high degree of autonomy for Hong Kong enshrined in the Sino-British Joint Declaration and the Basic Law’ (Carbis Bay G7 Summit Communiqué, 2021). More significantly, the United States and its western allies launched a new initiative, Build Back Better World (B3W), aiming at providing, for the first time, an orchestrated and direct alternative to China’s Belt and Road Initiative (Sanger & Landler, 2021). On June 12, the White House released a statement entitled ‘Build Back Better World: An Affirmative Initiative for Meeting the Tremendous Infrastructure Needs of Low- and Middle-Income Countries’, with the essence of this document being fully incorporated in the G7 Communiqué. Lauded as

a values-driven, high-standard, and transparent infrastructure partnership led by major democracies to help narrow the \$40+ trillion infrastructure need in the developing world, which has been exacerbated by the COVID-19 pandemic. Through B3W, the G7 and other like-minded partners will coordinate in mobilizing private-sector capital in four areas of focus – climate, health and health security, digital technology, and gender equity and equality – with catalytic investments from our respective development finance institutions.

(White House, 2021)

While questions pertaining to the new plan’s finance, coordination, and operations loom large, such a coordinated effort by major economies in the globe is likely to pose some major challenges to the BRI and affect China’s interactions with its Southeast Asian neighbors, which are among the participating nations.

The extraordinary developments over the past decade attest to the necessity of deciphering the changing dynamics and characteristics of East Asia – which broadly includes Northeast and Southeast Asia – from an interwoven perspective of the political economy, transnational governance, and regional networks. The paradoxical fact that coronavirus hops across borders but its effective control (or the lack of it) rests primarily with the nation-states demonstrates the imperative of forging sensible transnational approaches to public governance and economic growth.

To be sure, any meaningful attempt to formulate transnational approaches to the political economy and international relations of the region entails going beyond the frameworks that are mostly derived from the Western experiences and guided by ‘methodological nationalism’ (Wimmer & Glick Schiller, 2002). At the turn of the 21st century, David Kang (2003) contended:



#### 4 *Introduction*

[m]ost international relations theory is inductively derived from the European experience of the past four centuries, during which Europe was the locus and generator of war, innovation, and wealth ... Its [Asia's] growing influence gives scholars a wonderful opportunity in the fields of international relations generally and Asian security specifically to produce increasingly rigorous and theoretically sophisticated work.

His view is echoed by Alistair Johnston (2012), who points out that the neglect of the East Asian region may 'come at a cost to transatlantic IR, not only in terms of data problems but also in terms of omitted or downplayed explanatory variables and theoretical arguments' (see also Acharya & Buzan, 2019).

In a similar vein, Christopher Pollitt (2015) argued compellingly that the age of 'Anglosphere' dominance in public administration on the global stage is ending, precipitated in part by the fact that 'other regions of the world are becoming economically and politically more influential and self-confident'. It is essential to understand how non-Western societies such as East and Southeast Asia are experimenting with different approaches, collectively and/or singularly, to public governance as well as the new modes of the political economy, and judging their impact in their respective sociopolitical and cultural milieus as well as shared global values (Wang & Liu, 2020; Liu, 2021; Liu & Wang, 2021).

This book represents a modest attempt to make sense of the remarkable changes pertaining to China and Southeast Asia since the beginning of the 21st century, which witnessed a number of milestones with far-reaching consequences: China's accession into the WTO in 2001, the formation of the China–Southeast Asian Free Trade Area in 2010 (by the then largest free trade area in the globe), China's overtaking of Japan in 2011 as the world's second-largest economy, Singapore becoming China's largest foreign direct investor since 2013, the launch of the ambitious Belt and Road Initiative (BRI) by Chinese President Xi Jinping in the same year, and the onslaught of the global Covid-19 pandemic that has continued shaping the fate of the region and the world. The geographical and thematic foci of this book are the evolutions, patterns, and characteristics of the multilayered interactions between China, Southeast Asia, and the Chinese diaspora (whose numbers are estimated to be 60 million, with more than 80% reside in Southeast Asia). Intersecting with relevant (sub)disciplines such as political science, economics, diaspora and area studies, public policy, and history, this book is principally guided by three conceptual frameworks and analytical keys, namely the (international) political economy, transitional governance, and networks.

The respective chapters in this book will provide more thorough examinations of these frameworks and their utility in different temporal and spatial settings. Suffice it to say here that the political economy approach, with its overriding focus on the interconnections between politics and economy, entails a close analysis of the interests of multiple stakeholders (such as nation-states, transnational actors, and regional groupings) and various institutions to accommodate (or disengage) these interests in their search for power, wealth, and influence in both the domestic and international arenas. As John Ravenhill puts it,

GPE [Global political economy, which is used interchangeably with IPE in Ravenhill's edited volume] seeks to answer the classic questions posed in Harold D. Lasswell's definition of politics: *who gets what, when, and how?* This definition identifies explicitly questions of *distribution* as being central to the study of politics. It also points implicitly to the importance of power – the concept that is at the heart of the study of political science – in determining outcomes.

(Ravenhill, 2017, 20; emphasis original)

IPE (international political economy) in the Asian context has been given greater attention in recent years, a number of new studies examine the specific circumstances in shaping the region's political economy. For example, Zeng (2019) informs readers that his edited *Handbook on the International Political Economy of China* focuses on 'Beijing's international economic engagement in areas such as trade, investment, finance, sustainable development, and global economic governance, it explores in depth the evolution and consequences of China's changing role in the global economy. In particular, the volume highlights the following dimensions of Chinese behavior: (1) the processes underlying China's rising global economic influence; (2) China's behavior and role in global economic governance; (3) the interests and motivations underlying China's international economic initiatives; and (4) the influence of politics, including both domestic politics and foreign relations, on China's global economic footprint'.

In line with the search to understand 'China's behavior', there have been systemic efforts to explore 'IPE with Chinese characteristics' (Chin, Pearson, & Wang, 2013). Similarly, there have been growing studies on the Southeast Asian political economy for the past few decades (e.g., Hawes & Liu, 1993; Kuhonta, Slater, & Vu, 2008; Ba & Beeson, 2018; Carroll & Jarvis, 2017; Carroll, Hameiri, & Jones, 2020). With some notable exceptions (e.g., Chang, 2014; Goh, 2016; Yeung, 2016; Nyiri & Tan, 2017; Han, 2019; Lampton, Ho, & Kuik, 2020), however, there is a dearth of systemic analyses on the intertwining linkages and mutual impact between a rising China and Southeast Asia in the IPE framework. The perspective of transnational governance provides a useful tool for such an exploration to fill the gap.

As an analytical conceptual and policy practice, the notion of governance has been seen as 'a process of interaction between different social and political actors', and this process integrates structure- and actor-perspectives (Türke, 2008). It has been further articulated that in the structure-oriented view, 'social systems are independent objects. They basically govern themselves through circular, self-referential processes that constitute their identity'. The actor-oriented view, on the other hand, takes actors as the basic entities of the social system, and governance is 'about a diversity of such actors playing different roles within social systems and their capacity to act in organized ways towards a common purpose' (Türke, 2008, 3–4). The integration of the structures and actors contributes to a fuller understanding of the changing dynamics behind Asia's modern transformation, which has taken place in a globalizing and interconnected world, thus calling for a transnational perspective.

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Defined as ‘processes in which nonstate actors adopt rules that seek to move behaviours toward a shared, public goal in at least two states’, transnational governance has transformed from being seen as descriptive and ‘peripheral to what really matters for understanding the power dynamics of world politics’ before 2000 to a range of innovative theories concerned with three key issues – rule emergence, selection, and adoption (Roger & Dauvergne, 2016). The transnational governance approach allows for an in-depth exploration of flows of capital, goods, people, ideas, and practices across the national boundaries, which have been one of the defining characteristics of the rising Asia as showcased by the growing intra-Asian connections in several dimensions. It is therefore imperative to develop analytic frameworks that go beyond the nation-state perspective in its obsession with political power and ‘the formal institutions of the state and their monopoly of legitimate coercive power’ (Stoker, 1998).

In the meantime, considered as ‘a synthesis of hierarchies and markets’ (Blatter, 2003), network has gained growing attention among multiple disciplines over the past two decades, ranging from sociology and economics to public administration and management studies. While economist Matthew Jackson (2010, xii) contends that ‘networks of relationships play central roles in a wide variety of social, economic and political interactions’, historian Naill Ferguson traces the historical evolution of social networks and argues that ‘networks can be found in nearly all human history and that they are much more important than most history books lead their readers to believe’ (Ferguson, 2019, xxiv). In the field of public administration, network-focused research is growing in the subdomains of policy formation, governance, and policy implementation, the emerging studies on ‘knowledge network’ with regard to the processes of knowledge creation, diffusion, absorption, and use have also gained more prominence in the field (Phelps, Heidl, & Wadhwa, 2012; Lecy, Mergel, & Schmitz, 2014; Pollitt, 2015; Liu & Wang, 2021).

Network can facilitate beneficial cooperation among ‘an interconnected group of people ... with shared norm or practice that enables network members to gain access to one another’ (Grewel, 2008, 20). As will be detailed in the subsequent chapters with empirical cases from China and Southeast Asia, network is generally characterized by connectivity, flexibility, reciprocity, and transnationality (at the time of globalization), all of which have been central to the new political economy of East Asia. As to the Chinese diaspora (and to a large extent, other transnational migrants too), networks that are based upon primordial ties such as locality, kinship, and dialect have long played a key role in their social and economic life, and they have been reconstructed to adapt to a globalizing world (Liu, 2006; Waldinger, 2015; Wong & Tan, 2017; Seabrooke & Young, 2017). This study provides detailed analyses on various dimensions of networks in the context of a rising China and how they have interacted with the international political economy, emerging forms of capitalism, and global migration.

While this book is based upon previously published articles and chapters (including with coauthors, refer to each chapter for full bibliographical information), it is not merely a collection of disconnected essays. The chapters are structured together as a coherent volume to collectively make sense of

the multifaceted transformations with respect to a rising China and its multi-layered interactions with Southeast Asia under the three analytical frameworks described in the preceding pages. Apart from substantially revising and updating the previous publications by way of incorporating the latest scholarship and developments, either in the text itself and/or by adding a postscript section to take into account the significant happenings after the preparation and writing of the respective earlier versions, I have furthermore made conscious efforts in meaningfully connecting all the chapters through cross-referencing of key arguments and data, though some repetitions cannot be entirely avoided. These chapters rely on a wide variety of primary data that are intrinsically reflective of the Asian perspectives, including materials published in Asian languages (chiefly Chinese and Indonesian/Malay) as well as my interviews with key stakeholders, surveys, fieldworks, and participant observations in more than two dozen countries in Asia, Africa, and Europe. To avoid essentializing Asia – which is equally dangerous as orientalizing the region and its people, these data are analyzed and presented in a comparative manner with an aim to engage with global scholarship on Asia and relevant theoretical discussions.

Over the past few years, I have had the good fortune to be working closely with colleagues in Singapore, China, Japan, Britain, and other countries on several related projects to unveil comparatively the multidimensionality of modern Asia's transformations and intraregional dynamics. These efforts have led to several recent publications, including the historical origins, diverse patterns, and mechanisms of maritime Asia (Akita, Liu, & Momoki, 2021), the financial and social networks between China and the diaspora (Benton & Liu, 2018; Benton, Liu, & Zhang, 2018), transnational knowledge transfer in the Global South and the emergence of Asian models of public governance (Wang & Liu, 2020), and the BRI from the Southeast Asian regional and interdisciplinary perspectives (Liow, Liu, & Gong, 2021; Liu, Tan, & Lim, 2022). It is hoped that together with these studies, this book will contribute, in a small way, to a better understanding of the complex forces in shaping the trajectories of a rising Asia – China and Southeast Asia in particular – and its place in a (de)globalizing and a VUCA world characterized by *volatility, uncertainty, complexity, and ambiguity*.

### **Structure of the book**

Chapter 1 provides an overall framework for examining the dynamics of the East Asian political economy and the new regional environments over the past three decades. It puts forth two main propositions. First, the predominant nation-state framework in analyzing the political economy of the East Asian region, while remaining indispensable, has become inadequate to interpret the profound transformations resultant from heightened pace of cross-border movements of people, practices, ideas, and capital. I proposed a geocultural concept of 'Transnational Asia' as an alternative to fill the gap neglected by the mainstream nation-state-oriented literature. Second, by going beyond the conventional state–society dichotomy and the rigid theoretical divide between statism and institutionalism,

this chapter argues that transnational networks and governance serve as bridges to these divides and as useful analytical tools in deciphering the new dynamics of the East Asian political economy. The first section of this chapter examines the cultural, historical, and institutional foundations in the making of Transnational Asia, within which China has occupied an increasingly important, although not unchallenged, position. The second part looks at the changing approaches to the East Asian political economy and calls for bringing network and governance into the center of analysis. The third section employs empirical examples of changing patterns of interactions between the state and networks in China and Singapore to underline the growing power of transnational governance. The concluding section considers the implications of our preliminary formulations for an understanding of the new East Asian political economy.

Chapter 2 examines the changing contours of China–Southeast Asia interactions from the founding of the People’s Republic of China (PRC) in 1949 to the present. Going beyond the conventional foci on diplomatic and strategic relations, it is mainly concerned with the interactions between China and the region. The chapter consists of two parts: the first part presents a chronological overview of the relationship between China and Southeast Asia. The second part analyzes three major factors affecting this relationship: ethnic Chinese in Southeast Asia, South China Sea disputes, and increasingly complex trade and investment networks. It demonstrates that interactions between China and Southeast Asia have been shaped by ideological conflicts, competing nationalisms, clashes of strategic interests, global politics, as well as economic interdependence. To comprehend this multifaceted relationship, it is essential to place their connections in historical, network, and knowledge production perspectives rather than narrowly focusing on current front-page events and high politics.

Extending the themes in the previous chapter, Chapter 3 is concerned with China’s engagement with diaspora in the context of the PRC’s increasing integration into the global economy as well as its expanding interests abroad. Instead of discussing the issues from the conventional approaches of either domestic Chinese politics or diaspora relations, this chapter integrates them by analyzing China’s diaspora policies from the angle of transnational governance. It argues that the state-centered approach in which the Chinese overseas are ‘co-opted’ neglects how the engagement with transnational social actors has an impact upon existing state structures and how the actions of Chinese overseas are driven by various motives and interests. This chapter also provides an updated analysis of China’s new institutional structures with regard to its diaspora engagement after the major governmental reshuffle in early 2018.

Since its launch in 2013, the BRI has become China’s most important and ambitious geopolitical and economic strategy in its engagement with the neighboring countries, and it has fundamentally (re)shaped its interactions with Southeast Asia. While there are numerous studies pertaining to the BRI, most of them approach the subject from a China-centric perspective and tend to depict a picture in which weak states are getting overwhelmed by China’s financial might, with its multiple-trillion-dollar investment in the BRI-related

nations and regions. Disputing this mainstream interpretation, Chapter 4 argues that the political elites in a relatively weak and small state such as Malaysia are adept in engaging with a rising China to advance key projects, furthering their own agenda. In the case of Malaysia, the eventual outcome of this interaction is dependent on three key conditions: fulfillment of Malaysia's longstanding proethnic Malay policy, a mutual vision between the state and federal authorities, and advancement of geopolitical interests for both Malaysia and China. The chapter puts forward a typology illustrating various possible outcomes to examine the interconnections between key players at a time of Chinese ascendancy. Finally, this chapter documents the nation's regime change after the 2018 General Election, the corresponding adjustments of Malaysia's positions toward the BRI projects, and their wider implications.

As a result of China's 'going-out' strategy at the beginning of the 21st century and the BRI's implementation, massive investments have arrived in Southeast Asia over the past two decades, which have led to the formation of what I called 'new Chinese capitalism'. Chapter 5 first contextualizes the phenomenon of new Chinese capitalism for an understanding of the political economy of Southeast Asia as well as the role of Chinese capitalism and the diaspora Chinese. I then discuss the regional architecture of the ASEAN Economic Community (AEC) and its implications for the preexisting and deeply ingrained politico-economic relations prevalent in Southeast Asia. Using cases of both private and state-sanctioned Chinese investments in Malaysia, Indonesia, and Singapore, this chapter delineates the geographical and sectoral distributions of Mainland Chinese outward FDI, as well as explains how those Chinese enterprises make an inroad into ASEAN and with whom they have collaborated in such endeavors, demonstrating the analytical value of the IPE and network. This chapter concludes by considering the characteristics of new Chinese capitalism in the context of an emerging AEC and broader literature on capitalism studies.

China's interactions with Southeast Asia and the wider world are shaped by its domestic political economy, including its ambitious 'Made in China 2025' strategy that aims to push for cutting-edge technological innovation. With China's ongoing transition from a labor-intensive economy to a knowledge-driven one, the state has vigorously promoted diasporic Chinese returnee entrepreneurs as a new dynamic force for the nation's economic development and innovation. Chapter 6 examines one of the major actors, the diasporic entrepreneurs' interactions with the state, focusing on how the Chinese government has orientated and structured them into the state's national and globalization agendas. By analyzing the mechanisms and limitations of the top-down relationship between the state and returnee entrepreneurs, it argues that the latter's acquisition of political capital is a critical factor to successfully convert transnational cultural capital into economic capital. The chapter concludes with a discussion on the theoretical implications of the Chinese experiences for transnationalism. It calls for a reversed analytical perspective on diaspora returnees' transnational practices and on the conversion of cultural capital in the new political economy of a rising China.

Growing intra-Asian flows take many forms, not just in terms of mobility of people, goods, and capital but also transnational diffusion of ideas about models of socioeconomic development. Thanks to its success in economic growth, political stability, and social management, Singapore has been regarded by China and some other developing nations as a model to learn from. Effective governance of local and international talents has played a crucial role in contributing to the nation's transition from a Third World country to a First World economy within a short span of half a century after its independence in 1965. Chapter 7 is concerned with the role of (global) talent strategy in higher education and economic growth. It starts with a review of existing literature on global talent management and underscores the importance of bringing non-Western experiences (such as those of the East Asian developmental states) into the global talent management literature. The second section examines Singapore's trajectory of developing human capital through higher education. The twin foci of the talent strategy – centering on the domestic core and supplementing it with global talent – has served as a main engine of economic growth. It also examines two major initiatives at the beginning of the 21st century: the Global Schoolhouse project and the move to make public universities autonomous. It was against this backdrop of economic transformation and policy reformulations that the dynamic rise, in the global higher education and research scene, of the National University of Singapore (NUS) and Nanyang Technological University (NTU) was prompted. As a case study, the subsequent section zooms in onto NTU's practices of attracting, nurturing, and managing talent to demonstrate the importance of (global) talent management at the implementation level. The chapter concludes by suggesting future research directions with respect to talent management and higher education governance in the context of an intensified global 'war for talent'.

The final chapter of this book moves from the Singapore model *per se* to China's perceptions of and efforts to learn from it. Over the past four decades, China has shown tremendous interest in the 'Singapore model', through sending tens of thousands of cadres to Singapore for leadership training and executive education. While this phenomenon has been studied in the context of China's longstanding tradition of knowledge transfer and policy diffusion, no attention has been drawn to the perspectives of those mid-level cadres who took part in the graduate programs and their implications. Utilizing a unique dataset of over 1,350 mid-level cadres graduating from the 'Mayors' Class' in Singapore from 1995 to 2016 as well as follow-up surveys and interviews, this chapter intends to fill this empirical and conceptual gap. It found that the most appealing characteristic of the 'Singapore model' for these mid-level officials lies in practical governance lessons and their potential transferability to China rather than ideologies. This finding challenges the conventional wisdom that the most plausible rationale of China's learning from Singapore is political. This chapter also examines Chinese leadership's view of the Singapore model and its relevance to China's national agendas in building a 'learning nation' and strengthening the CCP's resilience through intraparty regeneration. The conclusion places the China–Singapore case

in the changing trajectories of the intra-Asia knowledge transfer and implications for transnational governance in the Global South.

## Notes

- 1 The title partially paraphrases from that of Cohen (1997).
- 2 [www.mckinsey.com/featured-insights/future-of-asia/topics/trade-and-network-flows-in-asia](http://www.mckinsey.com/featured-insights/future-of-asia/topics/trade-and-network-flows-in-asia)
- 3 “Reported Cases and Deaths by Country or Territory”. Retrieved from [www.worldometers.info/coronavirus/](http://www.worldometers.info/coronavirus/)
- 4 [www.amro-asia.org/asean3-regional-economic-outlook-2021-press-release/](http://www.amro-asia.org/asean3-regional-economic-outlook-2021-press-release/)
- 5 <https://uk.reuters.com/article/uk-health-coronavirus-china-economy-idUKKBN290004>

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# 1 Transnational Asia and regional works

## Toward a new political economy of East Asia

### Introduction

In conjunction with rapid economic development of East Asia between the mid-1960s and mid-1990s, various propositions were put forth in explaining the dynamics and patterns of the region's growth. Rejecting the Dependency Theory that was prevailing in much of the literature in the 1970s/1980s, the World Bank (1993) underscores the significant role played by the Newly Industrialized Countries (NIC) governments in formulating and implementing 'market-friendly strategies' as well as their interventionist stance through institutional mechanisms in facilitating the East Asian economic miracle, such as the insulation of economic technocrats from political influence, efficient and high-quality bureaucracies managing policy, and public-private consultative bodies that shared information (Hawes & Liu, 1993; Choi, 1998; Suehiro, 2008; Yeung, 2014). Approximately at the same time, Confucianism and other East Asian cultural values such as propensity for hardworking, discipline, education, and familism (which have shared traits originating mainly from the Sinic civilization) were considered by some as key elements behind the region's remarkable economic growth and seemingly social cohesion (cf. Yeung & Olds, 2000; Rozman, 2014).

Fast forward to the turn of the 21st century, profound changes have taken place in East Asia, which have wider global and national implications. The first and foremost is China's accelerated pace of economic growth and its integration into the global and regional economies, which has fundamentally reshaped Asian political economy and international relations. Secondly, partly in response to the rise of China, East and Southeast Asian countries have undertaken various measures to restructure their domestic economic systems including the manufacturing, trade, and banking sectors. To some, China's development model (or the so-called 'Beijing Consensus'<sup>1</sup>) has become gradually more attractive as an effective alternative to the 'Washington Consensus' (a series of neoliberal policies emphasizing fiscal discipline, trade liberalization, privatization, and deregulation) (Huang & Cui, 2005; Tang, 2020).

The rise of China as the second-largest economy in the world and an increasingly assertive player in global politics has been the subject of much scholarly study and policy scrutiny over the past decade. There are many conflicting views

on how to interpret and cope with a rising China: will it ‘rule the world’ (Jacques, 2012), or is it merely a ‘partial power’ of ‘overstated’ importance that faces an uncertain future and ‘coming collapse’ (Shambaugh, 2013). More recently, since the launch of the ambitious Belt and Road Initiative (BRI) by Chinese President Xi Jinping in 2013, scholars have interpreted the BRI as China’s effort to restructure the international order and expand its influence (Aoyama, 2016; Summers, 2016; Zhao, 2020; Liow, Liu, & Gong, 2021).

Thirdly, East Asian developmental states have faced increasing challenges from domestic interest groups for democratic changes and social movements, thus being unable to wield autonomous power in governing the market and economic development trajectories as they did in the 1970s and 1980s (c.f. Yeung, 2017; Carroll & Jarvis, 2019). Finally, the flows of capital, population, practices, and ideas have become substantially intensified, thanks in no small part to the advancement of transport and technology as well as the escalating pace of globalization. Indeed, the global Covid-19 pandemic has demonstrated clearly, and ruthlessly, the tremendous (negative) impact of transnational forces upon the global and national political economy as well as upon everyday life.

Taking into account the abovementioned debates and ongoing trends about the dynamics of the East Asian political economy as well as the changing regional environments over the past three decades, this chapter puts forth two main propositions. Firstly, the predominant nation-state framework in analyzing the political economy of the East Asian region, while remaining indispensable in its own right, has become inadequate to explain the profound transformations resultant from heightened pace of cross-border movements of people, practices, ideas, and capital. This chapter proposes the geocultural concept of ‘Transnational Asia’ as an alternative tool to fill in the gap neglected by the mainstream nation-state-oriented literature. Secondly, by going beyond the conventional state–society dichotomy and the rigid theoretical divide between statism and institutionalism, I argue that transnational network and regional governance serve as bridges to these divides and as useful analytical tools in deciphering the new dynamics of the East Asian political economy. In its extensive and multilayered interactions with transnational networks, the developmental state has been increasingly supplemented by the networked state, which operates both within and without the nation-state boundaries through a variety of interlinked mechanisms.

Drawing upon a wide range of data in English, Chinese, and Indonesian, this chapter is divided into three parts. The first section examines the cultural, historical, and institutional foundations in the making of Transnational Asia, within which China has occupied an increasingly important, although not unchallenged, position. The second part looks at the changing approaches to the East Asian political economy and calls for bringing network and governance into the center of our analysis. The third section employs empirical examples of changing patterns of interactions between the state and networks in China and Singapore to underline the growing power of transnational governance. The concluding section considers the implications of our preliminary formulations for an understanding of the new East Asian political economy.

## **Transnational Asia and its historicity**

The remarkable political and economic changes of East Asia over the last decade have taken place against the backdrop of increased pace and intensity of multilayered interactions across national boundaries in the region. This has led to the formation of what I call ‘Transnational Asia’. This concept may be understood from three interlinked angles. In the first place, it is a flexible geographical and cultural space encompassing the regions that are conveniently but problematically termed East and Southeast Asia. As has been argued elsewhere (e.g., Liu, 2001; Miyoshi & Harootunian, 2002; Harootunian, 2012; Shiraishi, 2021), the compartmentalization of Asia into different (artificially divided) subregions ignores the long-standing cultural and economic linkages among different sociocultural and geopolitical domains, and we need to look beyond this rigid division to comprehend the complex dynamics of modern trajectories in Asia. Secondly and more importantly, it is an evolving process and entity through which East/Southeast Asian countries dynamically engage with one another and with the external world, which in turn (re)shapes its own domestic agendas and development strategies. In this process, transnational institutions and flows of ideas (including models of socioeconomic growth) play an important part in influencing the paths of development, which led to the making of Asian modernities that are different from Western modernities. Finally, Transnational Asia is an analytical approach concerned with the flows of population, ideas, goods, practices, capital, and virus in the cross-national and trans-regional context.

Transnational Asia does not emerge from a vacuum; it has its profound historical and cultural foundations, and it has also been significantly reinforced by – and helped shape – the rapid growth of trade, investment, and migration across the national borders over the past two decades. It is through this evolving and multilayered process of historical and economic interactions that Transnational Asia came to be institutionalized in recent years, impacting upon the region’s political economy as a whole.

### *Historical legacies and flows of ideas*

‘It has now become something of a truism that we are function in a world fundamentally characterized by objects in motion. This is a world of flows’ (Appadurai, 2001, 5). As a matter of fact, extensive intraregional connections in East Asia through trade, cultural exchanges, remittance, and human migration could be dated back to centuries before the advent of Western colonialism in Southeast Asia and the rise of Japan as a regional power after the mid-18th century (Arrighi, Hamashita, & Selden, 2003; Bosma & Webster, 2015; Benton & Liu, 2018; Akita, Liu, & Momoki, 2021). These connections resumed by the beginning of the 20th century, when Asia was first created as a regional construct and nationalism emerged in the form of imagined communities, aided by the spread to Asia of ‘print capitalism’. As Jonathan Arnason (1997, 99) suggests:

From a long-term perspective, the most salient features of the region [Southeast Asia] have to do with intercivilizational encounters and their local ramifications ... Southeast Asian traditions took shape in active interaction with dominant external models, and it is a flexible combination of imported and local patterns that is most characteristic of the region, rather than any persisting indigenous infrastructure.

In a similar vein, Robert Hefner (2001) identifies a significant degree of cultural mobility, cross-cultural imports, and hybridity across the Malay Archipelago, which illustrates that ‘its constituent societies were not changeless, traditional entities hermetically sealed from their neighbors’.

Asian modernities have been characterized by the tremendous scale and intensity of flows of ideas and people in the transnational and intraregional contexts. By the early 20th century, Chinese civilization had faced unprecedented challenges resultant from West intrusion, and it became a key motive behind the constitutional reforms represented by Kang Youwei and the nationalist movement led by Sun Yat-sen. It was a time of high imperialism in Southeast Asia. This shared fear of political annihilation constituted a backdrop against which intellectuals from both areas formulated anti-Western strategies and mutual imaginations for cooperation in the endeavor. These strategies coalesced into nonstate-centered, transregional discourses on Asia, ‘a radically politicized cultural regional concept’ (Karl, 2002). The intensive engagement on the articulations and implementation of concepts such as Asianism by intellectuals and nationalists in Japan, Southeast Asia, and China led to the formation of political and cultural networks across geographical and national boundaries (e.g., Hau & Shiraishi, 2009; Liu, 2021a). In the Malay world, many writings by the Chinese (both in Chinese and Malay) were concerned with politics in the cross-regional context, which partly explained why a Chinese woman in exile in the Dutch East Indies was made a principal nationalist propagandist in the novels of Pramoedya, one of the greatest intellectuals of 20th-century Southeast Asia (Liu, 2011a). On the other hand, Chinese intellectuals acquired knowledge about the West by way of Japan, which was the single most important transit point for the importation and dissemination of Western ideas into China in the early 20th century (c.f., Liu, 1995).

The above cursory notes on the intraregional and cross-national connections put the conventional wisdom about modern Asian politics and history into serious questions. This conventional framework is guided by ‘methodological nationalism’ – ‘the assumption that nation/state/society is the natural social and political form of the modern world’, which has dominated much of the social science thinking in the past century (Wimmer & Schiler, 2002, 301). The historiography of modern China, for instance, has been dominated by an antiimperialist and state-centered approach framed by the nation-state (c.f., Duara, 1995). The limitations of the nation-state framework have been revealed, and there is a growing consensus that transnational perspective into Asia should be given greater weight in understanding the region’s past and present. As Thongchai Winichakul (2003) puts it, ‘the old national story has served its purpose, to establish a nation-state;

it has perhaps run its course'. He argues that it is time for other narratives of nonnational and transnational subjects to emerge and blossom. This revisionist interpretation of Asia's recent past serves as a starting point to reconceptualize the East Asian political economy, and the changing place of China in it, over the last three decades.

*Contemporary resonances: 'Asian formulas for Asia's problems'*

The legacies of cross-border historical and intellectual connectivity in East Asia became more pronounced after 1945 when various new countries began their experiments with the nation-building projects amidst the global Cold War. This can be illuminated through an examination of changing interactions between China and Indonesia which exemplify the characteristics of the new regional formation. China invoked dual images in postcolonial Southeast Asia. Between 1949 and the mid-1980s, China was seen as a threat by some Southeast Asian governments (Tilman, 1987; Yee & Storey, 2002; Goh, 2013). This official perception helped legitimize authoritarian politics and harsh assimilationalist policies toward the local Chinese population. The second and less recognized image of China was that of an alternative form of modernity, through which China became a (real or imaginary) model for social engineering and economic development in some noncommunist countries (Liu, 2006). Sukarno's Indonesia is a case in point.

The studies of postcolonial Indonesian politics have been preoccupied with the central question of why Western-style constitutional democracy failed, and the West became the only 'other' and the sole yardstick of references in the scholarly inquiry. A study even goes so far as to argue that the liberal basis of American social science has profoundly shaped the understanding of culture, tradition, ethnicity, and modernity in contemporary Indonesia and that 'the genealogy of contemporary Indonesian politics studies is Orientalist' in the sense that it accepts 'a basic and irreducible separation between Orient and Occident, East and West' (Philpott, 2000, 3–4). In a broader context, Eisenstadt (2000, 2–3) has pointedly reminded us, 'Modernity and Westernization are not identical; Western patterns of modernity are not the only "authentic" modernities, though they enjoy historical precedence and continue to be a basic reference point for others'. He argues that the idea of 'multiple modernities' needs to be seen as a refutation of theories of modernization and that the 'homogenizing and hegemonic assumptions of this Western program of modernity' were not realized.

During the Sukarno era (1949–1965), many politicians and intellectuals in Indonesia had looked for inspirations of socio-economic development from elsewhere, and one of the main sources was, paradoxically, China. Collectively, they created and propagated three master narratives about the new China: as a purposeful and harmonious society; as a successful economy and populist/nationalistic regime supported by the mass; and as the site of a cultural and intellectual renaissance. China's attraction lay not in its communist ideology *per se*, but in the perceived remarkable success it had achieved within a short span of time,

which convinced President Sukarno that China's example could serve as an 'Asian formula for Asia's problems'. The historical legacy of exchanges of ideas/representations during the early 20th century was constantly and consistently invoked to validate the new search for an adaptation of China's development model. As I have demonstrated, the systemic incorporation of China's models of social, political, and cultural developments had significant impact upon the courses of Indonesian history during the closing years of the Sukarno era (Liu, 2011a). The same period of historical evolution also witnessed the complex intertwining between diplomacy, diaspora, and the global cold war in which China was a major player (Zhou, 2019).

Although Sino-Indonesian synergy was interrupted during the Suharto regime (1967–1998), the warm relationships resurfaced soon after Suharto's fall. While undertaking a state visit to Beijing in 1999, President Abdurrahman Wahid told his host that the two nations should be like 'brothers' and that he was delighted in having a 'Confucian brother'. He made it clear that the new Indonesia would build stronger relations with its Asian neighbors, particularly China.<sup>2</sup> Welcoming the visiting Chinese Prime Minister Zhu Rongji in November 2001, the influential daily *Kompas* (November 7, 2001) put up an editorial entitled 'We Can Directly Listen to the Successful Stories of China's Development', which hailed China's progress as 'spectacular and fascinating' and declared that 'we can now listen to the successful stories concerning China's development over the last 20 years'. Dahlan Iskan (2008), CEO of the *Jawa Pos* Group, advocated in his book *Pelajaran dari Tiongkok* (Lessons from China) that Indonesia should learn from the Chinese model of development.

In Vietnam, where novels by Chinese writers now account for about half of all foreign literary books translated in the country, younger policymakers have adopted what they call a 'Chinese model' of slowly opening the economy while retaining control of the political system. To Laotians, 'China kind of symbolizes modernity' (Kurlantzick, 2007, 119, 133–138). Malaysia's former Prime Minister Mahathir Mohamad claimed in October 2010 that 'the Beijing Consensus shows that having a non-democratic country can also give a good life for the people'. He further suggested that China's 'correct application of the Beijing Consensus had allowed the nation of 1.3 billion "very poor" people to become "the second-richest country" [*sic*] in the world'.<sup>3</sup>

Transnational Asia does not just exist in the realm of the intensive flows of cultures and ideas; more importantly, the turn of the centuries has witnessed the formation of fast-growing economic linkages and population mobility within which China plays a leading role. As Karou Sugihara has argued, China's pattern of integration into the international economy was 'shaped by the growth of intra-Asian trade, migration and capital flows and remittances, as well as by direct contact with the West' (Sugihara, 2005, 2; Hamashita, 2008). According to the McKinsey Global Institute (2019), 'Asia is becoming more Asian as intraregional flows expand – moving within the region are 60 per cent of goods traded by Asian economies, 59 per cent of foreign direct investment, 74 per cent of Asian air travellers, and 71 per cent of Asian investment in start-ups'.



Rapidly growing intra-Asian trade and economic activities now account for more than 50% of East Asia's total trade, a substantial increase from the late 1970s when only 20% of total exports were made to each other by the Asian economies (Das, 2013). China–Association of Southeast Asian Nations (ASEAN) trade increased at a rate of over 30% annually in the first few years of the 21st century. In 2008 Chinese became the third largest trading partner and was responsible for 11.3% of ASEAN's total trade. Trade between the parties accounted for 13.3% of global trade or half of the total trade of Asia in 2008. From 2011 ASEAN was China's third-largest trading partner; it overtook the United States as the second largest in 2019. Since the first quarter of 2020, ASEAN has replaced the European Union as China's largest trading partner.<sup>4</sup> The formation of the China–ASEAN Free Trade Area in January 2010 created an economic entity with a combined GDP of US\$6.6 trillion, 1.9 billion people, and total trade of US\$4.3 trillion. Their combined two-way investment exceeded US\$183 billion, with US\$108 billion being ASEAN investment in China (Miller, 2015). China has constituted a significant source of investment in ASEAN, with Chinese FDI to the region doubling from US\$7 billion in 2013 to US\$14 billion in 2018 (UNCTAD, 2019). Refuting the zero-sum judgment that China's economic rise has been at the expense of Southeast Asia, Anne Booth (2020, 80) argues: 'it is clear that the economies of both Southeast Asia and China have gained from their interaction'.

Discussions on the East Asian Community, monetary regionalism symbolized by the Chiang Mai Initiative, and the proliferation of FTA have demonstrated the growing importance of economic regionalism (Urata, 2008; Chey, 2009). For example, under the principles of the Chiang Mai Initiative, established in 2000 to encourage bilateral swap agreements between countries in East and Southeast Asia, the People's Bank of China (PBC) and the Bank of Korea in December 2008 jointly announced bilateral currency swap arrangement worth 180 billion yuan (US\$27 billion), or 38 trillion Korean won. The three-year deal aims to provide liquidity for the financial systems in the two countries and keep their currencies stable (Shi, 2009). In the same month, leaders of Japan, China, and South Korea held their first trilateral summit meeting in Fukuoka, and the issue of financial collaboration was on the top of the agendas. Seven years later, during the sixth trilateral summit held in Seoul in 2015, the PBC allowed South Korea to issue yuan-denominated sovereign bonds in China's debt market as part of financial cooperation between two countries. China and South Korea had also reached an agreement which led to direct trading between the Korean won and Chinese yuan *via* the China Foreign Exchange Trade System (CFETS) in the following year.<sup>5</sup>

In addition, with the progress of ASEAN-plus-Three Financial Cooperation, Asian regional liquidity mechanism has proven to be helpful to Indonesia in tackling the 2009 global financial crisis. Developments in regional governance for Asian financial regionalism have received considerable academic attention (e.g., Saputro, 2017). As Masahiro Kawai, Dean of the Asian Development Bank Institute, identified as early as December 2008, 'Economic ties among Asian

countries are becoming stronger. The dollar will drift into decline and the Euro may not necessarily take over. I think it is necessary that Asians try to build a stable currency block' (*International Herald Tribune*, December 29, 2008).

The escalating number of Chinese new migrants in the region and the flows of new Chinese migrants into Southeast Asia (four successive waves since the early 1980s) are another indication of China's intensive interactions with the region, which have been reinforced by such discourses that Singapore as one of the major models of China's economic reform and opening-up since Deng Xiaoping's visit to the country in 1978. More significantly, the close relationship between China and ASEAN has been manifested and reinforced at the institutional level. The year 2016 marked the 25th anniversary of ASEAN–China dialogue relations, where the 'most comprehensive' development of relations between China and ASEAN was celebrated. There are at least 48 committees and working groups established at different levels and in various domains, far exceeding those between ASEAN and its other dialogue partners.<sup>6</sup>

In Northeast Asia, China became Japan's largest trading partner in 2004, and in the next year, two-way trade between the two countries grew 12.4% to 24.9 trillion yen, larger than US–Japan bilateral trade of 21.8 trillion yen, which only grew 6%. According to Japan's Ministry of Finance data, China overtook the United States as its largest export destination in 2009 and remained so until 2012.<sup>7</sup> Over the past decade, 60% of the international students in Japan came from China. Japan hosted 94,000 Chinese students in 2015, meaning they make up over half of the total number of international students in the country. Cultural linkages and geographical proximity have reinforced the trend of studying in Japan. In 2014, 2.4 million Chinese visited Japan, an 83% increase from the previous year (Clavel, 2015). By the end of 2007, the Chinese community, numbered more than 600,000, became the largest foreign community in Japan for the first time, surpassing the number of Koreans (including those from two Koreas). As of June 2017, the number of resident Chinese nationals reached 878,000 (Schreiber, 2018).

Ten million Chinese worked for Japanese companies in China, and it is estimated that 100,000 Japanese lived in Shanghai in 2005, with China as the largest recipient of Japanese investment in Asia. A similar trend of increasingly intimate interactions on all fronts has been recorded in the case of China and South Korea. In 2003 the PRC surpassed the United States as the largest export market for South Korean products – a position the United States had held since 1965, and China became the country's largest trading partner. In 2016, 223,908 South Koreans were studying abroad for higher education, and 66,672 out of the total, which is equivalent to 29.8%, were in China, while the number and percentage were 63,710 and 28.5%, respectively, in the case of the United States. This was the first time that the number of South Koreans studying in China exceeded that of those studying in the United States. The number of Chinese language schools in South Korea increased by 44% from 2003 to 2005, there were 35,000 South Koreans studying at Chinese universities in 2003, comprising 46% of all foreign students in China, and over 180,000 South Koreans had

become long-term residents in that country (Kang, 2007, 175–77, 116). There has also been an overall predominance of Chinese students among international students in South Korea – 55% of 123,858 students as of April 2017 (Betts, 2017; Choi, 2016).

It is worthwhile pointing out that the Transnational Asia formulation has been primarily confined to the conventionally called East and Southeast Asian regions, with South Asia playing little part in its making. Despite the fast-growing economic relations between China and India (China has been India's largest trading partner since 2008), the mounting trade row between the two countries has highlighted a significant degree of divergent economic and political interests and – more importantly – the lack of bilateral and/or multilateral institutional mechanisms in managing the conflicts.<sup>8</sup> The greater difficulty in forming institutional collaboration between the two countries has been further hampered by the resistance from within India, who sees China as a strategic and commercial competitor, the political and value system of whom as 'unacceptable and threatening' (Taneja, 2020).

In short, the turn of the 21st century has witnessed the formation of a Transnational Asia, which draws its historical resources and cultural capital from the long-standing cross-border interactions among countries and peoples in East and Southeast Asia. The intensity of flows of population, capital, goods, and ideas has been significantly reinforced by the institutionalization and multilateral mechanisms.

While the informal dimensions of Transnational Asia have been evidenced through human movements in cultural, educational, and economic arenas, China has played an increasingly critical role in the new regional formation as the engine of economic growth, sources of human mobility, key player of the transnational institutional frameworks (such as ASEAN+1, China–ASEAN Free Trade Area, and the Regional Comprehensive Economic Partnership (RCEP) that was signed by ASEAN, China, Japan, Korea, Australia, and New Zealand in November 2020 as the largest trading bloc in the globe). The launch of the ambitious Belt and Road Initiative in 2013, with US\$200 billion investment from China, and the establishment of the China-led Asian Infrastructure and Investment Bank (AIIB) have significantly reinforced the place of China in the making of Transnational Asia (Zhao, 2020; Liu, Tan, & Lim, 2021).

The growing centrality of China in the emerging Transnational Asia has met significant (and sometimes organized) resistance (often led by the United States with the overt or tactful support of Japan, with both countries are absent from the AIIB), territorial disputes between China and some Asian neighboring countries have also undermined the emerging regional order.<sup>9</sup> There are growing worries among ASEAN countries over the prospect of being forced to take side in the intensified US–China confrontation that has been further fuelled by the Covid-19 pandemic (e.g., Lee, 2020; Shambaugh, 2020). In other words, the new transnational formation is both an outcome and dynamics of the new political economy of East Asia at the turn of the 21st century, and their complex interplay and implications for the regional transformations deserve scrutiny.

## **Transnational governance and networks**

Transnational flows of capital, ideas, and people have increasingly become the norm in East Asian recent development process, which in turn calls for new concepts and approaches to decipher the nature and characteristics of this transformation that is likely to continue in the foreseeable future. The following pages examine how network and governance can be deployed as effective analytical tools and as alternatives to the existing dominance of the state–society paradigm.

### *Transnational governance*

As briefly mentioned at the beginning of this chapter, the specific patterns of state–society relationship have often been attributed to be the key driving force behind economic growth in East Asia. Two schools of thought, Institutional and Statist approaches, emerged in the attempt to explain the rapid economic growth in East and Southeast Asia from the 1970s to the 1990s. As a variation of the former approach, the neo-Classic explanation looks at nonstate variables. It stresses export-oriented, market-driven industrialization through a pursuit of comparative advantages and contends that the East Asian governments ‘did not try to overwhelm the market, and were flexible enough to adjust policies when necessary’. This institutionalism ‘(1) incorporates private sector and public-sector arrangements, (2) appreciates the coalitional bases of such arrangements, and (3) recognizes the utility of combining political support for local firms with pressure on them to conform to market forces’. Developmental states are one component of, and one participant in, broader institutions that provide solutions to the collective action problems common to developing nations (Doner, 1992; Hawes & Liu, 1993; Suehiro, 2008; Kuhonta, Slater & Vu, 2008 Carroll & Jarvis, 2019). Doner, Ritchie, and Slater (2005) argue for a new political explanation for the origins of developmental states by accentuating on the ‘organizational complexes in which expert and coherent bureaucratic agencies collaborate with organized private sectors to spur national economic transformation’. Kim (2009) traces the origins of the developmental state by highlighting the roles of colonial legacies, the institutional frameworks inherited or established at the time of independence, and subsequent socioeconomic transformations as an important historicity of contemporary developmental state in East Asia.

The statist approach, on the other hand, manifests the revived scholarly interest in the state’s role in modern society, evidenced by the work that brought the state ‘back in’ and the subsequent debates on the relative autonomy of the state. Partly as a response to the ‘unresolvable conflicts’ of the structural and cultural approaches to development and modernization, the state emerged as ‘a pivotal research focus’ of research analysis since the 1980s (Remmer, 1997). One major explanation in the statist argument has been the autonomy of the state, referring to a relative autonomy from social classes and specific private economic interests, a capacity that enables the state to pursue a coherent operational program for development; and autonomous state is an organizational entity that can act and

make policies that do not simply reflect the demands or interests of specific social groups. It is also argued that ‘the uniqueness of statism as a paradigm depends on defining the state as both as autonomous and a developmental entity’. The primary payoff from an autonomous state in the statist design is ‘the enhancement of the state’s developmental potential by allowing technocrats to have a free hand in designing policies attuned to market rationality’ (Choi, 1998).

With the end of the Cold War and the collapse of state socialism in the former Soviet Union and Eastern Europe, as well as the spread of borderless capitalism, the first decade of the 21st century had witnessed a resurgence of societal forces in the making of the international political economy (Yeung, 2017). The 1997 Asian financial crisis, which was partially precipitated by crony capitalism, presented further problems to the statist approach. As a result, the state has been confronted with challenges from two major sources: ‘from above in the form of global economic forces and from below in the form of various national or ethnic revivals’ (Hall, 2003, 1). In the meantime, the statist and institutionalist approaches tend to confine their analyses within the political boundaries of the nation-state, giving inadequate attention to complex and intensive transnational flows of capital and people and transnational networks that have increasingly shaped the political trajectories within and without the nation-state, as has been amply demonstrated in the European context (e.g., Montoya, 2008; Newman, 2008). It is, therefore, necessary to go beyond the conventional state–society paradigms and identify alternative concepts for an understanding of the changing political economy in 21st-century East Asia. The concepts and practices of (transnational) governance and network may serve such a need.

While the term ‘government’ in Anglo-American political theory refers to ‘the formal institutions of the state and their monopoly of legitimate coercive power’, governance refers to ‘the development of governing styles in which boundaries between and within public and private sectors have become blurred’ (Stoker, 1998). According to Stoker, the essence of governance lies in its focus on governing mechanisms which do not rest on recourse to the authority and sanctions of government: ‘The governance concept points to the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors’. Unlike the conceptualization of the state–society relations, governance can be taken beyond the rigidly defined nation-state boundaries, and global governance has increasingly become a means to mediate the process of political and economic development at the regional and international levels. As James Rosenau (1999) has suggested, the continuum of global governance arrangement has become salient on the eve of the 21st century, and this continuum stretches between the transnational and the subnational, the macro and the micro, the informal and the institutionalized, the state-centric and the multicentric, the cooperative and the conflictual. More recently, it has been established that ‘global policy studies and new scholarship on transnational administration are becoming key elements towards understanding the diversity of global governance’ (Stone & Moloney, 2019, 3).

On the other hand, as a subfield in International Relations (IR), transnational governance, which refers to ‘processes in which nonstate actors adopt rules that seek to move behavior toward a shared, public goal in at least two states’, has transformed from being seen as descriptive and ‘peripheral to what really matters for understanding the power dynamics of world politics’ before 2000 to a range of innovative theories concerned with three key issues – rule emergence, selection, and adoption (Roger & Dauvergne, 2016). In the context of Southeast Asia, Breslin and Nesadurai (2018) have conceptualized transnational governance as being ‘essentially cross-border networked forms of co-ordination in which non-state, or private, actors play important or leading roles in providing standards, rules and practices that other actors voluntarily abide by’. In other words, the changing vocabularies on governance, be it local, regional or global, has affirmed an encompassing trend of ‘authority being relocated in multiple directions’ (Rosenau, 1999). As will be demonstrated in the third section of this chapter, this change has profound implications for the dynamics and processes of the East Asian political economy.

### *Network analysis*

Another key concept in understanding the new political economy of East Asia is network, which has been significantly shaped by the process and discourses of globalization. Globalization poses a major challenge to the statist argument in explaining the dynamics of Asian political economy. ‘Just evaporated’, ‘diminished’, ‘defective’, and ‘hollow’ have become typical adjectives applied to the contemporary state (Paul, Ikenberry, & Hall, 2003; Weiss, 2003). However, there are contending views as to the role of the state in the time of globalization. States are still critical organizational vehicles for modern political order: ‘There are no rival political formations – local, regional, transnational, or global – that have the full multidimensional capacities of the state’, as John Ikenberry puts it (2003, 351).

It is at these two conjunctions – the changing international environments brought about by globalization and theoretical challenges to the existing conceptualization of the state–society relationship – that the role of network and governance in Transnational Asia needs to be taken seriously. While network traditionally serves as an analytical framework in studies on business and society, it has been increasingly employed in the literature dealing with the East Asian political economy as well (e.g., Katzenstein & Shiraishi, 1997, 2005; Peng, 2002; Nolan, Rowley, & Warner, 2017; Shiraishi, 2013, 2019). Unlike the state–society relationship, which is hierarchically constructed for the accumulations and deployment of political, economic, and symbolic power, (transnational) network is primarily a horizontally constructed structure that cuts through but also intersects with the hierarchical relationship. This chapter underscores three different dimensions of network – as a relational entity, an interconnected node, and a collective layer of spatially constructed ties, which represent the diversity of patterns of network’s interactions with the state, society, and market.

From the sociological perspective, ‘a network is composed of a set of relations, or ties, among actors (either individuals or organizations). A tie between actors has both content (the type of relation) and form (the strength of the relation)’ One of the two major network approaches views ‘networks as a kind of organizing logic, a way of governing relations among economic actors’ (Powell & Smith-Doerr, 1994, 368–377). It has now been generally accepted that social networks are endemic to economic interactions (Jackson, 2005; Fligstein & Dauter, 2007). According to Manuel Castells (2000, 501–502), ‘A network is a set of interconnected nodes. A node is the point at which a curve intersects itself’. He points out that networks are

open structures, able to expand without limits, integrating new nodes as long as they are able to communicate within the network, namely as long as they share the same communication codes. A network-based social structure is highly dynamic, open system, susceptible to innovating without threatening its balance.

In a more sophisticated manner, Michael Mann (2000, 137) argues that there are five sociospatial networks of social interaction in the world today: local, national, international, transnational, and global, while others have contended that networks are ‘a synthesis of hierarchies and markets’ (Blatter, 2003). David Singh Grewal (2008, 20) defines network more narrowly as ‘an interconnected group of people linked to one another in a way that makes them capable of beneficial cooperation, which can take various forms, including the exchange of goods and ideas’. He emphasizes the importance of ‘shared norm or practice that enables network members to gain access to one another, facilitating their cooperation’ and the agreed operational standards among network members. Despite the variations in the above difference, there is a consensus that network is characterized by connectivity, flexibility, reciprocity, and transnationality, all of which have been central to the new political economy of East Asia.

There are a number of reasons why network needs to be – and can be – taken as a key concept in analyzing Transnational Asia. In the first place, the controlling mechanisms over the society have been significantly diversified, and the state is no longer the only central unit overseeing the society. This is not only manifested in the domestic setting, but also globally. The rise of transnational civil society and the increasingly important role of international NGOs is clear examples. Civil society is generally considered as a ‘third system’ of agents, namely, privately organized citizens as distinguished from government or profit-seeking actors. Transnational Civil Society refers to ‘self-organized advocacy groups that undertake voluntary collective action across state borders in pursuit of what they deem the wider public interests’ (Price, 2003). In the economic sphere, relevant studies and statistics have demonstrated that business and social networks that operate across national borders could help overcome various forms of informal trade barriers, such as weak enforcement of international contracts and the access to market information (Emirbayer & Goodwin, 1994; Rauch, 2001; de Graaff, 2020; Martínez-Zarzoso & Rudolf, 2020). As sponsors, inhibitors, and

providers, transnational corporations have also played an increasingly important role in shaping global governance (Bartley, 2018). In the political arena, policy networks and networks as new modes of governance have been more prominent, especially in the West. Correspondingly, there has been a transformation of ‘political order from organization/hierarchies (and markets/anarchies) toward network’ (Blatter, 2003, 503; see also Ferdoush, 2018).

Network can play the roles that neither the state nor society alone can play while effectively link them with the market, which has become an important mechanism connecting different forces within and without national boundaries in Transnational Asia. In the first place, in comparison with the state which is characterized by ‘intra-component linkages [which] are generally stronger than inter-component linkages’ (Blatter, 2003, 504; Considine & Lewis, 2007), network as a horizontal and egalitarian structure can penetrate effectively into different layers of the society. Secondly, as an evolving entity embedded in between the state and society, network serves as an independent variable that can effectively communicate with the state by institutional and informal means. The society, on the other hand, is a norm divided by conflicting interests and diverse groups. Whereas network is concerned – since it is usually formed out of common agendas with agreeable codes of communications – it can establish an effectual partnership with both individual societal forces and/or various state actors. Thirdly, unlike the state and (domestic) civil societies, which have been confined to the nation-state boundaries, (transnational) networks have the capacity to effect global and domestic social transformation. Finally, in comparison with market, which also knows no boundaries but whose role is severely constrained by its ultimate logic of ruthless quest for profits, thus becoming a destabilizing factor upsetting the equilibrium of state–society relationship, network could be contained by formal and informal constraints such as codes of conduct and institutional arrangements (cf., North, 1990).

In short, by going beyond the conventional state–society framework and methodological nationalism, network and governance offer some explanatory power that has been largely absent in the existing paradigms of the East Asian political economy. While these concepts do not necessarily replace the established paradigms – the state, developmentalism, and state–society relationship remain crucial in the socio-political transformations of 21st-century East Asia – they serve as alternative tools to supplement (and sometimes challenge) the conventional wisdoms, thus contributing to a better understanding of a region that is traversing in an uncharted and precarious territory at the time of globalization and rising China. They also provide useful tools to comprehend East Asian community building and its challenges, as network and governance can effectively cut through the formal processes of state–state diplomacy and enhance cross-border collaborations.

### **Networked state in Transnational Asia**

It should be clear by now that this study’s conceptualization of transnational governance is multifaceted. It builds upon Stoker’s theorization of governance as ‘the creation of a structure or an order which cannot be externally imposed



but is the result of the interaction of a multiplicity of governing and each other influencing actors'. However, it has not confined itself to the fields of IR or public administration but attempts to find the space of transnational governance in the interfaces of the state, society, and market in the transnational arena. While structures, institutions, and processes are all significant components of this space, I argue that the boundaries between the state and society in East Asia are not so clearly demarcated as described in the conventional literature. Furthermore, the departure from contemporary IR also necessitates the incorporation of history, culture, and people in the analysis of the East Asian political economy from transnational governance and network perspectives, as demonstrated in the previous section of this chapter.

This chapter conceptualizes the East Asian political economy as being centered upon networked state, which is characterized by the institutional and ideological collaborations between the state apparatuses with transnational networks. It is different from the developmental state of the 1970s/1980s in two important aspects. In the first place, the developmental state's 'market-friendly strategies' and its interventionist stance were characterized by the insulation of economic technocrats from political influence: management of policies by efficient and high-quality bureaucracies through public-private consultative bodies that shared information (Suchiro, 2008, 28; 2017). The networked state, on the other hand, has engaged with (global production and ethnic) networks not only through policy incentives but also through direct involvement in the business enterprises *per se*, leading to the formation of what some call transnational capitalists or 'new Chinese capitalism' (see Chapter 5 of this book). Secondly, while developmental state has mainly functioned within the nation-state borders at a time of nationalism, the networked state has gone transnational as a process of globalization and increased pace of transnational policy transfer, especially within countries with similar socioeconomic endowments and shared cultural traits (Liu & Wang, 2018; Wang & Liu, 2020; Ren & Liu, 2021).

Having established the utility of governance and network in the context of Transnational Asia, let us now turn to some empirical cases to examine how they have played a part in influencing the East Asian political economy. The examples from China, a global player displaying some characteristics of developmental state, and Singapore, a prototype of the developmental state whose recent development has been increasingly linked with China and new Chinese migration, underscore the explanatory power of the analytical tools described in the preceding pages.

### *The Chinese state goes transnational*

China has undergone fundamental changes over the past three decades. In the domestic arena, deepening marketization has been a key feature of Chinese society, and the state has employed various strategies to incorporate the rising middle class and private entrepreneurs into the orbit of state-society relations (Solinger, 2003; He, 2016). In the meantime, China has been increasingly integrated into globalization; as Yongnian Zheng (2004, 22) points out, 'The

[Chinese] state per se has been a part of globalization, and a major driving force behind the process'. Ching Kwan Lee (2017, xiv) calls for pushing the empirical boundary of China studies beyond China's territorial borders and highlights the importance of 'reimagining China beyond China'. While the subsequent chapters will provide more details on the emerging global China in Southeast Asia, this section considers the state's interactions with transnational networks by discussing the changing relations with one specific group that is becoming more influential in urban China – the transnational Chinese who were born in China, educated abroad, and possess portable skills while exhibiting a high degree of global mobility, the returnees (*Haigui*) are a major component of this group (on *Haigui*, see Wang, Wong, & Sun, 2006; Zhou, 2017; Van Dongen & Liu, 2018).

It is estimated that there are approximately 60 million Chinese overseas. According to the *World Migration Report 2020*, the number of international migrants who originated from China [since the late 1970s] is 10.7 million.<sup>10</sup> These new Chinese migrants, commonly referred to as *xinyimin*, are now spreading to every corner of the globe and developing diasporic communities wherever they set foot. As a result of China's rapid economic development and relative decline of the West, the past two decades have seen a decisive trend of new Chinese migrants' returning to the homeland. Recent data from the Chinese Ministry of Education show that of the total 5.85 million Chinese studying or undertaking research abroad, 3.65 million had returned to China by March 2019.<sup>11</sup> Accompanying the returning trend and a changing China in the new global political economy, new patterns of transnational linkages have surfaced. These transnational networks are manifested not only in the forms of collective economic and social support for China's economic integration into globalization but also in the revival of overseas Chinese nationalism. The Chinese state has played an active part in facilitating and engineering these transnational networking activities (Liu, 2005; Zweig, Fung, & Han, 2008; Merchionne & Liu, 2016; Chapter 6 of this book).

The new policies are implemented simultaneously at two fronts: bringing the transnational Chinese back to the fold of the nation-state while conveying and projecting the nation-state agendas to the diasporic Chinese communities. While the former is formulated primarily with a view of helping China's domestic economic development, the latter is carried out in the international sphere and is embedded with political and cultural connotations. The active recruitment efforts initiated by various levels of the Chinese government are also instrumental. One of the state's major policy initiatives in linking with transnational Chinese networks is the encouragement of 'overseas Chinese talents' to serve the country (*weiguo fuwu*), which makes the physical and permanent return to China not a prerequisite of patriotism (Chapter 3 of this book).

It is in this context that an increasingly large number of new Chinese migrants have returned to China, becoming the so-called *Haigui* and constituting an important segment of the urban elite. The return trend has been further precipitated by China's rapid pace of economic growth and the global financial crisis in 2008/2009, which hit the West particularly hard. According to *International Financial News*, a newspaper run by the *People's Daily*, since

the 1978 reform and opening-up until 2014, 74.48% of the Chinese students studying abroad had chosen to return back to China after graduation; and those who came back after 2007 accounted for more than 80% of the total returnees.<sup>12</sup> There are more than 2.6 million *Haigui* in China, and the year 2016 alone saw the return of 432,500 Chinese students educated overseas (Li, Chen, & Yang, 2017). In the 40 years from 1978 to 2019, a total of 3.13 million *Haigui* or 83.73% of the Chinese students who graduated abroad had returned home (Birmingham & Wang, 2019). Through various flexible state policy formulations and diaspora's own engagement strategies, they have played a significant role in China's technological innovation, urban development, and growing integration into the world (Chapter 6 of this book; Zhang, 2019; Song, 2019; International Organization for Migration, 2020).

The fact that traversing between China and the West has been a common practice and that many of the (temporary) returnees have acquired foreign citizenships is one of the main reasons for the increasing frustrations and a concerted campaign in the first few years of the 21st century to revise the nationality law to allow for the recognition of dual nationality. The calls to revise the existing nationality law were conveyed to high-ranking officials in China and who visited these countries – and through them and various news media based in and outside of China – to national-level legislative and consultative bodies such as the National People's Congress and People's Consultative Conference as well as policymaking/implementing bodies such as the Office of Overseas Chinese Affairs of the State Council (*Guoqiaoban*). The incorporation of the last named into the Chinese Communist Party Department of United Front Work in March 2018 (Suzuki, 2019) has further brought the transnational elements under the close purview of the central party leadership, leading to what Roland Paris calls 'extra-legal or organic versions of sovereignty' (Paris, 2020). In the same month, the Immigration Bureau was established, for the first time in contemporary China, highlighting the intention of the central government to regulate transnational flows of populations, including those of Chinese ethnicity.

Although these campaigns did not yield the direct and ultimate outcomes of their promoters, namely legal recognition of dual nationality (Liu, 2011b), some significant changes underline the role of network and governance. With an aim to connect closely with the transnational Chinese (and their professional and personal networks), the Chinese state has formulated and implemented a series of consultative policies, reflecting a sensible approach to transnational governance. These policies attempt to address, simultaneously, China's core national interests (attracting global Chinese talents for its development) and transnational imperatives of highly skilled new migrants. A Green Card system was officially introduced in August 2004, initiating the preferential treatment to the returnees of high caliber, especially those who have had international experiences and global exposures. The new policy initiatives announced by the Ministry of Personnel in December 2006 aimed at creating 'a green pathway' for returnees with high caliber and specified that apart from increasing the quantity of returnees, three specific categories of returnees/highly skilled new migrants were to be

targeted: those who could help promote China's technological advancement and social development in its efforts to catch up with the international standard; those who could help strengthen China's connections with the world; and top-notch talents with international experiences and global visions.

The recruitment of global talents of Chinese origin was elevated to a higher level when the powerful Ministry of CCP Organization launched a new policy initiative in December 2008 called 'one-thousand-talents scheme', offering top salaries (1 million yuan) and other attractive funding and facilities to attract top scientists and other global talents of Chinese origin to back to work in the homeland. The scheme was hailed by then Minister Li Yuanchao as a prime measure to realizing the central government's strategy of treating 'talent as the first critical criteria of scientific development' (Qiu, 2009). By 2017, 2980 people had been recruited under an alternate version of this scheme, and they have made 'significant contributions to the development of their affiliated institutions by producing compelling publications, extending new research directions, and uplifting domestic academic communities' (Li, Yang, & Wu, 2018). A new category of 'Talent Visa' was implemented in March 2018, which has a validity period of 5–10 years and aims at skilled professionals.

In short, there has been an accelerated trend of returning to China among highly skilled new migrants. The fact that they feel it is crucial to retain Chinese nationality reflects their increasing pace and intensity of interactions with the homeland, which constitutes a key background for emerging transnationalism. To confront the inherent structural tensions between the logics of global mobility and national interests, new migrants/*haigui* argued that shared interests and the forging of common cultural/political identities could be served by evoking the restrictive Nationality Law, and their arguments were accepted by some Chinese opinion and policymakers, highlighting the salient convergence of transnational logics and nationalist projects. Equally important, the fact that the state has formulated and taken a wide range of measures – except for changing citizenship law – to accommodate the interests of new Chinese migrants in facilitating their global mobility and contribution to China is a powerful indication that transnational elements have gradually found a legitimate role in the policy deliberating process; the relevance of network and governance has been more widely accepted and valued.

In a somewhat related development, the Hu Jintao era (2002–2012) also witnessed an increased representation of foreign-educated returnees in China's policymaking process. A total of 82 (or 15%) members among the fifth-generation Chinese leaders have studied abroad, primarily in the United States and Europe. Among them, 23 leaders (28%) obtained academic degrees from abroad, and 52 (63%) studied or worked abroad for a year or longer, and 7 (9%) participated in month-long programs overseas (Li, 2008). A recent study has shown that the returnees tend to be more internationalist in their attitudes toward global affairs and could influence China's foreign policy, thus constituting a potential constraint to China's growing nationalist and/or populist sentiments. It has been reported that the incorporation of foreign-educated Chinese in Beijing's

political and financial policymaking process has got Hu Jintao's backing and that this represents a gradual inroad of nonstate factors into the old elite politics (McGregor, 2009; Han & Zweig, 2010; Wang, 2011; Wang & Kang, 2017). Since Xi Jinping took over 2012, there has been a further consolidation of the Chinese diaspora into the overall development strategy of China, as a part of '*da qiaowu*' (big overseas Chinese work), which was first proposed by Xi Jinping himself in the mid-1990s (see Chapter 3 of this book). The structural changes in March 2018 relating to policies toward the Chinese diaspora described in the previous pages are a reflection of such strategic thinking. It has also been pointed out, however, that the returning high-caliber scientists have met with some domestic resistance to institutional changes (Zweig, Kang, & Wang, 2020), which highlights the precarious nature of cooperation between the state and transnational networks.

### *Negotiating with transnational networks in Singapore*

As have been demonstrated elsewhere (Liu & Wong, 2004, Chapters 3 and 8), a major characteristic of society and economy in postwar Singapore has been its transnationality; many of its social organizations and business activities were founded upon and geared toward establishing and maintaining regional networking, particularly in Southeast and Northeast Asia. Singapore's role in the Asian regional networks was shaped by two major factors: its geographical location at the crossroads of, globally speaking, East and West as well as, in the context of Transnational Asia, East, South, and Southeast Asia; and more importantly, the predominant place of entrepot trade in its economy and the essential role of Chinese business community in this trade (Liu & Zhang, 2020). Singapore has been well placed to be, in the words of Lee Kuan Yew, 'the linchpin of Asia' (cited in Liu & Wong, 2004, 230). Singapore's strategic positioning in the context of Asian trade and economic development has been further strengthened through the country's institutionalized participation in the BRI, with an aim to enhance its own economic strategies (Liu, Fan, & Lim, 2021).

Over the past three decades, transnational networking has remained an important element in the evolution of Chinese society in Singapore, enjoying the state's strong support. The first World Chinese Entrepreneurs Convention was held in Singapore in 1991, partly based upon 'the commonality of our Chinese ethnicity', as the organizing committee chairman put it. In this and subsequent conventions, there have been consistent emphases upon Chinese culture's contributions to overseas Chinese business success. Chineseness has been formulated as a strategic starting point for international business networking. As the then Deputy Prime Minister Ong Teng Cheong put it, 'Your common heritage and values should make it easier for you to work together'. Then Senior Minister Lee Kuan Yew declared more candidly in the Second World Chinese Entrepreneurs Convention held in Hong Kong in 1993, 'We would be foolish not to use the ethnic Chinese network to increase our reach and our grasp of these opportunities' (cited in Liu 1998, 597).

While transnational network has facilitated the development of ‘a regional wing’ in the Singapore state’s attempt to sustain and expand its economic growth, there is a need to nurture and bring in human capital within the country at the time of economic restructuring since the 1980s. It is in this context that governance, involving the relocation of ‘authority in multiple directions’, becomes a relevant concept and practice. Singapore’s search for global talents has been fundamentally prompted by the country’s lack of human and natural resources and the necessity of being competitive in the economic arena.

The logic of attracting foreign talent has been shaped by the nation’s demography. As of mid-2019, Singapore’s total population was 5.7 million, including 4.03 million residents (composed of 3.5 million citizens and 525,000 permanent residents), and 29% (1.67 million) ‘non-resident’ foreigners who were on various work permits or long-term visas.<sup>13</sup> Since the 1980s, the small island state has been further hampered by the decreasing fertility rate (a dramatic decline from the historical peak of 5.76 in 1960 to 1.20 in 2016). To maintain an average rate of population growth, the country needs to have an average of around 60,000 new births per year, yet the figure was only 36,875 in 2016,<sup>14</sup> far short of the replacement level. The government had to formulate and implement various policies to attract foreigners to work and live in the island state.

Then Deputy Prime Minister Wong Kan Seng, who also chaired the National Population Committee, made the government stance very clear in 2006:

We have to top up our population and workforce with migrants. We should encourage those who can contribute to settle down here. This is the way to enlarge the economic pie. There will then be more for everyone to share. If not, as other countries get more competitive and if we let our workforce diminish, investments will go elsewhere, and there will be less for us to share. We will then go downhill.

(Wong, 2006)

The 2006 National Rally speech by Prime Minister Lee Hsien Loong revealed unmistakably the government’s anxiousness and strategies in seeking global talents. ‘If we want our economy to grow, if we want to be strong internationally’, said Lee (2006), ‘then we need a growing population and not just numbers but also talents in every field in Singapore’. He stressed that

We must look for all kinds of talent. It’s not just numbers. We’re looking for people with ability, with drive, with initiative and ideas and not just one kind of initiative and ideas, graduates, or professionals or bankers and lawyers, but all kinds.

While the agenda to attract foreign talents covers skilled professionals from all over the world, ethnic Chinese have been the key source to tap on, not only because Singapore is a predominately Chinese country, but mainly because Greater China is the largest pool of potential professional migrants who are likely

to work in the city-state. From 1992 onward, the Singapore government started offering full scholarship to Chinese students to enroll in local junior colleges and universities. One of the main attachments to the offering is that they must work in Singapore for at least six years upon graduation. A survey of 1,195 students coming on this scheme shows 74% have become permanent residents, while some Sino-Singaporean entrepreneurs have played an increasingly significant role in the country's economic growth and regional business networking (Liu & Ren, 2017). After 2004 the government has further loosened up the stringent criteria for granting citizenship, which led to a noticeable increase of foreigners obtaining citizenship in 2005 (12,900), in comparison with the previous year (5,300).

The encouragement of foreign talents and (perceived) preferential treatment toward them led to strong and public resentments (against the mainland Chinese migrants in particular) among the locals and became a hotly contested issue in recent elections, which was featured in various media reports, which in turn contributed to discontents about migration policies in Singapore (Liu, 2014; Yang, 2017). Some local Singaporeans complained that they have become 'fallen talents' (author's personal interview).

To address this potentially divisive issue, the government appeared to be receptive to influences from multitudes of directions. On the one hand, it reassured its citizens that the locals have been protected by various measures and that it was fundamental for the government to ensure the expansion of the economic pie by selectively importing foreign talents. Over the past few years, various government measures such as differentiating citizens and permanent residents in health and education subsidies have been in place. More importantly, the state has tried to contain the transnational elements of (Chinese) new migrants and make them a part of nation-building projects by attempting to convert their political loyalty to Singapore. On a number of occasions, Lee Hsien Loong stressed to the new migrants that they must be integrated into the Singaporean society and become a member of the big family. To further pursuing this integration agenda, a Citizenship and Population Unit was set up within the Prime Minister's Office, and programs such as 'Citizenship Day' are being organized for both local and new citizens with a view to forging a Singaporean identity (Zhou & Liu, 2016; Yang, 2017).

It is worthwhile pointing out that while Singapore has raised the thresholds for immigration and citizenship, it has not subscribed to populist policies that have been in place in many industrialized nations. Lee Hsien Loong said, at the 2013 meeting of the Research, Innovation and Enterprise Council, of which he has been the Chairman since its founding in 2006:

To make further progress, we will need good people, we will need good research programmes, and then we will be able to get good outcomes. The good people [part] is most critical because first you must have the talent. And to sustain a vibrant research community, it means we have to attract international talent, as well as to nurture local talent. We need to do both.

(Lee, 2013)

## Conclusion

The preceding pages, I hope, have demonstrated both conceptually and empirically the significant role of network and governance in Transnational Asia (and the increasingly vital role of China in this new regional formation) as well as their relevance to the region's political economy. Four preliminary conclusions may be drawn from our discussions.

In the first place, the existing paradigms in understanding the East Asian political economy have been dominated by a focus on the state–society relationship within the nation-state framework, often at the expense of nonstate forces such as business networks and transnational migrants. At a time of emerging new political economy characterized by substantial transnational flows of people, capital, practice, and ideas in East Asia, new analytical tools need to be incorporated in order to accommodate the changing spatial and political landscapes. The concept of Transnational Asia – as a *structure* of cross-border engagements, as a *process* of new East Asian community building, and as *an analytical tool* to understand a changing Asia – draws its historical and cultural capital from the region's multifaceted interactions in the past, and it can serve as an alternative perspective to the conventional frameworks in unveiling the profound transformations taking place over the last two decades in the normally termed East/Southeast Asia, ranging from the dynamic rise of China and cross-fertilization of development models (see Chapter 8 of this book) to the informal and formal institutions to sustain these transnational flows.

Secondly, to understand the complexity and multidimensionality of social, political, and economic transformations in Transnational Asia, we need to go beyond the conventional state–society dichotomy and bring in new analytical tools. The authority of the vertically constructed state apparatus and its capacities has to be placed within the broader orbit of horizontal transnational networks that operate on the intersecting spaces between the public sphere and private arenas. It is in this process that governance emerges as a vital concept and practice. With their flexible capacities to go above and beyond various sociopolitical forces both within and without the national boundaries, network and governance, furthermore, are juxtaposed with the changing market mechanisms and regulatory regimes. How these domestic structures respond to, and are being affected by, various transnational forces are a major issue for further empirical and theoretical scrutiny. The preliminary examples of both China and Singapore have shown that nonstate forces can take part, and have been taking part, actively in the process of networking building and in shaping various rules (such as migration policies) that affect the operations of transnational flows of people, ideas, and capital.

Thirdly, the state remains a crucial player in the evolution of Transnational Asia. The financial crises in both 1997 and 2008/2009 have shown that the state is still indispensable for any meaningful macroeconomic policies. But we should not conceptualize state–network interactions as a zero-sum game and transnational governance applicable only to the nonstate actors. As the empirical cases on China and Singapore have amply demonstrated, while networks draw



upon strengths from the state's active support in the realization of their own agendas, the states have also benefited significantly from taking a collaborative part in working with transnational networks, which in turn facilitates the emergence of new forms of governance at the corporate, local, regional, and global levels. While our cases on China and Singapore have focused primarily on how the states have actively orchestrated and cultivated transnational ties, the responses from the other sides of equation, transnational social forces, are also important for Transnational Asia to operate effectively (for some examples, see Liu & Liu, 2008; Liu, 2012; He, 2016; and Chapter 8 of this book). The multilayered interplay of these forces constitutes a core environment within which the new political economy of East Asia is evolving and reshaping the region and beyond.

[This chapter is a revised version of Hong Liu, "Transnational Asia and Regional Network: Toward a New Political Economy of East Asia," *East Asian Community Review*, vol. 1, no. 1 (2018), pp. 33–47.]

## Notes

- 1 According to Joshua Ramo (2004), former Foreign Editor of *Time* magazine who first coined the term in 2004, China's new development approach is driven by a desire to have equitable, peaceful high-quality growth, critically speaking, it turns traditional ideas like privatization and free trade on their heads. It is flexible enough that it is barely classifiable as a doctrine ... Change, newness, and innovation are the essential words of power in this consensus. It has been generally agreed that the so-called China Model of Development has been characterized by three main institutional arrangements: a strong government, a development-oriented strategy that is mainly based upon gradual reform, and simultaneous internal reform and external opening-up (e.g., Kurlantzick, 2007; Breslin, 2009). For a more detailed examination of the Beijing Consensus and China model of development, see Cao (2005), Bell (2016), and Zhao (2017, 2020).
- 2 "China tops Indonesian head's agenda", *New York Times*, October 24, 1999; *Lianhe Zaobao*, 6 December 1999.
- 3 "Mahathir promotes China model as alternative to democracy", *Today*, October 19, 2010.
- 4 'ASEAN replaces EU to be China's largest trading partner'. Retrieved from [www.thestar.com.my/news/regional/2020/04/15/asean-replaces-eu-to-be-chinas-largest-trading-partner](http://www.thestar.com.my/news/regional/2020/04/15/asean-replaces-eu-to-be-chinas-largest-trading-partner)
- 5 "China, S Korea and Japan triangle reinforced after summit", *China Daily*, November 3, 2015. [www.chinadaily.com.cn/world/2015livisitrok/2015-11/03/content\\_22361154.htm](http://www.chinadaily.com.cn/world/2015livisitrok/2015-11/03/content_22361154.htm)
- 6 "Zhongguo-dongmeng youyi lijiumixin (The friendship between China and ASEAN is timeless)", *People's Daily*, February 18, 2016. [www.gov.cn/zhengce/2016-02/18/content\\_5042854.htm](http://www.gov.cn/zhengce/2016-02/18/content_5042854.htm)
- 7 Ministry of Finance, "Trade Statistics of Japan". Retrieved from [www.customs.go.jp/toukei/info/index\\_e.htm](http://www.customs.go.jp/toukei/info/index_e.htm)
- 8 For instance, within just a few months leading to February 2009, New Delhi had launched 17 investigations into imports from China, ten of which were antidumping probes, and these had imposed import restrictions on goods worth US\$2 billion and included textiles, steel, and petrochemicals as well as toys. See "China-India trade war

- looms”, *Vancouver Sun*, February 16, 2009; and *Zhongguo Jingyin Bao*, February 15, 2009.
- 9 The changing international relationship in East Asia, including Sino-American and Sino-Japanese vying for regional leadership on diplomatic and security arrangements, is too complex to discuss here. See for example Shambaugh (2005); Keller and Rawski (2007); Chung (2009); Goh (2013); Liu (2021b). For a recent discussion on the impact of US–China tensions upon Southeast Asia, see Shambaugh (2020).
  - 10 publications.iom.int/system/files/pdf/wmr\_2020\_en\_chapter1\_004.pdf, 3.
  - 11 www.xinhuanet.com/2019-03/27/c\_1124291948.htm
  - 12 International Financial News, “Liuxue guiguo renshu 2017nian jiangda 66.6 wan (The number of returning Chinese students educated overseas will reach over 666,000 in 2017)”, *Xinhua Net*. [http://news.xinhuanet.com/finance/2015-06/29/c\\_127961858.htm](http://news.xinhuanet.com/finance/2015-06/29/c_127961858.htm)
  - 13 “Population and population structure”, Department of Statistics Singapore. Retrieved from [www.singstat.gov.sg/find-data/search-by-theme/population/population-and-population-structure/latest-data](http://www.singstat.gov.sg/find-data/search-by-theme/population/population-and-population-structure/latest-data)
  - 14 “Birth and fertility”, Department of Statistics Singapore. Retrieved from [www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=13273](http://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=13273)

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## 2 China engages Southeast Asia

### Shifting trajectories and evolving themes

#### Introduction

Traditionally known in Chinese as the ‘South Seas’ (Nanyang), it is only since World War II that the area south of China and east of India has been called ‘Southeast Asia’ in both English and Chinese. Today’s Southeast Asia is a diverse region composed of eleven nations: Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. Except for East Timor, the ten countries are members of the Association of Southeast Asian Nations (ASEAN), which had a total population of 655.9 million in 2019 (the fourth largest after China, India, and the European Union [EU]). The total share of population in the productive working-age groups (15–64) accounts for 59% of the population (which is significantly higher than the EU, Japan, Korea, and China). The combined GDP of ASEAN states was US\$3.2 trillion, making it the fifth-largest economy in the world, after the United States, China, Japan, and Germany (ASEAN Secretariate, 2020, 3–4, 54).

Contemporary China–Southeast Asia relations have been shaped by longstanding geopolitical, ethnic, and economic ties. From the ‘domino theory’ of the Cold War era to the ongoing tensions in the South China Sea, China has often been regarded as a powerful and potentially expansionist player in regional politics. The existence of a large ethnic Chinese population adds another dimension to China’s complex interactions with Southeast Asia. From Thai King Rama VI (Wachirawut)’s booklet on *The Jews of the East*<sup>1</sup> published in 1914 to the 1998 anti-Chinese riots in Indonesia, the Chinese diaspora in Southeast Asia have often been (mis)perceived as wealthy elites who wield disproportionate economic influence. At the same time, however, they are also a vulnerable minority who have been the target of racial discrimination and ethnic violence. Last but not least, for centuries, Chinese merchants have been trading with Southeast Asia. Their business ventures linked China with Southeast Asia ‘in a broad, mercantile embrace’ (Chang & Tagliacozzo, 2011, 1). Today, the two regions are highly dependent on each other commercially and are crucial to the world’s economic growth. Indeed, ASEAN replaced the EU as China’s largest trading partner for the first time in the first half of 2020, at the height of the global Covid-19 pandemic. China’s total imports and exports with the

10 ASEAN member countries increased 2% on the year to \$297.8 billion. The bloc accounted for 14.7% of China's overall trade for the period, up from 14% in 2019 (Harada, 2020).

This chapter examines the changing contours of China–Southeast Asia relations from the founding of the People's Republic of China (PRC) in 1949 to the present, with a focus on the past two decades. Going beyond the conventional foci on diplomatic and strategic relations – which are important in their own right – it is mainly concerned with the multilayered interactions between China and the region. The chapter consists of two parts: the first part presents a chronological historical overview of the relationship between China and Southeast Asia. During the Mao era (1949–1976), ideology had been the main driving force behind Chinese policy toward Southeast Asia. Since the launch of the 'reform and opening-up' (*gaige kaifang*) by a new leadership under Deng Xiaoping at the end of 1978, Sino-Southeast Asian relations have been mainly shaped by the economic interests and realpolitik calculations of different stakeholders, including the Chinese and Southeast Asian governments as well as major external powers such as the United States and Japan. The second part of this chapter discusses three major factors affecting this relationship: ethnic Chinese in Southeast Asia, South China Sea disputes, and increasingly complex trade and investment networks. The conclusion identifies a few currently debated issues and some future challenges, including the PRC's Belt and Road Initiative (BRI) and its efforts to project soft power.

### **Historical overview: from ideology to realpolitik**

When tracing the roots of Chinese perceptions of Southeast Asia, Wang Gungwu, the leading scholar in Chinese studies, locates the region in the geographical imagination of the rulers of Ming China (1368–1644) as follows:

[They] would not have recognized the region known today as Southeast Asia. They considered the archipelago east of Brunei (modern Borneo) to be part of that area they termed the Eastern Oceans, while all other coastal states they considered part of the Western Oceans, which also included countries bordering on the Indian Ocean ... [T]he view of other nations held at the imperial capital at Nanking or Peking was always sinocentric. Foreign countries were considered to have no meaningful existence unless their rulers had a relationship with the emperor of China.

(Wang, 1998, 301)

In the premodern and early modern periods, China's vast territory and population, rich resources, and the legacy of the hierarchical tributary system made it difficult for some of its Southeast Asian neighbors, such as Vietnam, to strike a balance between resistance and dependence (Marr, 1971, 17). As historian Jian Chen (2001, 8) points out, this longstanding 'central kingdom' mentality strongly influenced the leaders of the Chinese Communist Party (CCP), who

aspired to promote a world proletarian revolution according to the Chinese model. In the early years of the PRC, policymakers believed so strongly in the reproducibility of China's experiences in Southeast Asia, where local communist movements had already gained momentum after World War II, that some leaders were convinced that 'China's today is Southeast Asia's tomorrow' (Liu, 2011, 186). For example, in his opening remarks at the Trade Union Conference of Asian and Australasian Countries held in Beijing in November 1949, the vice president of the PRC, Liu Shaoqi, called upon the working class in Indochina, Burma, Indonesia, and Malaya to stage armed struggles against imperialism (Liu, 1998 [1949], 134–135).

In the mid-1950s, this revolutionary ardor was tempered by the strategic need for the PRC to break down international isolation by winning recognition from formerly colonized areas of the world. The Chinese leadership believed that Asia, Africa, and Latin America, where there were ample opportunities for Beijing to rally support, should not be divided between the spheres of influence of the two superpowers. At the Geneva Conference of 1954, the PRC announced the Five Principles for Peaceful Coexistence (*heping gongchu wu xiang yuanze*), which stated that the newly independent states should follow a new framework of international relations based on mutual respect for each other's territorial integrity and sovereignty, mutual nonaggression, mutual noninterference in each other's internal affairs, as well as equality and cooperation for mutual benefit (Richardson, 2009). The Five Principles for Peaceful Coexistence set the tone for China's new approach to Southeast Asia, as most countries in the region were searching for a 'third way' that would subvert the bipolar structure of the Cold War. The first Afro-Asian Conference held in Bandung, Indonesia, in 1955 marked the zenith of China's pragmatic flexibility toward Southeast Asian countries as well as those in the Global South, particularly those governed by political forces from ideological backgrounds strikingly different from China's (Liu, 2021c). In Bandung, the head of the Chinese delegation, Premier Zhou Enlai, legendarily befriended not only 'leftists' like the conference host President Sukarno but also 'centrists' like U Nu of Burma and 'rightists' like Carlos Romulo of the Philippines. Zhou adopted a conciliatory attitude toward the nationalist rhetoric expressed by some participating countries at the conference and even pleaded with those leaders who had a religious orientation to be tolerant toward his atheism (Prashad, 2007; Liu & Zhou, 2019).

But the moderate policy defined by the Five Principles for Peaceful Coexistence was interrupted by domestic political campaigns launched by Mao, most prominently the Great Leap Forward (1958–1961). Though its original aim was to accelerate the pace of the modernization of China's economy, the Great Leap Forward resulted in three years of catastrophic economic recession and had a profound impact on China's foreign relations. In the immediate aftermath of the Great Leap Forward, as part of a critical reflection on domestic and international policies, the Chinese leadership established the principle of 'actively opening up a new horizon in foreign relations' (*nuli zhudong de zaiwaijiaoshang kaichuang xin de jumian*) in January 1961 (Wu, 1999, 234). However, this policy adjustment

was short lived. Wang Jiaxiang, the CCP International Bureau Chief, who had proposed that Beijing should endeavor to search out stability with major power players, was fiercely attacked by Mao in 1962 (Niu, 2005). With Mao denouncing any attempt to ease international tensions as ‘rightist’, an international outlook that denied any possibility for détente or long-term peace emerged as the cornerstone of Chinese foreign policy.

The PRC’s policy toward Southeast Asia between 1960 and 1965 was a reflection of the general radicalization of its foreign policy. From the late 1950s to the early 1960s, when its relations with both the United States and the Soviet Union became increasingly confrontational, Beijing shifted its attention to Southeast Asia in search of potential allies in a militant international united front against both superpowers. In 1963 and 1964, China hosted two strategic planning meetings attended by leaders of the Vietnamese, Laotian, and Indonesian communist parties. Premier Zhou Enlai proclaimed at these meetings that Southeast Asia had become the key site for the international antiimperialist struggle, announcing that ‘the basic mission of the revolutions in Southeast Asia is against imperialism, feudalism, and comprador capitalism’ (Tong, 1996, 219). In the mid-1960s, under the banner of fulfilling China’s duties of ‘proletarian internationalism’, Beijing provided Vietnamese communists with substantial support, including the dispatch of 32,000 Chinese engineering and antiaircraft troops to North Vietnam in 1965–1969 (Chen, 2001, 7).

Between the mid-1960s and late-1970s, aggressive antiimperialist struggles alienated China from many of its former friends in Southeast Asia. From the late 1950s to early 1965, in maritime Southeast Asia, Indonesia was one of China’s closest partners in the Third World. But this remarkably cordial quasi-alliance ended in the aftermath of the regime change and mass killings in 1965–1966 in Indonesia. The left-leaning Indonesian President Sukarno was deposed, and the Indonesian Communist Party, the largest nonruling communist party in the world at the time, became the target of a nationwide political purge. China’s close relationship with Sukarno and the Indonesian Communist Party gave the newly established anticommunist regime under Suharto a pretext to make repeated but unfounded accusations of PRC intervention in Indonesian domestic affairs (Zhou, 2015). Sino-Indonesian diplomatic relations were suspended in 1967. A similar shift in diplomat relations can be traced in mainland Southeast Asia. In the 1950s, the relationship between Beijing and Hanoi was lauded as an ‘alliance between brotherly comrades’. However, it deteriorated significantly from the early 1960s to the late 1970s, with the Vietnamese communists refusing to accept an inferior status when dealing with a fellow communist nation (Chen, 2001, 236–37). The simmering tension between the two countries culminated in the Sino-Vietnamese border war in 1979, an offensive launched by Beijing in response to Vietnam’s invasion of Cambodia (Zhang, 2015).

While launching a limited attack on Vietnam, Deng Xiaoping also started an overhaul of Mao-era economic policies by introducing market principles and opening up China for trade with the outside world. Since 1979, Chinese policy toward Southeast Asia has been increasingly driven by the country’s search for financial

resources and technological know-how for national economic development. In November 1978, Deng Xiaoping visited Thailand, Malaysia, and Singapore. Before his Southeast Asian trip, Deng seemed to have had the impression that the region was backward. Yet he was impressed with the socioeconomic progress these three countries, particularly Singapore, had achieved since the 1960s. During his meeting in 1978 with Lee Kuan Yew, the then Prime Minister of Singapore, Deng remarked that Singapore had undergone a ‘dramatic transformation’ and congratulated Lee. Deng further said, ‘[I]f I had only Shanghai, I might be able to change Shanghai as quickly. But I have the whole of China!’ (Lee, 2000, 667–668). Deng’s words signified a resolute discarding of the ideologically colored lenses through which China used to view Southeast Asia in the past. After Deng’s visit, the *People’s Daily*, the CCP organ, took a different line and portrayed Singapore as ‘a garden city worth studying for its greening, public housing and tourism’ instead of a country of ‘running dogs of the American imperialists’ (Lee, 2000, 668). Singapore – a society under one-party dominance, 75% of whose population is ethnic Chinese – became a source of inspiration and a model for emulation in the public eye in China after Deng openly expressed his admiration for the city-state’s successful transformation and called for learning from Singapore during his Southern Tour in 1992. In that year alone, Singapore received over 400 Chinese delegations keen to study various aspects of Singapore’s development (Lye, 2013; Ortmann & Thompson, 2014; and Chapter 8 of this book).

Since the establishment of official diplomatic relations in October 1990, Singapore’s foreign direct investment (FDI) in China has increased substantially. In 2011, China became Singapore’s third-largest trading partner, whereas Singapore has been China’s largest foreign direct investor since 2014. Since 1997, China has overtaken Malaysia as the most important destination for Singapore’s FDI in cumulative terms (Lye, 2013; Liu, Fan, & Lim, 2021). Flagship projects between the two countries include the 1994 Singapore–Suzhou Industrial Park, the 2008 Tianjin Eco-City, and the newly established China–Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, whose plan was announced by President Xi Jinping during his visit to Singapore in November 2015 (Liu & Wang, 2021).

The China–Singapore story is reflection of the changing nature of Sino–Southeast Asian relations since the late 1970s, as the focus of both sides shifted from Cold War ideology to interregional trade. Founded in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand, ASEAN had been a tool for collective security arrangements on behalf of the comparatively smaller and weaker countries of Southeast Asia against perceived communist threats. Following President Nixon’s visit to Beijing in 1972 and the Sino-US rapprochement, most noncommunist governments in Southeast Asia took steps to normalize their relations with China. By 1975, Malaysia, Thailand, and the Philippines, which refused to recognize Beijing in the past, had opened government-to-government diplomatic channels with the PRC. Suharto’s Indonesia, which froze diplomatic relations with Beijing in 1967, also joined the trend and engaged in diverse trade contacts before officially restoring diplomatic relations in 1990.

Joshua Kurlantzick (2007) argues that since the final years of the 20th century, China's unimaginable rate of economic growth has provided it with a new model of development that has attracted the interest of many developing nations' leaders. Kurlantzick marks the 1997 Asian financial crisis as a turning point in the expansion of China's influence in terms of 'soft power' in Southeast Asia. While the United States hesitated to bail out the Thai economy, which was on the verge of bankruptcy, the Chinese government made the symbolic decision not to devalue its currency in order to prevent further damage to Thailand.

In the aftermath of the Asian financial crisis, China and ASEAN forged a closer relationship through a currency swap initiative, known as the Chiang Mai Initiative. In 2009, China surpassed that of the US, Japan, and others to become ASEAN's largest and most important external trade partner, while ASEAN has been China's third-largest trading partner since 2011 (Miller, 2015; Liu, 2021a; see also Chapter 1 of this book). In 2010, ASEAN–China Free Trade Area (ACFTA), a treaty designated the largest free trade zone in terms of population and third largest in terms of nominal GDP, came into effect. In November 2020, 15 countries – members of the ASEAN and five regional partners – signed the Regional Comprehensive Economic Partnership (RCEP). As the largest free trade agreement in history, RCEP will connect about 30% of the world's people and output and, in the right political context, will generate significant gains. Regarded as 'order from chaos' at the time of the global Covid-19 pandemic, RCEP could add \$209 billion annually to world incomes and \$500 billion to world trade by 2030 (Petri & Plummer, 2020). RCEP will undoubtedly further strengthen China's economic ties with ASEAN, which has already constituted its largest trading partner since the first quarter of 2020.

### **Thematic analysis: between diaspora and networks**

Having surveyed the historical trajectory of China–Southeast Asia relationship since 1949, we will proceed to thematically organized analyses on three topics: diasporic influence on diplomatic relations, multipolar power struggles over territorial disputes in the South China Sea, and collaborations as well as conflicts between China and Southeast Asia in terms of trade and investment.

#### *The Chinese diaspora in Southeast Asia*

Michael Leifer, a pioneer in the study of the politics and international relations of Southeast Asia, notes that a key component of the region's relations with China is the contention surrounding the national status of the ethnic Chinese (Leifer, 2005). A fundamental concern underlying Sino–Southeast Asian diplomacy after World War II was the uncertain citizenship status and fluid national allegiances of the Chinese minority in the newly established Southeast Asian states. Wang Gungwu (Wang, 2004) interprets this issue as an entanglement of two important concepts: ethnic relations and nation-building. According to him, whereas ethnic identity – self-awareness in terms of cultural heritage, ancestry, religion, language,

or dialect – has a long history, nation-building is a comparatively new phenomenon. At a time when both China and some Southeast Asian countries had recently emerged from World War II as nascent independent nation-states, the diplomatic relations between the PRC and Southeast Asian governments became closely linked to the changing sense of belonging among ethnic Chinese.

From the late 1940s to the mid-1960s, multiple national orientations divided the Chinese communities in Southeast Asia. Wang Gungwu's analysis of the political history of the Malayan Chinese reveals what was a general state of mind among Chinese communities across different parts of Southeast Asia. Wang categorizes the Malayan Chinese into three groups. 'Group A' includes Chinese who were concerned about the destiny of China and were oftentimes enthusiastic participants in China-oriented politics in their countries of residence. Some returned to China with the hope of aiding its reconstruction. 'Group B' refers to the 'hard-headed and realistic majority', who were active in commerce, trade, and community affairs but rarely expressed political ideas. 'Group C' represents those who were committed to their host country (Wang, 1970).<sup>2</sup> In many Southeast Asian countries, 'Group A' usually bifurcated into pro-Beijing and pro-Taipei factions that paralleled the sides in China's civil war. Both sides claimed that all ethnic Chinese owed their loyalty to China's sole legitimate center – Beijing according to the Communists or Taipei according to the Nationalists (Hara, 2003). In particular, the founding of a socialist new China reinforced the sense of cultural superiority harbored by a number of ethnic Chinese. As a result, many Chinese in Southeast Asia experienced 1949 as a moment of national pride (Zhou, 2019).

In the early and mid-1950s, despite the rise of China-oriented nationalism among diasporic communities in many parts of Southeast Asia, Beijing strove to assure Southeast Asian governments that the ethnic Chinese were not the PRC's 'fifth column'. With the signing of the Sino-Indonesian Dual Nationality Treaty in 1955, Beijing ended a previous policy that automatically granted all persons with Chinese blood Chinese citizenship and began to encourage the ethnic Chinese to adopt the citizenship of their countries of residence (Willmott, 1961). Before signing the treaty with Indonesia, Zhou Enlai made a speech in Bandung to leaders of the ethnic Chinese community who were concerned about being 'abandoned by the motherland'. Zhou emphasized that the ethnic Chinese owned primary loyalty to Indonesia rather than to China. He used a metaphor in which the ethnic Chinese were like the PRC's daughters who were married off and settled in a new household. Zhou said some foreign governments had qualms about the ethnic Chinese, worrying that they might be used by Beijing to engage in subversive activities. A clear boundary had to be drawn, and only by doing so could China win the trust of other countries (Zhou, 2014; 2019). The ban on dual nationality demonstrated Beijing's determination to prioritize its diplomatic relations with the postcolonial Southeast Asian states over its connections with Chinese overseas (Liu, 2010).

However, this conversion of political allegiance among the ethnic Chinese in Southeast Asia encountered multiple obstacles, including both the fluctuation



of Beijing's foreign policy as well as the Southeast Asian states' nationalistic economic measures that aimed to weaken the Chinese minority. From the early to mid-1960s, with Chinese domestic politics increasingly radicalized, the previous moderate policy in overseas Chinese affairs was reversed. The PRC suspended its efforts to help the ethnic Chinese integrate into local societies and acted with much less restraint in exporting its political culture. This remobilization of the overseas Chinese reached a climax in the late 1960s, when the Cultural Revolution engulfed the PRC. For instance, in 1967, left-wing ethnic Chinese students in Rangoon ignored the Burmese government's ban on wearing Mao badges in school, leading to a wave of large-scale ethnic riots and a drastic deterioration of bilateral relations (Fan, 2012). Meanwhile, the emotional bonds between the ethnic Chinese and their countries of residence were strained by anti-Chinese movements, such as the 1959–1960 crisis in Indonesia. In 1959, the Sukarno regime revoked the licenses of 'aliens' – mostly noncitizen ethnic Chinese – to operate retail businesses in the countryside and legitimized the takeover of these foreign-owned enterprises by the indigenous population. Approximately 200,000 ethnic Chinese, most of whom lost their means of livelihood due to the new policy, left Indonesia for mainland China.

In the 1970s and 1980s, most Southeast Asian countries witnessed a tremendous decline in the passionate sense of belonging the ethnic Chinese had once felt toward China. Gradually, the settled and local-born generations of ethnic Chinese became politically identified with their host societies. This new sense of national consciousness manifested itself in the everyday practices of the ethnic Chinese: national symbols such as the Five-star Red Flag of the PRC or the Blue Sky and the White Sun and Red Earth flag of the Nationalist government disappeared; the celebration of October 1 and the Double Tenth, the anniversaries of the establishment of the PRC and the Republic of China, respectively, became obsolete; Chinese civic associations transformed into host country-oriented groups. On the one hand, this process was partially facilitated by the local ethnic Chinese who recognized that in the new age of nation-building, the nation-state, rather than race, ethnicity, or cultural heritage, had become the most important site of identification (see Chapter 3 of this book; van Dongen & Liu, 2018; Toh & Liu, 2021). On the other hand, though in an excruciating way, the heavy-handed discriminatory policies launched by several Southeast Asian governments accelerated the formation of new national identities among the ethnic Chinese. For example, both Ne Win of Burma and Suharto of Indonesia banned Chinese-language education in their countries. The Suharto government also required the ethnic Chinese to take on Indonesian-sounding names. To some extent, the formation of a Southeast Asian-oriented national consciousness among the Chinese diaspora paved the way for the normalization of state-to-state relations between the PRC and Southeast Asian countries in the post-Cold War era.

Locally oriented national identities allowed the ethnic Chinese to steadily contribute to the improvement of China–Southeast Asia relations (Liu, 2010, 2016). For instance, between the late 1970s and 1980s, the Southeast Asian Chinese

added momentum to the early stage of the Chinese economic reform through their investments in China and their involvement with trade between China and Southeast Asia (Shirk, 1994; Liu, 2006). In return, the new socioeconomic developments in postreform China set the stage for the region's Chinese to help Southeast Asian countries share the benefits of China's economic growth. This new circle of positive exchanges altered the image of ethnic Chinese as a source of friction between China and the Southeast Asian countries during the Cold War. Conceptually, diasporic involvement in foreign policy in both their host country and ancestral homeland offers a new perspective for scholars to investigate the intellectual connections between transnational migration and international relations, though it could also be a potential source of contention between China and Southeast Asia (Liu, 2011).

### *Great power politics and the South China Sea dispute*

In his *The South China Sea: The Struggle for Power in Asia*, Bill Hayton (2014, xvi–xvii) wrote: ‘In our era, what happens in the South China Sea will define the future’. Although global attention to the issue goes up and down in tandem with the rise and decline of tensions, disputes over territorial sovereignty and maritime jurisdiction in the South China Sea remain a defining feature of contemporary China–Southeast Asia relations. The PRC, Taiwan, Vietnam, the Philippines, Brunei, Malaysia, and Indonesia are contending for control over shipping lanes, energy resources, and fishing areas in the South China Sea, called *Dagat Kanlurang Pilipinas* (the West Philippines Sea) by the Filipinos and *Bin Đông* (East Sea) by the Vietnamese. It is estimated that more than half the world's maritime trade goes through the Straits of Malacca. The seabed beneath the disputed area may hold up to half of the world's liquefied natural gas and one-third of its crude oil. The sea contains some of the richest fisheries in the world.

In the past four decades, disputes over the South China Sea have evolved from a China–Vietnam affair into a regional or even global security issue. In January 1974, China and the then South Vietnamese government clashed over the Paracels, which resulted in Chinese control of the whole of the archipelago to this day (Ang, 1999). China overpowered Vietnam again in a second major clash over the Western Spratlys in March 1988. The turning point came in 1994, when China built structures that were said to be shelters for fishermen on the Mischief Reef, which was also claimed by the Philippines. This incident was significant as Chinese activities in the South China Sea started to affect countries beyond Vietnam. The territories China had controlled before 1994 – the Paracels and Western Spratlys – were far from the other countries involved in the South China Sea disputes. But by taking the eastern side of Mischief Reef, China had entered into waters claimed by an ASEAN member state, a move perceived as a threat not only by the Philippines but also by Malaysia, Brunei, and Indonesia (Hayton, 2014, 87–88). However, none of these countries were prepared to risk open hostilities with China. In 2002, China and ASEAN agreed to a code of conduct in the Declaration on the Conduct of Parties in the South China Sea. Celebrated

at the time as a major breakthrough, the Declaration announced that all parties involved pledged to build mutual trust to create a ‘peaceful, friendly and harmonious environment in the South China Sea’.<sup>3</sup>

But without enforcement or dispute resolution mechanisms, the 2002 declaration failed to curb the increasing tension. As Ian Storey (2016a) puts it, since the late 2000s, the atmosphere in the South China Sea has been one of ‘growing rancor and mistrust, of claim and counterclaim, action and reaction’. In early April 2012, a standoff over control of the Scarborough Shoal (called as Huangyan Dao by the Chinese), located between the Macclesfield Bank and the Philippines’ Luzon Island, began after the Filipino navy attempted to arrest Chinese fishermen who were operating in the shoal’s lagoon. In 2014, Beijing’s decision to set up a petroleum drilling platform in the exclusive economic zone (EEZ) claimed by Vietnam gave rise to a crisis in bilateral relations, resulting in skirmishes between the Chinese and Vietnamese coast guards as well as riots in Chinese-owned industrial parks in Vietnam (Buckley & Doan, 2014). Detailed satellite imagery released in 2015 and 2016, which shows China’s engagement in massive artificial island-building and its potential installation of a high-frequency radar system, further perturbed the Southeast Asian claimant states (Watkins, 2015; Brunnstrom, 2016). In March 2016, tension emerged for the first time between Beijing and Jakarta when the Chinese coast guards confronted Indonesian officials trying to capture a Chinese ship fishing in disputed waters (Suryadinata, 2016).

While some Southeast Asian and many Western foreign policy practitioners and observers regard Beijing’s increasing assertiveness as the main trigger for tension and discord, the Chinese government considers this as a legitimate course of action. Beijing bases its sovereignty claims on ‘the nine-dash line’, a demarcation designed by the Republic of China’s government to include a major part of the South China Sea (Gao & Jia, 2013). China saw it as its natural right to restore the territory taken by the Japanese and Western powers during China’s long ‘century of humiliation’. While this claim differs from the United Nations Convention on the Law of the Sea (UNCLOS), Beijing suggests that the UNCLOS should be adjusted to accommodate China’s historical rights (Buszynski, 2012; Kardon, 2015). China was angered by the Philippines’ decision in January 2013 to seek legal arbitration of the two countries’ competing jurisdictional claims at the International Tribunal of the Law of the Sea. From the very beginning of the case, the Chinese Government has repeatedly indicated that ‘it will neither accept nor participate in the arbitration thus initiated by the Philippines’. On July 12, 2016, after hearings conducted without China’s appearance, the International Tribunal ruled in favor of the Philippines. Whereas the Philippines welcomed the ruling but called for ‘restraint and sobriety’, China rejected the ruling as ‘null and void’ and nonbinding. A statement issued by the Chinese Foreign Ministry declares: ‘China’s territorial sovereignty and maritime rights and interests in the South China Sea [will] under no circumstances be affected by those awards. China opposes and will never accept any claim or action based on those awards’ (Xinhua News Agency, 2016).

The Tribunal decision undermines China's hard and soft political power. According to Li Mingjiang of the Rajaratnam School of International Studies at Nanyang Technological University, despite Beijing's efforts to dismiss the ruling, responses from stakeholders indicate that much of the international community expects to use the arbitration result as a policy tool in restraining further Chinese activities in the South China Sea (Li, 2016). While condemning Manila for its 'unilateral initiation of arbitration out of bad faith', Beijing also accused Washington of instigating the tribunal proceedings from behind the scenes. In an interview with Chinese media shortly before the ruling came out, Zhu Feng, Executive Director of the China Center for Collaborative Studies of the South China Sea at Nanjing University, remarked that the essence of the South China Sea issue is not the conflict between China and the concerned Southeast Asian states but the rivalry between Beijing and Washington. Historically, the United States has enjoyed access to maritime and air space in the Western Pacific since World War II. But in the 21st century, these advantages clash with the strategic progression of China's growth into a 'maritime strong power' (cited in Wang, 2016).

Prior to 2020, the United States had been increasing its military and economic presence in the Asia Pacific while maintaining a cautious distance from regional disputes. In April 2016, the United States Defense Secretary Ashton B. Carter confirmed that Filipino and American forces had conducted joint naval patrols in the South China Sea and would start air operations over the area (Whaley, 2016). In May 2016, during his visit to Vietnam, the then American President Barack Obama announced the decision to lift a decades-old arms embargo on Vietnam in order to grant the country greater access to security equipment to counter the influences from China in the South China Sea (*The Guardian*, 2016). Advocating for freedom of navigation, Washington affirmed the Hague's ruling as legally binding but refrained from risking military confrontation to pressure China to comply with the Tribunal's decisions (Office of the Spokesperson, State Department, 2016; Storey, 2016b). But the United States adopted a low-key attitude toward the ruling in order to avoid becoming embroiled in a military conflict in case the Philippines seeks to enforce the Tribunal's decision *via force* (Hyer, 2016).

Mid-2020 saw some major changes in the United States' position toward the South China Sea dispute. Mainly because of the worsening US–China relationship since the early 2010s, the United States has been involving itself in the legal battle by siding with the Southeast Asian claimant countries within the larger framework of America's comprehensive strategic competition with China. In a policy statement by the then Secretary of State Mike Pompeo on July 13, 2020, China was described as a great power believing 'might makes right' in the pursuit of 'maritime empire'. As a Chinese analyst puts it, 'America's "new cold war" against China is in full swing in the South China Sea' (Chen, 2020; see also Nguyen, 2020). Biden's new policies toward global affairs such as rebuilding international alliances through institutionalized mechanisms (e.g., the G7, the EU, and the Quadrilateral Security Dialogue or QUAD) in confronting China have further complicated and intensified the South China Sea conflict. While Biden regarded the US–China rivalries as 'a battle of the century' between

democracy and autocracy and started redeploying more warships and planes in the waters claimed by Beijing (Wong, 2021), China's official newspaper *Global Times* continued criticizing his South China Sea policy for having the 'Cold War currents' (Chen, 2021; see also Yergin, 2020; Heiduk, 2021).

Besides the United States, another external stakeholder in the South China Sea dispute is Japan. Tokyo is concerned that the conflicts will potentially disrupt the free flow of maritime trade on which the Japanese economy depends. Moreover, Japan sees a link between the South China Sea disputes and contentions between the PRC, Japan, and South Korea over the EEZs in the East China Sea. Japan has been building partnerships with South China Sea claimant states. There are voices within Japan suggesting that the Japan Maritime Self-Defense Force should break away from its pacifist approach since the end of World War II and directly intervene in the South China Sea (Shimodaira, 2016). Welcoming the Hague's ruling, the Japanese Defense Minister Tomomi Inada stated that the country would 'increase its engagement in the South China Sea through ... Maritime Self-Defense Force joint training cruises with the U.S. Navy' and provide more military aid to the Philippines and Vietnam. These announcements triggered a series of fiery editorials from Chinese state media outlets (Johnson, 2016). Japan's position of the South China Sea issue is a part and parcel of its overall foreign and strategic policies in which the Japan-US alliance services as the cornerstone. In terms of maritime security, it has been argued that these policies underscore 'Japan's role in maintaining and developing "Open and Stable Seas"' upheld by a 'maritime order based upon such fundamental principles as the rule of law, ensuring the freedom and safety of navigation and overflight, and peaceful settlement of disputes in accordance with relevant international law' (Shiraishi, 2021, 174).

The complex dynamics underlying the South China Sea disputes changed considerably after Rodrigo Duterte took over the Filipino presidency on June 30, 2016. Being a populist leader who is known for his antiestablishment rhetoric, Duterte pursued closer economic cooperation with China while distancing the country from the United States. Moreover, his controversial 'drug war' at home has sidelined the issues over the South China Sea. So far, the disputes have been contained within the realm of diplomacy, avoiding bringing the countries involved to the brink of war. In a similar vein, Malaysia has pursued a nonconfrontational position on the South China Sea issue – considered to be the core national interest by Beijing. A realistic politician aware of the country's limitations and domestic priorities, the then Prime Minister Mahathir remarked in September 2019, 'You don't just try and do something which would fail anyway, so it is better to find some other less violent ways not to antagonize China too much, because China is beneficial for us' (cited in Liu, 2021b).

While the increasingly close economic ties and institutional linkages between China and respective Southeast Asian countries have helped deescalate the tension, the lack of progress toward a resolution and continuous involvements by external powers may generate anxiety and uncertainty for the future of the region. This has been further complicated by the growing confrontation between

the United States and China since the early 2010s and by the new Joe Biden administration's reestablishment of a coalition approach to compete with a rising China. During the G7 Summit held on June 11–13, 2021, China became the main target of criticisms, with the South China Sea issue being picked up as one of the confrontational areas. According to the G7 Summit Communiqué,

We reiterate the importance of maintaining a free and open Indo Pacific, which is inclusive and based on the rule of law. We underscore the importance of peace and stability across the Taiwan Strait, and encourage the peaceful resolution of cross-Strait issues. We remain seriously concerned about the situation in the East and South China Seas and strongly oppose any unilateral attempts to change the status quo and increase tensions.

(Carbis Bay G7 Summit Communiqué, 2021)

The South China Sea issue, therefore, is likely to continue to affect China's relationship with the region.

### **Commerce in the 21st century**

As mentioned earlier in this chapter, commercial connections between China and Southeast Asia, once overshadowed by Cold War ideology, took center stage again after the People's Republic's economic liberalization in the late 1970s. In the past four decades, the Chinese economy has experienced unprecedented growth, which has enabled the country to export goods and services while propelling it to search externally for consumer markets and supplies of natural resources. Since the early 2000s, China has been transforming from a major recipient of FDI to an active global investor itself. Southeast Asia has been a key target region for investment by China. In 2014, ASEAN was the third-largest destination for China's outward FDI, after Hong Kong and the EU. FDI from China to ASEAN was \$7.81 billion, accounting for 6.3% of China's international investments, with a year-on-year increase of 7.5%. By the end of 2014, China had established more than 3,300 FDI enterprises in ASEAN and hired 159,500 local employees. Within the ASEAN by the end of 2014, PRC investment concentrated in realms such as infrastructure building (the production and supply of electricity, heat, gas, and water; construction; transportation; storage; postal service; and real estate), natural resources (mining, agriculture, forestry, animal husbandry, and fishery), manufacturing, wholesale and retail trade, and finance.<sup>4</sup> In 2018, among the top 20 countries in which China invested were six Southeast Asian countries: Singapore (No. 4), Indonesia (No. 8), Malaysia (No. 9), Laos (No. 12), Vietnam (No. 13), and Thailand (No. 20).<sup>5</sup>

In addition to FDI, tourism has been an important component of China–Southeast Asian economic relations. ASEAN, particularly Singapore, Malaysia, and Thailand, witnessed the rush of tour groups from Mainland China in 1991 when the country began to permit its residents to travel abroad for personal reasons. At first, Singapore, Malaysia, and Thailand were the primary beneficiaries

of the liberalized policy shift on Chinese outbound travel because they were the only destinations on the itineraries offered by authorized travel services. In the early 1990s, these three countries occupied more than 90% share of the Chinese outbound tourism market (Cai, Boger, & O'Leary, 1999). With China's gradual opening to the outside world and the rise in living standards, Chinese tourists began to explore other ASEAN countries as the total number of arrivals in the region increased by 532%, from 5.42 million in 2010 to 32.28 million in 2019.<sup>6</sup> Yet with the appreciation of Renminbin recent years and the increase in the buying capacity of Chinese tourists, Southeast Asia has to compete with South Korea, Taiwan, Japan, and Western Europe for its market share. ASEAN countries such as Singapore are now shifting to a different demographic group – first-time visitors from second- and third-tier Chinese cities rather than repeat visitors from big cities. In the reverse direction, ASEAN countries, particularly Vietnam, Malaysia, the Philippines, Singapore, and Thailand, have become the major source market for China's inward tourism.

The first two decades of the 21st century have witnessed the rise of vibrant and complex economic interactions between China and Southeast Asia. But challenges have arisen as a result of China's increasing economic presence. The country must cultivate goodwill in local societies, understand their culture, and adapt to their norms and practices. All these goals will take a long time to achieve. The FDI from the PRC is important to Laos, Myanmar, Cambodia, and Indonesia (Nyíri, 2012; Calabrese & Cao, 2021; Lim & Liu 2021). Although Chinese companies have accelerated infrastructure development in these three countries through the construction of roads, bridges, dams, and railways, there is still lingering resentment over how China procured natural resources. Local communities sometimes feel disappointed that their Chinese business partners are not yet able to fulfill long-term local needs including technological development, educational resources, and employment opportunities. The strongest criticism of China centers on areas where raw materials are imported across porous borders that are difficult for states to surveil, such as those of the Kachin state – a politically turbulent jade-producing region in northern Burma. Jade smuggling conducted mostly by Chinese migrants from Yunnan has caused environmental degradation and human suffering in Kachin. In response to criticism, in 2014 the PRC ambassador to Myanmar, Yang Houlan, admitted that some Chinese had broken Burmese laws and assured critics that Beijing was increasing its efforts at more effective regulation (Chang, 2013; Levin, 2014).

When navigating through the complicated political and economic environments of their destinations of investment, some Chinese enterprises in Southeast Asia suffer from an insufficient level of corporate social responsibility and a lack of understanding of local regulatory regimes. Chinese companies that thrive under the highly centralized political structure in China oftentimes come to a belated realization that their success in Southeast Asia depends not only on relations with the top decision-makers but also on whether constituencies in these countries – such as labor unions, organized businesses, and civil society groups – are satisfied with China's response to their requests and concerns.

A noteworthy example in this regard is the suspension of the Myitsone Dam project in the Kachin state of Burma by then President Thein Sein in 2011, despite a 7-billion-yuan investment and two years of construction. The decision was made in part because of popular protests against environmental damage and insufficient compensation for land. In addition, the redeployment of troops to the Kachin area to safeguard the working compounds exacerbated ethnic tensions between the Kachin people and the Myanmar government (Fuller, 2011). The failure of the Myitsone Dam project reflects that China is not prepared to adapt to the shifting balance of power both within and outside of Myanmar. Since 1988, the country has been seeking economic and strategic support from China. The junta regime at the time believed that China would act as an ally against what they perceived as external threats, especially from the United States. The reduction of Western sanctions since the 2010 election has brought about a greater diversity of foreign investments in the country. China, which was used to benefiting from previously exclusive relations with the junta, had to adjust itself to the recalibration of power in Myanmar (Soong & Aung, 2021; Steinberg & Fan, 2012). With the move toward a more open political environment prior to the military takeover in early 2021, Burmese political leaders had to consider the wishes of their electorate. This means that the stakes that Chinese corporations have in Myanmar are no longer as stable and secure as they once were (Oh & Andrews-Speed, 2015). Since the failure of the Myitsone Dam, Chinese firms have begun to change their public profiles in response to Burmese pressure for more transparency, engagement with civil society, and equitable profit sharing.

Relations between China and economically advancing yet not fully developed countries such as Vietnam involve a tense combination of economic dependency and competition. In 2013, an HSBC report predicted that China would become Vietnam's top trading partner by 2030, overtaking the United States.<sup>7</sup> Yet considering its historical memory of domination by its northern neighbor and rekindled conflicts in the South China Sea, Vietnam has been ambivalent toward Chinese economic presence. This ambivalence turned to public indignation in 2014, when Chinese bauxite mining projects in the central highlands of Vietnam triggered a significant civil society movement. Scientists, intellectuals, and activist groups participated in protests against Chinese enterprises' lack of environmental protection measures, immature crisis management, and disregard for local law (Thu, 2014). Meanwhile, Vietnam has been taking advantage of the increasing production costs in China as low-cost manufacturing sectors such as the garments and electronics industries started to migrate from China to Vietnam. The country is itself emerging as an investor in natural resources in Cambodia and Laos. In Laos, for example, Vietnam is competing with China for investment in rubber and hydropower. In the meantime, it has been suggested China's looming presence poses an existential threat that drives Vietnamese leaders to seek support from extra-regional powers such as the United States (Ross, 2020).

In 2013, Chinese President Xi Jinping unveiled plans for two massive trade and infrastructure networks: Silk Road Economic Belt and the 21st Century Maritime Silk Road (also known as the Belt and Road Initiative). The plan aims to



reinvigorate and expand the ancient Silk Roads with high-speed rail, motorways, pipelines, and ports stretching across more than 60 countries in Asia-Pacific, Europe, and East Africa (Zhao, 2020; Liow, Liu, & Gong, 2021; Liu, Tan, & Lim, 2022). The Maritime Silk Road initiative pays special attention to Southeast Asia, as it offers China a platform to overtake the United States, EU, and Japan as the major source of FDI in the region. By promising to improve economic connectivity, increase long-term investment, and enhance multilateral cooperation, Beijing intends to rectify some Southeast Asian nations' perceptions of China as preoccupied with short-term gains such as natural resources. Positive changes in this direction have occurred, for example, in China's engagement with Indonesia. Chinese state-owned enterprises and private investors have begun to transform the coal trade by supporting the sustainable development of Indonesia's mining industry. Moreover, in September 2015, after a heated competition against Japan, China won the bid for the Jakarta–Bandung High-Speed Railway. Although initially scheduled for completion in 2019, the project has been delayed, partly because of complex domestic and regional political economy (Negara & Suryadinata, 2018; Lim, Li, & Syailendra, 2021; Lim & Liu, 2021). In the meantime, China has suffered significant trust deficit in the perceptions of the Southeast Asian political, diplomatic, and economic elites. The recent surveys undertaken by the Institute of Southeast Asian Studies in Singapore show that despite the fact that China is seen as the most influential economic power in the region (76.3% of the respondents, in contrast to 7.6% for the United States), ASEAN's confidence in China is just 16.5%, significantly lower than Japan (67.1%), EU (51%), the United States (48.3%), and India (19.8%), whereas ASEAN's no confidence in China (63%) is the highest among these foreign powers (Seah et al., 2021).

## Conclusion

In this survey of the trajectory of China–Southeast Asian interactions in the past seven decades, we have broadened the concept of 'foreign relations' from diplomacy between governments to encompass the multilayered interplay of great power politics, transnational ethnic ties, trade, and investment, as well as soft power manifested in the forms of models of modernity. We have demonstrated how interactions between the Chinese and Southeast Asian governments were shaped by ideological conflicts, competing nationalisms, and clashes of strategic interests as well as economic interdependence; how the longstanding Chinese migrant networks both intimately connected and intricately complicated state-to-state diplomacy between the PRC and the newly established nations in Southeast Asia after World War II; and how the century-long commercial exchange between China and Southeast Asia has evolved into a transnational infrastructure and investment network in the 21st century. To comprehend this multifaceted relationship, it is essential to place the connections between China and Southeast Asia in historical, network, and knowledge production perspectives rather than narrowly focusing on current front-page events and high politics (Liu, 2001;

Zheng, Liu, & Szonyi, 2010; Abalakin, 2011, Shih, 2017; Wade & Chin, 2018; Santasombat, 2019).

From the Southeast Asian perspective, one key question in the outlook for relations with China is ASEAN's ability or desire to deal with China as a unified bloc. Michael Leifer (1995) discerned 25 years ago that 'in the absence of suitable access to external countervailing power, regional states have been thrown back to their own resources in an attempt to prevent China from pushing its way into the maritime heart of Southeast Asia'. The ASEAN states have long been unable to formulate one coherent policy toward China. The tension between a common regional identity and divergent individual interests has become more acute in recent years. For instance, at the Special ASEAN–China Foreign Ministers' Meeting in Kunming, China in June 2016, an agreed-upon joint media statement by the ten ASEAN Foreign Ministers was withdrawn due to vetoes which were presumably from China's allies within ASEAN (*Strait Times*, June 14, 2016). The president of the Philippines, Duterte, has shown openness to negotiating with China through direct bilateral conversations rather than through multilateral dialogue (Batongbacal, 2021). The BRI might further complicate the relations among ASEAN states as Beijing's increased economic leverage might entice some countries to adopt a more pro-Beijing stance on geopolitical issues in exchange for China-financed infrastructure projects. For instance, in contrast to his iron-fisted approach to domestic issues, in the realm of foreign relations Duterte welcomes Chinese investment in railway construction in the Philippines and downplays unresolved maritime disputes with Beijing in the South China Sea.

To forge well-balanced relations with Southeast Asia, China needs to improve its image abroad and accumulates intellectual capital at home. Admittedly, China has made considerable efforts to increase its influence through soft power initiatives such as the creation of student–scholar exchanges, the establishment of cultural centers, and the offer of development aid. Viewed more broadly, China suffers from a knowledge gap as there is a pressing need for information about Southeast Asia. Policymakers need this information to develop their strategy, and entrepreneurs need it to push forward business ventures. As the Chinese foreign policy under Xi Jinping pivots toward the developing world and neighboring countries (c.f., Eisenman & Heginbotham, 2018), Southeast Asia's importance to China has grown exponentially. Consequently, the profile of Southeast Asian studies has risen in China, and governmental funding toward research in the region has substantially increased.<sup>8</sup> A systematic training program for a new generation of researchers to thoroughly understand the region, including its languages and cultures, has not yet fully developed. While China's knowledge networks about the outside world have developed rapidly over the past few years and there is a discernible 'policy turn' in focusing on contemporary politics and economics (e.g., Menegazzi, 2020), the nation's understanding of Southeast Asia has been marred by Sino-centric biases and traditional methods (Park, 2013). Sino-centrism remains to be a worrying phenomenon as the nation's area studies community has become 'an increasingly

self-dependent and self-sustaining system' (Xie, 2021). Effectively addressing this knowledge gap, therefore, will help forge a better understanding of Southeast Asia in its own right, which will in turn contribute to the peaceful resolution of the South China Sea disputes, the successful implementation of the BRI project, and the stabilization of the course of Sino-Southeast Asian relations in the years to come.

[This chapter is a revised and updated version of Taomo Zhou and Hong Liu, "Chinese Foreign Policy: Southeast Asia," in Weiping Wu and Mark Frazier, eds., *The SAGE Handbook of Contemporary China* (Los Angeles and London: Sage Publications, 2018), vol. 1, pp. 610–630.]

## Notes

- 1 For an English translation of *The Jews of the East*, see Landon (1941, 34–39).
- 2 Apart from being a leading scholar of China, Southeast Asia, and the Chinese diaspora, Wang Gungwu is also a participant of the social and political transformations of the region since the 1950s. See Benton & Liu (2006), Zheng & Zhao (2020).
- 3 Declaration on the Conduct of Parties in the South China Sea, November 4, 2002, available at [www.asean.org/asean/external-relations/china/item/declaration-on-the-conduct-of-parties-in-the-south-china-sea](http://www.asean.org/asean/external-relations/china/item/declaration-on-the-conduct-of-parties-in-the-south-china-sea).
- 4 2014 *Statistical Bulletin of China's Outward Foreign Direct Investment* (Beijing: Zhongguo tongji chubanshe, 2015), pp. 98–119. For more updated statistics on China–ASEAN economic ties, see Liu, Tan, & Lim (2022).
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- 7 "China to Become Viet Nam's Largest Trading Partner," *Viet Nam News*, March 29, 2013.
- 8 Apart from the Southeast Asian studies institutions set up in the 1950s, the newly established research centers in China since the beginning of the 21st century include the China Center for Collaborative Studies of the South China Sea at Nanjing University, the National Institute for South China Sea Studies in Hainan, and the Institute of Ocean Research at Peking University. For an overview of China's studies of Southeast Asia, refer to Liu (2003), Saw & Wong (2007), Park (2013), and Xie (2021).

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### 3 China's diaspora policies as a new mode of transnational governance

#### Introduction

In the People's Republic of China (PRC), 'overseas Chinese work' (*qiaowu gongzuo*) entered a new stage with the advent of reform and opening up in the late 1970s. Already in 1995, Xi Jinping, then the Party Secretary of Fuzhou – the capital city of Fujian Province, a major emigration area of the Chinese diaspora – advocated a policy of 'big overseas Chinese work' (*da qiaowu*). As he put it, '[i]n a new era, overseas Chinese work must have a new concept, a new train of thought' (Xi, 1995, 111–113). 'Big overseas Chinese work' would witness broad and deep cooperation between China and the Chinese overseas. Two decades later, the concept of 'big overseas Chinese work' has become a reality. *Qiaowu* is an integral part of the 'Chinese Dream' of economic modernization, scientific and technological innovation, and cultural revival through the attraction of foreign capital, knowledge, and talent. In a 2014 interview with the *People's Daily*, Qiu Yuanping, the then Director-General of the Overseas Chinese Affairs Office (OCAO) of the State Council, emphasized the importance of consolidating both domestic and international resources and going beyond the 'narrow parameters of specific regions and institutions', with a view to collectively carry out *qiaowu* in an effective manner (Zhang, 2014). The Action Plan for the 'Belt and Road Initiative', prepared in March 2015 by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce, underscored the need to 'leverage the unique role of overseas Chinese and the Hong Kong and Macao Special Administrative Regions, and encourage them to participate in and contribute to the Belt and Road Initiative' (China Daily, 2015).

Existing literature on 'overseas Chinese work' or Chinese diaspora policies during the reform era mostly excludes the institutional aspect and its transnational implications, with increasingly more emphasis being placed on the role of talent return migration and ethnic minorities (Nyíri, 2001; Thunø, 2001; Liu, 2006; Zweig, 2006; Barabantseva, 2011; Vasantkumar, 2012; Chan, 2018b; Zweig, Kang, & Wang, 2020). A recent work on *qiaowu* (overseas Chinese policy) includes the aspect of cultural policies that imply deterritorialized visions of the nation, but the framework nevertheless remains that of the cooption of transnational elements by the state (To, 2014). Another study on the Chinese diaspora

focuses on its role in China's soft power initiative and the efforts at 'indigenising international communication to improve China's national image', which again leaves the role of the state unquestioned (Ding, 2015). As early as 1985, Wang Gungwu reminded us of the importance and complexities of an 'External China Policy' (*waihua zhengce*) that includes policies relating to the Chinese overseas as well as issues and problems inside China. These policies, however, have rarely been analyzed from an institutional perspective and with the transnational dimension in mind.

This chapter attempts to fill the gap by examining the institutions and mechanisms behind the formulation of Chinese diaspora policies toward the ethnic Chinese who reside outside of Mainland China, Hong Kong, Macau, and Taiwan today, which is estimated to be approximately 60 million in 2014 (Zhang, 2014). Special attention is paid to interactions between the state and nonstate actors in this process through an analysis of policies and institutions from the angle of governance rather than government. Secondly, following China's increasingly global reach and its corresponding impact upon domestic politics and economy (Shambaugh, 2013; Wu & Frazier, 2018), which requires a revision of traditional state-centric approaches, this chapter applies a globalized perspective and examines the transnational elements involved in diaspora policy. Relying on various policy documents, publicly available data from institutions involved, and interviews with diaspora policy officials and participatory observation on both central and provincial levels, this chapter explores the domestic and transnational elements of these policies.

**States and diasporas.** Two main approaches dominate the literature on the relation between states and diasporas. The first approach, the state-centered approach, understands the response of states to globalization and migration as an effort to extend their power beyond territorial borders. Corresponding to the state-centered approach, Gamlen has argued that 'diaspora engagement policies' form part of an effort to 'transnationalize governmentality', or to extend the monopoly of power of the state to nationals residing outside of its territorial borders (Gamlen, 2006). To (2014) has similarly examined how the Chinese state seeks to 'cooptate' the Chinese overseas. A second main approach, following the constructivist school of international relations, considers diasporas to be actors in their own right; their increasing role also implies a decline in the power of traditional actors such as nation-states (Shain and Barth, 2003; Liu, 2011a). The second approach has paid more attention to 'transnationalism', which refers to 'the processes by which immigrants form and sustain multi-stranded social relations that link together their societies of origin and settlement' (Basch, Schiller, & Blanc, 1994). Chin and Smith (2015) carve out a middle ground, advancing the notion of 'state transnationalism' to capture the interrelational dynamics whereby nation-states act both proactively on their priorities and reactively to grassroots transnationalism instigated by their diasporas. Recent studies have also pointed to the multidimensionality and complexities in diaspora's homeland engagement and have suggested that transnational linkages can actually coincide with (and

sometimes reinforce) host land integration (Ren & Liu, 2015; Zhou & Liu, 2016; Zhou, 2017; Chan, 2018a).

The question of the state's role also remains highly debated in research on contemporary China. Whereas the state-centered approach was dominant before the reform era, since then, scholars have employed society-centered approaches, state-society paradigms, or globalized and historical approaches (Gilley, 2011). The state-society paradigm argues in favor of a 'balanced alliance' between state and society and acknowledges the impact of social dynamics on the state, while the globalization paradigm recognizes the influence of global dynamics. Gilley argues that, in spite of modifications, the state remains central in these approaches (Gilley, 2011).

While we acknowledge the continuing importance of the state, the inclusion of the Chinese diaspora also transforms the state through transnational mechanisms that fit neither the state-society nor the globalized paradigm but that support the position of 'state transnationalism'. Consequently, merely focusing on the 'cooptative' element of the system overlooks the fact that the Chinese overseas are actors who also influence policy structures. This chapter argues that the involvement of transnational networks and the reliance on consultative measures both within and beyond the nation-state in overseas Chinese work serves as an example of the 'networked state'. In this instance, both migration and trade have led and continue to lead to an increasing institutionalization of transnational mechanisms.

**Transnational governance.** This chapter employs the term transnational governance to describe the nature of Chinese diaspora policies. The origin of the term 'governance' (κυβερνάω) and government refers to the 'steering' of a boat; in this original sense, the meaning of both terms overlapped. The rise of governance theory during the 1990s, however, was to reject 'simplistic dichotomies' in the social sciences, such as market/hierarchy in economics, market/plan in policy studies, private/public in politics, and anarchy/sovereignty in international relations (Jessop, 1998). As Stoker notes, in Anglo-American political theory, 'government' indicates 'the formal institutions of the state and their monopoly of legitimate coercive power', whereas 'governance' refers to 'the development of governing styles in which boundaries between and within public and private sectors have become blurred' (Stoker, 1998). Crucial here is the concern with mechanisms of governance based on the interaction between various actors.

There are two reasons why the notion of transnational governance is useful to examine Chinese diaspora policies. Firstly, the socialist market economy, embraced at the Fourteenth Party Congress in 1992, required a rethinking of the function of government (*zhengfu zhineng*) (Jeffreys & Sigley, 2009). Economic pluralization, transparency, and accountability had increased since the introduction of changes in the State-owned Enterprises (SOEs), the contract responsibility system, and the market price mechanism during the first stage of reform (Guo, 2013). Jiang Zemin's 'Three Represents' further led to the inclusion of social elements in the Party and continued the transformation from a revolutionary to a ruling party

(Fewsmith, 2004). The notions of a 'relatively well-off society' (*xiaokang shehui*) and 'people-centred governance' (*weimin zhizheng*) also indicate changed state-society relations (Jeffreys & Sigley, 2009). More recently, the Communiqué of the Third Plenary Session of the Eighteenth Central Committee, passed in November 2013, emphasized that the market should 'plays a decisive role in the allocation of resources' (Xinhuanet, 2013). It has been argued that since 2012 governance reform and innovation have constituted the central pillar of China's grand strategy, which has begun the process of institutionalizing, rationalizing, and legalizing the old party-state system (Guo, 2020; Li, 2020).

Secondly, China has become an integral part of globalization. Economically, it has become reliant on international trade and foreign direct investment, institutionalized through membership of both the International Monetary Fund (IMF) and the World Bank in the 1980s. Politically, China has cooperated more closely with the international community on issues concerning security, humanitarian aid, and environmental regulation. With WTO membership in 2001 and partnership of the G8, this political integration further increased (Wang & Rosenau, 2009). Apart from its economic rise, China's soft power in world governance has also intensified through more outward investment and development aid, and through more diplomacy and advocating the Chinese approaches to international governance (Deng, 2011; Yang, 2021). Following these developments, the influence of outside forces on diaspora policies and institutions should be taken into account.

**Governance and networks.** As one author notes, China's global interdependence has led to augmented institutionalization; the Party has relied on a 'network mode of governance' that serves to reorganize the Party's relation with society, economy, and local governments (Xia, 2008). The focus on networks in a Chinese context corresponds with the theory of a transformation from 'hierarchies' to 'networks' in the political order that has been widely discussed among political scientists. The latter is a response to changes in both society and state, such as the increased organization of the former and the expansion of the scope of policymaking and decentralization of the latter (Blatter, 2003). As opposed to the 'Keynesian welfare state' (KWS) in which the main components were state and market, the 'Schumpeterian workfare regime' (SWR) – directed at competitiveness, flexibility, and innovation – has made more room for networks; public-private partnerships; and local, regional, and transnational economic spaces (Jessop, 1998, 35).

There are several reasons why networks are important in the context of diaspora policies. As Castells notes, networks are 'open structures'; a social structure based on networks is 'a highly dynamic, open system, susceptible to innovating without threatening its balance' (Castells, 2010, 501–502). Networks are useful because they are located in-between state and society. Overall, networks are marked by 'connectivity, flexibility, reciprocity and transnationality' (Liu, 2011a; see also Chapter 1 of this book). Even though the state remains important, networks can connect with both state and society actors, both through formal

and informal means, and crossing national borders. That being said, there is still a difference between networks and organizations. As opposed to networks, formal organizations still have 'gatekeepers', are hierarchical, and use majority voting rather than agreement through negotiation (Blatter, 2003, 504–505). Apart from informal networks, especially business networks, formal organizations also play an important role in the 'network mode of governance' of the Chinese state. They include overseas Chinese professional organizations, such as alumni organizations or Chambers of Commerce, semigovernmental organizations, and think tanks (Wang, 2014a).

### **Diaspora policy as the nexus of institutions: the 'five overseas structures'**

Both the transnational aspect and the interaction between public and private actors can be seen from the system for 'overseas Chinese affairs work' (*qiaowu gongzuo*). This consists of five interrelated governmental and semigovernmental institutions operating on several levels, from the national to the local. Often referred to as the 'five overseas Chinese structures' (*wuqiao* 五桥), these institutions work together with the Ministry of Foreign Affairs and other ministries to formulate and implement policies toward the Chinese overseas (Liu, 2010, 45–51). The five institutions are:

1. The OCAO of the State Council (*guowuyuan qiaowu bangongshi* or *qiaoban*)
2. The China Zhigong Party (*Zhongguo zhihongdang*)
3. The Overseas Chinese Affairs Committee (OCAC) of the National People's Congress (NPC) (*quanguo renmin daibiao dahui huaqiao weiyuanhui*)
4. The Hong Kong, Macao, Taiwan Compatriots and OCAC of the Chinese People's Political Consultative Conference (CPPCC) (*quanguo zhengxie gang'aotaiqiao weiyuanhui*)
5. The All-China Federation of Returned Overseas Chinese (ACFROC) (*Zhonghua quanguo guiguo huaqiao lianhehui* or *quanguo qiaolian*)

Although the roots of these institutions go back to the early PRC days and had precedents during the Republican era, it was only during the reform era that they were perfected and expanded. Following the Leninist party-state system's five levels of government, these institutions operate at each of these levels, namely central level; provinces, autonomous regions, and municipalities; prefectures; counties; and townships. Beneath this level, there are also village and neighborhood committees (Guo, 2013, 137–139). On a horizontal level, there is cooperation between three different types of organs, namely 'state administration organs, the important structures of multi-party cooperation and political consultation under the leadership of the CCP, and the people's organizations' (Guowuyuan qiaoban qiaowu ganbu xuexiao [OCAO Overseas Chinese Work Cadre School], 2006, 236). As such, the diaspora policies are part and parcel of the Chinese bureaucratic system, which combines vertical organization (ministries) and

horizontal organization (regional governments). The relation between the vertical dimension of 'lines' (*tiao*) and the horizontal dimension of 'pieces' (*kuai*) is referred to as *tiao/kuai guanxi* (Liu, 2011b, 79). The integration of overseas Chinese affairs institutions into both vertical and horizontal structures of Chinese national politics serves as the foundation of their transnational expansion and increasing global reach.

**The OCAO.** Among the five, the most important and powerful government agency, and also the agency that reveals most features of transnational governance, is the OCAO, an administrative office under the State Council that was reinstated in 1978.<sup>1</sup> Its predecessor was the Overseas Chinese Affairs Commission (OCAC, *huaqiao shiwu weiyuanhui*), founded in 1949 and renamed in 1954. In terms of staff, before the administrative reforms of 1998, the Office had a staff of 264 people; with the reforms, this number was more or less halved. It should also be noted that the OCAC regularly recruits staff from its two affiliated universities (Jinan University and Huaqiao University, see below) to shoulder its workload, and this temporary staffing does not count as formal staff.

Among the main tasks of the OCAO are the coordination of policy formulations with regard to overseas Chinese work by the CCP and the State Council as well as monitoring their implementation. In addition, it seeks to advance the protection of the rights and interests of the Chinese overseas and of the returned overseas Chinese and their family dependents (*guiqiao qiaojuan*), which is also a central task of the other main institutions for overseas Chinese work. Although the OCAO engages in political work, such as promoting the unity between China and the Chinese overseas, and advancing reunification with Taiwan, there is also an important economic and cultural dimension to its mandate: it investigates and provides policy recommendations on how to attract Chinese overseas capital, technology, and talent. Also, it seeks to develop cultural exchange and Chinese language education programs (Mao & Lin, 1993, 37–38; OCAO Overseas Chinese Work Cadre School, 2006, 238–239). We will discuss the transnational dimension of this focus on talent attraction and the promotion of culture further below.

Local offices are present in all provinces, autonomous regions, and municipalities. Governments of cities and counties of important areas of migration (*qiaoxiang*) also have their own local OCAOs (Mao & Lin, 1993, 240). In some cases, such as major *qiaoxiang* like Guangdong and Fujian, a separate OCAO office is integrated into government structures; increasingly, it is formed together with the Foreign Affairs office and constitutes the Office of Foreign and Overseas Chinese Affairs (OCAO Overseas Chinese Work Cadre School, 2006, 240). The OCAO is divided into eight departments that cover administration; policies and laws and regulations; domestic aspects; external aspects (including Hong Kong, Taiwan, and Macau); economy, science and technology; propaganda; culture; and, finally, organ Party Committees and personnel matters (Overseas Chinese Affairs Office of the State Council, n.d.). The OCAO also publishes a bimonthly journal, *Qiaowu gongzuo yanjiu* (*Research on Overseas Chinese Affairs Work*).

The agency has a wide reach to the public. For example, it was reported that in 2014, there were 70 million accesses to its main website (OCAO of the State Council, 2015).

The transnational dimension of the OCAO is visible in several of the organs and institutions that it directly administers. The first two of these are news organs that foster the 'imagined community' transnationally by offering news to and about the Chinese overseas. Firstly, there is the China News Agency (*Zhongguo xinwenshe*), which targets not only Chinese overseas but also Chinese in Hong Kong, Macau, and Taiwan. Founded in 1952, it was established to offer news on the PRC to Chinese language newspapers overseas. A second unit that is administered by the OCAO is the Voice of China Newspaper Office (*Huasheng baoshe*), the only external news organ that is electronic only. Since 2005, it is part of the China News Agency. Its main website, *Zhongguo qiaowang* (China Overseas Network, [www.chinaqw.com](http://www.chinaqw.com)), offers general information for Chinese overseas and also functions as a portal for overseas Chinese affairs in China. *Zhongguo qiaowang* claims to be 'the online homestead of the Chinese overseas all over the world' and is hosted by the China Overseas Exchange Association (*Zhongguo haiwai jiaoliu xiehui*) (OCAO Overseas Chinese Work Cadre School, 2006, 245–248).

Apart from the two news organs discussed above, three universities are directly administered by the OCAO. The respective universities are Jinan University, Huaqiao University, and the Beijing Academy of Language and Culture (*Beijing huawen xueyuan*). Jinan University, which has its main campus in Guangzhou, but which also has campuses in Zhuhai and Shenzhen, carries out the policy guideline of 'oriented towards (the) overseas, oriented towards Hong Kong and Macau' (*mianxiang haiwai, mianxiang Gang'AO*), attracting Chinese overseas students and those from Hong Kong, Macau, and Taiwan. Founded in 1906, it became part of the '211' university project in 1996. Huaqiao University, which was founded in 1960 and has campuses in Quanzhou and Xiamen, operates in tandem with Jinan University. In 1984, both were the earliest universities to attract students from overseas, Hong Kong, Macau, and Taiwan, under the opening-up policy. By not exclusively catering to the latter, the universities also operate as bridges between these groups and local students.

Next to their educational function, both universities also engage in research projects for the OCAO and joint conferences with OCAO affiliates, offer specialized training sessions for OCAO officials and those belonging to affiliated institutions, and promote Chinese culture through the organization of cultural events on their campus grounds (Fieldwork in Jinan University and Huaqiao University, 2013–2018; OCAO Overseas Chinese Work Cadre School, 2006, 250, 258). Apart from this, the promotion of Chinese culture also moves beyond the territorial aspect through the emphasis on the cultural Chinese nation.

Finally, the Beijing Academy of Language and Culture was created through the fusion of the State Council's OCAO's Overseas Chinese Affairs Cadre School (*qiaowu ganbu xuexiao*) and the Beijing Overseas Chinese Students Extension School (*Beijing huaqiao xuesheng buxi xuexiao*) in 2000. Next to short-term

training courses on practical knowledge and skills in a broad range of areas, including English language, the Academy cooperates with provinces and cities to support local training of overseas Chinese affairs cadres, and it provides teachers and teaching materials for this purpose. It also offers both long-term and short-term courses in Chinese language and culture, for which it develops teaching materials, trains overseas teachers, and sends teachers abroad for teaching (OCAO Overseas Chinese Work Cadre School, 2006, 251–252).

A less formal and more recent mechanism that is relevant to our discussion concerns the Overseas Expert Advisory Committee of the OCAO (*Guowuyuan qiaoban haiwai zhuanjia zixun weiyuanhui*). Founded in 2005, this committee had an initial membership of 30 prominent scientists, scholars, and entrepreneurs from nine countries, including the United States and Germany. Jia Qinglin, the then Chairman of the National Congress of the CPPCC, considered the membership of the committee as both ‘an honor and a responsibility’ and urged these members to play a role as advisors to China’s modernization (Zhang, 2005). Through this mechanism, Chinese overseas with a strong social impact are invited to make policy recommendations and to give feedback on policies toward the Chinese overseas (Liu, 2010, 46).

For example, in 2011, the Third Overseas Expert Advisory Committee consisted of 72 members in the fields of, among others, physics, chemistry, mathematics, biology, economics, law, and applied sciences. One of the 70 members was a winner of the Nobel Prize in Physics. All members had a high-level impact and represented different professions. One of the well-known members of the Advisory Committee (who also heads the economic team of the Committee) is Wang Huiyao, president of a major think tank (Center for China and Globalization) in Beijing and an expert on talent migration (Wang, Zweig, & Lin, 2011; Wang & Liu, 2016; Zweig, Kang, & Wang, 2020). He is also a vice president of a semigovernmental organization, the Western Returned Scholars Association (WRSA), which plays an important role in the ‘networked’ *modus operandi* of the Chinese state and which will be discussed below.

In addition to these formal institutions based in China, all major Chinese embassies have consular departments dealing with overseas Chinese affairs, and some consuls (*qiaowu canzang*) are dispatched by the OCAO on a secondment basis. They regularly meet with local Chinese communities and are invited to attend various functions. The consuls report not only to the respective ambassador but also to the OCAO in Beijing. Hence, these consuls also serve as intermediaries between China and diasporic Chinese communities.

**The China Zhigong Party.** The China Zhigong Party, which was founded in San Francisco in 1925 and which can be traced back to the *Hongmen* society of which Sun Yat-sen was a member, consists mostly of returned overseas Chinese and their family dependents, as well as of those with international networks and specialists. In 1947, after reorganizing itself in Hong Kong, it became part of the United Front led by the CCP. Its role today is still related to the advancement of multi-party cooperation and political consultation. An important aspect of this is to



strengthen ties with Chinese overseas organizations through their own networks, a position that is facilitated by their historical role and ties abroad (Mao & Lin, 1993). Through visits and exchanges, the Zhigong Party attracts overseas capital and contributions for, among others, public causes. It has ties with organizations in over 40 countries. Following more flexible policies, it encourages Chinese overseas both to return to China and to serve from overseas (Zhigongdang, n.d.). Functioning as a bridge with Chinese overseas organizations, the Zhigong Party is hence another institution with clear features of what the article refers to as transnational governance.

The transnational aspect is also reflected in the profile of its Chairmen, Vice-Chairmen, and members. The chairman of the Zhigong Party's Central Committee (the thirteenth and fourteenth Central Committee) is Wan Gang (b. 1952), a returned overseas Chinese (*guiqiao*) with a PhD in Mechanical Engineering from the University of Clausthal, Germany. Upon graduation, Wan worked for ten years as a senior engineer and technical manager at Audi in Germany, after which he returned to China to work for Tongji University, of which he became the president. Based on his own experience, he has emphasized the special importance of focusing on Chinese overseas students as well as returnees in overseas Chinese work (Hu, 2009). Wan Gang is a Vice-Chairman of the Eleventh and Twelfth National Committee of the CPPCC, Minister of Science and Technology (since 2007), and team leader for the 863 projects on electric vehicles of the Ministry of Science and Technology. Wan is assisted by an Executive Vice-Chairman, Jiang Zuojun, and eight Vice-Chairmen, the majority of which have obtained doctorates. Most of them have either studied abroad, are returnees, or are dependents of returnees (Zhigongdang, n.d.).

**The OCAC of the NPC and the Hong Kong, Macao, and Taiwan Compatriots and OCAC of the CPPCC.** Although the other three main bodies of the *qiaowu* apparatus are more in line with domestic governance, transnational governance features have also infiltrated these bodies. The Committees in the NPC and CPPCC are noteworthy because Chinese overseas are increasingly represented in these two bodies.

The OCAC of the NPC was set up as one of six permanent committees in line with clause 70 of the December 1982 constitution, all of which 'gained the rights to draft legislative proposals and to examine bills and inquiries' (Chao, 2003). The OCAC of the twelfth NPC (since 2013) has 5 Vice-Chairmen and 13 committee members; its Chairman is Bai Zhijian. Whereas the profile of the OCAC is less international than that of the Zhigong Party, still, several members have received their education abroad (in the United States and Japan), and about a third of them have received doctorates.

The OCAC investigates and deliberates legislative proposals by the Presidium or the Standing Committee of the NPC and also puts forward new legislative proposals. Furthermore, it deliberates and reports on regulations, resolutions, orders, and directives of the State Council, its Ministries, committees, and local governments (OCAC of the National People's Congress website, n.d.). Overseas

Chinese Committees also exist at the various lower levels of government: in the provinces, autonomous regions, and municipalities. As is the case with the OCAO, cities and counties in important sending areas of migration each have their own Committees (Mao & Lin, 1993, 37; OCAO Overseas Chinese Work Cadre School, 2006, 240–241).

Like the OCAC of the NPC, the Hong Kong, Macao, and Taiwan Compatriots and OCAC of the CPPCC have a consultative function. The National Committee of the CPPCC is composed of representatives from the CCP, the eight ‘democratic parties’ – one of which is the China Zhigong Party as discussed above – and 25 other groups in society. These groups include ‘personages without party affiliation, mass organizations, all ethnic groups, and sectors of society, compatriots from the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan, returned overseas Chinese and specially invited public figures.’ As such, it is one of the ‘special committees’ of the CPPCC National Committee.

Its tasks are political consultation, democratic supervision, and participation in the discussion and administration of state affairs. Apart from its role in the construction of a law system for overseas Chinese affairs, the Committee also brings together organizations of returned overseas Chinese and Chinese overseas outside of Mainland China, which again reflects the transnational aspect of diaspora policy (Mao & Lin, 1993, 39; OCAO Overseas Chinese Work Cadre School, 2006, 242–244). The former Chairman of the Hong Kong, Macao, and Taiwan Compatriots and OCAC was Yang Chonghui, who has a medical background and experience in the Communist Youth League. In addition, the committee has 15 Vice-Chairmen and 46 members, leading to a total of 62 members (out of 2,237 Twelfth National Committee members).

Overall, in the case of both the NPC and the National Committee of the CPPCC, an increasing number of Chinese overseas have been attending the two meetings. Between 2001 and 2015, 437 delegates from 66 countries have been present at the NPC and CPPCC meetings (Zhongguo qiaowu [Overseas Chinese Affairs website], 2015). Even though participation takes the form of consultation, this consultative process has been increasingly institutionalized.

**The ACFROC.** The ACFROC is ‘a people’s organization’ that functions as a ‘bridge’ or ‘bond’ between Party and government and the returned overseas Chinese and Chinese overseas. The Chairman (2008–2017) was Lin Jun, a returned overseas Chinese from Indonesia, with his 18 Vice-Chairmen and Secretary who were either returnees or dependents of returnees, the majority of whom are from Southeast Asia and the United States. The current Chairman, Wan Lijun, is a returned overseas Chinese who got his PhD from Japan.

With precedents in a network of federations to save the country during Japanese occupation in the 1930s and a preparatory committee that was set up in the 1950s, the ACFROC is also one of the groups represented in the CPPCC National Committee. All provinces, autonomous regions, and municipalities have branches. In addition, affiliated organizations exist all the way

down to the village level. Its main tasks include liaising with returned overseas Chinese, their dependents, and Chinese overseas, and assisting with policy formulation and supervise implementation (Mao & Lin, 1993). The AFCROC has its own publishing company, founded in 1989, that disseminates information regarding the activities of the organization, namely the Overseas Chinese Publishing Company (*huaqiao chubanshe*). One of its recent publications is the journal *Qiaoli* (Overseas Power), which aspires, among other things, to build a 'high-level business platform' (*Qiaoli* [Overseas Power], 2020). It also has a research institute (China Institute of Overseas Chinese History) and a museum (China Museum of Overseas Chinese History), which serve as the academic and cultural outreaching arms of the AFCROC. As Cangbai Wang argues (2020), museum such as this plays an important role in China's heritagization of Chinese diaspora and that this ongoing political process of meaning-making represents a new cultural encounter between China and the Chinese diaspora at the turn of the 21st century.

In a 2012 report, the ACFROC emphasized the importance of the Chinese overseas in economic construction and technological advancement. The Chinese overseas could not only offer capital based on policies (*yinzi* or 'attracting capital'), but also advanced management, technological and scientific innovation, and hi-tech enterprises. It also stated that international cooperation in these areas should be an important aspect of the 'going out' strategies, which will be discussed more in detail below. At the same time, it mentioned that the level of talent as part of the 'attracting knowledge' (*yinzhi*) policy should be increased through the gradual establishment of 'networks of overseas talents' so as to encourage return to China to set up innovative businesses (ACFROC yearbook compilation committee, 2012, 4).

Cultural exchange is another area of ACFROC engagement that has both 'going out' and 'inviting in' aspects. By setting up 'overseas Chinese education camps' and cultural exchange programs abroad, the Chinese nation is imagined transnationally. The Cultural Exchange Department of the ACFROC has several arts troupes that perform and organize activities across the world in the context of the 'Family of China' (*Qinqing Zhonghua*) prerogative, which operates as a form of public diplomacy to engage both officials and popular audiences (Renmin ribao [People's Daily], 2015). In the realm of cultural exchange, organizations also play an important role. For example, the ACFROC engages in dialogues with the Organization for the Promotion of International Cultural Exchange between China and the Chinese Overseas (*Zhongguo huaqiao guoji wenhua jiaoliu cujinhui*) and other organizations (ACFROC yearbook compilation committee, 2012, 205–211).

For the 'going out' aspect, ACFROC delegations meet with local organizations abroad. In May 2011, for instance, delegations visited Poland, South Africa, the UAE, Brazil, Peru, and Canada to visit local native-place organizations (*huiguan*), Chinese cultural centers, and influential voluntary organizations (*shetuan*). In June, then Chairman Lin Jun and Vice-Chairman Dong Zhongyuan met with 45 ambassadors and consuls of Chinese embassies and consulates abroad at a meeting

in Beijing. For the 'inviting in', the focus is not only on uniting Chinese and foreigners but also on bringing the 'new' and 'old' migrants together (ACFROC yearbook compilation committee, 2012, 5, 192–195). As is the case with other main organizations, the ACFROC also collaborates with local committees and local governments. For example, on August 25, 2011, the national ACFROC, Zhejiang province ACFROC and the Hangzhou government organized the 'China Venture Meeting in Hangzhou' to bring together around 200 talents in science and technology and representatives of main organizations (ACFROC yearbook compilation committee, 2012, 183–186, 201). This state-led effort to engage the diaspora associations abroad, it should be pointed out, represent a global phenomenon over the past few decades. Scholars have found that immigrant transnationalism has been channeled through organizations as a collective force to contribute to the improvement of homeland's economic and social development, whether historically or currently (Portes & Fernandez-Kelly, 2016; Lamba-Nieves, 2018).

The ACFROC also illustrates the importance of interlinked organizations and the interaction between public and private actors. Four organizations belong to the ACFROC, namely the Overseas Chinese Charity Foundation (*Zhongguo huaqiao gongyi jijinhui*), the ACFROC Legal Advisory Committee (*Zhongguo qiaolian falü guwen weiyuanhui*), the ACFROC Youth Committee (*Zhongguo qiaolian qingnian weiyuanhui*), and the China Federation of Overseas Chinese Entrepreneurs (*Zhongguo qiaoshang lianbehui*). The Overseas Charity Foundation is a nonprofit organization that targets both overseas Chinese and foreign individuals and companies to assist with development in the fields of economy, culture, science and technology, education, health, and welfare. The ACFROC Legal Advisory Committee provides legal advisory services to returned overseas Chinese, their family dependents, and Chinese overseas. The ACFROC Youth Committee, founded in 2001, seeks to promote economic, scientific, and cultural exchange, but with a special focus on youth. Of its 517 members, 338 are based abroad, 92 in Hong Kong, Macau, and Taiwan, and 87 in Mainland China. Finally, the China Federation of Overseas Chinese Entrepreneurs, established in 2003, functions as a bridge between returned overseas Chinese, overseas Chinese, and those from Hong Kong, Macau, and Taiwan; promotes overseas Chinese enterprises; and aims to strengthen overseas Chinese entrepreneur organizations (All China Federation of Returned Overseas Chinese, n.d.).

**The Chinese Overseas Exchange Association.** Founded in 1990, this organization is affiliated with the OCAO and serves as a platform for people-to-people exchange through both individuals and organizations in Mainland China, Hong Kong, Macao, Taiwan, and abroad. It promotes exchange and cooperation in the areas of trade, science and technology, culture and education, as well as tourism and media. Among its eight departments, one deals exclusively with liaison, one with cultural exchange, and one with human resources. It has 52 advisors from 88 different countries and regions (including Hong Kong, Macao, and Taiwan). Since 2013, the Chairman of the Chinese Overseas Exchange Association, Han

Qide, has served as one of the Vice-Chairmen of the Twelfth National Committee of the CPPCC. Han, a medical scientist who obtained part of his training in the United States and who is a member of the Chinese Academy of Sciences (CAS), is also the Chairman of the China Association for Science and Technology (*Zhongguo kexue jishu xiehui*) (CAST), the Chairman of the Jiusan Society, and the former President of the WRSA/Chinese Overseas-Educated Scholars Association (*Oumei tongxuehui Zhongguo liuxue renyuan lianyihui*).<sup>2</sup>

The profile of Han Qide illustrates the interlocking of chairmanships and memberships and also how organizations that are part of the Chinese diaspora policy system are interlinked with business organizations and organizations for the advancement of science and technology. Firstly, the CAST, a nongovernmental organization composed of over 200 member societies, has international cooperation in the field of science and technology as one of its main tasks (Chinese Association for Science and Technology [CAST], n.d.). Secondly, the Jiusan (September Third) Society, one of the eight political parties represented in the CPPCC, also promotes scientific and technological development through its members, mostly mid-level intellectuals in the fields of science and technology (The Central Committee of Jusan Society, 2020). Finally, the WRSA, a semigovernmental organization that was founded in Beijing as early as 1913, has nearly 80,000 members and has separate branches for returnees from respective countries and regions. It also has branch organizations such as business associations and organizations affiliated with talent plans such as the ‘Thousand Talent Plan’ as discussed below (Western Returned Scholars Association, 2015).

The important role of the Overseas Exchange Association in business networking is also reflected in its role in the organization of the inaugural World Huaqiao Huaren Businessmen and Industrialists Conference, held in July 2015 in Shanghai. Jointly organized by the Overseas Exchange Association and the OCAO, the Conference brought over 300 business tycoons from 79 countries to China. The new business conference serves the objectives of the ‘Belt and Road Initiative’. Aspiring to better connect China with both Central Asia and Southeast Asia, it pays greater attention to ethnic Chinese and urges them to reconnect with China (Suryadinata, 2015).

**Other Institutions.** The United Front Work Department of the CCP Central Committee (*Zhonggong zhongyang tongyi zhanxian gongzuobu*) also contributes to the formation and implementation of China’s diaspora policies. The involvement of the CCP Central Committee in Chinese overseas policymaking reflects the ‘party-state’ model of Chinese government in which the CCP figures prominently. As for the United Front Work Department, its function is to ‘lock in support for the Party in power centres outside of its direct purview’ (McGregor, 2010). In this work, the so-called ‘democratic parties and groups’ (*minzhu dangpai*) play an important role (for a history and on the role of United Front Work, see Seymour, 1987; Groot, 2021).

The 1992 *Outline of United Front Work for the 1990s* reflected a new emphasis on economic growth. The minor parties and groups (MPGs) in the United Front

were allowed to recruit more members – up to 30% – from those groups that could directly contribute to economic growth, which meant that technocratic elites and entrepreneurs joined parties. In addition, the All-China Federation of Industry and Commerce (ACFIC) was designated to function as a bridge to nonstate enterprises; it recruited, among others, representatives of companies owned by Chinese from Hong Kong, Macau, and Taiwan (Groot, 2004, 184–187). In terms of institutional setup, the WRSA is affiliated with the United Front Work Department. Some local United Front Work departments, such as that in Shenzhen, incorporate elements of religious policy, ethnic minority policy, and overseas Chinese affairs (which is in turn divided into ‘domestic overseas Chinese affairs’ and ‘external overseas Chinese affairs’) (Shenzhen United Front Work Department of the CCP, n.d.). As will be detailed in the postscript of this chapter, the United Front Work Department has played a bigger role in shaping China’s diaspora engagement policies since early 2018.

In addition, for each core area of Chinese diaspora policies, such as economic development, science and technology, propaganda, policies with regard to Taiwan, and public diplomacy, additional actors are involved. For economic development and science, ministries such as the Ministry of Commerce, the Ministry of Education, the Ministry of Industry and Information Technology, and the Ministry of Science and Technology also play a role. For policies with regard to Taiwan and public diplomacy issues, the Ministry of Foreign Affairs and the State Council Taiwan Affairs Office are central actors. Finally, in general, the Ministry of Human Resources and Social Security and the Ministry of Public Security are also important players in the attraction and employment of ethnic Chinese talents.

### **Diaspora policies in action: ‘going out and inviting in’**

The preceding pages have demonstrated that in terms of institutional setup, there are a number of integrated mechanisms at both the central and local levels that have the capacity of playing a role in the transnational arena and linking domestic affairs with external affairs. This section will focus on the implementation of Chinese diaspora policies and the manner in which transnational governance emerges and gradually takes shape. Outlining the importance of the ‘new migrants’ and how this has affected policies, the section looks at the role of organizations and the attraction of overseas Chinese talent in relation to broader talent policies.

During the early reform era, policies toward the Chinese overseas were closely and intimately tied up with the goal of economic development. The involvement of the Chinese overseas in China’s modernization is reflected in the strategic location of the so-called Special Economic Zones (SEZs) in Guangdong and Fujian, the traditional emigration areas (Bolt, 1996; Smart and Hsu, 2004). During the second stage of reform in the 1990s, the focus shifted from rehabilitation and the granting of social, political, and economic benefits to returnees and their family dependents during the 1980s to a more active policy of liaising with the ‘new migrants’ (Thunø, 2001, 2017; Liu, 2011a).

Since 2000, the Chinese state and local governments have changed the SEZ model to knowledge-intensive development models, building hi-tech industrial development parks; science, technology, engineering, and mathematics (STEM) laboratories; and other research and development (R&D) facilities and crucibles, to attract new generations of diasporic Chinese to invest in China. The vision of Xi Jinping to revitalize the nation and to realize the Chinese Dream, since 2012, has provided a foundation for the current efforts in China's diaspora engagement. The hi-tech investors and technopreneurs have disproportionately been new Chinese immigrants who have resettled in the United States, Japan, Singapore, and other advanced Western countries. Increasing attention was paid to the attraction of Chinese talents overseas because of their technical know-how and their exposure to international practices.

It is estimated that the number of 'new migrants' who left China since 1978 surpassed nine million by 2013 (Wang, 2014b; On the composition and characteristics of new migrants, see Liu, 2005; Zhou & Liu, 2016; Zhou, 2017). They possess wide transnational networks that are a crucial factor in understanding China's transformation, as well as its changing place in Asia. An important advantage for China is that those who return to China, the so-called *haigui* (returnees from overseas or 'sea turtles') retain professional and family contacts and networks with Western countries (Zweig, Rosen, & Chen, 2004, 740). Since the majority of the 'new migrants' consist of students-turned-immigrants, some important legislative frameworks and mechanisms have been designed for students in particular.

At the Third Plenum of the Fourteenth Party Congress in 1993, in response to the low number of student returnees, the Chinese government launched the so-called 'twelve words' policy of 'supporting overseas studies, encouraging the return of Chinese students, and upholding the freedom of their movement' (*zhichi liuxue, guli huiguo, laiqu ziyou*). Newly set up programs such as the Changjiang Scholars Programme or the Hundred Talents Programme offered high salaries and research funds, whereas top universities also received government funding to attract top talent. Simultaneously, the official slogan of 'returning to serve the country' (*huiguo fuwu*) was replaced with 'serving the country' (*weiguo fuwu*), or contribution to economic development without physically returning to China (Zweig Rosen, & Chen, 2004, 739–740).

As a result of these policies and incentives, since the early 1990s, the number of returnees increased by an average of 13% a year (Zweig Rosen, & Chen, 2004, 740). Based on data of the Service Work Department for Returned Students under the Ministry of Human Resources and Social Security, by 2011, about 2.25 million students had been sent abroad, out of which an estimated 818,400 had returned. In addition, in 2011, 38% more students returned than was the case in 2010 (Sheng, 2012). The Covid-19 pandemic and the corresponding tightening immigration control, as well as the decline of employment opportunities in the industrial West, have further pushed the return trend. Over 800,000 Chinese students who recently graduated from overseas universities have returned home in 2020, which represented an increase of 70% from a year earlier (He, 2020).

In his keynote speech to commemorate the 100th anniversary of the WRSA held in 2013, Xi Jinping expanded the 'twelve words' policy by adding four additional words '*fahui zuoyong*' (playing a role), pledging that the CCP and the government would do their utmost to ensure that overseas Chinese returnees and the Chinese diaspora could play a significant role if returning to China and contribute to China's development if remaining overseas (China Daily, 2013). As someone who had worked for nearly two decades in Fujian and Zhejiang, major emigration areas of China, prior to taking up the top leadership position in China, Xi Jinping had an intimate knowledge of the Chinese diaspora and their importance, as evidenced by his 1995 writing on 'da qiaowu' as mentioned at the beginning of this article and by his frequent trips to Southeast Asia (for example, he has visited Singapore seven times since the early 1990s).

It is against the background of the overall policy shift from economic development to the attraction of talent and the arrival of the so-called 'new migrants' – and students in particular – that one needs to understand more recent efforts to liaise with overseas Chinese organizations, as well as the more recent 'talent plans' as discussed below. Both cases demonstrate how governmental, semigovernmental, and nongovernmental actors cooperate, with policies and activities being located at both central and local levels.

**Strengthening ties with diasporic Chinese organizations.** As seen from the discussion of the 'five overseas structures', Chinese overseas associations and organizations play an important role in overseas Chinese work. With the emergence of the 'new migrants', the nature of these organizations also changed. During World War II, there were about 4,000 Chinese overseas associations; today, it is estimated that there are several 10,000 (OCAO Overseas Chinese Work Cadre School, 2006, 57). These organizations have become pragmatic and transnational in their orientation; even though they can still be organized based on kinship or locality, membership is more open in practice. In addition, new types of organizations have emerged, such as those based on profession or alumni organizations (Liu, 1998, 2016). In countries with smaller and less well-established Chinese communities such as Laos, the sending state designed and implemented a form of diaspora engagement strategy by 'coopting civil association leaders (*hui-zhang*) from populations abroad for diaspora governance', leading to the simultaneously converging and diverging of the interests of the Chinese state and its extraterritorial population (Chen, 2021).

The Chinese central government also established new platforms to help ethnic Chinese's participation in the BRI frameworks. The central government has organized the biennial Global Overseas Chinese Industrial and Commercial Convention (GOCICC) since 2015. The two previous events were attended by some 1,000 participants, representing hundreds of overseas Chinese business and professional organizations from more than 100 countries. In 2017 two online platforms, the Overseas Chinese and BRI Information Releasing Platform (OCBIRP) and the Website for the Coordination of BRI Overseas Chinese Entrepreneurial Organizations (WCBOCER), were set up for diaspora Chinese



entrepreneurs, involving more than 270 Chinese entrepreneurial organizations (Ren & Liu, 2021).

Global organizations had already existed in the 1960s and 1970s (for example, the Global Chinese Language Press Association, found in 1968), but their number increased rapidly after this period. A well-known example is the World Chinese Entrepreneurs Convention (WCEC) (*Shijie huayi shang dahui*), first conceptualized and organized by the Singapore Chinese Chamber of Commerce and Industry (SCCCI) in 1991, with the Chinese General Chamber of Commerce in Hong Kong and the Thai-Chinese Chamber of Commerce in Bangkok as founding members (World Chinese Entrepreneurs Convention [WCEC], n.d.). Biannual conventions have been organized since then, with two being held in Mainland China (2001 in Nanjing and 2013 in Chengdu). Officials take part in these conventions to appeal to the Chinese overseas. At the 2001 World Chinese Entrepreneurs Convention, for example, Zhu Rongji, then Premier of the PRC, repeated Deng Xiaoping's referral to the Chinese overseas as a 'great force' and urged them to 'continue to participate in China's modernisation drive' (Zhu, 2001). In his congratulatory letter to the 12th WCEC held in Sichuan in September 2013, Xi Jinping urged the Chinese overseas to take advantage of the opportunities presented by the dynamic rise of China by partaking in China's development as a means to 'realize the China Dream of reviving the great Chinese people' (China News, 2013). This demonstrates clearly that the Chinese state appeals to Chinese overseas networks and plays a role in creating these networks through setting up interactive platforms where state, society, and capital meet.

As noted earlier, several types of organizations are involved in Chinese diaspora policies. Apart from professional organizations such as alumni organizations and Chambers of Commerce, semigovernmental organizations such as the WRSA, discussed above, also play an important role. Finally, certain think tanks are indirectly involved in policymaking. A case in point is the Center for China and Globalization (CCG), ranked among the top think tanks in China and located in Beijing and headed by Wang Huiyao (McGann, 2016). Wang, Vice-Chairman of the WRSA, was also a member of the Global Talents Strategy Study Group of the Department of Organization of the CCP, an advisor to the State Council (*guowuyuan canshi*), Vice-Chairman of the China Talent Research Society, President of the China Global Talents Society, and economic team leader of the Overseas Experts Advisory Committee of the OCAO mentioned above. As such, he was involved in the drafting of the National Talent Development Plan 2010–2020 (Wang, 2014a). This shows that there is a direct link between diaspora policies and the recruitment of foreign talent, which is mostly centralized in other institutions, through interlinking organizations.

Officials from several agencies and of the OCAO in particular are dispatched regularly to connect with the Chinese diaspora through meetings with leaders of the respective communities; delegations from the Chinese overseas are also invited to China. Specific activities organized by the OCAO to increase networks with Chinese overseas are the 'Grand Union of Global Chinese Overseas

Organizations' (*Shijie huaqiao huaren shetuan lianyi dahui*), the 'Global Ethnic Chinese Forum' (*Shijie huaren luntan*), and the 'Global Chinese Language Media Forum' (*Shijie huawen chuanmei luntan*). The latter two are examples of the global 'fora' (*luntan*) that the OCAO has organized since 2000 to gather the main representatives of the Chinese overseas on a regular basis. Especially the large organizations that are set up for political, economic, cultural, educational, service, or welfare purposes are important for networking purposes because of their broad representation and large impact on society (OCAO Overseas Chinese Work Cadre School, 2006, 58).

The sixth Grand Union of Global Chinese Overseas Organizations, for example, was held in Beijing in 2012, with more than 550 leaders of overseas Chinese organizations from 109 countries taking part in the event. They were received by Hu Jintao, as well as by local officials from different provinces, thus providing a platform for deliberating policies and measures relating to the diaspora (China News, 2012). In addition, the Global Chinese Language Forum, organized by the China News Agency under the guidance of the OCAO, invited several hundred media professionals and organizations from within China and from abroad to create a platform for media exchange. Every year, foreign media professionals are also invited to China for media exchange purposes. One of the recent global forums led to a joint declaration that called on 'the media in China cooperating with overseas Chinese media to act as heirs of the Chinese culture and spirit, and tellers of "Chinese stories" in the world, and to create a fair, balanced, and rational environment of international public opinions' (Ding, 2015).

**Attracting foreign talent of Chinese origin.** Since the start of the reforms, the Chinese government has sought to attract both foreign capital and skills, and the attraction of capital, technology, and talent – the so-called 'three imports' (*san yinjin*) – became central to diaspora policies during the 1990s. Apart from 'going in' or bringing the diaspora to China, policies also contain a 'going out' part, as Chinese businesses have been encouraged to cooperate with foreign businesses in the realm of economy and science and technology. Since 2000, the focus has been on the attraction of talent and high-caliber talent in particular. In a news conference held in 2014, OCAO officials again highlighted the organization's priority in attracting capital and talents as well as their effective linkages (OCAO of the State Council, 2014).

One aspect of overseas Chinese science and technology work is to guide overseas Chinese specialists who return to China to advance the high-tech sector. For example, the OCAO organized 'Doctors' Groups' (*boshituan*) at which Chinese overseas PhD graduates engaged in scientific and technological exchange and produced reports and took part in symposia (OCAO Overseas Chinese Work Cadre School, 2006, 92–93). In addition, exchange between overseas specialists and those from industry and commerce has been promoted, for example, in the form of the bi-yearly 'Chinese Business and Science and Technology Innovation Cooperation and Exchange Conference' (*Huashang qiye keji chuanguangxin bezuo jiaoliuhui*) organized by the OCAO in cooperation with relevant ministries such

as the Ministry for Science and Technology and local governments. In 2013, the OCAO and its local affiliates selected and recommended a total of 234 teams in the hi-tech areas for special funding support (OCAO of the State Council, 2013). The OCAO also organizes conferences that allow for exchange between the specialists from overseas and those who have already established high tech businesses; local high tech parks (Hangzhou, Wuhan, Nanjing, Jinan, Changchun, Ningbo, Shanghai, Shijiazhuang, and Nanning) are partners that offer advice and support in matters of attracting overseas specialists, technology, and capital. The overseas Chinese specialists are also engaged in scientific and technological matters related to the opening of the Western part of China, such as in the field of agriculture (OCAO Overseas Chinese Work Cadre School, 2006, 111–114).

The OCAO's attraction of talent operates in tandem with a number of important talent plans that have seen the light in recent years. The 2008 Thousand Talents Plan (*qianren jihua*) focused on four areas in particular, namely national innovation, science and laboratories, SOEs, and hi-tech parks. Other talent plans that followed were the 2010 Thousand Young Talents Plan (*qingnian qianren jihua*), the 2011 Thousand Foreign Experts Plan (*waizhuan qianren jihua*), the 2011 Special Talent Zone (*rencai tequ*), and the 2012 Ten Thousand Talents Plan (*wanren jihua*) (Wang, 2014a; for a detailed discussion of the Thousand Talents Plan and China's recruitment of overseas professionals, see Zhu, 2013; Li et al., 2019; Zweig Kang, & Wang, 2020). Since talent plans are based on a cooperation between central and local governments, research institutes, and business organizations (Zhu, 2013), the Ministry of Human Resources and Social Security, the Ministry of Education, the CAS, the All-China Youth Federation, the WRSA, and the CAST are some of the institutions and organizations involved. Important to mention here as well are the Bureau of Talents Management of the Organization Department of the CCP and the State Administration of Foreign Experts Affairs (SAFEA), an administrative agency under the Ministry of Human Resources and Social Security. Whereas the former is in charge of important talent plans such as the 2008 Thousand Talent Plan, the latter is in charge of 'Overseas Expertise Introduction' (OEI) work and the training of Chinese professionals with technical and managerial specializations (Zhu, 2013; State Administration of Foreign Expert Affairs [SAFEA], 2014).

An example of the involvement of local governments and the OCAO in recent efforts to attract overseas Chinese talent concerns the establishment of an Overseas Chinese Economic and Cultural Cooperation Pilot Zone (*huaqiao jingji wenhua beizuo shiyanqu*) within the Shantou Special Economic Zone in Guangdong province. These policies, approved in 2014, are part of the deepening of reform and the foreign and economic policy under the BRI, with South China offering an important gateway to the Maritime Silk Road. The 'pilot zones' serve to foster not only further economic integration, cross-border investment, and trade but also integration in the realms of culture, tourism, education, and health services, with one of the aims being to build an 'overseas Chinese cultural exchange platform' (The State Council, 2014).

In 2013, after several decades, a new Exit-Entry Administration Law came into effect in China, which reflects the increasing need to systematize existing laws and regulations in view of increasing border crossings, short-term visits, and residency of foreign nationals. As part of this new law, a separate category of 'talent visa' was introduced (The People's Republic of China, 2013). A relevant recent development in policies to attract talent and to lower the 'green card' threshold concerns local government initiatives. In July 2015, a 'Talent Deal 20' (*rencai xinzheng ershi tiao*), consisting of 20 immigration measures, was conducted in Shanghai to attract more high-level foreign talents and to facilitate the return of ethnic Chinese. The same scheme has been implemented in the National Innovation Model District of Beijing's Zhongguancun, China's Silicon Valley, on March 1, 2016. Apart from lowering the threshold to obtain a 'green card', the 'Beijing Talent Deal 20' scheme also aims to reduce barriers for foreigners regarding visas, entry and exit, and residence. The scheme also targets youth by facilitating student internships and ethnic Chinese through the introduction of 'ethnic Chinese cards' (*huayi ka*) (Centre for China and Globalization [CCG], 2016; Chang & Wen, 2016). As such, laws and regulations are slowly beginning to catch up with the transnational elements as incorporated in the institutions for *qiaowu*.

### **Conclusion: transnational diaspora governance at a time of China rising**

This chapter demonstrates that the notion of 'cooptation' of the Chinese diaspora in a state-centered model is too simplistic and one-sided. Diaspora policies imply an active and changing engagement with transnational social actors that bring new dynamics and that alter existing structures. The Chinese state also responds to this transnational logic brought about by its engagement with especially new migrants who have ties to more than one nation-state. The Chinese overseas are not just passive recipients of a state policy but actors in their own right who benefit from this cooperation with the Chinese state.

The Chinese model of diaspora management is characterized by the following institutional and ideological features. In the first place, cultivating diasporic financial and knowledge capital has been a national policy since the beginning of the reform and opening-up policy in the late 1970s, and the Chinese leadership, from Deng Xiaoping to Xi Jinping, has unequivocally articulated and implemented this vision. The attention given to the diasporic Chinese has been further strengthened under Xi Jinping, who has had extensive experience of working with the Chinese overseas. Secondly, there is a sophisticated and integrated set of institutional mechanisms from the central to the local levels, and they have been intimately embedded in China's bureaucracy and political structure. This institutional structure has been supported and facilitated by other mechanisms, such as consular departments in overseas embassies, and a variety of universities and research institutes providing policy consultations and training of *qiaowu* officials pertaining to overseas Chinese policy. These institutions help formulate

and disseminate a series of discourses pertaining to the important roles of Chinese diaspora.

Thirdly, the state policy toward the Chinese diaspora has been pragmatic and changing in its focus, in tandem with China's changing priorities in national development. Hence, while 'attracting trade and luring capital' (*zhaoshang yinzi*) constituted the focus of overseas Chinese policy in the first two decades after the reform – and which has successfully uplifted China to become the second largest economy in the world – 'attracting talent and luring knowledge' (*zhaocai yinzhì*) became the catchword for the new policy formulation at a time of China rising, which focuses on recruiting global talents of Chinese ethnicity, especially those new migrants who were born and grew up in China, thus sharing cultural and (sometimes) political identities with compatriots in the mainland. This strategy is in line with China's new national policy in moving away from a low-end production workshop of the world to an innovative country that produces high value-added products. Finally, these mechanisms have the built-in capacity to deal with tensions arising from nation-state interests that are the basis of Chinese state policy and the transnational logic that is the defining characteristic of highly skilled Chinese new migrants who are part and parcel of the burgeoning trend of brain circulation.

Our analysis on governing the diaspora in China demonstrates the importance of placing China in the perspective of transnational governance. In a review of changing paradigms of Chinese politics, Gilley examined five paradigms (state-centered, society-centered, and state–society approaches, as well as historical and globalized approaches) and concluded that 'the state-centered paradigm remains the most appropriate one for the study of China's politics' (Gilley, 2011). While there is no denying that the state remains to be a central and most fundamental actor in Chinese politics, other conceptual frameworks such as governance can enhance an understanding of a rapidly changing China (Saich, 2011). Some scholars have discussed new perspectives that led to China's recent preferences and interests about global governance, but this new approach 'remains fundamentally state-centric' (Chan, Lee, & Chan, 2008, 3–19; also see Wang and Rosenau, 2009; van Dongen, 2017; van Dongen & Liu, 2018). Our case study also demonstrates the critical importance of the state, but this state-centrism works closely in tandem with transnational social forces and ethnic networks, which in turn have an impact on the state's policy preferences and implementation options. Governance in the transnational arena, both as a concept and as a practice, therefore, can be brought into a more comprehensive understanding of a changing China/Chinese state that is simultaneously going global and strengthening its domestic foothold.

## Postscript

The earlier version of this chapter was first published in 2016. Since March 2018, there has been some organizational restructuring with regards to diaspora governance in the central and local governments. The Ministry of United Front Work

Department (UFWD) of the Chinese Communist Party (CCP) has now overseen the State Ethnic Affairs Commission and absorbed the State Administration of Religious Affairs and the Overseas Chinese Affairs Office (OCAO). According to the official news agency, Xinhua, the grouping of the three State Council bodies under the control of the CCP Central Committee would strengthen 'centralised and unified leadership' (Wen, 2018).

Analysts have argued that the last few years have seen the 'new wave of Grand UFW' as a key element of CCP legitimacy and that the UFWD under Xi Jinping has been provided 'with large-scale resources to secure China's domestic stability and global outreach of its national power' (Wang & Groot, 2018; Suzuki, 2019). The administrative authority of the UFWD over diaspora Chinese affairs has been significantly increased. With the organizational reform in 2018, the UFWD has direct control over four groups of the *wuqiao* system (five overseas Chinese structures) except for the Overseas Chinese Affairs Committee of the National People's Congress. Correspondingly, the centrality of the UFWD in ethnic governance, including its elevated political status in the local government, reflects 'the gradual yet significant shift in authority from the state to the Party in the institutional structures and ideological praxis of ethnic governance' (Zhao & Leibold, 2020).

While it is too early to fully assess the impact of this organizational reshuffle, we believe that the key arguments with regard to transnational governance of diaspora Chinese described in this chapter remain valid. In the first place, the OCAO of the State Council still plays some key roles (including its official website [www.gqb.gov.cn/index.shtml](http://www.gqb.gov.cn/index.shtml), accessed June 6, 2021, and it has been updated regularly). And the agency continues to carry out most of its roles (such as social protection of Chinese citizens abroad, see, for example, Barabantseva & Wang, 2020). The dual leadership, under both CCP and the State Council, may actually strengthen the mechanisms for policymaking and implementation of overseas Chinese affairs.

Secondly, the position of director-general of OCAO remains as the full ministerial ranking, although carrying the title of Vice Minister of UFWD. The former and current Directors-General since 2018, Xu Youshen and Pan Yue, are concurrently a member and an alternate member, respectively, of the CCP Central Committee, one of the most powerful decision-making organizations in China.

Thirdly, some of the major local OCAOs in the provincial level, such as Guangdong, are still operational, though the central organizations they report to now include both UFWD and OCAO, with the director of the Guangdong Provincial OCAO also holding concurrent appointment of Deputy Director of the United Front Work Office of Guangdong Province.<sup>3</sup> Hasić's study (2020) on the management of diaspora affairs in Shanghai has shown the continuing relevance of local OCAOs. As a matter of fact, in comparison with the OCAO, the UFWD has stronger institutional capacity and wider reach within China. As a Party department, UFWD branches operate at every level from the central government to province, municipality, autonomous region, and further down to the lowest administrative level in towns, even to villages – if these have a Party branch.

It is one of the few Party organs (apart from the Organization, Propaganda, Discipline, and Youth League) that have such scope and permeability (Wang & Groot, 2018). Nevertheless, how this new diaspora management structure has been perceived outside of China requires further empirical analysis.

[This chapter is a revised and updated version of Hong Liu and Els Van Dongen, "China's Diaspora Policies as a New Mode of Transnational Governance," *Journal of Contemporary China*, vol. 25, no. 102 (2016), pp. 805–821.]

## Notes

- 1 During its initial years of operation, between January 1978 and March 1980, the OCAO was managed by the Ministry of Foreign Affairs.
- 2 CPPCC website. The current President of the WRSA is Chen Zhu, who is the Minister of Health.
- 3 See [www.qb.gd.gov.cn](http://www.qb.gd.gov.cn), accessed June 6, 2021.

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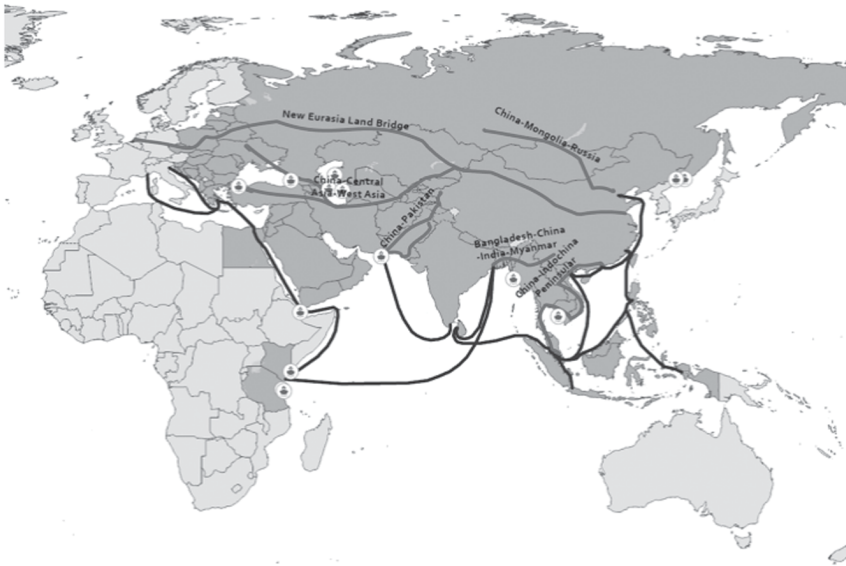
# 4 The political economy of a rising China in Southeast Asia

## Malaysia responds to the Belt and Road Initiative

### Introduction

In 2013, Chinese President Xi Jinping announced a pair of initiatives, which aims to restructure the economies spanning Europe and Asia. The ‘Silk Road Economic Belt’ was announced in September 2013 in Kazakhstan as a program to connect China to Europe by land, with routes interlinking relevant countries. A month later, in Indonesia, President Xi announced the ‘21st Century Maritime Silk Road’, a maritime development initiative targeting the ports of Southeast Asia, South Asia, the Middle East, East Africa, and the Mediterranean (see Figure 4.1). These two Silk Road programs collectively form the ‘Belt and Road Initiative’ (BRI). It has become China’s foremost diplomatic and economic strategy in engaging with neighboring countries and beyond since 2013. It covers more than 60 countries, over 4 billion in population, and an estimated investment value of US\$575 billion (World Bank, 2019). According to the Refinitiv BRI Database, there were 2,631 projects with a combined value of US\$3.7 trillion in 2019, with the number of enterprises involved in the signature project standing at nearly 2,600. Of these, more than 55% are non-Chinese companies.<sup>1</sup> Regarded by some as ‘the most significant diplomatic project of the twenty-first century, the equivalent of the mid-twentieth century founding of the United Nations and World Bank plus the Marshall Plan, all rolled into one’ (Khanna, 2019, 2), the BRI also plays a vital role in Association of Southeast Asian Nations (ASEAN)–China relations as to creating the mechanisms for the development of infrastructures, strengthening of the digital economy, creation of seamless logistics, and adoption of new modes of people mobility.

Although BRI is a China-driven strategy, unlike other national plans (such as developing the Western regions or *Xibu Dakaiifa*) that fall within the domestic political economy of China, its operation and success (or failure) depend fundamentally upon the engagement with and response from countries alongside the BRI (numbering more than 60). Existing studies on BRI have focused almost exclusively on China’s interests and strategies, giving little attention to the responses of small states, such as those from Southeast Asia (see, e.g., Cheng & Taylor, 2017). This chapter reaffirms the critical role that Southeast Asia plays in the BRI, for it is one of the most critical areas making up the 21st Century Maritime Silk Road



*Figure 4.1* Geography of the Belt and Road Initiative (BRI)

Source: <https://voxeu.org/article/how-belt-and-road-initiative-could-reduce-trade-costs>

(see also Ferdinand, 2016; Blanchard, 2017; Malik, 2017; Zhao, 2020; Liu, Fan, & Lim, 2021). It goes beyond a macrolevel analysis, employing a mesoscale perspective to take into account diverse economic, political, ethnic interests, and more importantly, the fluid interplay among these factors.

### **A Southeast Asian perspective**

Malaysia is a good case study to unravel the BRI in Southeast Asia because of several reasons. Firstly, it is one of the founding members of the ASEAN, a multi-lateral platform established in 1967 to promote regional integration and cooperation. Secondly, as China's strategic ally, Malaysia enjoys a special relationship with China when then Prime Minister Tun Abdul Razak established diplomatic ties with Beijing in 1974. The bilateral relationship blossomed under successive Prime Ministers, especially former Prime Minister Najib Razak (in office from 2009 to May 2018). Thirdly, Malaysia's ethnic Chinese minority (about 25% of the population) has long played a key role in advancing bilateral trade and investment, in spite of a state-sanctioned affirmative action policy limiting ethnic Chinese participation in various activities (Chin, 2009). Thanks to their economic success, the ethnic Chinese have often been portrayed as a bogeyman by some politicians representing the ethnic Malay population (roughly 65% of the population) (Nelson, 2012). At a time of China rising, the financially powerful

(yet politically weak) ethnic Chinese across Southeast Asia have also been viewed as a conduit in fostering China–Southeast Asia economic ties. This makes the community influential agents decipher whether Beijing’s engagement with them represents a new mode of transnational governance (Chapter 3 of this book; Chin & Tanasaldy, 2019).

With the above as a backdrop, this chapter addresses the following questions: What are the key elements of the BRI in the context of the Southeast Asian political economy? How do business groups from China (both state-owned and private) undertake their operations in Southeast Asia (in general) and Malaysia (in particular)? Moreover, how do different forces in Malaysia (ruling coalition, opposition bloc, and civil society) react to the BRI, and what are their key stakes in engaging (or disengaging) with China? What are the impacts, if any, of the complex meshing of such forces on Malaysia’s domestic politics and Beijing’s regional politico-economic engagement? What implications can be drawn from Malaysia for a better understanding of the BRI, especially the huge opportunities that come with the initiative and its operational constraints?

This chapter unpacks these questions by analyzing three of the most prominent BRI projects in Malaysia: East Coast Rail Link (ECRL), Bandar Malaysia, and Forest City. ECRL is orchestrated by the China Communications Construction Company (CCCC), a state-owned enterprise (SOE), with strong endorsement by Najib and several chief ministers. Bandar Malaysia was jointly developed by China Railway Engineering Corporation (CREC), another SOE, and parties aligned with Najib. Forest City, on the other hand, is driven by Country Garden (a private firm) in partnership with the Sultan of Johor, reflecting a rising trend of wealthy Chinese private firms venturing abroad. This chapter argues that domestic players in these projects are astute in coopting their Chinese counterparts to advance their own goals. Their eventual success is dependent on three conditions: fulfillment of Malaysia’s proethnic Malay agenda, a common development goal between the state and federal authorities, and advancement of geopolitical interests for both Malaysia and China. As will be detailed later, ECRL’s modest success (at least until the recently concluded general election in May 2018, which saw the Najib administration losing to the opposition bloc), Bandar Malaysia’s failure, and Forest City’s arrested development underline the need to be wary of societal contestation within the BRI recipient state as well as Beijing’s geopolitical goals.

Data for this chapter was mainly obtained from personal interviews with individuals who have been directly involved in China’s economic engagement with Malaysia, conducted from May 2016 to May 2017. The interviews were conducted in China, Malaysia, and Singapore, focusing on two main topics – the overall business approach of the Chinese firms and their interactions with important domestic stakeholders. It was supplemented by information gathered from two public forums (March and May 2017, respectively, in Singapore) voicing views on Chinese investment in Malaysia. To enhance the robustness of the primary data, they are cross-validated with newspaper essays, published reports, and company websites in the English, Chinese, and Malay languages. In certain cases, materials from personal blogs were retrieved to explore views

candidly expressed but seldom heard, although they are handled with caution, given their limitations. The use of these sources of information allowed for data verification and triangulation, resulting in a clearer reading of the situation from multiple perspectives. Given the sensitive nature of the issues discussed (e.g., ethnic relations and business–state interactions), all interviewees were promised confidentiality.

The next section of this chapter examines the literature on the internationalization of China. It identifies the gap in knowledge, especially the tendency to (over) focus on Chinese actors and the lack of perspectives from Southeast Asia. The third section provides a wider context by analyzing the political economy of Malaysia with respect to China’s growing influences in the nation. The fourth section puts forth a conceptual framework hypothesizing various possible outcomes to better analyze how Malaysia (and other states) respond to the BRI. It focuses on the progress of the aforementioned projects (ECRL, Bandar Malaysia, and Forest City). The chapter then discusses interconnections between key players in the BRI recipient state and unpacks the manners in which domestic stakeholders utilize Chinese capital to further their own agendas. The last section concludes with a summary of the main arguments and suggests avenues for future research.

### **Studies on the Belt and Road Initiative: a critique**

There has been a growing body of research analyzing the motivations and impacts of China in its overseas expansion (for a comprehensive review of the massive literature on the BRI, see Blanchard, 2021). Such studies tend to view actors within China as the major (if not, sole) variable behind China’s foreign direct investment (FDI). Firstly, much of the debate has pinpointed the Chinese state as the primary determinant undergirding the BRI (see, e.g., Beeson, 2016; Callahan, 2016; Yu, 2017; Zhou & Esteban, 2018). These studies emphasize policies that extend China’s global reach. Callahan postulates that Beijing is utilizing new policies and institutions related to the BRI to construct a ‘new regional order’, weaving specific countries into a Sino-centric ‘community of shared destiny’ (Callahan, 2016). Beeson (2016) argues that China’s recent moves are presenting a formidable challenge to its immediate neighbors. He contends that China is adept at exploiting rifts between key Southeast Asian countries, complicating efforts to develop a common position vis-à-vis China and successfully undermining solidarity within the region.

Secondly, the state-centric perspective has been augmented by other studies on the multitude of actors shaping China’s economy. They posit that the BRI is also driven by other Chinese players such as the SOEs, private firms, and less well-capitalized Chinese entrepreneurs. To ensure access to overseas energy supply, Beijing has been utilizing diplomatic instruments and policy banks to help its national firms – primarily the SOEs – tap into the oil and gas fields of Russia–Central Asia, Middle East–North Africa, and South America (Taylor, 2014). In agriculture, small-scale Chinese family farms have most actively expanded westward into Tajikistan, reacting much faster than the SOEs (Hofman, 2016).



These two strands of work, while insightful, tend to understand Chinese outward expansion mainly from the perspective of the Chinese actors, giving little attention to the responses formulated by players in the BRI recipient states who, as will be demonstrated later, harbor their own agendas in their engagement (or disengagement) with China. Without a more explicit analysis of the relevant state and nonstate actors from the recipient state, the reality of the initiative is likely obscure. In Nepal, studies were conducted to unpack the manners in which Nepalese elites utilize Chinese capital and expertise to finance badly needed infrastructure. Such research illustrates how small and weak states like Nepal can advance projects of state formation and national security through a significant degree of elite agency, exploiting the geopolitical maneuvering between its two large neighbors – China and India (Murton, Lord, & Beazley, 2016). In their recent studies on the BRI projects in Cambodia and Myanmar, Calabrese and Cao (2021) argue that host countries dynamics are crucial to shaping the outcomes of BRI projects and call for greater attention to how the governments of developing countries in Southeast Asia leverage the BRI to achieve their own objectives (see also Lampton, Ho, & Kuik, 2020).

Focusing on Chinese corporate expansion into Southeast Asia, Lim problematizes the concept that the Chinese state is the most important, if not the only, variable in explaining the outward investment of Chinese firms (Lim, 2017). He argues that firm strategies are influenced by a broad range of actors, especially those in the host economies, which collectively shape global production and dictate value capture. Using examples from the automobile and electronics sectors, he shows that only those Chinese firms adept at managing a variety of complex factors are successful in their overseas expansion. Drawing lessons from recent BRI projects in Myanmar, scholars are increasingly aware of the need to pay attention to societal contestation within the BRI recipient states and how it potentially leads to a more contested outcome, just like how Myanmar in 2011 stunned global audiences by unilaterally suspending the construction of the Myitsone Dam, China's largest hydropower project abroad then. The suspension is primarily a product of the complex sociohistorical evolution of Myanmar and the resistance strategy deployed by social actors at various geographical scales, such as the Kachin nationalists and Lower Myanmar's activists (Kiik, 2016). These stakeholders – who do not normally collaborate because of competing interests – projected the construction of the Myitsone dam as a common external enemy. Such an alliance eventually built a cross-ethnic and cross-state solidarity that was strong enough to pressure Naypyidaw to suspend the project (Kiik, 2016).

Such research is sparse compared to more 'popular' literature about Chinese overseas investment under the themes of 'colonialism' and 'imperialism'. This body of literature mainly draws on case studies of Chinese firms operating in Africa and (to a lesser extent) South America. It commonly highlights Beijing's opaque state-SOE nexus, no-strings-attached stance on human rights, and the poor corporate governance of the Chinese firms (Sanderson & Forsythe, 2013). The situation is exacerbated by these countries' weak organizational capacity of civil society and poor institutional settings (Cheng & Taylor, 2017). Most of

these works remain relatively nascent, transitioning somewhat slowly from broad-brush approaches to more critical and nuanced research.

Therefore, a perspective from Southeast Asia is imperative to decipher the on-the-ground intricacies of the BRI. Indeed, the region's political economy, socio-cultural landscapes, and developmental trajectories are good representatives of the developing world (Cf. Hawes & Liu, 1993; Kuhonta, Slater, & Vu, 2008; Yeung, 2016; Juego, 2020). This chapter's analysis of infrastructure development in Malaysia aims to redress the knowledge gap pertaining to the BRI. It also highlights the socioeconomic intricacies embedded within the BRI recipient country. It reveals how key domestic political actors have remolded the initiative, thus challenging the China-centric angle that is hitherto dominant in the literature.

### **The political economy of Malaysia: ethnicity and state-federal contestation**

Malaysia has successfully transformed its previously commodities-driven economy into a middle-income economy since independence in 1957. Like the other newly industrialized economies (NIEs) of Asia, it has done so by maintaining a relatively open stance toward foreign trade and investment and utilizing its low labor cost advantage (Hill, Tham, & Zin, 2012). This model of economic development, however, has come under considerable stress as Malaysia has become less appealing in the eyes of international investors following the emergence of a newer cohort of NIEs such as Vietnam and Indonesia. In particular, Malaysia's decades-old affirmative action policy, designed to redistribute income along ethnic lines, has become a stumbling block for investors.<sup>2</sup> The NEP has also alienated a significant portion of the country's ethnic minorities. Its ethnocentric nature has been exploited by the pro-Malay United Malays National Organisation (UMNO), who frequently project the financially powerful ethnic Chinese minority as a bogeyman of the Malay community (Nelson, 2012). If anything, the pro-Malay agenda has strengthened in recent years, in light of the failure of the UMNO-led ruling coalition to secure its customary two-thirds parliamentary majority over the last two decades (Chin, 2016). Pandering more forcefully to the ethnic Malays, UMNO's goal is to capture enough votes from the ethnic Malay-heavy rural constituencies to overcome its loss of the (predominantly non-Malay and antiestablishment) urban seats.<sup>3</sup>

As Malaysia finds it increasingly difficult to attract FDI from its 'traditional' sources (i.e., the industrialized western countries, Singapore, and Japan), policymakers are forced to seek alternative investments. China has thus emerged as an attractive FDI contributor, especially since the formulation of the BRI. The latest governmental statistics show that China became Malaysia's largest investor in 2016, contributing an investment totaling US\$1.6 billion (equivalent to 17.5% of the country's total FDI inflow) (MIDA, 2016). China was Malaysia's largest trading partner for the tenth consecutive year in 2018, with bilateral trade increasing by 15% from US\$63.6 billion in 2017 to US\$77.7 billion in 2018 (Tham, 2019). Chinese FDI has eclipsed those from the Netherlands (11.7% of inward FDI), Germany (9.5% of inward FDI), the UK (9.5% of inward FDI),

Korea (8.0% of inward FDI), and Singapore (7.7% of inward FDI). Despite Covid-19, Chinese investment and bilateral trade remained strong. China continued to be Malaysia's largest foreign investor in the manufacturing sector for four consecutive years since 2016, with 32 FDIs amounting to US\$452.43million (US\$1 = RM4.14) approved in January to June of 2020. Malaysia approved 79 FDIs worth US\$3.74 billion from China in 2019. Bilateral trade between Malaysia and China stood at US\$80.06 billion from January to August 2020, while in 2019, the two-way trade hit US\$123.96 billion (The Star, 2020).

Chinese investment is especially noticeable in large-scale, capital-intensive infrastructure projects. In certain cases, Malaysian-Chinese businesspeople have become useful middlemen in attracting mainland Chinese investment, mobilizing their knowledge about China and the domestic market as well as their intimate relationship with the ethnic Malay-dominated state institutions and government-linked corporations (GLCs) (Lim, 2013, 2015; Gomez, et al., 2020).

The optimistic view of the Chinese business community has to be moderated with the politico-economic reality. More prosaically, Chinese firms almost always conform to the NEP in their cross-border investment. Studies show that Chinese capital has largely collaborated with the ethnic Malay-led GLCs rather than Malaysia's ethnic Chinese firms, particularly in the more regulated industries (such as infrastructure and automobile manufacturing) (Lim, 2015). The success of Huawei and Zhongxin Telecommunication Equipment Corporation (ZTE) in their Malaysian ventures is not dependent on forging ties with the ethnic Chinese firms; rather, they benefit from strong compliance with domestic sociopolitical order characterized by the NEP. Huawei is especially adept at conducting technical and societal programs (e.g. flood relief efforts in ethnic Malay-heavy constituencies) that are widely perceived to benefit ethnic Malay stakeholders (Li & Cheong, 2017; Naughton, 2020).

Notwithstanding the lopsided nature of the NEP, one also needs to consider the state-federal ties. While responsibilities and revenue sources are geared strongly toward the federal government, Malaysia's 13 states still enjoy some autonomy in matters such as land use, local public services, and religious affairs.<sup>4</sup> Nine of these states are led by ethnic Malay hereditary monarchies (also known as Sultanates). Under Malaysia's unique form of constitutional monarchy, the Sultans assume largely a ceremonial role, with executive power in the hands of the respective chief ministers (the heads of government). While the Sultans are generally popular among the citizenry (especially the Malays), there were some high-profile instances where the Sultans came up against the federal government.<sup>5</sup>

As Malaysia's second most populous state, Johor's relationship with the federal government is further complicated by the 2006 inception of Iskandar Malaysia, a 9,300-acre special economic zone bordering Singapore. Although Johor, the country's southernmost state, stands to benefit from the success of Iskandar Malaysia, the project is viewed as an encroachment into Johor's land use, a sphere traditionally under the remit of the Johor government (Ng & Lim, 2017). Furthermore, it is driven primarily by the federal government, with only limited autonomy provided to its Johorean counterpart. The dominance of the

federal government vis-à-vis the Johor administration is in turn undergirded by the former’s preoccupation with distributing economic growth across the country. Johor’s proximity to Singapore means that there are concerns about the shift of Malaysia’s center of gravity from Kuala Lumpur to the neighboring city-state (and Johor, to a smaller extent). This also implies that there must be some federal oversight and monitoring mechanism in place whenever major projects (such as Iskandar Malaysia) are undertaken in Johor (Ng & Lim, 2017).

**Conceptual framework: entanglement of international politics and domestic forces**

Synthesizing the above literature, this chapter aims to account simultaneously for the interaction of international and domestic factors by presenting a tentative framework to analyze how Malaysian actors respond to China (see Table 4.1). The constructs are theoretical ideal-types and serve primarily as heuristic devices, yet they potentially contribute to a better understanding of how domestic actors engage with their Chinese counterparts. Examining the interplay involving domestic ethnopolitical goals and Chinese interests, state-federal contestation, and convergence of geopolitical goals, Table 4.1 isolates and examines *three* of the *most crucial variables* undergirding the BRI. It is *only* when these *three variables* are *properly addressed* that the projects *can be rolled out successfully*. This *three-tiered analysis* is useful to incorporate motivations from multiple interest groups, particularly in countries operating on a federal government structure (such as Malaysia), with political power often apportioned unevenly between the central and local administrative units.

As detailed previously, ECRL, Bandar Malaysia, and Forest City are chosen because they are three of the most important BRI projects in the country. In addition to their massive capital outlay, these three projects are selected because of the differing characteristics of their proponents and the power relations involved. ECRL and Bandar Malaysia are to be constructed by large Chinese SOEs, with support from Beijing and Putrajaya (especially Najib). Country Garden, a private firm, has instead cooperated with the Sultan of Johor. Because of the pervasive influence of the Sultan, Forest City cannot be classified as a traditional private-private collaboration. Table 4.1 hypothesizes that ECRL has been implemented

*Table 4.1* Alignment of interests between China and the Belt and Road Initiative recipient states

<i>Project/analytical dimension</i>	<i>Intertwining of domestic ethnopolitical agenda with Chinese objectives</i>	<i>State-federal contestation</i>	<i>Convergence of China–Malaysia geopolitical goals</i>
East Coast Rail Link	High	Low	High
Bandar Malaysia	Moderate	Low	Low
Forest City	Low	High	Low

expeditiously because it simultaneously fulfills the NEP directive, minimizes state-federal contestation, and advances the geopolitical aims of both China and Malaysia. By contrast, the collapse of Bandar Malaysia, even in the absence of state-federal conflict, is attributable to its moderate conformance to the NEP and the lack of convergence between Chinese and Malaysian geopolitical goals. Notwithstanding the clout of the Sultan, Forest City has failed to make a lasting impact because it promotes neither noticeable pro-Malay policies nor the geopolitical ambitions of both China and Malaysia. Johor's thorny ties with the central government have also undermined Forest City.

## **China in Malaysia: three case studies**

### *East Coast Rail Link: remolding regional geopolitics through China*

With the state-owned CCCC as the main contractor and with 85% of the construction cost financed by soft loans from Beijing, ECRL was lauded by Najib for its potential to better connect the relatively backward east coast states (Pahang [Najib's home state], Terengganu, and Kelantan) to Selangor, the country's most prosperous state. The improved connectivity (for passengers and freight) is expected to bridge the economic divide between both regions, a chronic issue since the British colonial era. Valued at a sum of US\$18.2 billion, ECRL has been fast-tracked by the government to commence construction in July 2017 rather than in late 2017 as initially expected (Tee, 2017). ECRL has also been given top priority by CCCC. The SOE believes that ECRL, currently the largest railway project in Southeast Asia, will create demonstration effects that would advance its business prospects in Southeast Asia as well as other countries involved in the BRI. Liu Qitao, Director of CCCC, emphasizes that ECRL's success (or failure) will directly impact how other BRI recipient countries view and approach the initiative (Xinhua, 2017).

The 600 km megaproject boasts a strong pro-Malay undertone as almost the entire stretch of the railway passes through the three ethnic Malay-heavy states of Pahang, Terengganu, and Kelantan. Their importance to UMNO has increased further following UMNO's concerted attempt to promote an even stronger ethnic Malay agenda (*vis-à-vis* other ethnic groups) (Chin, 2016). One of UMNO's major moves was to forge an alliance with the Malaysian Islamic Party (PAS), its traditional rival in the rural east coast states. To attract more votes from the ethnic Malays (especially those from the rural constituencies), both parties have come together to advance a more hardline version of the already biased NEP. In the ground-breaking ceremony of ECRL, Najib, flanked by the Chief Ministers of the three east coast states, argued that ECRL is a 'game changer' and 'mindset changer' for the people along the railway route. He also promised that the economies of UMNO- and PAS-governed Pahang, Terengganu, and Kelantan would experience an additional annual growth of 1.5% when the project is completed as high value-added economic activities in sectors such as agriculture and tourism are stimulated (Hadi, 2017). The Terengganu Chief Minister,

Ahmad Razif Abdul Rahman, was especially bullish about the project, stating that it would ‘speed up the modernisation of the state’ and ‘transform Terengganu toward a first-class region to work and live in’ (David, 2017). His focus, as well as that of Najib, on the potential economic benefits of ECRL is reflective of Malaysian politics. UMNO, being the most dominant party of the governing coalition, has traditionally relied on its ability to develop the economy in securing its political legitimacy. The Chief Minister of opposition-governed Selangor was not present at this function, although the overall mood of Selangor is not to oppose ECRL but to pressure the federal government to be more forthcoming with the public on the project’s cost and financing. Nevertheless, Selangor is the smallest beneficiary of ECRL as only about 17 km of the railway is planned within its territory (Yeo, 2017).

Another notable aspect of ECRL is its geopolitical dimension. Upon completion, it will connect Pahang’s Kuantan Port (jointly managed by a Malaysian conglomerate and Guangxi Beibu Gulf International Port Group, an SOE) to the bustling Port Klang on the west coast. This potential land bridge could provide a ‘significant resolution’ to China’s over-reliance on the Strait of Malacca, what it calls the ‘Malacca Dilemma’ (Lopez, 2016). To put things into perspective, about 80% of current Chinese energy needs to pass through this narrow waterway. This new network will create alternative trade routes, but with significant Chinese involvement as China now has a direct interest in both the Kuantan Port and ECRL itself. The project could also negatively impact Singapore’s stature as the leading shipping and commercial center of Southeast Asia. While a combined sea and land route via Kuantan Port and ECRL is estimated to cost more (in bulk cargo per tonne) than the existing sea route via Singapore, the travel time can be shortened by 30 hours (18% reduction from current levels) (Lopez, 2016). The shorter travel time is useful for the movement of time-sensitive goods such as exotic food and biomedical products. Furthermore, the trade routes will help Malaysia bring back the highly valuable indirect trade between itself and China. Currently, China–Malaysia indirect trade, estimated at about US\$66.2 billion per year, is conducted mainly through the Port of Singapore (Ho, 2017a).

### *Bandar Malaysia: merging state capital with state capital*

The second case illustrates intriguing linkages between a Chinese SOE and IMDB, a Malaysian centrally controlled GLC. Bandar Malaysia is a 197-hectare mixed development project at the heart of Kuala Lumpur, encompassing both residential and commercial properties. Its main proponent is IMBD, a GLC associated with Najib (Case, 2017). Bandar Malaysia’s most important selling point is its strategic location and transit-oriented outlook. It would serve as Southeast Asia’s premier transportation hub, housing the terminus of the proposed Kuala Lumpur–Singapore high-speed rail (HSR) project, providing railway linkage to several major airports in the region. Additionally, Bandar Malaysia will link up with the ambitious Pan-ASEAN Rail Transit to Bangkok and beyond. The entire

project is expected to attract a total investment of US\$53.0 billion over 20 to 25 years (Leong, 2018).

As Kuala Lumpur is governed directly by the federal government and IMDB is a centrally controlled GLC, there is no need to navigate the complicated interests between different layers of governments, unlike the two other China–Malaysia projects. For IMDB, it roped in a China–Malaysia consortium in December 2015, selling 60% of its stake in Bandar Malaysia to the latter (Leong, 2018). The consortium is in turn 60% owned by CREC, one of China’s largest SOEs, with Malaysia’s Iskandar Waterfront Holdings (IWH) holding the remaining 40% equity.<sup>6</sup> It is noteworthy that CREC’s investment into the venture took place merely months after the *Wall Street Journal* reported that nearly US\$700 million was deposited into what are allegedly the personal bank accounts of Najib (Wright & Clark, 2015). The money is alleged to have moved through government agencies, banks, and companies linked to IMDB before ending up in Najib’s personal accounts. Najib had served as Chairman of IMDB’s Board of Advisors until the entire board was dissolved in May 2016. A comprehensive report was tabled after a probe into alleged graft and mismanagement at the IMDB. In January 2016, the newly installed Attorney General of Malaysia cleared Najib of corruption charges pertaining to such allegations.<sup>7</sup> For CREC, this seemingly risky decision goes against conventional economic rationale. CREC even announced the establishment of its Asia-Pacific regional headquarters in Bandar Malaysia three months after its participation in the project. Its partner, IWH, was quick to highlight Bandar Malaysia as the latest example of how the BRI generates mutual benefits for both countries. According to IWH, Bandar Malaysia can serve as a platform for aspiring Chinese firms to enter the Malaysian as well as the wider Southeast Asian markets. IWH also stated that Malaysian firms, especially the small and medium enterprises (SMEs), stand to benefit from the potential influx of Chinese capital and technology.

Nevertheless, the investment drew immediate flak from the public. Liew Chin Tiong, a vocal member of the opposition bloc, argued that CREC’s investment is tantamount to bailing out the beleaguered IMDB (Malay Mail Online, 2016). Implying that bailouts usually come with conditions, Liew even wagered that a China-led consortium would be awarded the proposed Kuala Lumpur–Singapore HSR. Liew asked if such a bailout would lead to a compromise in the country’s long-held neutrality in the face of China–US rivalry in Southeast Asia. While IMDB was quick to stress that CREC’s involvement in the project was not in any way linked to the eventual award of the Kuala Lumpur–Singapore HSR, several reports have seemingly nullified its claim. For instance, a report notes the ‘many differences in the detailed terms’ between officers from China and Malaysia (Ho, 2017b). One of the largest stumbling blocks is China pressuring Malaysia that it ‘must try its best’ to help China win the proposed HSR project, in which Japanese firms are also interested. Other major disagreements centered on the ownership and operation of the HSR terminus, and the design and concept of Bandar Malaysia (Naidu, 2017). According to Ho, the Malaysians ‘could not agree to proposals that the HSR terminus be owned by China’, as this will be ‘against national interest’ (Ho, 2017b).

These discrepancies weaken IMDB's promise to further Malaysian interest. They especially jeopardize the livelihood of the ethnic Malay populace that GLCs like IMDB are supposed to protect. Facing such pressures, IMDB had to abort the deal with the CREC consortium. Indeed, it was withdrawn a few days before Najib was due to attend the inaugural BRI summit in Beijing in May 2017. As if to underline his stance, Najib courted Dalian Wanda, one of China's largest private firms, as a replacement for the consortium during the same visit. While Dalian Wanda eventually pulled out of the project because of financial difficulties and some political pressure from Beijing, Bandar Malaysia remains popular among other investors. At least two Japanese conglomerates, Mitsui and Daiwa, have submitted bids to take over the project (TODAY, 2017a). Najib's bold move, while primarily driven by IMDB's lack of relevance to the ethnic Malays as well as the geopolitical complications of excessive Chinese influence in Bandar Malaysia, is also buttressed by the (at least threefold) appreciation in value of the land beneath Bandar Malaysia and the project itself. The appreciation is largely due to a radically restructured IMDB, clearer masterplan, and already-formalized tax incentive package for Bandar Malaysia.<sup>8</sup>

*Forest City: embedding transnational Chinese capital into local politics*

The third example is Forest City, a project driven by Country Garden. The firm was listed on the Hong Kong Stock Exchange in 2007 and was worth US\$20 billion as of May 2017. Country Garden selected Malaysia as its first overseas market to enter into, launching the Danga Bay project in 2012 before embarking on the significantly more ambitious Forest City in the following year. While the firm has also invested in other foreign economies, Malaysia remains its most important market (Country Garden, 2017a). Located near the Malaysia–Singapore Second Link, Forest City is the project closest to Singapore within Iskandar Malaysia. While still at an early phase of development, it eventually will take the form of four manmade islands sprawled over 1,386 hectares of land. With a projected total investment of US\$58.0 billion, it is envisioned to house 700,000 people over the next 20 years.<sup>9</sup>

Country Garden has established a 60/40 joint venture for the development of Forest City. It owns a 60% stake in the project, while Esplanade Danga 88 Private Limited holds the remaining 40%. The parties behind Esplanade Danga 88 are the Sultan of Johor (64.4% stake), the Johor state government investment arm (20% stake), and Daing Malek Daing Rahman, a member of the Royal Court of Advisers to the Johor Royal Court (15.6%) (Aw, 2014). Country Garden's choice of joint venture partner is within expectations, considering the receptive outlook of the Johor royalty toward business (Straits Times, 2015). The Sultan has endorsed the increasing presence of Chinese FDI in Johor: 'The Chinese investors have the confidence and foresight to believe that their money is well spent ... If the Chinese are prepared to invest here, why should it be an issue?' (Wong & Benjamin, 2015).

The Sultan is widely acknowledged to enjoy a good relationship with Yeung Kwok Keung, Country Garden's Chairman. In March 2017, Yeung was conferred



by the former as a Dato (a traditional ethnic Malay honorific title commonly used in Malaysia). According to Country Garden, Yeung conferred the title for his ‘outstanding contribution to the economic development of Johor and industrial collaboration between China and Malaysia’ (Country Garden, 2017b). The Sultan viewed the development of Forest City as a watershed event: ‘Today, the state’s history has entered a new phase. At this special occasion, let us join hands to witness and promote the great friendship between Malaysia and China’ (Country Garden, 2017b). More specifically, Country Garden asserts that Forest City’s ‘informal diplomacy’ has facilitated communication between Chinese and Malaysian firms, underlining its commitment to the BRI. *The People’s Daily* also reports the conferment event ‘as an award to the BRI project’ (People’s Daily, 2017).<sup>10</sup>

Forest City’s scale has not gone unnoticed and has become a contentious political issue. Mahathir Mohamad, Malaysia’s longest-serving Prime Minister (1981–2003) and leader of the opposition bloc, has openly criticized the development. Mahathir harps on two interrelated issues – the outflow of capital and jobs to Chinese firms and the influx of Chinese immigrants. Mahathir’s outcry over the potentially large numbers of Chinese immigrants into Forest City has become a nationwide political issue. On January 6, 2017, in his widely read blog, *Chedet*, Mahathir claimed that: ‘[W]e cannot allow thousands of acres to be owned, developed and settled by foreigners. If we do that literally they would become foreign enclaves ... We are going to see large chunks of Malaysia being developed by the foreign buyers and being occupied by them’. He also tapped into Malaysia’s decades-old ethnocentric politics by alleging that the Chinese citizens brought in through Forest City would be given identity cards, enabling them to vote in general elections and reshape Malaysia’s political setting (TODAY, 2017b). Mahathir’s politicization of Forest City is driven by the political agenda of his newly established *Parti Pribumi Bersatu Malaysia* (known simply as Bersatu) (Izzuddin, 2017). Like the long-ruling UMNO, its electoral strategy depends largely on securing votes from the ethnic Malay populace, especially those from the rural heartlands. Mahathir’s attacks on Forest City and its Chinese investors (and the Sultan of Johor, by extension) is seen as a tool to gain traction with these voters as the primarily conservative rural ethnic Malay remain wary of ethnic Chinese Malaysians and their links (whether real or imagined) with a rising China (Izzuddin, 2017).

For Mahathir, Johor is of crucial significance as the state has been chosen as the base of Bersatu. By campaigning against the ‘Chinese-ness’ of Forest City and categorizing those involved as ‘selling out the Malays’, the party is hoping to win elections in Johor, the birthplace and stronghold of UMNO (Jaipragas, 2017). Indeed, merely days after the blog posting, the Sultan of Johor, in an interview, responded: ‘... Mahathir has gone too far with his twisting of the issue ... creating fear, using race, just to fulfil his political motives’ (Wong & Benjamin, 2017). The Sultan explained that Johor could not be choosy with whom it does business. As if to underline the Sultan’s stand, Forest City was then hit by China’s latest round of capital controls, implemented in March 2017 to directly curb the outflow of funds and to stabilize the exchange rate of the Chinese Yuan (CNY).

According to the *Global Times*, an influential Beijing-controlled newspaper, the capital controls are necessary to stop Chinese companies from irrational foreign investment (Wang, 2017). The sectors most scrutinized are real estate, cultural, and entertainment, implying that projects such as Forest City are no longer encouraged by Beijing. To further stem capital outflows, the Chinese government banned its citizens from converting CNY into other currencies for overseas property purchases. For Country Garden, it has since closed down all its Forest City sales centers in China and pledged to refund buyers who made down-payments on properties at Forest City but are no longer able to transfer the rest of the payment out of China (Malaysiakini, 2017).

To prop up its hitherto China-heavy consumer base, it has been forced to market the project to clients from other economies. Sales galleries have been launched (or are being launched) in the Philippines, Indonesia, Vietnam, Thailand, Taiwan, and Dubai (Malaysiakini, 2017). Nevertheless, a senior executive revealed that Country Garden faces substantial difficulties in marketing to non-Chinese consumers as its sales staffs are only experienced in selling to buyers from China. They have hardly sold to overseas buyers and can only converse in the Mandarin language, limiting their utility. It is also revealed that their sales plan remains *zhongguo* flavor (China-centric), with little attention paid to the aspirations of the target consumers.<sup>11</sup>

In short, the confluence of Malaysia's political struggle and China's financial curbs caught Country Garden by surprise, hampering Forest City's construction and sales efforts. In the meantime, a recent poll in Johor indicated that 29% of the survey subjects were unhappy with the influx of Chinese investment, which was thought to have contributed to rising property prices in the state. The intertwining of politics and business through the example of Country Garden, therefore, highlights the precarious challenges of Chinese investments in a politically charged, multiethnic society such as Malaysia (Chan, 2018).

## **Discussion: politics in command**

The experience of CCCC, CREC, and Country Garden reveals several points. Firstly, the decades-old NEP remains a key variable. Despite some criticisms from opposition lawmakers, ECRL was viewed positively by the leadership of the three ethnic Malay-dominated states of Pahang, Terengganu, and Kelantan. Its proposed linkage to several hitherto economically backward towns and villages dovetailed well with UMNO's strategy to more aggressively capture votes from the ethnic Malays, especially those from the rural constituencies. The pro-Malay agenda is not too evident in Bandar Malaysia and Forest City. While CREC joined forces with two formidable domestic partners in IWH (40% owned by a GLC) and IMDB (a GLC), the reality is that IMDB (and Najib) has been dogged by a series of high-profile controversies, diminishing the appeal of Bandar Malaysia to the citizenry (especially the ethnic Malays).

For Forest City, it is essentially a private venture undertaken by the Johor Sultan in conjunction with Country Garden, another private firm. While Country

Garden also labeled Forest City as a BRI-related project, it is *not* a project driven by the Chinese and/or Malaysian authorities, although their endorsement was readily available, evidenced by the site visits of Najib and the Chinese ambassador to Malaysia on two separate occasions. Forest City does not emphasize any pro-Malay policies very strongly as it is envisioned to welcome foreign capital and expertise. Therefore, it has come under heavy criticisms from several quarters, especially Mahathir. His strategy of targeting ethnic Malay votes from the Malay heartlands of Johor, a traditional UMNO stronghold, further necessitates the need to heighten the ‘Chinese-ness’ of Forest City and associate the Chinese property investors with the domestic ethnic Chinese populace. Mahathir’s moves are designed to tap into the fears of the conservative ethnic Malays who often view Malaysians of ethnic Chinese descent as a ‘fifth wheel’.

The contrasting fates of the three China–Malaysia projects show that the NEP has intertwined itself with China’s interests. Thus, projects without clear conformance to the NEP (whether real or imagined) are unlikely to receive mass support. This consideration reaffirms Li and Cheong’s and Lim’s postulation that the NEP and the need to pander to the ethnic Malay voters will likely weigh heavily onto any major policies by the political leadership, including how receptive it can be to BRI projects (Li & Cheong, 2017; Lim, 2015). The ethnic Chinese business community of Malaysia, in general, have not been offered opportunities to take part in high-profile projects such as ECRL and Forest City. In the event that they are, they are expected to function as a ‘bridesmaid’ to the GLCs and even the political elites, much like how IWH has behaved in Bandar Malaysia. This finding both strengthens and weakens Hau’s and Liu’s respective assessment of the ethnic Chinese (Hau, 2012; Liu, 2016). On the one hand, the ethnic Chinese are appreciated for their business know-how and ties to Chinese firms, the GLCs, and politically powerful ethnic Malay politicians. Yet, Malaysia’s political nuances mean that ethnic Chinese firms such as IWH have to incorporate the wishes of their ethnic Malay partners and those of the Chinese investors into the BRI projects, in addition to their own commercial calculus. While they want to take part in the BRI, they are not as well endowed as the GLCs because the latter enjoy state patronage and access to favored projects. Notwithstanding the collapse of Bandar Malaysia, interviews with other prominent ethnic Chinese businessmen suggest that the ethnic Chinese firms are aware of the delicate situation that they are in. And they have since readjusted their business models and broadened their political networks to better accommodate the new political-economic situation. If anything, their tentative optimism, captured in the excited tone of the chairman of a prominent ethnic Chinese firm, on the prospect of more BRI projects entering Malaysia underscores their sensitivity to the ever-changing dynamics between both countries.<sup>12</sup>

Secondly, it is important to analyze the state-federal contestation undergirding these projects. For ECRL, this contestation is mostly subdued across the four states (three on the east coast and one on the west) it is to traverse through. While these states enjoy some autonomy, especially on land matters, their governments have not opposed ECRL, except that of opposition-governed Selangor. As

illustrated in the previous section, the Selangor Chief Minister is relatively receptive to the project, notwithstanding some of his colleagues' concerns on its cost and financing terms. Indeed, the Chief Ministers of the three east coast states have welcomed the project as most of the railway will be located in their states. While it helps the federal government that the three Chief Ministers are either UMNO members (Pahang and Terengganu) or are aligned to it (Kelantan), another key factor is the manner in which Najib, in his capacity as the head of the federal government, has projected ECRL as a crucial cog in the development trajectory of both Malaysia and the east coast states. In particular, he has promised to more forcefully reduce the socioeconomic gap between the east coast and the wealthier west coast of Peninsular Malaysia.

For Bandar Malaysia, state-federal contestation is absent as the project takes place exclusively in Kuala Lumpur, the country's de facto economic capital. While not needing to consult governments at the state level is helpful in advancing the project, this factor per se is insufficient to sustain Bandar Malaysia, as the next paragraph will illustrate (in addition to the previous paragraph's argument). The state-federal rivalry is most obvious in Forest City. Its extreme south location seems to have exacerbated the already uneasy ties between Johor and Putrajaya. The federal government, cognizant of the need to spread out economic growth across all of its states, has traditionally been wary about the southward movement of the country's economic clout. Forest City's emergence, coupled with the vibrancy of the rest of Iskandar Malaysia, could lead to a situation where the tail (Forest City and Johor) wags the dog (the entire country). More broadly, this observation reflects the experience of other developing economies lacking cohesive institutions to mediate differences between the central government and the local ones.

Thirdly, one needs to scrutinize the geopolitical dimension of these BRI projects. This issue is most clearly reflected in ECRL. Connecting the Kuantan Port on the east coast of Peninsular Malaysia to the bustling Port Klang on the west coast, it could resolve China's perennial 'Malacca Dilemma'. The new routes opened up by ECRL will also offer Malaysia a window of opportunity to bypass Singapore. The geopolitical undertone for Bandar Malaysia is just as salient. CREC has seemingly forwarded its interest as well as that of the Chinese state by securing a stake in one of Malaysia's largest infrastructure projects in recent years. In addition, Bandar Malaysia was considered a prized BRI project because of its position as the terminus of the proposed Kuala Lumpur–Singapore HSR and a key node of the mooted Pan-ASEAN Rail Transit network, both of which are poised to be landmark infrastructure projects within Southeast Asia. Yet, subsequent reports show that the terms demanded by the Chinese (such as the request for leeway in the bidding of the HSR project) were not acceptable to the Malaysian bureaucracy. The timing of the project's abortion, merely days before the inaugural BRI Summit in Beijing in May 2017, also implies that the Malaysian leadership was in no mood to 'save China's face'. Buoyed by at least a tripling of Bandar Malaysia's original value, Najib attempted to secure a new partner in the form of Dalian Wanda during the BRI Summit. Although Dalian

Wanda scrapped its bid for Bandar Malaysia, the project is still sought after by several well-capitalized investors.

Forest City's status as a private venture means that it is mostly devoid of geopolitical power. Despite claims of Forest City fostering China–Malaysia ties in its 'informal diplomacy' and the Sultan's cordial ties with Country Garden, the reality is that Malaysia's bilateral relationship is the purview of the federal government. Country Garden's alliance with the Sultan of Johor does not negate the fact that he remains a ceremonial figure, although with some degree of political influence. For Beijing, Forest City represents the type of 'irrational investment' that it is curbing through capital controls. It is thus unlikely for Country Garden to receive concrete support from Beijing, at least in the near to medium term.

The geopolitical agenda of the three China–Malaysia projects can be interpreted along two interrelated dimensions. The first dimension relates to the agency of small states (such as Malaysia) in attracting and even rejecting (or at least, circumscribing) Chinese capital to meet domestic geopolitical expectations. Malaysia's experience underlines the relative inability of China to impose its will on its BRI partners. Yet, there is also a justified concern that Malaysia is creeping toward China's sphere of influence, especially with regard to ECRL. While it is too early to label it a 'new regional order' or a new Sino-centric 'community of shared destiny', this finding does demonstrate China's capacity in exploiting the weaknesses of various Southeast Asian countries through a series of diplomacy moves combined with aid and investment packages.

## **Conclusion**

This chapter has demonstrated the complicated manners in which the BRI has taken shape in Malaysia. Despite their wealth and technical expertise, Chinese firms cannot forge ahead without understanding the needs of Malaysian stakeholders. In short, BRI projects require the cooperation (or, at the very least, nonhindrance) of these players. The article has underlined the value of looking beyond large-scale geopolitical shifts and conventional literature that depicts the BRI under sweeping, uncritical themes. ECRL's partial success, Bandar Malaysia's collapse, and Forest City's arrested development show that the BRI's success (or failure) is dependent on three key conditions: fulfillment of Malaysia's longstanding proethnic Malay policy, a mutual vision between the state and federal authorities, and advancement of geopolitical interests for both China and Malaysia.

As if to underline this chapter's central argument, UMNO and its allies were voted out in the most recent general election on May 9, 2018. While there were several reasons leading to its rejection, the disquiet surrounding the Najib administration's management of the BRI ranks as one of the more prominent factors. Although Mahathir has stopped short of cooling ties with Beijing since assuming the prime ministership for the second time, it must be noted that he

actively critiqued large-scale projects like Forest City and the Kuala Lumpur-Singapore HSR. Mahathir's success at mobilizing electoral support further underlines how the debates and controversies surrounding the BRI have meshed and interacted with Malaysia's complex, multilayered politics, indirectly inducing regime change. Indeed, on his official visit to China in August 2018, Mahathir announced that ECRL would be 'deferred until such time we can afford, and maybe we can reduce the cost also if we do it differently' (Goh, 2018). Mahathir's decision to shelve ECRL (and the HSR, which was canceled merely weeks after he took over Putrajaya) is widely interpreted as a cost-cutting measure, but probably its more important goal is to shrink (or at least, delegitimize) the economic base of the Najib clique. This further reinforces our argument that the BRI recipient country has its own political and economic goals that may not be in line with the BRI objectives, and when the divergence emerges, the former tends to assume a bigger role in determining the outcome. More practically, ECRL's shelving does not negate the fact that despite losing Putrajaya, UMNO and PAS have reinforced their grip on the state assemblies of the three east coast states, in addition to defeating most of Mahathir's allies vying for federal seats there. To preserve his legitimacy, Mahathir cannot afford to alienate the voters from these states. Mahathir must have also realized that the expeditiousness in which the previous federal and state authorities implemented the project implies that some segments of the Malay-heavy constituencies can (and have already) tap into ECRL's spillover effects.

What then are the region-wide implications of these case studies? Thus far, Malaysian actors have seemingly captured economic benefits from China while preserving some level of independence in the face of gigantic BRI projects. The point is that the BRI is still relatively nascent, and smaller states in the region certainly possess sufficient autonomy to hold and even bolster their positions. It is hoped that the framework put forth in this chapter as well as its arguments will contribute to the further explorations of the ways through which other Southeast Asian states have responded to the BRI and the latter's intertwining with the local political economy.

## **Postscript**

The earlier version of this chapter was published online in September 2018. Shortly before the article went to printing, in the May 2018 General Election, Mahathir and his opposition coalition defeated the ruling UNMO, which had been in power since 1957. There have been some changes with regard to the BRI projects in Malaysia. These changes have been described in detail in a number of recent publications, including, but not limited to, Izzuddin (2019); Liu and Lim (2020), Abuza (2020), Ngeow (2021), and Zhang (2020); Zhang, Song, & Peng (2020). Below is the conclusion from my analysis (Liu 2021) on Malaysia's relationships with China during Mahathir's second premiership (May 2018–Feb. 2020).

Lasting for only 22 months, the Mahathir 2.0 administration was short lived. But his China policy has shown some important departure from his predecessor and highlighted the importance of going beyond the conventional approach of strategic hedging. This chapter has demonstrated the complex domestic political and economic interests in shaping Mahathir's policies toward China. Despite its power, wealth, and technical expertise, China cannot forge ahead without understanding the aspirations of the Malaysian stakeholders and accommodating the latter's interests in the foreign policy formulation and implementation. BRI projects require these stakeholders' cooperation (or at the very least, nonhindrance), and China's interactions with Southeast Asia have been shaped by the latter's own social, political, and economic interests and agendas.

This chapter has underlined the value and necessity of looking beyond the conventional literature that depicts smaller countries such as Malaysia as merely on the receiving end of the bigger powers' diplomacy or just reacting through rebalancing or hedging strategies (see also Lim, 2020). ECRL's relaunching and Mahathir's vocal support for Huawei (despite the US ban and threat of trade sanctions) reinforced our earlier argument that Malaysia's foreign policy toward a rising China is contingent upon three key conditions: fulfillment of Malaysia's longstanding proethnic Malay policy (including through Malays' involvement in the BRI-related projects such as ECRL), supporting the country's economic development and reindustrialization, and advancement of geopolitical interests for both Malaysia and China. These key conditions, moreover, have been translated into foreign policy options partly because China, based upon its own long-term economic and geostrategic considerations, has been willing to accommodate Malaysia's domestic interests and minimize the potential tensions.

Our cases have also shown that a seasoned politician such as Mahathir has the capacity of skillfully converting the dilemmas the country faces to policy options not only to advance the country's own economic development agendas but also for the political interests of the respective (dominant) groups in their quest for power. In terms of the influence of personality on foreign policy, Mahathir 2.0 represents a continuity from his first premiership and a discontinuity from his immediate predecessor. It is therefore imperative to pay greater attention to local interests, initiatives, identity, ideology, agencies, and institutions in taking advantage of the changing global and regional environments for smaller powers' own agendas. It is from the conjuncture of all these factors and various interests that we should take our analysis of Malaysia's policy toward China beyond 'strategic hedging'.

Malaysia has undergone further political and economic transformations since February 2020, when Mahathir was displaced by his former deputy, Muhyiddin Yassin, as the prime minister of the nation. The new administration, however, has been overwhelmed by the devastating impact of the Covid-19 pandemic, which led to 113,010 confirmed cases and 471 deaths by the end of December 2020, according to Johns Hopkins University statistics.<sup>13</sup> In the meantime, while China has been hailed for swiftly controlling the pandemic after several months of lockdowns, the pandemic spreading throughout the world has led to antiglobalization and the mounting efforts to 'decouple with China' in the global

supply chains. Travel bans, restrictions, and lockdowns have stalled flagship BRI infrastructure projects such as the Jakarta–Bandung railway and China–Myanmar Economic Corridor because of the disruption of supplies and shortage of Chinese workers. Wang Xiaolong, Director-General of the Chinese Ministry of Foreign Affairs’ International Economic Affairs Department, said in Beijing in June 2020 that about 20% of projects under BRI have been ‘seriously affected’ by the Covid-19 pandemic. According to a survey by the Ministry, about 40% of projects have seen little adverse impact (Liow, Liu, & Gong, 2021). While the BRI’s future in Southeast Asia (and beyond) will be clouded by the postpandemic recovery in China and other countries as well as ongoing geopolitics such as the Sino-US confrontations, as this chapter and other relevant studies (e.g., Lampton, Ho, & Kuik, 2020; Calabrese & Cao, 2021; Liu, Fan, & Lim, 2021) have demonstrated, the domestic logics of the political economy remain a key factor in shaping its trajectory and operation.

[This chapter is a revised and updated version of Hong Liu and Guanle Lim, “The Political Economy of a Rising China in Southeast Asia: Malaysia’s Responses to the Belt and Road Initiative,” *Journal of Contemporary China*, vol. 28, no. 116 (2019), pp. 216–231. Published online in September 2018.]

## Notes

- 1 See Refinitiv (2019) for more information. Jointly owned by Blackstone Group LP and Thomson Reuters, Refinitiv is one of the largest global providers of financial market data and infrastructure.
- 2 Formally known as the New Economic Policy (NEP), which was imposed following racial riots in 1969, the policy provides preferential treatment to the *Bumiputera* (essentially Malay) population in almost all features of the economy such as employment opportunities and home ownership. Despite its lopsided nature, the NEP has arguably preserved the rule of the United Malays National Organisation (UMNO), its chief architect, and the hegemon within the ruling administration, from August 1957 to the recently concluded May 2018 general election. See Chin (2009).
- 3 The party’s failure to garner support from the ethnic minorities was not damaging, at least until the 2000s, as Malaysia’s relatively high growth rate in the postindependence decades was sufficient to sway the opinions of a large enough portion of the citizenry (both Malays and non-Malays). However, since the early 2000s, a slowing economy and more intense competition from other NIEs have placed significant strain on this dynamic.
- 4 Three other smaller territories are governed directly by the federal administrators.
- 5 The Sultans are known to exercise their influence on the state administration, sometimes incurring the wrath of the politicians (Jones, 1995).
- 6 IWH, in which low-profile ethnic Chinese businessman Lim Kang Hoo owns 60% of equity and another GLC the remaining 40%, is one of Malaysia’s more successful examples of public–private partnership in recent times.
- 7 Since taking over Putrajaya, the new administration has reinvestigated Najib’s involvement in 1MDB. On July 4, 2018, Najib was charged in court with three counts of criminal breach of trust. See Channel NewsAsia, “Former Malaysian PM Najib Razak charged with criminal breach of trust in 1MDB probe,” *Channel NewsAsia* (2018).



- 8 Public forum, Singapore, May 25, 2017.
- 9 A planned population increase of 700,000 (mostly from China) is almost equivalent to 20% of the entire population of Johor in 2016 (3.6 million).
- 10 This view of linking the Forest City project with the BRI emerged repeatedly in the authors' interviews with the key management personnel of the project (Singapore, May and July 2016; Beijing, September 2016), and it was also displayed in the poster of the property's sale gallery (fieldwork in Johor Baru, Malaysia, September 15, 2018).
- 11 Interview, Johor Bahru, May 7, 2017.
- 12 Interview, Beijing, October 31, 2016.
- 13 <https://coronavirus.jhu.edu/region/malaysia>

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# 5 New Chinese capitalism and the ASEAN Economic Community

## Introduction

Since the formation of the Association of Southeast Asian Nations (ASEAN) in 1967, ASEAN leaders have tried various means to establish regional cooperation among their members. That has included the establishment of the Preferential Trading Agreement in 1977, ASEAN Free Trade Area in 1993, and the ASEAN Trade in Goods Agreement in 2010. The most ambitious attempt at economic integration was the proposed establishment of the ASEAN Economic Community (AEC) in December 2015. With this agreement, the ASEAN leaders aimed to achieve unprecedented levels of trade liberalization and market integration, with the goal to set up a single-market production base with a free flow of goods, services, investment, skilled labor, and freer movement of capital (ASEAN, 2008). However, due to a host of complex reasons such as domestic political economy of the ASEAN member states and the lack of participation of key stakeholders such as small businesses (Jones, 2016; Rüländ, 2016; Pelkmans, 2019), the AEC was not materialized in 2015, and the new target date of 2025 was subsequently proposed. The overall vision articulated in the AEC Blueprint 2015 remains relevant, and the AEC Blueprint 2025 will build on the AEC Blueprint 2015 consisting of five interrelated and mutually reinforcing characteristics, namely: (1) A Highly Integrated and Cohesive Economy; (2) A Competitive, Innovative, and Dynamic ASEAN; (3) Enhanced Connectivity and Sectoral Cooperation; (4) A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN; and (5) A Global ASEAN (ASEAN, 2015b).

The process of greater regional integration has developed alongside the economic rise of China that began following its 'Reform and Opening-up' policies in 1978, and its membership in the World Trade Organization (WTO) in 2001. While the nature of the emergent and fast-growing Chinese economy has made it a popular destination for foreign direct investment (FDI), China has also been making rapid strides in overseas FDI (OFDI). The country's OFDI has grown from US\$7 billion in 2001 to US\$101 billion in 2013 and US\$116 billion in 2014 (Sauvant & Nolan, 2015). According to figures released in September 2016 by the Chinese Ministry of Commerce, China's outward FDI flows in 2015 reached US\$145.7 billion (up 18.3% year over year), making it the world's

second-largest source of FDI, second only to the United States (US\$300 billion) but higher than third-placed Japan (US\$128.7 billion). The pace of China's OFDI has slowed down after the mid-2010s. According to the UNCTAD data, in 2019, with the value of US\$117 billion, China was the fourth-largest source of FDI, after Japan (US\$225 billion), the United States (US\$125 billion), and the Netherlands (US\$125 billion). As a major gateway for mainland China's OFDI, Hong Kong SAR was ranked number 7 with US\$59 billion.<sup>1</sup>

China has also taken a pointed interest in the development of ASEAN and has been ASEAN's largest trading partner since 2011. That has been largely facilitated by the signing of the ASEAN–China Free Trade Area (ACFTA) in 2002, which was subsequently upgraded to the ASEAN–China trade pact in 2015 to further ease cooperation and enhance transparency in trade transactions (ASEAN, 2015a; Das, 2015). Mainland Chinese companies have become a particularly prominent presence in ASEAN's infrastructure development landscape, and more than US\$50 billion in infrastructure projects with an expected completion date between 2013 and 2017 are associated with Chinese enterprises. These investments have filled a gap for the needs of most ASEAN countries. According to forecasts by the Asian Development Bank (ADB), ASEAN countries need to invest at least US\$1.2 trillion in infrastructure, but there is a significant shortage of capital and technological expertise to catch up by itself (Bi, 2021).

Although most of those companies are state-owned enterprises, private companies such as Huawei also participate. China–ASEAN relations reached a new apex with the announcement of the Belt and Road Initiative (BRI) in 2013, which is envisioned to galvanize economic development and connect China to regions spanning Southeast Asia, Central Asia, Europe, and Africa. In Southeast Asia, the BRI has been linked to China's 'three-pronged strategy on regional connectivity' that has been interpreted as a counterbalance to the United States' 'Pivot to Asia', as well as to leverage upon its extensive diasporic network (World Bank, 2019; Zhao, 2020; Liu, Tan, & Lim, 2022; see also Chapters 2 and 4 of this book).

While the presence of Chinese capitalism and Chinese entrepreneurs in the Southeast Asian political economy has been a prominent and historically meaningful one, stretching as far back as the beginning of the 20th century (Brown, 2016; Liu & Benton, 2016), the economic rise of China and the growing clout of its OFDI has lent itself to a new phenomenon of what I call a wave of 'new Chinese capitalism' that increasingly blurs the boundaries between private economic interest and the public nationalistic interests of Chinese state-building. Following Gary Hamilton's conceptualization of Hong Kong and its cosmopolitan capitalists, this chapter considers capitalism in terms of 'organized economic activities and institutional conditions that constitute it' instead of equating it with national economies. In this conceptualization, most economic activities involve 'the movements of people, products, and capital' beyond the national borders (Hamilton, 2001 4–5; see also Liu, 1998, 2001).

The new Chinese companies that venture into Southeast Asia are representative not only of China's economic strategies but its foreign policy as well as its soft

power. That is referred to by Norris as ‘economic statecraft’, or the intentional attempt of the state to incentivize commercial players to act in a manner that generates externalities that are conducive to the state’s interests; it can be best understood as Chinese President Xi Jinping’s reworking of China’s ‘Going-Out Policy’ to a more focused and streamlined agenda, one that would promote outward investment and establish China’s status as a key global power (Lim, 2017). At a broader level, the development of new Chinese capitalism is in tandem with the emergence of state capitalism that has shaped the political economy of East Asia and beyond (Gu et al., 2016; Kurlantzick, 2016; Norris, 2016; Dolfma & Grosman, 2019; Oh & No, 2019). In her study on Chinese investment in Africa, Ching Kwan Lee explores the question of ‘Is Chinese state capital a different kind of capital?’ and treats ‘capital, labor, and state as processes and relations of power, not as quantifiable amounts of money, economic inputs, or aggregates of policies and policy makers’ (Lee, 2017, xiii). This approach further highlights the importance of placing Chinese capital in the Southeast Asian political economy and its complex relations with with the Chinese state.

New Chinese capitalism thus presents itself both as a huge opportunity and potential hindrance to AEC building. While the call for greater regional integration in ASEAN was largely perceived as a buffer to China’s growing attractiveness as an FDI recipient, the rise of China has also provided ASEAN with greater sources of investment and opportunities for business expansion, including in the areas of infrastructure and digital economy which China has made significant inroads over the past decade, ahead of most ASEAN nations. It is therefore worthwhile to consider how new Chinese capitalism will interact with the increasing regionalism of ASEAN and its attempts at community building, the particularities of its political economy, and its relationship with preexisting forms of ethnic capitalism. In doing so, this chapter will also contribute to the emerging field of ‘Capitalism Studies’ over the past decade, which trades the concept of ‘history from below’ in studying the power relations that exist among the bosses, entrepreneurs, and businessmen that run the economy. Furthermore, recent scholarship on comparative capitalism has ‘not only mapped a range of different emerging market capitalisms but have also identified both functional and dysfunctional types that further differ based on their integration into the global economy’. It has been argued that comparative capitalism studies have ‘the potential to become a major approach in the field of development studies in the future and relieve comparative political economy from some of its Western centrism’ (Schedelik et al., 2020, 1; see also Feldmann, 2019).

This chapter will first contextualize the phenomenon of new Chinese capitalism against an understanding of the political economy of Southeast Asia and the role of Chinese capitalism and the diaspora Chinese. It will then discuss the regional architecture of the AEC and its implications for the preexisting and deeply ingrained politico-economic relations prevalent in Southeast Asia. Using cases of both private and state-sanctioned Chinese investments in Malaysia, Indonesia, and Singapore, this chapter will delineate the geographical and sectoral distributions of Mainland Chinese OFDI, as well as explain how those Chinese



enterprises make an inroad into ASEAN and with whom they have collaborated in such endeavors. This chapter concludes by considering the characteristics of new Chinese capitalism in the context of an emerging AEC.

### **New Chinese capitalism in Southeast Asia**

Southeast Asia's economic growth after the 1980s had been significantly shaped by the region's complex political economy as well as the global division of labor and supply chains (Hawes & Liu, 1993; Carroll, Hameiri, & Jones, 2020). Nesadurai (2012) argued that economic development in Southeast Asia is largely influenced by two features: the significant role played by the economy in politics and the close government-business relations embedded within patronage networks that shape many economic policy choices. MacIntyre (2010) stressed that the interdependent relationship between government, business, and economic development is a particularly pronounced one. Such interdependencies are deeply ingrained into the countries' political-economic landscape and are supported by and work in favor of select groups of the social and political elite. Thus, the progression of economic development in most of Southeast Asia is shaped as much by formal, institutional frameworks as they are by informal, flexible arrangements and exchanges. That creates an inevitable tension between the institutional and regulatory nature of regionalism and the malleable and localized nature of power that governs domestic sociopolitical relations.

The prominence of alternative forms of power relations in Southeast Asia, which pervades most, if not all, economic and political dealings, must necessarily consider the role of ethnic capitalism, primarily Chinese capitalism. A recurrent feature in the political economy of Southeast Asian countries, despite their heterogeneity, is the significance of Chinese capitalism and Chinese businesses. Originally modeled after Weber's concept of the Protestant Ethic, Chinese capitalism was envisioned as an 'economic culture' and the 'dominant mode of economic organization in Southeast Asia today' (Redding, 1990; see also Yeung, 2004). It is embedded in a peculiar form of political economy in which the ethnic Chinese rule the host economy and leave the political sphere to the reign of indigenous ethnic groups. The sheer diversity of economic activities and the prowess with which they are controlled and coordinated by ethnic Chinese has enabled them to become the very foundation of the Asian economies in which they are contained.

I have argued earlier (Liu, 2012a) that the external conditions in which Chinese capitalism emerged in Southeast Asia necessitated that Chinese entrepreneurs resort to various forms of formal and informal networks to survive in an indigenous-dominated (save for Singapore), and frequently hostile, environment. In Southeast Asia, particularly in countries such as Malaysia and Indonesia, entrepreneurial minorities were crucial to the growth of the commercial economy, on the one hand, and the state on the other hand. The Chinese as a minority remained distinct from the majority populations in culture, religion, residence, and law, partly by choice and partly through the policies of government

that found the distinctiveness useful. That formed the basis of laws such as the *bumiputera* (indigenous) affirmative action policies in Malaysia and the proliferation of anti-Chinese legislation during Indonesia's Suharto era from 1966 to 1998. Because of such hostile political environments, the diasporic Chinese in Southeast Asia have had to enter into various types of formal and informal alliances to overcome numerous institutional and political barriers, thus translating into a distinctive type of flexibility and networking that has come to characterize Chinese capitalism.

Increasingly, diaspora Chinese capitalism also takes its cue from China's growing role in the globalization phenomenon, thus allowing it to leverage upon transnational networks and a growing repository of diasporic communities. Economically, China has become reliant on international trade and FDI, institutionalized through membership of both the International Monetary Fund and the World Bank. Politically, China has cooperated more closely with the international community, especially since its WTO membership in 2001 and partnership with the Group of 8. Chapter 3 of this book thus calls for a view of Chinese capitalism from the perspective of transnational governance, referring to one which incorporates the perspectives and mechanisms of various players and which understands the Chinese state as one that is simultaneously global while strengthening its domestic foothold, thus reconciling the relationship between domestic Chinese politics and diaspora relations. That is conceptualized by Gamlen (2006) as a reinscribing of the nation as a transnational social field and is exemplified by the Chinese government's 'firm but flexible' international strategy, which is aimed at enforcing China's domains of 'hard power' in the areas of the economy and the military while incorporating greater considerations of 'soft power' befitting of a country generally considered to be a new 'world power' (Shambaugh, 2013; Economy, 2018).

### **A tale of three nations: Malaysia, Indonesia, Singapore**

At the 9th ASEAN Summit held in Bali in 2003, ASEAN leaders agreed to establish an AEC by 2020. In many ways, it was perceived as the deepening and extension of the regional economic integration project that ASEAN had embarked on since the establishment of the ASEAN Free Trade Area in 1992 and formally came into existence on December 31, 2015. It was envisaged that the ASEAN Economic Community would help to bring about a stable, prosperous, and highly competitive ASEAN economic region in which there is a free flow of goods, services, and investment, and a freer flow of capital, equitable economic development, and reduced poverty and socioeconomic disparities (Hew, 2005).

Conscious of common criticisms of ASEAN's perfunctory form of 'shallow integration' that has allowed political objectives to take precedence over economic integration and trade policy, the AEC aimed at being the most stringent and objective of regional agreements. That was exemplified in the 2007 AEC Blueprint. It sets forth the long-term and short-term goals of the AEC process,

along with specific actions indicated on a timeline. Its four main characteristics are as follows:

1. A single market and production base
2. A competitive economic region
3. Equitable economic development
4. Integration into global economy.

While the AEC Blueprint laid out a detailed and ambitious set of goals and was endorsed by the ASEAN leaders, it remained a political document, not a legally binding one. Compliance has always been the biggest obstacle for ASEAN's institutional architecture, and ASEAN member states are well known for resisting any form of centralized authority to manage or complete the integration process. Even the establishment of the AEC Scorecard mechanism in 2008, which aimed to monitor the achievement of milestones indicated in the AEC Blueprint's Strategic Schedule, was only a self-assessment tool that would be hard pressed to provide any objective and balanced insight. Thus, the 'strategic schedule' remains saddled with loopholes and 'flexibility' hedges, which fails to set strict standards and objectives for member states. Most significantly, there is no mechanism for exerting peer pressure or enforcing sanctions when the AEC targets are missed. The country-based scorecards are kept confidential, which effectively rules out peer pressure and makes it difficult for working committees or expert meetings to assess and address implementation bottlenecks (Menon & Melendez, 2017). Indeed, it has been observed that despite the growing economic ties between China and Southeast Asia over the past decade, 'the choices made by individual ASEAN countries will be influenced by political and strategic factors as much as economic ones' (Booth, 2016).

Hawes and Liu (1993) argued that the political economy of Southeast Asia must incorporate a view of the power balance between three different, yet closely connected, variables – the state, the domestic capitalist class, and the international economy. To that end, the new regionalism of the AEC must work in conjunction with – sometimes interacting with, sometimes circumventing – the delicate balance of power relations that underscore sociopolitical relations in Southeast Asia. That would involve an understanding of the contestations and negotiations between the formal, institutional apparatus of the AEC that is representative of the pressures of globalization and neoliberalization; and the informal, unstructured ways in which much of Southeast Asian development has progressed thus far, which is representative of the importance of structural and historical factors in understanding the local political economy.

*Malaysia: strong links with the state*

The history of Chinese entrepreneurs in Malaysia has been largely defined by the fraught racial politics in Malaysia, particularly the social rift between the Bumiputera Malays and ethnic Chinese. The New Economic Policy (NEP),

introduced in 1970 by ruling party United Malays National Organization, was ostensibly a 20-year plan to achieve greater national unity by way of greater state intervention in the economy. This was aimed at offsetting the inequitable distribution of wealth among the Malays and Chinese, with the minority Chinese community owning a disproportionate amount of wealth. The government thus enlisted many government-linked companies (GLCs) to venture into major sectors of the economy on behalf of the ethnic Malays (Gomez, 2013). This led to the decision in the 1980s to implement state-led ISI (Import Substitution Industrialization) in heavy industries such as automobiles, steel products, and cement. During the 1997 Asian financial crisis, the government renationalized key projects, and GLCs remain highly overrepresented in the construction sector until today (Lim, 2015).

The NEP also engendered the widespread practice of intraethnic networking, which was perceived by Chinese businessmen as the most viable option to ensure the well-being of their businesses. Chinese entrepreneurs thus decided that to develop their enterprises, it was important also to establish interethnic business ties, preferably with well-connected Bumiputera businessmen. Those enterprises operated predominantly in primary commodity production or resource-based industries that relied heavily on local sourcing and local support. They thus congregated most in the banking, manufacturing, and property and real estate sectors. Khoo argued that the leading Malaysian-Chinese business groups appear to have chosen a two-prong strategy in developing their enterprise: working closely with Bumiputera political patrons to achieve business success within Malaysia while at the same time building relations with non-Malaysian capital, preferably other so-called ‘overseas Chinese’ capital, that can serve as a potential source of wealth (Khoo, 2006).

The tendency of Chinese firms to select coalition partners that would best benefit their businesses, with a firm understanding of the relationship between politics and business, is also reflected in the behaviors of new Chinese multinational corporations (MNCs) investing in Malaysia. Large mainland Chinese MNCs have been gaining steady momentum in terms of their contributions toward FDI in Malaysia. The property development sector in Malaysia has attracted growing interest from Chinese developers, with three major Chinese companies developing properties in Iskandar, a Special Economic Zone that borders Johor and Singapore. China’s Guangzhou R&F Properties is investing RM\$4.5 billion to build condominiums in Iskandar, while Country Garden Holdings is investing RM\$900 million in 45 condominium towers, offering a total of 9,500 units. Greenland Holdings is also investing RM\$2.4 billion in its Iskandar property development (Chew, 2016). One of the most prominent development projects in Iskandar is Country Garden’s Forest City, a manmade island that will include apartments, schools, hospitals, and a special financial administrative region. Country Garden has pledged to invest a total of 250 billion yuan over 20 years on the project. The Country Garden Pacific View project is being developed in partnership with Esplanade Danga 88, of which the largest shareholder is Johor’s Sultan Ibrahim Ismail – thus making Forest City a joint venture

between the Guangzhou-based Country Garden and the Johor Monarch (Zhen, 2017; Liu & Lim, 2020; Khoo, 2021; Chapter 4 of this book). This is a significant development in that it represents both a continuity of the past practice of ethnic Chinese capitalists collaborating with the local elite and power holders, and a change in that the Chinese are ‘foreigners’ in the true sense of nationality and country of origin.

Guanie Lim’s study (2015) on Mainland Chinese firms in Malaysia demonstrates that a sizeable portion of the Mainland Chinese firms have cooperated with GLCs (50% of all firms) in their cross-border investments, while a smaller percentage have cooperated with ethnic Chinese firms (28% of all firms), and other entities, for example, neither the GLCs nor the ethnic Chinese firms (33% of the firms). The mainland Chinese firms’ preference for coalition partners also differs across different economic sectors. While the preference for the GLCs is most palpable in the construction sector (76%), the preference for ethnic Chinese companies is most perceptible in the manufacturing, finance, and information and communications sectors (33%–43%). That reinforces the view that Chinese firms are adept at selecting coalition partners that best benefit them – the GLCs occupy a monopolistic position in the construction sector, while the majority of Chinese-owned small- and medium-sized enterprises (SMEs) are in the manufacturing and finance industries. Jakobsen refers to this as ‘shallow’ business networks – shallow in terms of time depth and not necessarily confined to intraethnic relations. While ethnic differentiation and discrimination formed the historical context in which Chinese capitalism emerged, its hybridized nature also implies that the reference points of its extensive informal network sought to continually update and manifest themselves to assimilate not only with the local economy but also with the international political economy at large (Jakobsen, 2015).

An even more striking, and in equal measure polarizing, example of Chinese economic statesmanship has been the state-owned China General Nuclear Power Corp’s purchase of all the energy assets of 1Malaysia Development Bhd. (1MDB), amounting to US\$2.3 billion. Those assets, known as Edra, consist of 13 power plants across five countries from Malaysia to Egypt and Bangladesh (Venkat & Carew, 2015). The deal would not only afford China greater influence in Malaysia but is in line with China’s BRI, by providing access to other emerging economies in North Africa and South Asia. Despite the controversy surrounding 1MDB and its founder, then Prime Minister Najib Razak, who lost his power after the May 2018 General Election in which the China factor played a major part (see for details Liu, 2021), the Chinese company’s willingness to buy the assets signals certain apathy to politics, while at the same time its decisions are intensely political. More significantly, Mainland Chinese companies are uniquely attuned to the conditions of doing business in emerging economies and less developed countries, where corporate governance standards are comparatively weak, in ways that North American or European companies may not be. Lim (2015) argued that as those Chinese firms first had to cut their teeth in the cut-throat business environment of the mainland, that ‘baptism of fire’ has allowed them to familiarize themselves with more challenging business environments and in negotiating complex

state–society relations and patron–client networks. That in turn allows them a unique advantage when doing business in developing countries.

*Indonesia: interplay between politics and ethnicity*

The so-called ‘Chinese Question’ in Indonesia dates to the colonial period under Dutch rule and has undergone several iterations. The ethnic Chinese issue became a major obstacle affecting diplomatic relations between China and Indonesia, with formal diplomatic ties being frozen during the New Order era under Suharto. During Suharto’s New Order regime, Chinese capitalism flourished through extensive patronage links (Chua, 2008). However, in the post-Suharto era of *Reformasi*, the former politico-bureaucrats that wielded power over the Chinese capitalists became much less necessary. Conversely, politicians became increasingly dependent on businessmen and entrepreneurs, such that corporate moguls could beget political power through the bureaucrats, inside the institutions, thus effectively exercising control over the state. The social demarginalization of ethnic Chinese gave capital the opportunity to present itself inside the reformed political system. Ethnic Chinese and other businessmen were no longer rarities in the political landscape of post-Suharto Indonesia, from local institutions to the national government (Hoon, 2006; Chong, 2018; Kuntjara & Hoon, 2020).

Chinese-Indonesian businessmen also became much more open about identifying as ethnically Chinese, making use of their diasporic relations to China when the situation benefited them. Interviews with several ethnically Chinese business moguls in Indonesia detail their conviction that the Chinese will dominate the economy in the future, participation in the Chinese Indonesian Association INTI, and printing bilingual business cards (Chua, 2008). Currently, the top-listed Indonesian conglomerates with the highest market capitalization have all been founded by ethnic Chinese businessmen. The four groups, namely the Astra Group, the Salim Group, the Lippo Group, and the Sinar Mas Group, have expanded from small trading businesses into megaconglomerates that have business lines in finance, property development, manufacturing, and even media and information and communications. Combined, all listed companies controlled by those four groups account for 17.5% of total market capitalization in Indonesia.

The past decade has witnessed rapid growth of Chinese FDI in Indonesia. The majority of Chinese OFDI comes from state-owned enterprises, with the remaining from regional governments and private firms. In the case of joint ventures, their local partners are mostly local Chinese, except in the infrastructure, mining, and energy sectors, where their local partners are Indonesian state-owned enterprises (Lim & Liu, 2021). The manufacturing sector remains the most important sector in China’s FDI in the country, reflecting the important drivers of Chinese OFDI: ‘gaining access to and building markets, securing natural resources, acquiring strategic assets, burgeoning foreign exchange reserves, proactive government policies, international competitive dynamics, and extra-productive motives’ (Gammeltoft & Tarmidi, 2011). China was ranked as the

tenth source country of FDI in Indonesia in 2015. It quickly jumped to second (overtaking Japan and behind Singapore) in 2016 – with US\$1.075 billion realized investments from China in the final quarter of the year, nearly five times what it was a year earlier (Suzuki & Maulia, 2017). In 2019, it overtook all the other economies, becoming the top investor in Indonesia for the first time.

The financial sector has become increasingly visible and prominent in China's overall FDI composition. Apart from the Bank of China, which had branches in Indonesia from as early as the 1930s, the Industrial and Commercial Bank of China (Indonesia) Co., Ltd. (ICBC) was established in 2007 as a foreign exchange licensed commercial bank, with more than a dozen branches located in three big cities (Jakarta, Bandung, and Surabaya). The ICBC took over 90% of the shares of an Indonesian private commercial bank, the Bank Halim, owned by an Indonesian-Chinese individual. China Minsheng Investment Corp (CMI),<sup>2</sup> a private equity firm, announced in 2015 that it would guide dozens of leading private enterprises in China's advantageous industries to invest US\$5 billion in Indonesia to construct CMI Indonesia's industrial parks, and the investment scale is expected to surpass US\$10 billion in the short term. Citing Indonesia's strategic location as a maritime power, population size, and sound China–Indonesia relations, CMI CEO Li Huaizhen said that the 'going global' of scores of domestic private companies from China would bring multiple beneficial programs to Indonesia to help support it in its middle to the late period of industrialization (Lin, 2015). CMI Chairman Dong Wenbiao had also stated that by building a platform to facilitate Chinese companies to 'go global' en-masse, they would be able to cut costs and risks and create greater efficiency, returns, and competitiveness. Developing overseas in groups would also allow companies to blend into the local economy and society in a brief period of time (Sulisto, 2015).

While during the Suharto-era Chinese businessmen were regarded as pariahs that engaged in patronage relations as part of social and political protection and were rarely vocal about their Chinese heritage, they are now using it to establish partnerships with mainland Chinese firms. CMI's key local partner is the Indonesia-China Business Council.<sup>3</sup> Chapter 3 has documented that diasporic Chinese organizations such as the Indonesia-China Business Council help contribute to transnational governance that has resulted in China's 'augmented institutionalization'. Those organizations help create interactive platforms where state, society, and capital interact and ensure that the Chinese state maintains a certain level of influence among businesses of China origin in Indonesia.

Suryadinata (2012) notes that the president of the Indonesia China Business Council, Alim Markus, is a second-generation Indonesian-Chinese who was elected based on his strong business connections with China. He is active in many local Chinese organizations and has served as the general chairman of the Indonesian Fuqing Organization, general chairman of the Indonesian Lim Surname Association, and permanent honorary chairman of the Indonesia Hakka Association. As the head of MNC Maspion, he has also played a part in local politics, acting as consultant to President Abdurrahman Wahid (in office from 1999 to 2001) and to Speaker of the House Agung Laksono (in office from 2009 to

2014). The ability to occupy a role both in the Chinese business sphere and the Indonesian national political sphere is reflective of what I refer to as a ‘dual embeddedness’ in the context of Singapore (Ren & Liu, 2015), typically exemplified as immigrants or members of a diaspora, in their ability to be involved in both their origin and settlement societies. Thus, Chinese diasporic entrepreneurs frequently utilize both transnationalism and integration as business strategies. Local economic or social resources in the host society can be converted into transnational economic or social resources in the home society, and vice versa.

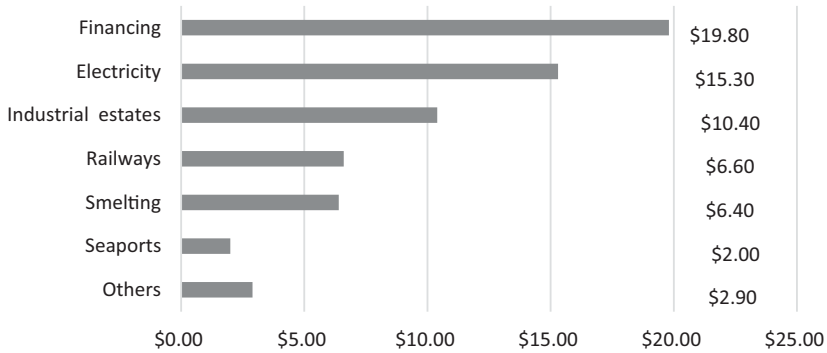
As early as 2006, Markus was subscribed to the view on the importance of ethnic connections by saying: ‘With ties of blood, geography and commerce, businesspeople of Chinese descent can be the best candidates to promote Chinese investment in ASEAN’. He set up an industrial park in China’s Guangxi Autonomous Region. More recently, in 2016, Markus was warmly welcomed by Zulkifli Hasan, the Speaker of People’s Consultative Assembly (Indonesia’s legislative branch), when he led a top-level ICBC delegation to visit the latter. Zulkifli reserved special praise for Markus, claiming that ‘there must be full support for the forging of ties between the political and business leadership of China and Indonesia’ (cited in Lim & Liu, 2021).

The case of CMI shows that the BRI provides an important platform for Mainland Chinese private capital to go abroad, especially for those enterprises in the service sectors. Their flexibility in business strategy has facilitated this process. Entering a big and culturally and politically different market such as Indonesia requires effective business networks with local partners. The above case has demonstrated, contrarily to earlier studies which argue that Indonesian Chinese businesses have not been involved in the BRI projects (e.g., Suryadinata, 2017), the remaining relevance of ethnicity in enhancing business connections. This connection with the Mainland Chinese capital, furthermore, can be seen as a continuation of deeper involvement of ethnic Chinese business elite in the local politics as highlighted by scholars such as Wijaya (2019) on Indonesia, Camba (2020) on the Philippines, Chapter 4 of this book on Malaysia, and Chen (2021) on Laos.

In any event, the apparent ease with which Chinese investors such as CMI are making gains in Indonesia is reflective of the indispensability of Chinese capital to Indonesian politics. The increasing economic importance of China will help to bolster the status of Chinese businessmen in Indonesia while also foregrounding the instrumentalist view of ethnicity that is prevalent in Indonesia.

Indonesia also plays a pivotal role in China’s BRI. Many Mainland Chinese companies are involved in the construction of power plants, ports, and road and rail infrastructure through various projects that began in 2013. Chinese investors are developing a China–Indonesia Industrial Investment and Cooperation Zone and other railway projects in the country. Sinopec is building an oil storage terminal in the Batam Free Trade Zone that is estimated to cost approximately US\$850 million. China Power Investment and Anhui Conch Cement are involved with a US\$17 billion hydropower project in North Kalimantan. Other Chinese companies such as the China Railway Group, the China Hongqiao Group, and





*Figure 5.1* Potential Chinese investment and financing in Indonesia (in billions of dollars).  
Source: Otto & I Made Sentana (2015) in *Wall Street Journal*.

the China Communications Construction Group are involved with transport, power, and communication projects in Indonesia. A consortium of Indonesian companies, in conjunction with the China Road and Bridge Corporation and China Harbor Engineering, constructed the 5.4 km, US\$445 million Suramadu Bridge connecting Surabaya with Madura (ASEAN, 2015a).

As early as 2015, there were talks of an impending US\$63 billion investment deal with China, which would bolster not only President Joko Widodo's goal of building infrastructure but also China's 'three-pronged strategy on regional connectivity', as part of the greater BRI initiative. The US\$63 billion would likely be funneled into financing, electricity, and industrial estates projects (Figure 5.1). Since then, there have been some massive investments from the Chinese state-owned enterprises in working with their counterparts in Indonesia in developing large-scale infrastructure projects such as the Jakarta–Bandung High-Speed Rail, which has been estimated to cost US\$5.5 billion and has been deeply intertwined with domestic political economy and regional politics (Pavličević & Kratz, 2018; Wu & Chong, 2018; Lim & Liu, 2021).

### *Singapore: financial hub and connectivity*

Singapore differs significantly from the previous cases of Malaysia and Indonesia as the ethnic Chinese occupy a significantly more favorable standing in the country's political and economic landscape and are also the racial majority (75% of the total population). The investment relationship between Singapore and China is an interdependent and long-standing one. By November 2013, 140 Chinese companies were listed on the Singapore stock exchange (SGX), with a market capitalization of approximately SGD\$32 billion, although there are many mainland firms delisting from the SGX due to low interest and value added to their portfolios. In 2013, China became Singapore's number one trading partner with bilateral trade worth

SGD\$115.2 billion. The bilateral trade between China and Singapore accounts for 11.8% of Singapore's total trade, and Singapore has been China's largest foreign investor country since 2013, when its investments in China hit US\$7.23 billion (see also Chapter 8 of this book). According to statistics from the Chinese embassy in Singapore released in April 2019, there were 998 Singaporean investment projects in China in 2018, an increase of 41.4% from the previous year, and the actual investment was US\$5.21 billion, an increase of 9.4%. The total number of Singaporean enterprises in China was 24,869, while there are more than 7,500 Mainland Chinese enterprises in Singapore (Xinhua Silk Road, 2019). There have been positive corrections between the Chinese communities in Singapore (both old and new) and China's business presence in the region (Liang, Zhou, & Liu, 2019). More broadly, it has been established that the presence of ethnic Chinese in the trade partner population and coethnic networks contribute to 'substantial trade creation effects' and that diaspora impacts on Chinese bilateral imports are in general higher than those found for exports (Martínez-Zarzoso & Rudolf, 2020, see also Fossati, 2019), while 'greater intra-ethnic cooperativeness' has been conducive to the economic success of the Chinese diaspora in Southeast Asia (Liu, 2012b; Chuah et al., 2016). As a result, there have been extensive interactions between the Chinese communities in Singapore (both locally born and newly arrived) and China in the transnational social, economic, and cultural arenas.

Chan and Ng (2004) identified three main categories in which ethnic Chinese business in Singapore may be categorized. The first is SMEs, which are mostly labor intensive in their operations and oriented primarily toward the small domestic market. By 2006, SMEs comprised more than 90% of total establishments, employed 51% of the workforce, and generated 34% of total output (Ng, 2006). The second group is large business conglomerates that are involved in a host of industries ranging from light manufacturing and real estate and property to hotels and banking. The third group of ethnic Chinese businesses in Singapore, in contrast to the previous two groups, is less culturally oriented and mostly does not depend on traditional family lineage. Many may have worked previously with MNCs or GLCs and have ventured out in industries such as computer technology, e-commerce, and knowledge-based operations. However, this third category remains a comparatively small percentage of the total businesses in Singapore. Yet, the development of companies in the hi-tech. and computer industry is becoming increasingly important for the continued growth of mature economies such as Singapore in comparison with the emerging economies of Malaysia and Indonesia (Aggarwal, 1985).

It is therefore no coincidence that some of the most prominent and popular MNCs of Chinese origin in Singapore belong to the internet and technology sector. The technology sector in China is growing at a remarkable pace, with companies such as Alibaba, Tencent, and Xiaomi carving out increasingly broad brand recognition and legitimacy not only domestically but internationally, putting them on par with some of the most popular Western technology companies. In their efforts toward expansion, Chinese technology companies are drawing closer to Southeast Asia, which has been reinforced by the Trump administration's restrictive policies toward Chinese tech companies in the United States. Facing

the potential to sell its operation there, ByteDance, the Chinese owner of video-sharing app TikTok, planned in September 2020 to make Singapore its beachhead for the rest of Asia as part of its global expansion. The Beijing-based company was looking to spend several billion dollars and add hundreds of jobs over the next three years in the city-state (Straits Times, 2020). Eddie Wu, senior vice president of the Alibaba Group, claims that ‘in five to ten years, the relationship between Chinese internet companies with Southeast Asian internet companies will be more important than Southeast Asian internet companies with European and American companies’ (Lee, 2016).

Within Southeast Asia, Singapore is well positioned to be the first choice for Chinese investment. Its strategic location makes it an essential connecting hub in Southeast Asia, a ‘regional headquarters’ for engaging with China, and a hub for gathering talent. Singapore also boasts a stringent and transparent regulatory framework and a friendly business environment, making it easier to wade through red tape for possible investments, setting up offices, and making hires. In terms of internet access, Singapore is a highly wired nation with a mobile penetration rate of 159% in 2019 (IMDA, 2020).

Importantly, the Singaporean government is eager to establish close ties with China, recognizing it as a site of great opportunities. Launched in 2007 and founded by late Prime Minister Lee Kuan Yew, Business China is a Singaporean semiofficial organization that aims to nurture an inclusive and bicultural group of Singaporeans through extensive use of the Chinese language to develop a cultural and economic bridge linking the world and China. It has spurred the development of programs such as FutureChina, Apex, and Go East, all of which seek to deepen China–Singapore ties and allow Chinese enterprises in Singapore to exploit their dual identity as ethnic Chinese and Singaporean. On the one hand, they can play out their Chinese identity to enhance *guanxi* with Chinese government officials and mainland Chinese businesses (Business China, n.d.). On the other hand, they, as Singaporeans, can take advantage of the fact that they are different from mainland Chinese and pose themselves as attractive business partners and associates. On top of that, Singapore ethnic Chinese businesses can even use the ‘brand state’ of modern Singaporean developmentalism and incorruptibility to enhance their business reputation (Ng, 2006; Ho, 2020).

In 2014, Hugo Barra, Vice President for Xiaomi Global, announced that the company would be expanding into Singapore – its first country in Southeast Asia and third country after launching in Hong Kong and Taiwan. In the same year, Chinese e-commerce giant Alibaba launched its Taobao marketplace in Singapore, similarly after having made progress in Hong Kong and Taiwan. In April 2016, Alibaba acquired a controlling stake in Singapore-based online retailer Lazada for about US\$1 billion, its largest overseas investment to date. Lazada operates sites in six Southeast Asian markets, including Indonesia and Malaysia, and the deal brings Alibaba closer to the goal of getting at least half the company’s revenue from overseas.

The nature and characteristics of those fast-rising Chinese internet companies in Singapore are indicative of another type of Chinese MNCs that differ significantly

from notions of the Chinese-owned company as a traditional, hierarchical, family-owned type of operation. A report conducted by the World Economic Forum uncovered that leading Chinese companies are making innovation a strategic priority in their business models to stay competitive in global markets (World Economic Forum, 2015). In analyzing how innovation contributes to those companies' globalization efforts, the report unraveled a dual-path framework. In the first path, companies become successful innovators in the domestic market at first and then leverage their advantage in innovation on the global market. In the second path, companies successfully expand within the global market first and then leverage their resources to enable innovation for long-term development. The first path is the one most commonly adopted by technology and internet companies, while large state-owned or formerly state-owned companies adopt the latter.

## **Conclusion**

Looking at the cases of Indonesia, Malaysia, and Singapore, it is apparent that the new wave of Chinese capitalism should be differentiated from the previous manifestations of ethnic Chinese capitalism in Southeast Asia. First, new Chinese capitalism is 'foreign' both in the sense of nationality and country of origin, whereas the previous wave of Chinese capitalists were immigrants who had established roots and families in their host countries and identified foremost as Southeast Asians, even though they have faced different types of constraints in most countries in the region which have constituted internal factors for their growing anxieties in recent years (Liu, 2016).

Second, new Chinese capitalism must be considered along with the global presence of China as a rising power, which has not only made ASEAN countries much more welcoming of Chinese investment but has also allowed the ethnic Chinese residing in those countries to reconsider their hyphenated identities. Its multiple impacts on the emerging AEC remain to be seen (for some empirical cases, see Soong, 2018; Jones & Choong, 2019; Liu, Tan, & Lim, 2022). In 2004, the bilateral trade volume between China and ASEAN exceeded US\$100 billion for the first time and achieved US\$600 billion in 2019. China and ASEAN have now become each other's largest trading partners (Bi, 2021). While the growing trade and investment have undoubtedly strengthened bilateral economic relations between China and individual ASEAN countries, thus potentially undermining the ASEAN's intraregional ties, the significant improvement of connectivity resultant from China's massive investment in infrastructures such as ports, roads, bridges, and railways has been conducive to ASEAN integration.

Third, new Chinese capitalism does not posit to disrupt or dislodge the preexisting order of Chinese enterprise in their host countries but instead is able to establish links and networks to make use of the resources best available to them. Reflecting the business knowledge obtained through years of operating in China's unique political-economic environment, many of the Chinese firms exhibited high operational flexibility and adaptability to the host country's

business conditions and made sure that their business objectives were beneficial to the country's overall growth and economy.

Finally, new Chinese capitalism is reflective not only of a new growing consciousness among China's businesses but also as part of the Chinese state's ambitions of 'going global' and strengthening the nation's international image. This is particularly important; as mentioned in Chapter 2, there is serious trust deficit among ASEAN countries toward China's presence in the region. To some extent, the new brand of Chinese capitalists are not only businessmen and investors helping to fortify the country's economy by venturing into untapped markets but are also 'diplomatic ambassadors' (especially with regard to state-owned enterprises) who would help to brand China as a 'peaceful and responsible great' power, and an impending world power. In so doing, new Chinese capitalism has become increasingly embedded in the national and regional political economy as well as closely connected to the emerging modes of transnational governance described in this book's opening chapter.

[This chapter is a revised and updated version of Hong Liu and Yishu Zhou, "New Chinese Capitalism and ASEAN Economic Community," in Yos Santasombat, ed., *The Sociology of Chinese Capitalism in Southeast Asia: Challenges and Prospects* (London: Palgrave Macmillan, 2019), pp. 55–75.]

## Notes

- 1 <https://stats.unctad.org/handbook/EconomicTrends/Fdi.html>.
- 2 Founded in 2014 under the encouragement of Chinese Premier Li Keqiang, an ardent supporter of the private sector, CMI boasts a registered capital of CNY50 billion (US\$8.1 billion), contributed by 59 large private Mainland Chinese firms from different industries. The combined assets of these shareholders are worth nearly CNY1 trillion (US\$162 billion), making it China's largest private financial firm. While technically a private firm, CMI is known for its supportive outlook toward Beijing's foreign economic policies, especially the BRI. This is observed in the manner in which Li Huaizhen, CMI's Chief Executive Officer, framed the investment, reasoning that it was a 'follow-up on China's commitment to invest more in Indonesia as mentioned during President Widodo's visit to Beijing last month [March 2015]'. The project was also endorsed by Zhou Feng, Chinese ambassador to Indonesia, claiming that it would become the landmark of Chinese investment in the country (see for details, Lim & Liu, 2021).
- 3 It was established in 2002 in response to former Chinese Premier Zhu Rongji's (in office from 1998 to 2003) proposal on the need to enhance economic cooperation between both countries. Despite its semiofficial status, ICBC is one of the few organizations that enjoy cordial relations with the Chinese Embassy and Consulates in Indonesia and with officials from the relevant state institutions in China (Lim & Liu, 2021).

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# 6 Domesticating ‘transnational cultural capital’

## The Chinese state and diasporic entrepreneurship

### Introduction

Since the beginning of the 21st century, the number of skilled Chinese immigrants returning to the homeland has increased rapidly. Many of them are student-turned-immigrants who went abroad to pursue higher education after the initiation of the ‘reform and opening-up’ policy in 1978. According to a Chinese Ministry of Education report, more than 4 million students had gone overseas after the late 1970s, and 2.65 million had returned by 2017 (MOE, 2017). In the first three quarters of 2020, over 800,000 Chinese students who recently graduated from overseas universities returned home more than ever before (He, 2020). What are the roles of diaspora Chinese, especially entrepreneurs, in China’s recent drive to be an innovative nation? What is the relationship between cultural capital and economic capital in the Chinese context? How do we conceptualize the Chinese state’s engagement of diaspora as an example of transnational governance? This chapter attempts to answer these questions by focusing specifically on the returned diasporic technopreneurs who constitute an important segment of new migrants in a globalizing China.

This chapter begins by briefly discussing key attributes of (transnational) entrepreneurship. It then examines various dimensions of the returned diasporic technopreneurs, including the conversion between cultural and economic capital, their relationship with the Chinese state (both central and local), and their role in China’s technological innovation. The concluding section considers the complex patterns of interplay between the state, transnational entrepreneurship, and diaspora engagement.

The data of this study are mainly collected from 66 diasporic Chinese technopreneurs who were selected through group meetings, questionnaires, and in-depth interviews by face-to-face contact or telephone. In terms of geographical scope, the fieldwork was conducted in both their foreign resident countries (Singapore, the United States, and Canada) and different cities in China, including Shenzhen, Guangzhou, Dongguan, Shanghai, Hangzhou, and Beijing. The multisited fieldwork is essential to capture the changing dynamics and characteristics of this group and contribute to improving our research in diversities and generalities. Table 6.1 lists the profile data of 66 informants, including

Table 6.1 Data on the 66 informants

<i>Category</i>	<i>Informants' profile</i>						
Identification	Foreign passport or foreign permanent residency			China passport			
Number of informants	54			12			
Country of settlement	West Europe		United States and Canada		Asia-Pacific region		
Number of informants	19		35		12		
Business sector	Biotechnology	New materials	New energy resources	Environmental technology	Information technology	Electronic technology	
Number of informants	22	5	5	7	15	12	
Highest academic degree	Doctorate		Domestic doctorate with overseas postdoctorate		Master or bachelor		
Number of informants	43		11		12		
Years of overseas experience	1–5 years		5–10 years	10–20 years	20–30 years	None	
Number of informants	14		16	21	8	7	
Overseas working background	Academic institute		Enterprise		Academic institute and enterprise		Other
Number of informants	29		15		12		3
Frequency of participation in talent fairs organized by the Chinese state	Once a year		More than twice a year		Occasionally (less than once a year)		None
Number of informants	8		26		19		13
Number of official financial funds gained	1 fund		2–5 funds		More than 5 funds		None
Number of informants	14		30		8		14
Number of governmental associations joined	1 association		2 associations		More than 2 associations		None
Number of informants	17		16		14		19

identification, country of initial settlement, business sectors, highest academic degree, years of overseas working experience, overseas working background, frequency of participation in talent fairs organized by the Chinese government, the number of official financial funds gained, and government-sponsored associations joined.

Interviewees were selected through two channels. One was through diasporic Chinese entrepreneur communities from the national entrepreneurial parks in China and diasporic Chinese associations or Chinese alumni associations in Singapore, the United States, and Canada. The entrepreneurial members of these organizations were an important source to identify our respondents. The other channel was through snowballing personal contacts we made by participating in social and professional events and *via* personal networks. To minimize interviewee sample bias, we diversified diasporic technopreneurs by business sectors, age, gender, and country of origin, etc. When using the interview materials for this study, their names, age, and other personal information are revealed to protect our respondents' anonymity and confidentiality.

Besides questionnaires and the in-depth interviews, this chapter also uses other mixed methods, including participatory observations and content analysis of company and media data. In participatory observations, the authors attended some formal functions (e.g., anniversary and festival celebrations, monthly meetings, and awards ceremonies) and informal events (e.g., private parties and social gatherings). For the content analysis, the data were mainly collected from print or online publications and unpublished materials from related organizations.

Apart from interviewing the entrepreneurs, we also conducted site visits to their companies in China (and, on a few occasions, overseas), which provided us with an insight into the operational dimension of the conversion of transnational cultural capital into economic capital. We also paid particular attention to interviewing relevant officials in both the central and local governments to understand their rationales and strategies in engaging the diasporic technopreneurs.

## Entrepreneurship in the transnational context<sup>1</sup>

The study of entrepreneurship and its role in modern society has been fundamentally shaped by Joseph Schumpeter (1883–1950), who is considered as '*the* main figure in the literature on entrepreneurship' (Swedberg, 2000, 12; emphasis original). Schumpeter defines the entrepreneur as someone who carries out new combinations in five different arenas: (1) the introduction of a new good—that is, one with which consumers are not yet familiar with—or a new quality of a good; (2) the introduction of a new method of production; (3) the opening of a new market; (4) the conquest of a new source of supply of raw materials or half-manufactured goods; and (5) the carrying out of the new organization of any industry, like the creation or the breaking up of a monopoly position. The individuals whose function is to carry out these new combinations are called 'entrepreneurs' (Schumpeter, 1961, 74). Douglas North (1990, 83), on the other

hand, sees the individual entrepreneur as 'the agent of change' who responds to incentives embodied in the institutional framework. Peter Drucker argues that

entrepreneurs see change as the norm and as healthy. Usually, they do not bring about change themselves. But—and this defines entrepreneur and entrepreneurship—the *entrepreneur always searches for change, responds to it, and exploits it as an opportunity...* The entrepreneur, by definition, shifts resources from areas of low productivity and yields to areas of high productivity.

(Drucker, 1999, 23; emphasis original)

Since its inception as a field of scholarly inquiries, the literature on entrepreneurship can be classified into two schools: the supply-side perspective and the demand-side perspective (Thornton, 1999). In particular, the supply-side school emphasizes 'the availability of suitable individuals to occupy entrepreneurial roles' and examines entrepreneurship by focusing on the individual characteristics of entrepreneurs, specifying potential mechanisms for agency and change. While most of the entrepreneurship research has been conducted from this perspective, it has been rightly criticized by others that the supply-side arguments are 'too simple, making economic activity too much a function of individuals and underplaying the role of external structural influences' (Thornton, 1999, 23). With respect to ethnic entrepreneurship, scholars often considered the role of *group characteristics* by centering on the intriguing corelationship between ethnicity and entrepreneurship; they include 'predisposing factors such as selective migration, culture, and aspiration levels' (Aldrich & Waldinger, 1990). Brigitte Berge (1991) further argues that cultural embeddedness of modern entrepreneurship is instrumental in the creation of modern society and that 'values and economic practices now present in parts of the urban third world may serve as a preamble to industrialization'.

In contrast to the supply-side emphasis on stasis and individuals, the demand-side perspective examines what entrepreneurs actually do—the decisions they make within social settings that are changing over time, the concern with the 'push and pull of context' such as the activity of the professions, the policy of nation-states, the development of markets, and the advent of technological change (Thornton, 1999). Scholars of ethnic enterprises also pay great attention to the *opportunity structures* (market conditions which may favor products or services oriented to coethnics and situations in which a wider, nonethnic market is served) as well as *ethnic strategies* (emerging from the interaction of opportunities and group characteristics, as ethnic groups adapt to their environments) (Aldrich & Waldinger, 1990). In the work associated with the Research Center for Entrepreneurial History at Harvard University and through its journal, *Explorations in Entrepreneurial History*, a central theme has been advanced that 'entrepreneurship should not be studied by focusing on the individual entrepreneur but rather by looking at the enterprise, especially the social relations within the enterprise and the relations between the enterprise and its surroundings' (Swedberg, 2000, 35; see also Casson, 2003).

It is evident from the above discussion that the standard conceptualization of entrepreneurship focuses on both the internal dimension and the external environment of the making of an entrepreneur. Also, as a by-product of the nation-state era, the research concerns of most studies are predominantly focused on entrepreneurship within a specific geographical space, should they be the origins of migration or the receiving societies. Only recently has transnational entrepreneurship been accorded greater scholarly attention.

One of the central issues confronting recent studies of (Chinese) entrepreneurship is the role of globalization and transnationalism; here, different conceptualizations and contending views have emerged. According to Portes, Haller, and Guarnizo (2002), transnational entrepreneurs are 'self-employed immigrants whose business require frequent travel abroad and who depend for the success of their firms on their contacts and associates in another country, primarily their country of origin' Immigrant transnationalism represents a distinctive form of economic adaptation, and transnational entrepreneurs are different from both the mass of immigrants engaged in wage labor and the more traditional ethnic entrepreneurs whose activities are limited to local markets of the host societies. Other conceptualizations of transnational entrepreneurship focus on its institutional dimension instead. Yeung (2004, 118–119), for example, sees transnational entrepreneurship as

a learning process because transnational entrepreneurship evolves from experience and learning gained through progressive involvement in foreign operations. Through these cross-border operations, transnational entrepreneurs not only learn how to deal with unexpected contingencies in the host countries, but also develop a deeper understanding of their realities ... Another attribute defining transnational entrepreneurship is foresight in foreign ventures, which is important at least from the perspective of strategic management.

With the recognition that entrepreneurship is part and parcel of the changing time and space, this chapter draws upon its theoretical framework from the field of transnational studies by focusing on the regularity and multiple impacts of transnationalism. The latter has been defined as

the processes by which immigrants form and sustain multi-stranded social relations that link together their societies of origin and settlement ... [M]any immigrants today build social fields that cross geographic, cultural, and political borders ... An essential element [of transnationalism] is *the multiplicity of involvements that transmigrants sustain in both home and host societies.*

(Basch, Schiller, & Blanc, 1994, 6; emphasis mine)

Transnationalists, therefore, represent 'a growing number of persons who live dual lives: speaking two languages, having homes in two countries, and making a living through *continuous regular contact across national borders*' (Portes, Guarnizo, & Landolt, 1999, 217; emphasis mine).

While earlier conceptualization of transnationalism leaves little room for the role of the state and power relations, recent (re)formulation offers some remedies by pointing out that the connections between 'here' and 'there' are contingent outcomes subject to multiple political constraints and that states and state politics shape the options for migrant and ethnic trans-state social action. The state, therefore, should be brought back into the studies of transnationalism, with an emphasis upon 'the *interactions* of migrants with states and civil society actors in both sending and receiving countries' (Waldinger & Fitzgerald, 2004, 1179; emphasis original; Waldinger, 2015). Furthermore, as will be demonstrated, it is the state that serves as the main driving force of transnational governance.

As I have argued earlier (Liu, 2012), one of the main shortcomings of the existing literature on diaspora Chinese entrepreneurship is the lack of attention to the impact of a rising China. While recent studies have addressed this deficiency by examining how China's rise has impacted the global Chinese entrepreneurship outside of China (e.g., Song et al., 2018; Liang, Zhou, & Liu, 2019; Chapter 5 of this book), it is necessary to decipher the changing characteristics of diasporic entrepreneurs and their complex relationship with the state within China from a transnational governance perspective incorporating different forms of capital.

### **Transnational cultural capital and importance of political capital**

Technopreneurs are those entrepreneurs who use technological innovations and translate such technology into successful products or services (Milton-Smith, 1999). While they share similar attributes with conventional entrepreneurs in their risk-taking and profit-driven propensities, technopreneurs rely heavily on the application of (new and/or advanced) technology to their products and services, from the stage of starting-up of the company to its growth and to (for some) initial public offering (IPO). The defining characteristic of a technopreneur is his/her ability to convert technological inventions into innovative use for production and services. To be sure, this is in tandem with the core spirit of entrepreneurship conceptualized by Schumpeter and others. As Peter Drucker (1999, 27) states lucidly, entrepreneurs must innovate: 'Innovation is the specific instrument of entrepreneurship [and it] endows resources with a new capacity to create wealth' Technopreneurship is analogous to what he calls 'knowledge-based innovation,' which is 'the "super-star" of entrepreneurship. It gets the publicity [and] the money' (Drucker, 1999, 98). In his pioneering work on innovation and entrepreneurship, Drucker further specifies three main requirements for knowledge-based innovation: (1) careful analysis of all the necessary factors, whether knowledge itself, or social, economic, or perceptual factors; the analysis must identify what factors are not yet available so that the entrepreneur can decide whether these missing factors can be produced; (2) a clear focus on the strategic position (such as developing a complete system that would then dominate the field and creating a market focus for its products); and (3) the need to learn and practice entrepreneurial management (Drucker, 1999, 105–109).

It should be highlighted that the conversion of technological know-how to manufacturing and service in China is contingent upon external forces such as the state's policies and their implementations. Diasporic technopreneur returnees can be broadly divided into two categories based on their different legal statuses. Individuals of the first category have obtained foreign citizenship. Those of the second category remain Chinese nationals, who own permanent residency or have studied/worked overseas on a student pass/employment visa before returning to China. Regardless of their residential status, the two groups of technopreneur returnees possess the capability to stay overseas, should they choose to do so. Indeed, 90% of our informants indicated that it is possible for them to go abroad again if their careers did not develop well in China. For the overseas professional returnees, returning to China does not necessarily mean that they permanently return to the homeland or purely for patriotic passion (Liu, 2011; Ho, 2014; Zhou, 2017). Instead, it is a kind of self-interested strategy, leveraging on their international linkages and their homeland connections to foster new opportunities, although for many it is seen as an 'adventure' (Xiang, Yeoh, & Toyota 2013). As will be demonstrated in this chapter, these professional returnees remain distinct from other returnees and maintain a sense of transnational identity. Especially for those who hold foreign citizenship or permanent residency, their children are mostly educated abroad, and their families still live overseas, so they often plan to go back to the adopted resident country upon retirement. Therefore, this chapter considers these technopreneurs as *diasporic technopreneur returnees*, highlighting their continued sense of international mobility and transnational characteristics. This is also why the transnational governance approach remains a useful concept for our study.

Most studies on diasporic Chinese technopreneur returnees have been carried out by economists or management scholars. They examine the formation of the returnees' technopreneurship and their impact on China's economic development mainly from the perspective of 'brain circulation' or human capital theory (Saxenian, 2002; Liu et al., 2010; Bao et al., 2016; Bai, Johanson, & Martin, 2017). Few works concentrate on the institutional environments within which diasporic technopreneur returnees are situated, including policies, norms, and rules (Scott, 1995). In fact, the phenomenon of overseas Chinese professionals returning is not only prompted by the rise of China as the world's second largest economy but also politically driven by the Chinese government's diaspora engagement strategies (Zweig, 2006; Wang, Zweig, & Lin, 2011; Xiang, 2016; Chapter 3 of this book). Nevertheless, how the Chinese state interacts with the returnees and, furthermore, institutionally integrates them into China's globalization and domestic development strategies has not yet been adequately studied.

With respect to the interactions between the state and entrepreneurs, it has been argued that the institutional environment has played a significant part in influencing entrepreneurial motivation and access to resources (Sine, Haveman, & Tolbert, 2005; Aidis, Estrin, & Mickiewicz, 2008). Other factors such as the role of government policies and bureaucratic system efficiency, the regulatory framework, the complexity of administrative procedures, and the level of



corruption are also important on the evolution of entrepreneurship (Fogel et al., 2006; Bowen & De Clercq, 2008; Levie & Autio, 2008; Bao et al., 2016). Several studies have demonstrated the impact of governmental policies in shaping skilled migration from the perspective of the political climate and economic situation (Boucher & Cerna, 2014; Cerna, 2014; Green & Hogarth, 2017).

Based upon the above theoretical discussions pertaining to the interactions between institutions and entrepreneurship and skilled migrants, this chapter focuses on institutional features and examines specifically how the Chinese state promotes the return of diasporic Chinese technopreneurs as an economic engine of innovation and, furthermore, how the government affects diaspora returnees' technopreneurship through a top-down manner by way of direct policy and regulatory initiatives. Moreover, the role of high-skilled migrants in society is considered not only an economic engine but also social, cultural, and political agents (Bailey & Mulder, 2017; Grigoleit-Richter, 2017; Leung, 2017; Roohi, 2017). In other studies, the latter aspects are usually neglected. This study contributes to filling this gap by exploring how the state institutionally incorporates diasporic technopreneurs into the national agendas and configures their political roles. In the concluding section, through an analysis of the Chinese diaspora experience, this chapter provides insights into the concepts of transnationalism, diaspora technopreneurship, and their relationship with the state.

To better understand the dynamic interactions between the (Chinese) state and diasporic technopreneur returnees, this chapter proposes the concept of *transnational cultural capital* as an analytical tool. This concept is derived from the idea of cultural capital, which constitutes one of the three forms of capital (the other two being economic capital and social capital) in Bourdieu's theoretical formulations (Bourdieu, 1986). Since the 1970s, cultural capital has been examined along several dimensions in overseas Chinese business studies, such as Confucian values (Tu, 1996; Whyte, 2009) and human capital (Redding, 1990; Wang & Lo, 2005; Liu, 2012). This study approaches cultural capital of the technopreneurs but from a transnational perspective. What, then, is cultural capital? According to Bourdieu,

Cultural capital can exist in three forms: in the embodied state, i.e., in the form of long-lasting dispositions of the mind and body; in the objectified state, in the form of cultural goods (pictures, books, dictionaries, instruments, machines, etc.), which are the trace or realization of theories or critiques of these theories, problematics, etc.; and in the institutionalized state, a form of objectification which must be set apart because, as will be seen in the case of educational qualifications, it confers entirely original properties on the cultural capital which it is presumed to guarantee.

(Bourdieu, 1986, 243)

Taking inspirations from this definition, we employ *transnational cultural capital* to emphasize the dynamics, operations, consequences, and limitations

of cultural capital in a transnational milieu and its interactions with the state. More specifically, it refers to the cultural resources possessed by diasporic technopreneurs in both the homeland and host land, including education, intellect, knowledge, skills, mindset, networks, and other cultural experiences, which are transferable and portable across national borders. We argue that transnational cultural capital, as a main engine in a new phase of diasporic entrepreneurial activities in China, has been vigorously promoted by the state as a unique advantage of the technopreneur returnees, differentiating them from domestic technopreneurs and overseas Chinese entrepreneur predecessors in China. Nonetheless, the government selectively judges the technopreneurs' value and market competitiveness by measuring their transnational cultural capital and consequently influences the returnees' technopreneurship.

In the conversion of cultural capital into economic capital, the institutional context has been a critical issue for discussion. For instance, Bourdieu (1986) highlighted the importance of educational systems in the conversion of cultural capital. He indicated that cultural capital is convertible—contingent upon certain conditions—into economic capital and may be institutionalized in the form of educational qualifications. By situating technopreneur returnees into the institutional context of the Chinese state and its changing policies, this chapter highlights the importance of political capital. I argue that, at the entrepreneurial start-up stage, political capital as a species of capital in China can be both an influential facilitator and constraint for the technopreneurs to convert their transnational cultural capital into economic capital. Notably, in Bourdieu's theorization of capital, there is no place for 'political capital', and his definition of political capital is quite vague. He regards political capital as a variation of social capital (Bourdieu, 2002, 16) and pays no attention to the role of political capital.<sup>2</sup> This neglect, it seems to me, is because his theorization is fundamentally based upon modern western experiences whereby there has been a clear demarcation of power and wealth, with the latter being under constitutional protection since the early 19th century. In China and many developing societies (such as Indonesia) where no such institutional and legal protection is clearly available for entrepreneurs, the acquiring and maintaining of political capital is essential for diaspora Chinese entrepreneurs (cf., Liu, 2001; Santasombat, 2019).

In this study, political capital in the context of China is embodied in the power possessed by both the Communist Party and the state apparatus, from the central through to the local governments, which have been constantly evolving and open to institutional invention and procedural change (e.g., Liu, 2003; Shue & Thornton, 2017). Through returnee technopreneurs' acquisition and maintenance of political capital from the government, such as obtaining government financial support, official endorsement on their technology and its marketization, and building networks with the officials, the state exerts considerable influences on the returnees' technopreneurship and the configuration of their political roles.

### The emergence of diasporic technopreneurs

Against the backdrop of a returning diasporic Chinese wave, a group of diasporic technopreneur returnees has emerged dynamically in China over the past two decades. While no clear-cut statistics exist about their total numbers, some evidence indicates that there has been a rapid expansion in the quantity of technological enterprises that are helmed by them. For example, in 2001 there were around 3,000 diasporic enterprises in overseas Chinese high-tech venture parks (Cooperation and Exchange Convention of Overseas Chinese Enterprises in Science & Technology Innovation, 2001). Two years later, more than 5,000 such enterprises registered in 21 national-level overseas Chinese high-tech venture parks set up by the Ministry of Education, Ministry of Science and Technology, and Ministry of Manpower and Social Security (MOE, 2004). According to a survey by the Center for China and Globalization, a major think tank, as of 2017, there were 347 such parks, with more than 27,000 enterprises (with a combined turnout of more than 30 billion CNY), with some 79,000 returnees working in there. Most of them concentrated in innovation, high-tech, and modern service sectors, with the highest percentage (19.8%) in the IT, telecommunication, and internet sectors (Center for China and Globalization, 2017). In the meantime, there are numerous overseas Chinese high-tech venture parks set up and supported by the local government. For example, the Chongqing municipal government has eight such parks as of June 2020 (Chongqing People's Government, 2020).

Multiple factors have contributed to the rapid expansion of diasporic technopreneurs in China. Apart from the global trend of technological innovation and China's rising economic might, the state plays a crucial role in attracting diasporic Chinese talents from overseas.

Since the reform and opening-up in 1978, China has been profoundly influenced by the process of globalization. During the transition from a labor-intensive economy to a knowledge-intensive one since the early 2000s, the government's priority in diaspora engagement policy has undergone a significant shift, from attracting foreign capital to luring talents to return (Thunø, 2001; To, 2014; Chapter 3 of this book). This is in turn closely linked with China's steady move up in the ladder of the global value chain through innovation. As Elizabeth Economy (2018, 123) puts it:

China's leaders believe innovation is the key to their economic future. The desire to see China at the forefront of global scientific and technological development permeates their speeches. It is a point of national pride, as well as an economic necessity.

In 2014 the government initiated a nationwide campaign called '*Massive Entrepreneurship and Innovation*' and implemented various policies to encourage the growth of innovative technological-based enterprises. In 2015, the Chinese government launched the 'Made in China 2025' strategy, aiming to make

Chinese companies become global leaders in ten core industries such as robotics, power equipment, and next-generation IT by 2025. It will in turn facilitate the materialization of 'China Dream' in 2049, the 100th anniversary of the People's Republic of China, when it aspires to become a 'global manufacturing', 'cyber', and 'science and technology innovation superpower' (Zenglein & Holzmann, 2019). While the Chinese state has the capacity of formulating conducive industrial policy, massive financing, and subsidies in the hundreds of billions of US dollars, it is essential to have technological talents to bridge these incentives with innovation. It is here that diasporic technopreneurs play an indispensable role in confronting the so-called 'talent gap' (Economy, 2018, 137–139).

One of the most important measures is to attract overseas-educated diasporic Chinese professionals back to China to promote innovative industries. As early as 2001, the central government issued an official document entitled 'Advices on Encouraging Overseas Chinese Scholars to Make Contributions to China in Multiple Ways', which aims to encourage more overseas Chinese with scientific knowledge and capacities to come back and run high-tech enterprises. Since then, the central and local governments have developed a series of incentive schemes specifically targeted at potential returnees. These schemes offer substantial start-up grants, generous financial benefits, and even free housing. They include the *1000 Talent Program* (central government-level), the *Zhujiang Talent Program* (Guangdong, provincial-level), the *Peacock Award* (Shenzhen, municipality-level), the *530 Talent Program* (Wuxi, municipality-level), and the *Hundred Talent Program* (national-level award, but specific only to the Chinese Academy of Sciences), among many others.

Qiu Yuanping, the then Director-General of the Overseas Chinese Affairs Office (OCAO), kicked off the program of *Thousands of Overseas Chinese Innovation Campaign* in 2016. Two points were particularly stressed in the program: to encourage diasporic professional returnees to engage in innovative entrepreneurial activities and to develop collaboration with diasporic Chinese professionals and import leading talents with innovative abilities (Zhao, 2016).

Apart from the above policies, there are specific government agencies at both the central and local levels for the introduction and management of diasporic Chinese professional and entrepreneurial affairs. Five main government institutions, namely the 'five overseas Chinese structures', are all involved in the administration of overseas Chinese events. The five institutions are the OCAO of the State Council (OCAO has been merged with the United Front Work Department of CPC Central Committee since March 2018), All-China Federation of Returned Overseas Chinese (ACFROC), China Zhigong Party, Overseas Chinese Affairs Committee of the National People's Congress (NPC), and Hong Kong, Macao, Taiwan Compatriots and Overseas Chinese Affairs Committee of the CPPCC (see Chapter 3 of this book). These five institutions have all set up specific sub-agencies to manage diasporic Chinese technological and economic matters. For example, OCAO and ACFROC, at both the central or local governmental level, have established economy and technology departments that are specifically in charge of diasporic Chinese entrepreneurial and technological affairs.

In practice, the state promotes the recruitment of diasporic talents both domestically and abroad. Domestically, a series of fairs targeted at overseas Chinese professionals have been organized, mainly to attract talents in science and technology and to build their connections with domestic enterprises in China. These fairs are held regularly every one or two years in various major cities. As the earliest talent fair in China, the *Guangzhou Convention of Overseas Chinese Scholars in Science and Technology* (GCOCSST) has been held continuously on an annual basis from 1998 to date. By 2017 the number of diasporic Chinese professionals attending the convention had reached more than 40,000.

Moreover, the governments dispatched regulation delegations abroad to engage with diasporic Chinese talents. As early as in 2009, OCAO organized a team of Chinese officials to hold forums in several major cities in the United States, such as Los Angeles, New York City, and Boston. These forums were designed to introduce to the local diasporic professionals about China's economic opportunities, technological developments, and preferential policies. The local government followed suit. For instance, the Shenzhen municipal government had held diasporic talent recruitment activities abroad eight times by 2018, covering North America, Europe, and Oceania in geographical scope. These overseas recruitment efforts have proved effective. Several entrepreneurial interviewees told us that one of the main reasons leading to their decision to return to China was the invitation and persuasion from the governments and particularly from officials traveling abroad to promote China as a fertile ground for entrepreneurial innovation. In addition, the governments have set up overseas contact offices in conjunction with overseas Chinese professional associations. For instance, by 2019 the Shandong provincial government had established 29 overseas contact offices in 15 countries such as the UK, France, Canada, Australia, and New Zealand. The contact offices are all associated with diasporic Chinese professional organizations in the areas of biomedicine, information technology, automobile industry, etc. (China Daily, 2019).

In short, the Chinese state has been directly acting as the biggest head hunter to create a robust institutional communication platform, managing the importation of diasporic talents, implementing policy incentives, providing financial resources, and building transnational networks with diasporic Chinese professionals. All these have contributed to the emergence of diasporic Chinese technopreneurs in the homeland.

### **Key attributes of diasporic technopreneurs**

Compared with other diasporic Chinese entrepreneurs in China, the emerging diasporic technopreneurs have several distinctive characteristics. In terms of educational and social backgrounds, the technopreneurs have both domestic and overseas educational and working experience. They grew up and were well educated in China before moving overseas for further studies after the 1980s, often gaining higher degrees from developed countries. By contrast, other diasporic Chinese entrepreneurs in China, such as first-generation diasporic

entrepreneurs who emigrated before 1949, were usually poorly educated, whereas foreign-born Chinese entrepreneurs tend to lack educational and socialization experience in China (hence the necessary social and political capital). In terms of country of studies, the technopreneurs mainly come from developed countries where economy and technology are highly advanced. Out of our 66 informants, 19 were from western Europe, from countries such as the UK, France, Germany, and Belgium; 35 were from the United States and Canada; and 12 were from the Asia-Pacific, such as Japan, Singapore, and Australia. Conversely, other diasporic entrepreneurs are traditionally from Southeast Asia (except for Singapore), where the economy and technology are often lagging in the developed countries. As a result, in business sectors, technopreneurs take advantage of their cutting-edge technology to engage in high-tech industries, whereas other diasporic entrepreneurs are mostly in the traditional manufacturing or service sectors. Technopreneurs usually have a wider 'global vision' as their overseas experiences allows them to rapidly follow up on the newest technological developments, and consequently they tend to have a broader global entrepreneurship vision compared to those entrepreneurs from Southeast Asia.

The strength of transnational cultural capital has become a pivotal factor shaping the interactions between the Chinese state and diasporic technopreneurs. The government has endeavored to capitalize on the transnational cultural resources wielded by these technopreneurs and is particularly concerned with the conversion of transnational cultural capital into economic capital, to support the nation's economic development. Furthermore, the state is seeking to differentiate technopreneurs into different levels of priority and awards according to potential economic value and market competitiveness of the technopreneurs' transnational cultural capital. In the interaction with the state, diasporic technopreneurs' transnational cultural capital is mainly judged and selected based on four key criteria decided by the government: educational credentials, level of technological innovation and its relevance to China, overseas working experience, and transnational knowledge network.

In the first place, almost all diasporic technopreneur returnees possess a transnational educational background from China *and* overseas. Their early education in China ensures their mastery of the language and familiarity with the culture, laying an indispensable foundation for network building in China. Their further study abroad enhances transnational cultural capital. To measure this increase in cultural capital, the government emphasizes two criteria from the individuals' educational background: the academic degree and the university that grants it. The higher the degree they get, and the more prestigious the foreign university they graduate from, then the more transnational cultural capital they have, and the more favor they can extract from the government. By 2014 among 1,500 diasporic Chinese professionals recruited through the *Conference on Overseas Chinese Pioneering and Developing in China* (COCPDC), 70% were doctoral degree holders. The GCOCSST even raised the requirements for participants in 2004, allowing only master's degree holders and above to register for participation. For bachelors, only those who graduated from one of

the top 200 universities in the world were qualified to register. The attention to academic credentials is clearly reflected in our fieldwork. Of 66 informants, 43, or nearly two-thirds of the technopreneurs, have overseas doctoral degrees, and 11 obtained domestic doctorates but had overseas postdoctoral experience (post-doctoral study is also regarded as a kind of educational degree in China). In total, the number of doctoral holders takes up more than 80% (Table 6.1).

One interviewee told us: 'Western higher academic qualification is your essential stepping-stone to gain favor from the government. The higher the qualification you possess, the more advantages you have to acquire resources and support from the state'. Another interviewee's experience of failure further explains the importance of a higher degree, although from an opposite perspective:

I got my master's degree from Germany. When I tried to apply for financial support from the government for my start-up company, I was told it was difficult. Why? One important reason is that my degree is not high enough. They wanted a doctorate.

The second dimension of transnational cultural capital is that diasporic technopreneurs are at the forefront of global scientific technologies and knowledge in their own field of expertise, yet at the same time they are familiar with related domestic technological developments in China. The government leaders have highlighted this transnational cultural capital as the diasporic technopreneurs' unique entrepreneurial asset. The holders of international leading technology are more favored by the governments and usually can get more start-up subsidies. Most interviewees shared that the more prestigious the academic institute or company they studied/worked in, the more competitive they are to get government support in entrepreneurial activities. Therefore, the level of the returnees' transnational culture capital has become a critical measure for the government to select talents and influence their technopreneurship. During transnational technology transfer, patents are a critical issue. To avoid intellectual property disputes, government officials usually have intellectual property agreements with the technopreneur before the latter secure government financial support. Our interviews disclosed two common patterns concerning industrial intellectual property: the technopreneurs have their own patented technology in China and/or overseas, and the technopreneurs often incorporate foreign owners of intellectual property as partners in their companies, effectively co-opting overseas technologies.

As a form of social capital, *guanxi* (an omnipresent social network in Chinese society) has been widely discussed in relation to Chinese entrepreneurial activities in China (Yang, 1994; Bian, 2017). Is *guanxi*, which is often based upon primordial ties such as locality and family connections, as important as cultural capital to the technopreneurs? Our research found that the location where the technopreneurs settle down is mostly not their hometown, which is in stark contrast to the traditional diasporic Chinese entrepreneurs who prefer to invest in their ancestral hometown or the locations where they have intensive social networks. This suggests *guanxi*, at least as traditionally viewed as emanating

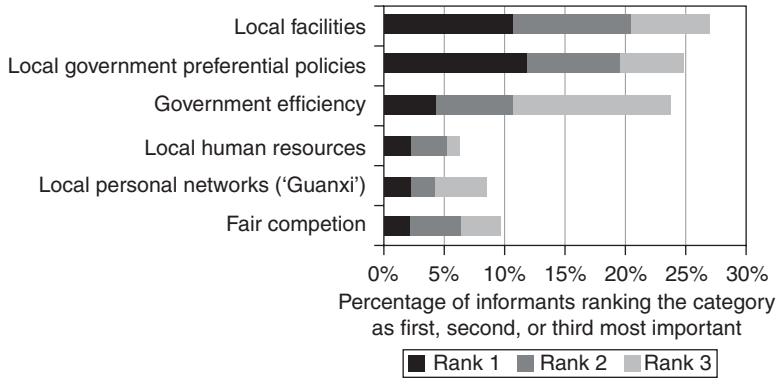


Figure 6.1 Ranking of factors that affect business start-up.

from home or ancestral backgrounds, may not be critical. Indeed, in *the Shenzhen Nanshan Overseas Chinese High-Tech Venture Park*, 80% of the technopreneurs have no direct geographical relationship with Shenzhen (which, of course, is a migrant city itself). In a survey we evaluate the ranking of factors that affect business start-up, local facilities, government preferential policy, and government efficiency were all ranked ahead of *guanxi* (Figure 6.1). Some interviewees even expressed that they did not have wide domestic social networks since they studied or worked overseas for a long time. It further highlights that the key capital that the diasporic technopreneurs rely on to set up business in China is their transnational cultural capital such as educational credentials, technologies, and innovation instead of their social capital derived from *guanxi*.

Thirdly, diasporic technopreneurs' transnational cultural capital is manifested by their overseas working experience, which is highly valued. About 70% of participants in the 17th GCOCSST in 2015 had more than five years of overseas working experience (*Yangcheng Evening News*, December 18, 2015). Overseas working experience was always considered as a key favorable criterion by the government when selecting participants in overseas Chinese talent fairs. Overseas Chinese professionals are keenly aware of this. One interviewee told us:

You would become more popular and competitive with several years overseas working experience, whether to the Chinese governments or in the China market. So, I found a job first once I graduated and came back to China a few years later.

Among 66 informants, 59 have overseas working experience. In terms of their professional backgrounds, 29 worked in academic institutes, 15 in enterprises, and 12 in both (Table 6.1). In other words, there are more technopreneur returnees who have a strong academic background than those who have direct business experience. This fact, on the one hand, demonstrates the government's heavy



promotion on the translation of technology and knowledge into economy, while on the other hand it shows the government's emphasis on the importance of academic/technological background for technopreneurs' competitiveness. Many interviewees told us that academic background is more critical when they apply for official entrepreneurial funds or grants. Their long-term overseas working experience, especially from world reputable research laboratories or institutes, demonstrates to the government that the technology they apply to industries is globally advanced and competitive.

However, practical business experience is also important to run an enterprise. Of the 27 informants who have industrial experience overseas ranging from 1 to 25 years, one informant emphasized the value of his one-year working experience in an American company:

In my company there are no bureaucracy and politics that are common in Chinese companies. Everyone is equal and respected, although they take different level of positions. Everyone can present his own idea in group meetings. My company culture is made of three C's: Care, Creativity, and Cooperation. This comes from my overseas working experience.

Those technopreneurs who lack business experience usually incorporate experienced businessmen into their core team to make up for their weaknesses. The teamwork in synthesis of technology and business enhances their capacities in gaining governmental support. The transition from a researcher to a technopreneur indeed takes time. One informant said, 'It took me several years to learn from my business partners, and my own experience of failing in running a business. It is a painful experience. I am still learning now'.

Finally, diasporic technopreneurs have built transnational knowledge networks based on their long-term overseas study or working experience, which has become a vital component of their transnational cultural capital and is highly valued by the government. These transnational networks are built with their foreign countries and are manifested as their continuous contacts or close relationships with their overseas PhD supervisors or classmates, or former colleagues, some of whom are world-famous scientists or technological experts such as Nobel laureates. The diasporic technopreneurs utilize these transnational cultural networks to incorporate internationally leading scientists into their entrepreneurial team, which significantly improves their competitiveness in application for Chinese government grants. Most of our interviewees supported this observation. 'If you want to be more competitive in applying for funds or grants from the government, your core work-team members are better to be international. It gives you a lot of advantages'. One informant explained it by his own experience:

In my company the core technological team is made of 6 people. They come from Hong Kong, Denmark, Germany and the US. Some are overseas Chinese and some are pure foreigners. Four of them are my former colleagues in the US. They are all reputable scientists in this field, they do not

necessarily live in China. We usually have an online meeting once a month. Last year I got a big award from the Chinese central government. It is closely related with my strong transnational team.

To sum up, in its interaction with the technopreneur returnees, the Chinese state values the latter's four key attributes, namely, transnational educational credentials, technological know-how, overseas working experience, and transnational knowledge networks. These attributes in turn constitute the main components of the technopreneurs' transnational cultural capital. The government judges the technopreneurs' value or competitiveness by formulating and implementing its own regulations to create corridors for those who fit the criteria and facilitating their innovation while erecting barriers to others who are perceived to be not fitting the criteria.

### **Conversion of transnational cultural capital**

In the conversion of transnational cultural capital into economic value, technopreneurship is a key factor. To stimulate and nurture technopreneurship from diasporic Chinese professionals, the state undertakes various measures to mobilize this transnational cultural capital.

The state has created various business platforms to facilitate the conversion of transnational cultural capital, for instance, COCPDC and *Overseas Chinese Innovative and Entrepreneurial Project Competition*. Most of these fairs are held regularly on an annual basis. As the oldest and biggest entrepreneurial start-up platform for diasporic technopreneurs, the COCPDC is organized and sponsored by three vertically structured governmental institutions, namely, OCAO, the Hubei provincial government, and the Wuhan municipal government. It had been held 16 times from its launch in 2001 to 2017, with some 12,000 overseas Chinese professionals participating in the fairs. More than 2,000 overseas professionals have returned, and 2,500 high technological projects have been imported (COCPDC, 2017). Our investigation shows that about 80% of our informants have taken part in these fairs, among them, 15% once a year and 49% more than twice a year.

Apart from business platforms, the state builds many high-tech industrial parks, which has been regarded as 'a major strategic initiative by the CCP central leadership and the State Council to develop high-tech industries, restructuring industrial structures, promoting upgrading of traditional industries, and enhancing international competitiveness' (Ministry of Science and Technology (MOST), n.d.). Diasporic Chinese technopreneurs take advantage of this initiative and come to dominate in many such parks. By 2017, there were 347 pilot parks throughout China, encompassing more than 79,000 diasporic professional returnees and 27,000 enterprises (*People's Daily [Overseas Edition]*, April 12, 2017). Based in these parks, diasporic technopreneurs can get financial support and benefits, like business start-up funds, subsidized interest for mortgage, venue rental allowance, etc. About 81% of our informants had positive opinions on these parks and considered them 'useful' or 'moderately useful' for

start-up technological enterprises. One technopreneur said: 'The government gave us some benefits on the office rental. It saved us 400,000 CNY every year. Now it seems not a lot. But it really helped us a lot especially at start-up period when our budget was tight'.

To encourage and stimulate diasporic professional returnees' technopreneurship, the governments provide massive financial support to the returnees. The data collected from the Southern University of Science and Technology in Shenzhen shows that in five years, its researchers received 400 million CNY from the Shenzhen municipal government and 100 million CNY from the Guangdong provincial government for their entrepreneurial and innovative activities. Our investigation shows that 80% of the informants got funding support from different governmental levels (Table 6.1). The government funding ranges from several tens of thousands to tens of millions. One technopreneur told us that in the previous five years he had received more than 40 million CNY of funding support from both the central and local governments.

The state is also directly involved in the industrialization and innovation process as a stakeholder. One interviewee said:

The local government gave me a big help in setting up the high-technological industry. As the government was optimistic about my project, a state-owned company became one of the five main investors. Several years later, my enterprise and the state-owned company reached an agreement to establish another joint venture company.

The state offers various preferential policies and convenient services for diasporic technopreneur returnees in establishing enterprises in China, including business start-up guidance and training, industry and commerce registration, generous tax allowances and exemptions, and visa issues. These benefits were appreciated by the technopreneurs, one of whom told us:

When I came back from overseas, I worked in a governmental research institute for one year. After that I began to run my own business. In the beginning, the research institute offered me free use of equipment and venue. It also provided me with several technicians for assistance. These timely measures helped me overcome some difficulties in the initial stage.

As early as 2005, OCAO started coordinating with its local bureaus to stage the *Overseas Chinese Professional Returnees Business Start-up Entrepreneurship Seminar*, and by 2016 this event had been held 29 times in different Chinese cities. Every time there are dozens of diasporic Chinese professional attendees. The seminar usually lasts about five days, and its program covers four parts including the current economic situation of China, the latest related policies from OCAO, business start-up guidance, on-the-spot explorations, and interface meetings with local enterprises. Shanghai has held this event eight times. The total number of participants reached 770, and the ratio of projects successfully

funded and landing in Shanghai through this event has reached more than 13% (Xu, 2016).

To facilitate the conversion of transnational cultural capital into economic capital, the state creates a strong institutional environment to stimulate diasporic professional returnees' technopreneurship. At the same time, the returnees accumulate political capital through their entrepreneurial activities by winning official financial support and building networks with the government officials.

### Incorporating diasporic technopreneurs into the national agenda

The state has made significant efforts to integrate diasporic technopreneurs into the national agenda to maximize their political value. With the increasing number of diasporic returnees, the government has created institutional apparatuses to cultivate links with them. Over the past few years, a number of diasporic Chinese returnee associations have been established throughout China at both the central and local levels. Table 6.2 lists samples of these associations. These organizations have become an official channel for the governments to build and maintain connections with diasporic professional returnees. Among our informants, 71% have taken part in at least one government-linked association. These organizations are usually well structured, having their own regulations and undertaking regular events and management committees. For instance, the management committee of *Entrepreneur Alliance of the All-China Federation of Returned Overseas Chinese* consists of 2 executive directors, 36 vice directors, 132 entrepreneurial members, secretariat, along with a committee of consultants (ACFROC, 2016). These organizations

Table 6.2 Samples of established diasporic Chinese returnee associations

<i>Name</i>	<i>Est. year</i>	<i>Location</i>	<i>Level</i>
Entrepreneur Alliance of the All-China Federation of Returned Overseas Chinese	2016	Beijing	Central government
Hubei New Overseas Chinese Professional Association	2012	Wuhan	Provincial government
Fujian Overseas Chinese Professional Association	2011	Fuzhou	Provincial government
Jiangsu Overseas Chinese Professional Association	2009	Nanjing	Provincial government
Chengdu New Overseas Chinese Associations	2016	Chengdu	Municipal government
Shaoxing Returned Overseas Chinese Professional Association	2015	Shaoxing	Municipal government
Guangzhou New Overseas Chinese Association	2014	Guangzhou	Municipal government
Jinan New Overseas Chinese Association	2014	Jinan	Municipal government
Wuhan New Overseas Chinese Association	2013	Wuhan	Municipal government

usually have hundreds of individual members. The *Fujian Overseas Chinese Professional Association* has 237 committee members, while the *Guangzhou New Overseas Chinese Association* has 230 members. Diasporic technopreneur returnees are usually recruited as key players in these organizations. Take, for example, the *Guangzhou New Overseas Chinese Association*: diasporic technopreneurs constitute the mainstay of its members; its executive president is a technopreneur, with technopreneurs accounting for one-third of the 80-strong committee.

The state strengthens the national identity of diasporic technopreneurs by praising their contribution to the motherland and awarding them with various honors and prizes from the governments. To enhance their sense of belonging to China, the governments have organized seminars and exhibitions that showcase the technopreneurs' success stories and achievements. In addition, the state has initiated some honors, awards, and prizes specifically targeted at diasporic Chinese technopreneurs. In 2009, the OCAO launched the award named *Key Overseas Chinese Entrepreneurial Team*. It is awarded every two years, and by 2015, 230 diasporic technopreneur teams had been awarded recognition and prizes. The ACFROC holds a similar event every two years to recognize and praise new diasporic Chinese innovative and entrepreneurial achievements. By 2016 the ACFROC event had been held 6 times, and 830 diasporic Chinese returnees have been awarded the '*innovative talent*' award, 363 with the '*innovative achievements*' award, 310 with the '*innovative team*' award, and 86 with the '*innovative enterprises*' award (Zhu, 2016).

Apart from the abovementioned awards by the central government, local governments have also offered honors and awards to diasporic technopreneurs. Between 2012 and 2014, the Shandong provincial government had honored 77 local returnee technopreneurs. The Guangzhou municipal government, between 2008 and 2011, awarded 58 outstanding diasporic Chinese entrepreneurs, with 37 of them being technopreneurs, accounting for nearly 70% of the total awardees (Guangzhou Federation of Returned Overseas Chinese, 2014).

The government has promoted diasporic professional returnees to act as an important national strategic human capital. In 2015 Xi Jinping specifically stated that diasporic Chinese scholars and professionals are 'an important part of our talent pool', and the state continues to emphasize diasporic Chinese as an important group that the government must unite with. As the most influential and largest diasporic-Chinese-professionals-orientated organization in China, the Western Returned Scholars Associations (WRSA), which was established in 1913, is led by the secretariat of the CPC Central Committee. The WRSA has more than 20 subassociations, 80,000 individual members, and 30 group members throughout China and has established close networks with more than 100 diasporic Chinese professional organizations overseas. Diasporic technopreneurs (including returnees and those still overseas) are an important part of the targeted members who are encompassed in two affiliated organizations: Entrepreneurs' Friendship Association and Association of Commerce. In 2016 the central government issued an official document, specifying three roles that the WRSA could play, namely, to *develop a Chinese talent*

*pool, to work as a think tank, and to take part in civil diplomacy* (WRSA, 2017). The governments have also actively engaged in technopreneurs for official or semi-official positions, such as ACFROC distinguished specialists, OCAO professional committee members, and ACFROC congress representatives. Eleven of the 66 informants have taken up such official titles.

In summary, the central and local governments have taken various approaches to institutionally incorporate diasporic technopreneurs into the political system and maximize the political value of the technopreneur returnees, who also expand their political capital by joining governmental organizational networks or taking up official positions.

### **Mechanisms of domesticating transnational cultural capital**

Under the Chinese governments' proactive transnational engagement policy, the number of diasporic Chinese technological enterprises increased dramatically. However, the ratio of successful diasporic technopreneurs is not high. Less than 30% of diasporic technopreneur start-up enterprises in some venture parks of the Pearl River Delta region (one of the main areas where the returnee technopreneur settled) could survive beyond 3.5 years (*Yangcheng Evening News*, April 15, 2016). Although it is not atypical for entrepreneurial businesses to fail, the interacting mechanism and its characteristics may contribute to this widespread business failure. This mechanism has three characteristics.

First, it is a two-way interactive relationship between the state and diasporic technopreneurs. The governments take a dominant role and become the main creator of technopreneurship activities. All the related preferential policies, diaspora talent schemes and fairs, financial support, and newly established diasporic Chinese professionals-orientated organizations are substantially driven by the state in a top-down manner. As a result, the state becomes the most active player in this arena. At the same time, diasporic technopreneurs play an active role in engaging with the governments in order to maximize their own interest. This interaction between the state and diasporic technopreneur returnees has been driven by two forces. One is the governments' pursuit for performance and achievements; it forms a kind of 'governmental economy' or 'ritual economy' that denotes deep intertwining logic between the economic, the ritualistic, and the political (Xiang, 2011). The other force is that many technopreneur returnees are more inclined to rely on the government rather than angel investors or venture capitalists. Under the governmental support schemes, they can obtain legitimacy to the new ventures and even build contact with the governmental officials, which is a key benefit as the state takes a dominant role in all economic affairs in the country. As we observed in the GCOCSST, most participating diasporic professionals preferred not to deal with small and medium private enterprises and instead work directly with the government or with state-owned enterprises.

Second, the state judges transnational cultural capital by setting up the qualification bar for diasporic talents. Participants at diasporic talents venture fairs are essentially chosen by the government, which sets its own preferences and

requirements, such as focusing on specific technological fields and a strong emphasis on participants' academic credentials and overseas working experience. In doing so, the state ultimately decides who could be a talent or not. This artificial manipulation of the pool of returnees by the state using restrictive measures might marginalize professional returnees that do not easily fit into the 'desirable' categories.

Those who do fit into the talent criteria were selected by the government and subsequently acquired political capital. However, these talent programs and policies have not yet led to the emergence of a strong technological economy driven by diasporic technopreneurs. Our exploration in the Guangdong Overseas Chinese Entrepreneurs Association (GOCEA) shed light on this issue. Guangdong province is one of the major areas where overseas Chinese enterprises are located. Being one of the most influential overseas Chinese entrepreneur associations in Guangdong, the GOCEA was established in 2007 and has become an important agency for the local government to obtain information about overseas Chinese enterprises in the province. The GOCEA has 429 entrepreneurial members and a directorial committee consisting of leaders drawn from 169 medium and larger enterprises. However, only 11 of those 169 companies are high-technology companies (Guangdong Overseas Chinese Entrepreneurs Association, 2013), suggesting that overseas Chinese traditional industries remain dominant in large and medium enterprises, in both quantity and in strength. This exposes the deficiencies in the current talent programs, particularly the rigid management of diasporic talents and the big influence exerted by the government on the returnees' technopreneurship.

Third, institutional problems exist in the interactions between the state and diasporic technopreneurs. The governments have set up various platforms and preferential policies for diasporic technopreneurs returnees. However, it is difficult to get these platforms to work effectively and to put the policies into practice. More than half of our informants expressed that they did not know much about these governmental preferential policies when they were abroad. During their interactions with government officials after coming back, they face two big problems: government work efficiency and governments' judgment on entrepreneurial projects. Many interviewees complained that although there is a stated preferential policy, part or all of these policies may never be implemented. One diasporic technopreneur interviewee highlighted his experience in registering a company:

As I hold a foreign passport, it is complex for me to get temporary residential card, business license, employment permit and other requested documents. I have been out of China for 20 years; I am not so familiar with government agencies. The governments have supportive policies for diasporic Chinese professionals, but in reality, it takes time to carry out.

Another common complaint from our informants was that the government is not in the best position to appropriately judge the value of technological projects due to the lack of specialist knowledge. And considering the risk of

high-technological industries at the initial stage and the achievements in their officials' careers, most government officials prefer to only invest in start-ups that have already been supported by other means, e.g., venture capital, rather than providing initial funding. Corruption is also a problem—in some cities, giving a red packet ('kick-back') to some officials could facilitate the obtaining of government funds. One informant complained:

The project I brought back to China is very mature in terms of technology, and it has a big potential market. But when I applied to the government for start-up business funds, my project was not given attention at all, because I did not offer red packet to relevant officials.

The above discussion shows the mechanism and characteristics of the state in domesticating transnational cultural capital possessed by diasporic technopreneur returnees. The government takes a dominant role in resources allocation to influence diasporic technopreneurship, and diasporic technopreneurs make efforts to engage with the governments to obtain political capital in order to facilitate the conversion of transnational cultural capital into economic capital. While the state's active role might be instrumental in attracting overseas Chinese technopreneurs back to China, the top-down approach is not conducive for technological innovation and business start-ups.

## **Conclusion**

Against the backdrop of China's transition from a labor-intensive to an innovation-driven economy, the state has vigorously promoted the returnee technopreneur as a new dynamic force in the country's economic development. Although the rise of diasporic technopreneur in China is concomitant with global forces emerging from accelerating globalization, it is nonetheless closely related to the Chinese governments' synchronized efforts in importing diasporic talents. There are several points argued in this chapter, which are centrally relevant to the main arguments of this book pertaining to the political economy of transnational governance.

Firstly, the emergence of diasporic Chinese technopreneurs in China is deeply embedded in the institutional environments of China's political economy. The government has exerted considerable influence, from the luring of diasporic Chinese professionals to the conversion of their transnational cultural capital into economic capital and again to the incorporation of the technopreneurs into the national agenda. As I have detailed in Chapter 1, the various policies towards these highly skilled migrants demonstrate the indispensable role of the networked state in not only reaching out to the transnationalists but also incorporating them into the nationalist frameworks, thus accentuating some key essence of transnational governance.

Secondly, in the conversion of transnational cultural capital, the political authority and power the state exhibited highlight both the existence and



importance of political capital in the globalization of China. In the relatively immature venture environment of China, the acquisition and maintenance of political capital by technopreneur returnees becomes a facilitator or constraint for their development. Whether diasporic technopreneurs can obtain political capital and how much political capital they can gain is determined by whether they are qualified, as set down by the criteria of the governments, and whether they obey the rules of the game. As a consequence, some technopreneurs are mainstreamed, and some are marginalized, with the former being furthermore strategically integrated into the political system. This top-down and state-driven approach, however, could be detrimental to genuine and impactful innovation, which is mainly driven by different logics. For example, Taalbi (2017) argues that rather than being the result of continuous efforts, most innovations were developed as a response to discrete events, history-specific problems, and new technological opportunities. It has also been established that one of the most effective frameworks for promoting science, technology, and innovation (STI) in the 1980s globalizing world has been an emphasis on competitiveness which is shaped by the national systems of innovation for knowledge creation and commercialization. STI policy serves to focus on building links, clusters, and networks, and on stimulating learning between elements in the systems and enabling entrepreneurship (Schot & Steinmueller, 2018).

Last but not least, this chapter also brings out a new emerging mode of immigrant transnationalism in theoretical discourse. Transnationalism was initially defined as 'the process by which immigrants build social fields that link together their country of origin and their country of settlement' (Basch, Schiller, & Blanc, 1994, 1). In this original formulation, transnationalism was proposed from the perspective of immigrants' host countries and emphasized immigrant's transnational networks with their homeland. In the current literature, transnationalism has been largely examined from the perspective of immigrants' transnationality with respect to their original society. However, with the increasing number of Chinese diaspora that are experiencing sizeable returns to the homeland, the diaspora returnees keep transnational contact with their previous settlement society. This in turn requires a reversed analytical perspective and consequent focus on diaspora returnees' transnational practice with respect to their own foreign residential countries, thus enhancing what we call 'dual embeddedness' of immigrant entrepreneurs (Zhou & Liu, 2015; Liu & Ren, 2017). This chapter shows that the technopreneur returnees have built transnational knowledge (and cultural) networks with their foreign resident countries through their overseas study and working experience. And thanks to the economic and political value of the transnational practices, this reversed diasporas' transnational cultural network is furthermore pushed and strengthened by the state.

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## Notes

- 1 This section's discussion on entrepreneurship draws mainly from Liu (2008).
- 2 The definition of political capital is mostly concentrated in the field of political studies, and it refers to a type of invisible currency that politicians use for political purpose (Suellentrop, 2004; Casey, 2008; French, 2011).

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# 7 Global talent management and higher education governance

## The Singapore experience in a comparative perspective

### Introduction

Superior talent will be tomorrow's prime source of competitive advantage.  
(Chambers et al., 1998)

If we do not attract, welcome and make foreign talent feel comfortable in Singapore, we will not be a global city and if we are not a global city, it doesn't count for much. The days of being a regional city, that's over.  
(Lee, 2003)

Since the McKinsey report (Chambers et al., 1998) first coined the term 'war for talent' in 1998, the intensity and scale of this smokeless war have been significantly increased over the past three decades, thanks in no small part to the accelerated pace of globalization, technological advancement, and international migration (with 272 million international migrants in the world as of September 2019, according to UN data). While there are complex factors shaping the outcomes of the war for talent, public policy on higher education, R&D, as well as governance of globally mobile talent plays a pivotal role.

By placing our study of Singapore in the framework of global talent management (GTM), this chapter is concerned with the role of talent strategy in higher education governance, which in turn contributes significantly to a nation's economic growth and competitiveness. The first section of this chapter reviews existing literature on (global) talent management, which has so far been focused primarily on private corporations originating from the West. It also highlights the importance of bringing the public sector and non-Western experiences (such as the East Asian developmental states) into the formulations and implementations of GTM.

The second section of this chapter examines Singapore's trajectory of developing human capital and higher education to promote economic growth over the past half a century since the country's independence in 1965. The twin foci of the talent strategy – centering on the domestic core and supplementing it with global talent – have served as a key engine of economic growth and technological innovation. It gives special attention to the views on talent development by Lee Kuan

Yew, the island country's founding prime minister (1959–1990), which laid the foundation of GTM at work in today's Singapore. This section also examines two key initiatives in the early 21st century that have had an impact on higher education governance: the Global Schoolhouse project launched in 2002 and the move to autonomy of public universities in 2005. It was against this backdrop of economic transformation and policy reformulations that prompted the dynamic rise of the National University of Singapore (NUS) and Nanyang Technological University (NTU) in the global higher education and research scene.

The third section of this chapter discusses the attraction, nurturing, management, and appraisal of faculty members at NTU as a case study to unveil the implementation of talent management strategy on the ground. The conclusion considers the Singapore experience from a comparative perspective and offers some preliminary suggestions on future research directions with respect to GTM in the ever-intensified war for talent.

### **From 'brain circulation' to global 'war for talent'**

The literature on GTM is too numerous to be even succinctly summarized here (see, for example, Tarique & Schuler, 2010; Scullion, Collings & Caligiuri, 2010; Collings, 2014; McDonnell et al., 2017; Keller & Meaney, 2017). McDonnell et al. (2017) suggested that most of the scholarship focuses on 'the management of talent and its implication for the identification, management, development and retention of talented individuals and organisational outcomes'. They further pointed out that '[i]f the field is to advance to maturity there is an acute need for the rather fragmented nature of the literature to be brought closer together towards a more common paradigm'.

This chapter highlights three key issues in the existing literature: the growing recognition of the importance of GTM; the significance of 'brain circulation' in facilitating global war for talent; and the indispensability of developing theoretical frameworks incorporating key stakeholders in the GTM processes. This brief review of the literature will serve as the background for our studies of Singapore and NTU.

As a subfield of talent management, which developed systematically only after the late 1990s and 'faces the challenge of transitioning from a "growing" to a "mature" field of study' (Gallardo-Gallardo et al., 2015), GTM has received increasing attention over the past decade, and certain consensus has emerged. While there are differing definitions of GTM, it has generally been agreed that the following definition provides a starting point for analyzing both the theoretical and practical dimensions of the GTM:

Global talent management includes all organizational activities for the purpose of attracting, selecting, developing, and retaining the best employees in the most strategic roles (those roles necessary to achieve organizational strategic priorities) on a global scale. Global talent management takes into account the differences in both organizations' global strategic priorities as



well as the differences across national contexts for how talent should be managed in the countries where they operate.

(Scullion, Collings, & Caligiuri, 2010)

As Scullion et al. suggested, GTM is a relatively new multidisciplinary field of enquiry ‘as a key strategic issue for multinational corporations (MNCs)’ and that its main focus has been on ‘a key group of core employees, rather than the multinational’s entire human capital pool’. While some scholars call it international talent management, the essence remains the same, as they pay significant attention to the interplay between internal and external dimensions of talent management that used to be confined within a particular geographical space, or the nation-state framework. As Gallardo-Gallardo et al. (2015) point out:

International talent management is about understanding, researching, applying, and revising all HRM activities in their internal and external contexts as they impact the processes of managing human resources in organizations throughout the global environment to enhance the experience of multiple stakeholders. In short, the goal of IHRM is to help multinational companies (MNCs) be successful globally.

The growing phenomenon of ‘brain circulation’, facilitated significantly by the rapid pace of internationalization of higher education (Wildavsky, 2010; Kuzhabekova, Hendel, & Chapman, 2015), has fueled the global war for talent. The number of students who chose to study at a university overseas has grown dramatically in recent decades, nearly quadrupling from 1.3 million in 1990 to 5 million in 2014 (University of Oxford, 2017). As Saxenian (2005) has demonstrated, ‘heightened mobility of highly skilled people’ has become a main driving force in technological development and globalization. Aided by the lowered transaction costs associated with digitization, she argues, Chinese and Indian engineers in the United States are ‘transferring technical and institutional know-how between distant regional economies faster and more flexibly than most large corporations’. As a major departure from the conventional view that sees the migration of talented youth from the developing to the advanced industrialized world as ‘exacerbated international inequality by enriching already wealthy economies at the expense of their poor counterparts’, Saxenian and other scholars (e.g., Liu, 2010; Ma & Pan, 2015; Singh & Krishna, 2015; Tung, 2016) have also demonstrated the global trend of moving away from seeing ‘brain drain’ and ‘brain gain’ as a zero-sum game to conceptualizing global mobility of talent as a positive force of ‘brain circulation’.

One of the direct consequences of ‘brain circulation’ has been the intensified quest for talent on the global scale and relevant policies formulated by some forward-looking governments. As Beechler and Woodward (2009) have pointed out, while the old approaches to ‘talent war’ had been driven by ‘a scarcity state of mind and action’, the recent years have seen the emergence of a more evolutionary paradigm where ‘talent solutions’ are characterized by

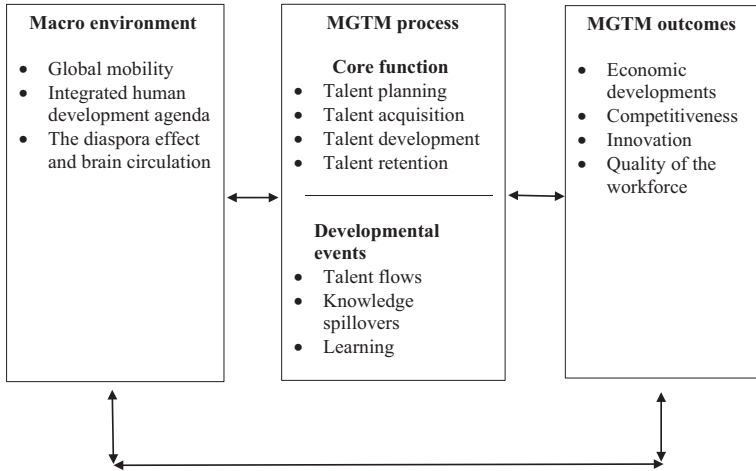
a global mindset for people and organizations; evidence-based management; learning agility; broader and deeper approaches to talent management and professional development that encompass not only ‘top talent’ but a wider range of employees, as well as the capacity to leverage diversity.

Although the past two decades have seen the mushrooming of literature on (global) talent management, scholars have also lamented that the ‘current literature on talent management and performance indicators rarely pays attention to the implementation process, power processes and context’ (Van den Brink, Fruytier, & Thunnissen, 2013). It has also been pointed out that (global) talent management literature lacks ‘a clearly specified theoretical foundation to frame their empirical efforts’ (McDonnell et al., 2017).

In the meantime, there is a need to go beyond the predominant focus on GTM practices of the transnational corporations,<sup>1</sup> many of which originate from the West, and to direct more attention to the knowledge sector such as higher education, which has been characterized by global talent mobility and the ascendance of universities in the developing world (University of Oxford, 2017). It is therefore important not only to guide the empirical research on (global) talent management with carefully developed theoretical frameworks but also to examine GTM’s implementation process under different sociopolitical environments at a time of globalization. As has been pointed out, ‘competing interests, asymmetrical power relations, and political contestation at local, national and regional levels configure and reconfigure contemporary higher education’ (Chou, Kamola, & Pietsch, 2016, 2).

This chapter’s analysis of the Singapore experience of GTM in the higher education sector is based upon the model developed by Khilji, Tarique, and Schuler (2015). Arguing that no institutions, be they domestic or international, can be exempt from social, economic, and political influences of a particular nation and the global environment, they called for the incorporation of a macro view of GTM. This framework incorporates four trends that have shaped GTM’s process and outcome, including global mobility, integrated human development agenda, the diaspora effect and brain circulation, and talent flow and learning. Highlighting the increasing participation of governmental and nongovernmental organizations in attracting and developing talent, they argue that incorporating a macro view of GTM would expand ‘the scope of GTM (beyond individuals and organizations) to specifically address issues related to global labor mobility, and knowledge flow’ (Figure 7.1).

In short, since the 1998 McKinsey report, the importance of talent management and war for talent has garnered growing attention from not only the private sector but also governments (e.g., Liu, 2017a). The accelerated pace of globalization including talent mobility has not only facilitated the dynamic pattern of ‘brain circulation’ but also transformed the war for talent beyond the nation-state boundaries. To better understand the dynamics, characteristics, and impact of GTM, we need to place it within a macro framework that incorporates both domestic and international political economy and the



*Figure 7.1* Macro global talent management (MGTM): a conceptual framework.

Source: Khilji, Tarique, and Schuler (2015).

changing global environment. We have also demonstrated the importance of linking domestic and GTM as they are under the same ecosystem despite some different imperatives (for example, domestic talent has the right to vote, thus deciding the country's political future). The following pages will be devoted to a comparative case study on Singapore's experience of GTM within such an integrated ecosystem.

### **Singapore's evolving talent strategy and higher education landscape**

As a small island nation, Singapore does not have any natural resources and a sizeable domestic market. When it was thrown out from Malaysia in 1965, there were widespread doubts about its very survival as an independent country. Yet, against all the odds, Singapore has managed to achieve enviable economic prosperity and sociopolitical stability. Alongside three other East Asian economies (South Korea, Taiwan, and Hong Kong), Singapore was one of the 'Four Little Tigers' that attracted the World Bank's praise for the 'East Asian Miracle' in the mid-1980s. By the end of the 20th century, the country has moved from being a developing to becoming a developed country, with a per-capita GDP of US\$65,233 in 2019 (a substantial increase from US\$516 in 1965), which is ranked in the top ten globally, well ahead of many developed nations, including Britain, its former metropolitan state.

Numerous interpretations have been advanced in explaining the 'Singapore Miracle' (see, for example, Vogel, 1991; Huff, 1997; Lee, 2012; Woo, 2018a; Tyson, 2018; Vasil, 2020). This chapter concurs with Neo & Chen (2007) that

dynamic governance – defined as a proactive approach that emphasizes learning, foresight, adaptability to policymaking and implementation by actively anticipating future developments, gathering feedback, evaluating performance, and learning from others – plays a crucial role in Singapore’s postindependence trajectory. Taking a step further from this conceptualization which focuses on the nation’s civil service, I argue that the formulation and implementation of (global) talent strategy in the higher education sector is a key component of the dynamic governance that lifts the country from being a Third World to becoming a First World country.

As we have demonstrated elsewhere (Liu & Wang, 2015), Singapore’s talent strategy has been characterized by four major features: it has been formulated as a national strategy receiving support from the top political leadership; systemic incorporation of agendas in promoting economic growth and educational development; institutionalization of government mechanisms in attracting and nurturing talent; and effective implementation of the (global) talent strategy. This section will focus on the first three characteristics, while the implementation aspect will be examined in the next section through a case study of NTU.

Singapore’s global talent strategy has been part and parcel of the country’s overall talent strategy, which has in turn been shaped by sociopolitical and economic transition since 1965. Talent strategy of Singapore’s tertiary institutions goes hand in hand with similar plans adopted by the country as a whole. They are inseparable. Thus, the former’s characteristics and importance have already been established from the start. Singapore’s talent strategy, as a part of the national strategy, is driven directly by the country’s highest political leadership. Since the nation-building years began in 1965, Singapore has undergone three generations of political leadership. They have developed the country’s talent strategy based on the needs of society and economic development during their respective terms in office.

During the Lee Kuan Yew era (1965–1990), the emphasis was on recruiting political talent, especially in nurturing the able ones, and developing tertiary education to support economic growth. Goh Chok Tong’s administration (1990–2004) coincided with the crucial period of Singapore’s rapid economic transition from a manufacturing-based to a knowledge-driven economy. Therefore, he emphasized attracting global talent. While the political climate has been stable during the Lee Hsien Loong years (2004–present), the period saw Singapore weathering several financial crises that put pressure on the economy, resulting in a job crunch. Then there were changes taking place in mainstream society and negative reactions from citizens to the massive influx of foreigners (Liu, 2014; Ho & Foo, 2017; Yang, 2018; Zhan & Zhou, 2020). Apart from popular nationalism, which views ‘Singapore as a nation-state with a unique and evolving identity destabilized by a liberal immigration policy’ (Lim, 2015), there were also criticisms on the elitist nature of the political regime, which could undermine the basis of meritocracy, considered as the nation’s ‘founding myth’ (e.g., Barr, 2014; Tan, 2018). As a result, the country’s talent strategy turned somewhat inward, first to improve the quality of its citizens and then encourage the return

of Singaporean talents from overseas. The country's foreign talent policy has to be tweaked with an aim to reduce the conflicts between the locals and new immigrants so as to achieve social harmony.

*(Global) talent strategy as a national policy priority*

As the founding father of the Republic of Singapore who served as the Prime Minister from 1965 to 1990 and continued to play an instrumental role in policymaking as Senior Minister and Minister Mentor till 2011, Lee Kuan Yew's ideas had a significant impact upon the formulation and implementation of the country's talent strategy. As has been demonstrated elsewhere (Liu & Zhang, 2017), there were three core elements in his thoughts on talent: developing higher education to nurture talent; selecting capable political leaders to run the government; and attracting foreign talent to support the nation's economic development and enhance its competitiveness.

In Lee's view, tertiary education was not only conducive to developing talent but also indispensable for economic development. Lee Kuan Yew emphasized as early as 1962, prior to the country's independence, what needed to be done (Lee, 2011, 435–437):

- to establish universities to nurture Singaporean and Malaysian talent so as to achieve the goal of becoming an industrialized society;
- to expand the University of Singapore and Nanyang University and to coordinate with the development plan for the Jurong Industrial Estate; and
- to draw up appropriate policies to expand education institutions and, over the next 12 years, to attract and groom young people who would help build an industrialized society.

It is obvious that from the very beginning higher education had been intrinsically linked to the nation's economic development agendas. Lee Kuan Yew said, 'We need people with more than the ability to turn a company around. We need people who can empathize with others' emotions, feelings and aspirations; to mobilize the people to strive with you to achieve the desired life'. He also constantly reiterated the importance of recruitment of talent for the ruling People's Action Party (PAP) (Lee, 2011, 477–479).

At a PAP cadre meeting in 1984, Lee talked about the relationship between politics and talent, stressing the fact that leaders did not come about by chance. He explained: 'Once the PAP stops recruiting talent, it will become weak and the talented will either go somewhere else or pose a challenge to PAP's political power'. During a parliamentary debate on the revision of salaries for public servants in 1989, Lee gave reasons for ministerial pay increases as follows:

It is important to maintain a stable government, set good policies and ensure economic growth. But they require the government to attract at least 30 of the top 100 students in each cohort every year to join the civil service. They include jobs in the administrative service, public hospitals, engineering,

accounting or the legal departments. Otherwise, the government will not be able to provide conditions for growth in the private sector.

(Lee, 2011, 496)

While developing local talent serves as the core of Singapore's talent strategy, the country faces a declining fertility rate and a growing aging population. In 2010, the total fertility rate was just 1.15, far below the population replacement rate of 2.1 (Sun, 2012), and it went down further to 1.1 in 2020, despite various generous support schemes initiated by the government to increase birth rate. For a country with only a few million people, it was not sufficient to rely on home-grown talent. Lee Kuan Yew once pointed out that the whole society depended on about 300 people (top civil servants and political elites) who bore the burden of carrying out government policies. If all the 300 were to crash in one jumbo jet, then Singapore would disintegrate. As early as the 1980s, he already realized the importance of attracting talent from around the world.

Speaking to the National Trades Union Congress on 'The Future', Lee pointed out, 'Without these foreign-born talents who take on responsibilities at ministries and statutory boards, Singapore would never have been able to achieve what it has today'. In his 1989 National Day Rally Speech, Lee said that the government's policy of attracting foreign immigrants was 'for the sake of Singapore's economy, society and politics, and would not disadvantage any Singaporean climbing the social ladder'. In his capacity as Minister Mentor, Lee Kuan Yew emphasized in 2009 that if Singapore were not able to reach the 2.1 population replacement rate, it would be in trouble. He said that Singapore needed a steady flow of able, young, and energetic immigrants from China, India, and Southeast Asia who would help maintain the vibrancy and vitality of Singapore society (Lee, 2011, 501).

As mentioned earlier, GTM is conditioned by the country's political economy. The fact that Singapore has embraced a multicultural and multilingual inclusive society has significantly enhanced its attractiveness for global talent. As Lee Kuan Yew made clear in his press conference when the country announced its independence on August 9, 1965, 'We are going to be a multiracial nation in Singapore. We will set the example. This is not a Malay nation; this is not a Chinese nation; this is not an Indian nation. Everyone will have his place, equal: language, culture, religion' (National Archives of Singapore, 1965).

The economic transition further mandated the essential role of talent strategy. At the end of the 20th century, Singapore's economy underwent significant structural changes: labor-intensive manufacturing industries were no longer the stars of economic growth, and high value-added and high-tech industries became the driving force behind the increasingly regionalized and globalized economy. From 1999, the government committed itself to develop a knowledge-based economy and encourage manufacturing and service industries to complement each other. Lee Kuan Yew's ideas on both domestic and global talent development have greatly influenced the government's approach and strategy since the nation's independence in 1965.

Goh Chok Tong became Prime Minister in 1990 when he faced challenges of globalization as well as a low fertility rate at home. The years after the 1990s saw a

major shift of focus on developing domestic talent to a dual focus on prioritizing domestic talent while attracting global talent to enhance the nation's economic competitiveness. He told the nation in 1999: 'It is talent that counts. We can be neither a first-world economy nor a world-class home without talent. We have to supplement our talent from abroad'. In his 2001 National Day Rally Speech, Goh Chok Tong spoke of the need to attract talents, its feasibility, and the ways to do so. He believed that foreign talents were important in helping to address the problems of a dwindling population and to transform the economy. It was against this background that Goh formulated a specific global talent strategy by clearly identifying who were needed, as he announced in his 1997 National Day Rally Speech, in which he stressed that three categories of foreign talent could contribute to Singapore's economy. These were: (1) at the top, such as CEOs, scientists, academics, and artists; (2) professionals such as engineers, accountants, IT professionals, teachers, and administrators; and (3) skilled workers such as bus drivers and technicians (cited in Liu & Wang, 2015).<sup>2</sup>

The foreign talent strategy during the Goh Chok Tong years had a great impact on Singapore society. For one thing, foreign talent, alongside a massive scale of immigrants, came in big numbers. According to the 2010 Singapore Census,<sup>3</sup> the nonresident population accounted for 25.7% of the total population, increasing from 18.7% in the previous decade. The percentage of permanent residents rose from 8.8% of the total population in 2000 to 14.3% in 2010. The foreign born constituted 34.7% of the country's labor force in 2010, up drastically from 28.1% in 2000 (Liu, 2014).

In 2004, Lee Hsien Loong took over from Goh Chok Tong to become Singapore's third Prime Minister. By then, Singapore's economy had already recovered after a series of restructurings and had entered the First World economy. The population, especially younger citizens born after independence, has higher expectations of the government and its responsibility. The government has thus made significant efforts to raise the quality of education as well as to promote lifelong learning. The combination of these circumstances and the heightened pace of globalization shaped the key policy initiatives that have had a major impact on (global) talent strategy over the past two decades. These initiatives included the Global Schoolhouse project and the Autonomy of Public Universities.

### *From Global Schoolhouse to SkillsFuture*

As we have shown, Singapore's talent strategy has been intimately and structurally linked to education, which grew rapidly since the late 20th century. Between 1980 and 2000, the cohort participation rate (percentage of primary school children in each year who subsequently enrolled successfully at the local universities) increased from 5% to 21%. The enrolment rate of the polytechnic sector increased from 5% to 38% over the same period. The total enrolment rate for the higher education sector, comprising both universities and polytechnics, was raised from 10% in 1980 to 59% in 2000 (Toh, 2012). Higher education in Singapore serves

three greater purposes: to develop local talent, to attract foreign talent, and to repatriate diasporic talent (Lee, 2014; see also Ortega et al., 2018).

There is also an important economic dimension in the higher education sector. As a highly globalized economy, the Singapore government realized the growing trend of internationalization of education and its potential contributions. With a global education market valued at approximately US\$2.2 trillion, Singapore's higher education sector was positioned as a major revenue-generating sector of the economy (Ng, 2013). As Jessop (2016) has noted, in the context of East Asian developmental state, of which Singapore is one of the prominent examples:

[H]igher education is increasingly construed as a directly economic factor to be governed in conjunction with other such factors to boost economic competitiveness rather than viewed in terms of its functional differentiation and specialization within a stable social order. It is judged in terms of its economic efficiency and contributions to national systems of innovation, learning economy, the KBE [*knowledge-based economy*], and 'enterprise culture'.

It was in this context that at the beginning of the 21st century, Singapore endeavored to become the 'Boston of the East', a global knowledge-based hub associated with innovation, creativity, informed debate, and significant university–industry linkages (Olds, 2007; Mok, 2008). The government launched the Global Schoolhouse project, which rested on three pillars: extend financial support to an identified group of 'world class universities' to establish operations in Singapore; attract 150,000 international students by 2015 to study in both private and state-run education institutions; and remodel all levels of Singaporean education to inculcate the attributes of risk-taking, creativity, and entrepreneurialism (Sidhu, Ho, & Yeoh, 2011). In the meantime, the Global Schoolhouse initiative was considered as an important strategy of the nation opening up its territory to the presence of foreign higher education providers and consumers (Lo, 2014).

Another key development in the first decade of the 21st century that has had a significant impact on Singapore's (global) talent management was local public universities' move toward autonomous governance. There were five public universities at the time: National University of Singapore (NUS), Nanyang Technological University (NTU), Singapore Management University (SMU), Singapore University of Technology and Design (SUTD), and Singapore Institute of Technology (SIT). In 2005, the Ministry of Education announced:

[...] as autonomous universities, NUS, NTU and SMU will be given greater flexibility to decide on matters such as their internal governance, budget utilization, tuition fees and admission requirements. ... These flexibilities given to our universities will enable them to differentiate themselves and pursue their own strategies to bring about the most optimal outcomes for their stake-holders.

(Ministry of Education, Singapore, 2005)



This move represented a major departure from the old practices whereby the Ministry of Education controlled every detail of university governance and aimed at promoting an ‘entrepreneurial spirit’. It has been pointed out that the move toward autonomous universities was management driven: ‘strong university administration has been given more flexibility in running their businesses, more autonomy and discretion is granted to the management in staffing and finance matters’ (Mok, 2010). While the universities are held accountable for ‘Key Performance Indicators’, local autonomous universities, as well as national universities, must also continue to fulfil their critical roles of training a graduate workforce for Singapore’s economy (Ng, 2013).

The connections between higher education and economic development – and talent strategy in an indirect way – have also been clearly demonstrated in the launch of the new nationwide movement of lifelong learning, the SkillsFuture initiative since 2015, which aims at upgrading the abilities and skills of the local workforce using public funds and collaborating with education institutions to open courses for students as a platform for lifelong learning (Woo, 2018b). The initiative focuses on four main areas: (1) helping individuals make well-informed choices in education, training, and careers; (2) developing an integrated, high-quality system of education and training that responds to constantly evolving industry needs; (3) promoting employer recognition and career development based on skills and mastery; and (4) fostering a culture that supports and celebrates lifelong learning.<sup>4</sup>

Tertiary institutions form part of society. Singapore’s overall (global) talent strategy, therefore, naturally has a great impact on tertiary institutions, such as NTU. And their development, from the end of the last century onward, had been growing in tandem with the transformation of the Singapore economy into a knowledge-based one and the establishment of the country as an ‘Education Hub’ in Asia.

### **Global talent management and public–private collaboration**

A main characteristic of Singapore’s GTM lies in the effective collaboration between government policies and market mechanisms. The government provides conducive policies and guiding principles but does not do everything. Instead, it makes use of a system of measures to attract talent from all over the world.

The Economic Development Board (EDB) and the Ministry of Manpower jointly set up ‘Contact Singapore’, which can be seen as a national head-hunter, with the aim of attracting international talent to work, invest, and live in Singapore. It has offices in Asia, including Beijing and Shanghai, as well as Europe and North America, providing a one-stop platform for talented people interested in working in, investing in, or launching new business activities in Singapore. This agency also works with the private sector in Singapore to assist potential investors in Singapore (Liu & Wang, 2015; see also Rodan, 2016).

‘Contact Singapore’ is not just aiming to attract foreign talent; it also aims to connect the country with Singaporeans overseas (who number more than

200,000 and many are highly educated) to pave the way for their return home one day. The network of 'Contact Singapore' has enabled it to know their whereabouts and career development abroad. This in turn facilitates a quick response should they decide to return home.

Attracting and managing international talent requires a whole system of administrative measures to be successful. Singapore's strategy of defining, identifying, rewarding, and managing international talent has several unique features. The channels for attracting international talent are both diversified and coordinated. The International Talent Division (now renamed as the Foreign Manpower Management Division) of the Ministry of Manpower is responsible for setting up the parameters of global talent recruitment. It updates an annual Strategic and Skills-in-Demand List in accordance with the economy's changing needs. For example, industries for which Singapore requires talent from overseas include banking and finance, pharmaceuticals, chemicals, electronic equipment manufacturing, healthcare, information and communications, interactive digital media, law, shipping, and tourism. Foreigners with relevant skills are given priority when they apply for employment passes. The Ministry of Manpower also introduced a free online self-assessment tool to enable potential employers or employees to find out whether an employment pass application would be likely to be approved.

Having attracted a large number of foreign talents, the Singapore government pays attention to their integration into society. In 2007, a National Population and Talent Division was set up in the Prime Minister's Office with responsibility for integrating immigrants and enabling them to contribute to Singapore society. The government provided S\$10 million to establish the Community Integration Fund. In 2009, the National Integration Council was set up jointly by the public and private sectors to open 'doors, hearts and minds' to help new immigrants integrate into society and promote mutual trust between different sectors of society. The Council focuses on areas such as raising public knowledge on the importance of a policy for the integration of immigrants, helping new residents to adapt to Singapore's way of living, such as understanding local culture and social norms, and nurturing and deepening the feelings for and sense of belonging for both Singaporeans and newcomers (Zhou & Liu, 2016).

### *Public responses to global talent strategy and policy adjustments after 2011*

Despite the above policy initiatives aiming at integrating foreigners into local society, the rapid and large-scale influx of immigrants, foreign talent included, has caused many Singaporeans to feel that there are too many differences between themselves and the new immigrants (including those from mainland China) and that the influx of large numbers of immigrants has intensified competition for scarce resources (such as jobs, public housing, transport, schools, and healthcare). They also doubt the loyalty of these new immigrants (Liu, 2014). There was growing resentment among Singaporeans against the 'open-door' policy as reflected in the Global Schoolhouse project, as local university places were lost to international students (Lo, 2014). Migration became a hot topic in

the May 2011 general election and the August 2011 presidential election. And the general populace's discontent over immigration policy, of which global talent strategy was an integral component, became a main reason for the PAP receiving only 60% of the popular votes in the general election – the lowest since 1965, with the opposition parties getting 40% (Liu, 2014; Lim, 2015).

After 2011, the government pursued 'Singaporeans First' policies, slowing down the pace of immigration and raising the bar for immigrants. It widened the gaps of public benefits among citizens, permanent residents, and foreigners on the one hand and made greater effort to attract Singaporean talents overseas to return on the other. And the Global Schoolhouse initiative has further shifted its focus toward 'building industry-relevant manpower capabilities and helping to attract, develop and retain talent'. This is a manifestation of an overall change in the country's global talent strategy. As William Lo (2014) pointed out: 'Achieving a right balance between global and local has replaced the emphasis on managing globalisation'.

On a related matter pertaining to the conflicting logics of globalism and localism, Singapore's foreign talent strategy in the higher education and research sectors is a reflection of a global trend in which the public and private boundaries are blurring with respect to talent management. As has been demonstrated:

[...] universities have been transforming from a collegial system, backed by an ideology that led professors to expect and to enjoy high levels of independence and autonomy, relatively free from any sense of management and accountability, to a managerial model in which management practices are adopted from the private sector.

(Van den Brink, Fruytier, & Thunnissen, 2013)

The overriding dominance of economic development logic behind higher education and global talent strategy may have produced some unintended consequences. It has been reported, for example, that bioscientists in Singapore felt that their community received too much pressure from funding agencies to generate economic returns. And the differences in corporate cultures between a university in Singapore and its counterpart in the West may lead to doubts on the part of foreign academics regarding whether they should follow an official research agenda just because the financial support is there (Ng, 2013; Krishna & Sha, 2015).

On a global and comparative level, the Singapore case also reflects the increasingly complex relationship between academic mobility and knowledge and identity capital and their mutual entanglement as academics move internationally. As Teri Kim (2017) has observed, the contemporary movement of academics takes place within old hierarchies among nation-states, but such old hierarchies intersect with new academic stratifications at a time of global mobility (see also Chou, Kamola, & Pietsch, 2016; Yonezawa, Horta, & Osawa, 2016).

It should be noted that while policy focus has shifted from attracting global talent to nurturing local talent, including preparing the local workforce for economic restructuring and the Fourth Industrial Revolution through state-driven programs such as the SkillsFuture initiative, the Singapore government has not

subscribed to populist policies that have been instituted in many industrialized nations. Prime Minister Lee Hsien Loong remarked at the 2016 meeting of the Research, Innovation and Enterprise Council, of which he has been the chairman since its founding in 2006: ‘To drive the RIE 2020, we will need good people, both Singaporeans as well as foreign talent’.<sup>5</sup>

We can draw a few observations from the proceeding discussions. In the first place, talent strategy has been formulated as the national policy priority since Singapore’s independence in 1965, and this strategy has been implemented alongside the paramount agenda of socioeconomic development. Second, due to the declining fertility rate and transition to a knowledge-based economy, Singapore has also opened its door to embrace highly skilled immigrants to join its workforce, using a global talent strategy to supplement its domestic talent strategy. The integration of the two-pronged strategy has contributed significantly to the country’s growth and transformation into the First World economy. Third, considered as a main driver for economic growth and innovation, higher education has been instrumental in the overall talent strategy. As one of the most globalized and connected economies in the world, higher education in Singapore has benefitted from talent mobility of international academics over the past two decades. The internal structural and policy adjustments, evidenced by the Global Schoolhouse project and the move toward autonomy of the public universities in the first decade of the 21st century, have prepared Singapore well for the opportunities brought about by the internationalization of higher education and brain circulation. Finally, global talent strategy is also a public policy not only in that it is part and parcel of the country’s immigration policy (thus impacting the local socioeconomic landscape), but it also garnered mixed reactions from the public. This has led to the change of focus on talent development in Singapore since the ‘watershed’ 2011 general election. While global talents are still welcome, there has been a greater focus on developing local talent and local workforce, as evidenced by the large-scale implementation of the SkillsFuture program over the past few years.

The Singapore experience, in short, demonstrates the validity of the macro view on GTM and exemplifies the value of the transnational governance framework in incorporating the political economy of the nation-state and globalization. It is against this backdrop that Singapore has made admirable progress in human capital. The World Bank’s Human Capital Index 2020 places Singapore as the first among 174 economies, while the nation is ranked third (after Switzerland and the United States) in the *Global Talent Competitiveness Index 2020* (INSEAD, 2020). According to a recent World Bank report (Yusuf, 2020), ‘Many elements of the Singapore model [of human capital development] are considered conventional wisdom’ and its attraction of migrants is one of the factors behind the country’s success.

### *(Global) talent management at Nanyang Technological University*

The essence of Singapore’s dynamic governance lies in the effective implementation of public policy and its adjustment according to the circumstances (Neo &

Chen, 2007). It is therefore imperative to examine at the operational level how the global talent strategy in the higher education sector described in the previous section was implemented. While there have been a few studies on the NUS and NTU (Xavier & Alsagoff, 2013; Lim & Boey 2014; Su, 2020), no attempts have been undertaken to place the evolution of NTU's talent strategy in the contexts of GTM and the political economy of higher education in Singapore. This section briefly discusses the practices of talent management – recruitment, nurturing, and appraisal of faculty members at NTU.<sup>6</sup>

Being a research-intensive public university, NTU now occupies the former Nanyang University's campus where the Nanyang Technological Institute, or NTI, was set up in 1981. A decade later, in 1991, NTI merged with the National Institute of Education and was upgraded to be a full-fledged university and renamed NTU. The new university grew rapidly and soon expanded from training engineers to being a comprehensive tertiary institution. NTU's vision and mission is 'A great global university founded on science and technology, nurturing leaders through research and broad education in diverse disciplines'.

NTU is organized into five colleges, namely College of Engineering; College of Humanities, Arts and Social Sciences; College of Science; the Nanyang Business School; and the Lee Kong Chian School of Medicine. The 5 colleges comprise 13 schools. It also includes the National Institute of Education, College of Professional and Continuing Education, Interdisciplinary Graduate School, and S. Rajaratnam School of International Studies. NTU provides courses spanning from engineering, business, and medicine to media and mass communications, education, humanities, and social sciences. NTU's 2017 statistics show the university has a total of 5,100 faculty and researchers from 81 countries, 23,700 undergraduate students, and 8,000 postgraduate students (Nanyang Technological University, 2019).

NTU follows Singapore's national strategy in promoting research and innovation. As a global university on the rise, NTU is equipped with an international outlook, and it is also a meeting point for East and West. In recent years, the university made big strides in at least three world university rankings. It was placed 12th in the Quacquarelli Symonds or QS World University Rankings in 2022 (up from 74 in 2010). Also, for the fifth consecutive year, it has been named among the Top 50 Young Universities globally and is a Top 100 University in the world. NTU rose to the 47th position (up from 174 in 2010) in the *Times Higher Education* World University Rankings 2021. In addition, NTU also received accolades for its achievements in many other areas of research including engineering, chemistry, material sciences, and education.

While no rankings are perfect and there is no single yardstick with which to judge the accomplishments of universities (Goglio, 2016; Soh, 2017), the fact that all the major key performance indicators have shown NTU's significant rise over the past decade does demonstrate that the university has done something right. How did a young university manage to achieve so much in such a short span of time? While the overall strategy of talent development and substantial funding support for higher education, as shown in the previous section, has

played an instrumental role in this process, we believe that (global) talent management is another key factor contributing to NTU's development. The quality of its faculty will, to a large extent, determine the growth of a university, whether in speed, depth, and breadth of growth or its future prospects. NTU's rapid growth came after its series of new measures to attract and nurture talents and establishing a management and evaluation system after it was granted autonomous status by the government in 2006. NTU's talent strategy is structured into two levels: a combination of both top-down and bottom-up approaches and the synergy between the internal procedures and external assessment. We will next introduce the thoughts behind the strategy and its implementation.

In NTU's talent recruitment model, the responsibility lies in the individual colleges/schools to recruit. The advertisements are placed in key global locations, such as the *Chronicle for Higher Education* and *Times Higher Education*, in addition to various specialized professional magazines and websites. This ensures global reach for best possible candidates. There are also set criteria for the composition of recruitment committees. External assessment in line with the global standard also plays a key role in the selection process. Applications for full professors will require the assessment of at least ten referees from outside the university, all of whom are leading and internationally known academics. The three shortlisted candidates must give an introductory lecture to undergraduates during their on-campus visit. Their performance will be assessed by the students whose scores and comments have great influence on the final selection outcome. The candidates must also present a research seminar to postgraduate students and faculty members, who will then give their feedback to the recruitment committee. It is only after this process that the search committee would recommend one candidate for the university's approval through the School Chair and College Dean. The appointment of associate and full professors with tenure needs to be approved by the Academic Affairs Committee of the University's Board of Trustees, which is the highest governing organ within the university's governance framework. The Academic Affairs Committee provides oversight and policy guidance for and directly supports the academic concerns of the university as well as the management of faculty and related matters.

It is through such a stringent and rigorous procedure that NTU has been able to attract talents from all over the world to enable the university's rapid growth. In nurturing talents, NTU has adopted several practices including but not limited to: offering internationally competitive remuneration packages including start-up research grants; providing a conducive academic environment and a comprehensive talent nurturing system; setting up a Mentoring Programme and the Teaching Foundation Programme to be led by experienced faculty members to guide the new faculty members, and so on.

Between 2006 and 2015, assistant professors recruited for the tenure track were given three three-year-long contracts, totaling nine years. In their fifth year, they could apply for tenure. If they failed the first attempt, they were allowed to make a second attempt. If they failed again, they would need to leave by the end of the ninth year or after the completion of their third three-year contract. The

university changed the system from 2016 onward: the first contract is for four years, and after completing the four-year contract, successful applicants for tenure were given a second contract of three years. During the period, the faculty could apply for associate professorship with tenure.

Just like all international research-intensive universities, obtaining tenure is a big milestone for faculty members. It is not only a recognition of his or her ability in teaching and research achievements but also a form of job security, as it enables tenured faculty to continue working till retirement age (65 at present) apart from other benefits such as sabbatical leave with full pay. For assistant professors, their applications for tenure and promotions to associate professorships are linked together in the same exercise. The university conducts the promotion exercise twice annually. Those applying for tenure must go through stringent assessments including areas in teaching, research and service, in the ratio of 5:5:2. On teaching, the assessment includes students' feedback. The assessment on research is mainly on the candidate's international impact in his or her respective field. It includes the number of research publications, their quality and the numbers of citations, research grants and awards, and so on. In the area of service, the assessment includes the candidate's editorial committees of international journals and his or her administrative appointments in the university and the community (see also Lim & Boey, 2014).

Another important aspect of the university's talent management is the annual performance appraisal system. At NTU, efforts are made to consider the different job scopes of its professors, associate professors, assistant professors, senior lecturers, and lecturers, which includes their course plans in their performance appraisals. To a certain extent, it plays a role of a posttenure review for associate and full professors, which has been under extensive discussions in the United States (Aper & Fry, 2003; June, 2018). The system serves as a mechanism to ensure faculty members, including those tenured, to perform well throughout their academic career.

In short, that NTU can rise to be a global university within such a short period is partly due to the critical importance the Singapore government attaches to tertiary education and the substantial funding it has poured into the local public universities, which has freed them from financial burdens that are typical of many universities in the industrialized West. An equally, or perhaps even more, important reason, in our view, lies in the university's talent governance structure and its implementation. The fact that a significant proportion of the faculty and researchers come from outside of Singapore (including NTU's current and immediate past presidents, in offices since 2018 and 2011, respectively) has not only reaffirmed the country's favorable positioning with respect to global talent but has also demonstrated the effectiveness of GTM at work.

## **Conclusion and future research directions**

This chapter has shown the importance of (global) talent management for a nation's socioeconomic development. Although a relatively young field

of scholarly inquiry, GTM has gained increasing attention from academics, practitioners, and policymakers, as there is widespread acknowledgment of the critical role of global war for talent in a country's socioeconomic growth. While recruitment, attraction, and retention of talent have long been central to the human resources literature and practice, our study has reaffirmed the framework proposed by Khilji, Tarique, and Schuler (2015) with respect to the incorporation of the macro view in GTM. In the age of brain circulation and the heightened pace of academic mobility on the international stage, GTM in higher education contributes significantly to innovation and economic competitiveness.

As a newly independent nation that has successfully transformed itself within a few decades from a poor Third World country to a First World economy enjoying high level of prosperity, Singapore serves as a fine example of managing talent, both domestic and international, for its development and economic transformation. The key role of dynamic governance, in which forward-looking policy formulation and effective implementation, as well as adjustments in line with domestic and global sociopolitical environments, have been evident in both the public sector as well as public university management. The Global Schoolhouse project and the autonomous model of governance for public universities in the first decade of the 21st century laid a solid foundation for the nation's progress toward becoming a knowledge-based economy. Although there have been adjustments with regard to immigration policies after the 2011 general election, Singapore remains committed to attracting global talent who can contribute to the country's further development. Even at the height of the global Covid-19 pandemic, which led to the worst economic recession since the country's independence, Prime Minister Lee Hsien Loong spoke publicly that the city-state must welcome foreign talent to realize its goal of becoming a technology center while acknowledging the tensions this could foster with the local population.<sup>7</sup>

The case of NTU's rapid ascendance in the global arena of higher education demonstrates the skillful combination of dynamic governance at the national level and effective implementation of (global) talent management at the local level. There are some ideals and mechanisms that may have wider relevance. These include: building a unique culture for the university; developing a student-centric learning system; pursuing globally cutting-edge research; orienting itself in serving the country and promoting socioeconomic development of the region; formulating and implementing a systemic strategy for recruiting and nurturing domestic and international talents so that they can play a key role in tertiary education; and developing a robust structure of assessing faculty members based upon their teaching effectiveness and global impact in research, supplemented by their contribution to service.

Our discussions have also pointed to some future directions of research with respect to GTM in higher education governance. In the first place, it is necessary to explore comparatively experiences of GTM in non-Western countries. While there are some recent studies on non-Western university experiences (e.g., Mok, 2010; Xavier & Alsagoff, 2013; Soh & Ho, 2014; Liu, 2017b; Rungfamai, 2017; Van der Wende, et al., 2020), existing studies of GTM have been focused



on practices of higher education in the industrialized West, which has been primarily driven by the free-market approach (e.g., Urquiola, 2020). The Asian practices in higher education governance, however, have been predominately propelled by developmental states from the top. With global economic gravity steadily shifting toward the Global South, where higher education has developed at a much faster pace, it is imperative to compare and contrast the different trajectories as well as their global and theoretical significance. In this sense, GTM in higher education governance is both a reflection and reinforcement of the emerging Asian models of governance that have impacted different arenas (cf., Marginson, 2011; Wang & Liu, 2018). Comparative studies of these different models in the Global North and Global South, therefore, will provide greater insights for an understanding of the changing dynamics of governance in higher education and talent mobility.

Second, it is imperative to incorporate both domestic and GTM in a unified research framework. Existing literature tends to treat the two under separate frameworks with different units of analysis. While there is no doubt that diverging interests and operational logics are at work, the mechanisms and structures of both domestic and GTM are closely linked, and in the higher education arena, recruitment, nurturing, and appraisals of talent have certain uniformed global benchmarks (which have been reinforced by the supremacy of various global rankings of universities). The separation of two systems in managing domestic and global talent may lead to double standards and demoralization/alienation of a particular group, which is not in line with the merit-based essence of talent management.

Finally, we need to further examine the impact of global talent strategy in the public policy arena and vice versa. As the case of Singapore has shown, foreign talent policy has been an integral part of the country's immigration policy, which has come under increasing public scrutiny in recent years. While the Singapore government has maintained its position in embracing global talent, many countries have reverted to populist policies by shutting their doors to outsiders. How this populist turn will affect GTM in the long run, and how to forge a sensible balance between nationalistic sentiments and logics of global mobility, and how these trends affect international higher education governance are future questions that require comparative and empirical research from an interdisciplinary perspective.

[This is a revised and updated version of Hong Liu, "Global Talent Management and Higher Education Governance: The Singapore Experience in a Comparative Perspective," in Eric Yipeng Liu, ed., *Research Handbook of International Talent Management* (Cheltenham, UK: Edward Elgar, 2019), pp. 339–363.]

## Notes

- 1 Besides transnational corporations, entrepreneurial talent mobility is another rising area that is worth studying closely. See, for example, Xing, Liu, and Cooper (2018) and Liu (2017a).

- 2 For the full text of the speech, see [www.nas.gov.sg/archivesonline/data/pdfdoc/199708240e.htm](http://www.nas.gov.sg/archivesonline/data/pdfdoc/199708240e.htm).
- 3 [www.singstat.gov.sg/-/media/files/publications/cop2010/census\\_2010\\_advance\\_census\\_release/c2010acr.pdf](http://www.singstat.gov.sg/-/media/files/publications/cop2010/census_2010_advance_census_release/c2010acr.pdf)
- 4 'SkillsFuture', *Ministry of Manpower*, May 2018, accessed March 19, 2019 at [www.mom.gov.sg/employment-practices/skills-training-and-development/skillsfuture](http://www.mom.gov.sg/employment-practices/skills-training-and-development/skillsfuture).
- 5 PM Lee Hsien Loong at the Research, Innovation and Enterprise Council (RIEC) press conference. Available at [www.pmo.gov.sg/Newsroom/pm-lee-hsien-loong-research-innovation-and-enterprise-council-riec-press-conference](http://www.pmo.gov.sg/Newsroom/pm-lee-hsien-loong-research-innovation-and-enterprise-council-riec-press-conference).
- 6 Data for this section are based primarily upon publicly available official documents such as the university's annual reports, major policy statements by the NTU senior management, and the author's own experiences in and participatory observations of working at NTU in his capacity as Chair of the School of Humanities and Social Sciences (2011–2017), which was expanded to become the largest school in the university in terms of numbers of faculty and students at the time of its reorganizing in April 2017 into two (the School of Humanities and School of Social Sciences, with the author serving as Chair of the latter from 2017 to 2020). It must be stressed here that the interpretations in this chapter are purely those of the author's and they do not represent the views of NTU.
- 7 *South China Morning Post*, November 18, 2020.

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# 8 China and the ‘Singapore model’

## Perspectives from mid-level cadres and implications for transnational knowledge transfer

### Introduction

As a small city-state, Singapore has attracted disproportionate interest from China since the latter started the ‘reform and opening-up’ in the late 1970s. Following Deng Xiaoping’s visit to Singapore in November 1978, hundreds of high-ranking delegations were dispatched to visit the lion-city, as the country is known in China. The ‘Singapore fever’ was intensified by Deng’s Southern Tour in 1992 during which he made the widely cited statement that ‘Singapore’s social order is rather good. Its leaders exercise strict management. We should learn from their experience, and we should do a better job than they do’ (Deng, 1993, 378–379; see also Vogel, 2013). From then till 2015, over 50,000 cadres have been sent to Singapore (Teo, 2015), almost on a monthly basis, to study every aspect of the so-called ‘Singapore model’. It has been suggested that Singapore constitutes the only second ‘role model’ for China after the Soviet Union and has been the only country called on by the Chinese Communist Party (CCP) leaders to learn from since the late 1970s (Lim & Horesh, 2016; Zhou & Xin, 2020). In an Asia Barometer survey, the top two learning models in Chinese ordinary people’s eyes are the United States and Singapore (Chu, Huang, & Lu, 2015).

China’s needs have met proactive response from the supply side. Local institutes in Singapore such as Nanyang Technological University (NTU), National University of Singapore, and Civil Service College have been extensively involved in this knowledge transfer process by providing customized education programs for CCP cadres, covering subjects ranging from economic development, public housing, and grassroots politics to urban planning and anticorruption practices. As then Vice President Xi Jinping highlighted in 2011, ‘Tens of thousands of Chinese officials at various ranks have been to Singapore for visiting and studying’ and ‘this has played an important role in promoting bilateral relations and China’s construction for modernization’ (Chinese Embassy in Singapore, 2011). Li Yuanchao, then Minister of the Department of Organization of the CCP Central Committee, which is in charge of grooming cadres among the 91 million CCP members, spoke favorably about Singapore in 2010: ‘Out of all the destinations where we send our leading officials to receive training, Singapore is our top

choice because Singapore is the most sincere in helping China develop, due to our longstanding warm relationship' (cited in Koh, 2017).

Among various education programs, the so-called Chinese 'Mayors' Class' administered by NTU attracted the most media and academic attention for the following reasons: (1) its long history, which could be traced back to 1992, the first such program in Singapore (and beyond); (2) its large quantity of graduates, with about 1,350 alumni by 2016; and (3) its widespread influences. As will be detailed later, over 60% of the students were (vice) mayors or cadres of equivalent or higher ranks, which was why the program obtained the fame of 'Mayors' Class'. It comprises two master-degree programs – Master of Science in Managerial Economics (MME) and Master of Public Administration (MPA). It emerged initially as a cooperative education project between the Organization Department of the CCP Central Committee and Singapore Ministry of Foreign Affairs, under the 'Agreement on Delegating Senior Chinese Cadres to Study and Exchange in Singapore' signed by the Ministries of Foreign Affairs of the two countries in 2001, 2005, and 2009 (Sun & Lancaster, 2013).

In recent years, especially since the 18th CCP Congress in 2012 when Xi became the CCP Secretary-General, China's modeling of Singapore gained growing attention, many taking reference to the 'Mayors Class'. Some studies employed the 'Mayor's Class' case as vital evidence of China's obsession with the 'Singapore model', arguing an ideological alliance between China and Singapore based upon 'soft-authoritarianism' (Ortmann & Thompson, 2014), or attributing the close learning relationship to Singapore's effective one-party ruling style (Zhang, 2012; Ho, 2015). While useful, the existing studies relied mostly on secondary data, published reports, or commentaries, paying little attention to the structure of the education programs and perspectives of those cadres trained in Singapore, thus weakening (and sometimes invalidating) their arguments.

This chapter explores China's learning of the 'Singapore model' from the perspectives of mid-level cadres educated in the 'Mayors' Class', placing a particular focus on the most attractive elements of the 'Singapore model' and its transferability to China through their eyes. We take issue with existing literature that concludes that the most plausible rationale of Chinese policymakers to proclaim the importance of learning from Singapore is political (Lim & Horse, 2016). Others have also suggested that Singapore represents a model of 'authoritarian learning', which has a clear ideological connotation (Ortmann & Thompson, 2020). We argue that the motivations behind the CCP's continuous interest in Singapore are multifaceted; from the perspectives of those mid-level cadres, the most appealing characteristics of the 'Singapore model' lie in practical governance lessons including meritocracy, clean and efficient governance, and rule of law, rather than ideologies such as authoritarianism and one-party dominance (see also Liu & Wang, 2021).

This chapter employs a mixed methodology utilizing quantitative and qualitative data. We collected hitherto untapped graduate data of the 'Mayors Class', including the student's biographical information (anonymized) submitted upon their entrance to the program and their profiles updated in 2016. We also



conducted an online questionnaire survey and face-to-face interviews pertaining to graduates' current working status, their perceptions of the 'Singapore model', and its applicability and effectiveness in China, in addition to other open-ended questions. The survey was carried out from September to December 2015 through emails, yielding 193 respondents out of 1,160 graduates surveyed (response rate: 17%). With a view of understanding the larger frameworks within which the 'Singapore model' is situated, we examined writings by the 'Mayors' Class' graduates and Chinese leaders' comments on Singapore. Although the 'Mayor's Class' was established prior to Xi's assuming of power, his standpoint on this issue is of importance in determining whether the experience gained by the mid-level cadres would remain relevant, especially at a time when observers are convinced that Singapore will continue to inspire China under Xi's leadership (Horesh & Paris, 2017). Other data include official party publications and social media platforms such as the Study Times (*xuexi shibao*), an organ of the Central Party School (CPS) of which Xi was President from 2007 to 2012, and the Xuexi Group (*xuexi xiaozu*), a social media platform formally affiliated with the *People's Daily*.

This chapter is organized into three sections. After reviewing the 'Singapore model' and China's interest in it, we examine in detail the findings on the 'Mayors' Class' to reveal the most appealing aspects of the 'Singapore model' and its transferability. The third section analyses Xi's views of Singapore in the context of a transforming China. The chapter concludes with the implications of the case of 'Mayors' Class' for the intra-Asia knowledge transfer in the broader context of transnational governance.

### **The 'Singapore model' and its appeal to China**

Within a short span of half a century after independence in 1965, Singapore has uplifted itself to be a developed economy enjoying political and social stability, with a GDP per capita that jumped from US\$500 in 1965 to US\$63,000 in 2019. As demonstrated in Chapter 7 of this book, the country's economic development has also benefitted greatly from its education and talent strategy. Singapore's success has often been attributed to the 'Singapore model', a term first coined in the 1990s (Ortmann & Thompson, 2014). Although widely applied, it is a controversial concept. Two main camps hold opposite views pertaining to its virtues and shortfalls: for those admirers of Singapore's economic miracle and stability, the 'Singapore model' was characterized as growth, meritocracy, morally upright government, high-standard livelihood, and social harmony and order (Quah, 1998; Sonoda, 2014; Ho, 2015). The critics, however, pointed out the so-called 'dark side' of the 'Singapore model' in terms of authoritarianism and elitism (e.g., Barr, 2014). This chapter argues that the 'Singapore model' has three key dimensions: (1) a strong state (under the longstanding one-party dominance), which facilitates efficient governance; (2) dynamic economic development strategies; and (3) effective policy implementation.

The simultaneous debates about the so-called 'China model' provide clues behind China's fascination with Singapore. Discussion about the 'China model' have gained popularity after 2004 when Joshua Cooper Ramo first coined the

term the 'Beijing Consensus', which aroused the first wave of 'China model' debate (Ramo, 2004; Zhao, 2010, 2017; Liu, 2021). Some featured China as a developmental state (Tang, 2016) similar to other East Asian countries including Singapore, while other proponents of the 'China model' such as Pan Wei, Wang Hui, Martin Jacques, and Daniel Bell highlighted the uniqueness, appropriateness, legitimacy, and advantages of the 'China model' in contrast to the Western model of liberal democracy (Pan, 2010; Wang, 2011; Jacques, 2012; Bell, 2015). Bell, for example, argues that the 'China model' is a 'Chinese-style vertical democratic meritocracy' that includes 'democracy at the bottom, experimentation in the middle, and meritocracy at the top' (Bell, 2015, 180).

Almost all of these arguments rest upon an assumption that China is historically and culturally divergent from the West, which is remarkably similar to Lee Kuan Yew's defense of Singapore in his discrediting of Western-style liberal democracy. Meritocracy, deemed an essential element of the 'China model' (Pan, 2010; Bell, 2015), is also at the heart of the 'Singapore model'. Scholars such as Xiao Gongqin described the 'China model' as 'new authoritarianism', another significant resemblance to the 'Singapore model' (Xiao, 2014). Singapore was first labeled by Francis Fukuyama in 1992 as a 'soft authoritarian' country, characterized by a combination of market-oriented liberal economy and paternalistic authoritarian polity (Fukuyama, 1992; Roy, 1994). Based on this concept, Danny Roy found a rhetorical alliance between Singapore and China, driving the latter to seek development lessons from the former. He contended that soft authoritarianism is influenced by Confucian values (sometimes expressed vaguely as 'Asian values'), emphasizing education, industriousness, order, filial piety, and selflessness (Roy, 1994). In a similar vein, Stephan Ortmann and Mark Thompson argued that soft authoritarianism is the major reason behind China's obsession with Singapore (Ortmann & Thompson, 2014, 2020).

The existing literature attributes three factors behind Singapore's attraction to China. First, both countries share similar ideological stance in resisting Western-style liberal democracy, and Singapore is one of the few countries in the world that have successfully combined stable one-party dominance and sustained economic growth, which is of particular appealing to the CCP. Second, Singapore's efficient, effective, and incorruptible governance attracted global attention, and China could draw practical lessons to strengthen its governance capacity and legitimacy. Third, the majority (74%) of Singapore's population are ethnic Chinese who are perceived to share Confucian cultural roots.

Since the early 1990s, Chinese intellectuals started examining the secrets and transferability of the 'Singapore miracle' (Sun, 2002), exemplified by growing numbers of pertinent publications. A 2006 survey based on the China National Knowledge Infrastructure (CNKI) showed that from 1994 to 2004, 740 articles on Singapore were published in China's Southeast Asian studies journals, far outnumbering those on other (bigger) countries in the region such as Malaysia ( $n = 198$ ) and Indonesia ( $n = 174$ ). The survey attributed the disproportional attention to the Chinese elite's aspiration to model after Singapore (Tang & Zhang, 2006).

As CNKI is a comprehensive database archiving all formally published articles and graduate theses in China since 1915, we extended the above survey on the same platform but refined the search in a more rigorous manner by excluding irrelevant subjects and extending the timeframe to the end of 2020. Keyword searches on ‘Singapore’ conducted by this author in June 2021 generated over 70,000 publications (including some 50,000 journal articles, 9,000 theses, and 10,000 newspaper essays) between January 1993 and December 2020. The sheer volume of writings is extraordinarily large, considering the city-state’s tiny size. Out of these large quantities of writings, ‘comparative studies’, ‘implications for our country’, and ‘Lee Kuan Yew’ are the three most prevalent themes. A more focused search on the ‘Singapore model’ yielded 305 publications (including 188 journal articles, 63 academic theses, and 52 newspaper essays), with an average of 10.9 pieces per year. Figure 8.1 portrays an overall rising trend of publications on the ‘Singapore model’ over the 24 years, signaling a widespread interest in the ‘Singapore model’.

Chinese perceptions of Singapore have been shaped by diplomacy. The decline of publications on Singapore in 2016 (16 in comparison with 42 in 2015, which represents an all-time high, still higher than the average 10.9) was partly due to diplomatic tensions between the two countries over the South China Sea issue and Singapore’s military ties with Taiwan, which aroused a wave of hostility in China (especially netizens) toward Singapore (Bland & Vasagar, 2016). Nevertheless, the tensions only generated short-term and limited negative impact on China–Singapore relations. Singapore’s merchandise exports to China sustained a steady increase since the dispute, and Singapore remained to be the top investing country in China in 2016. Even at the height of heated debates over the South China Sea issue, the *People’s Daily* still considered Singapore as a ‘Master Teacher (*jiaoshi ye*)’ to domestic socioeconomic developments in China, which should still ‘humbly take heeds of suggestions and criticisms from outside

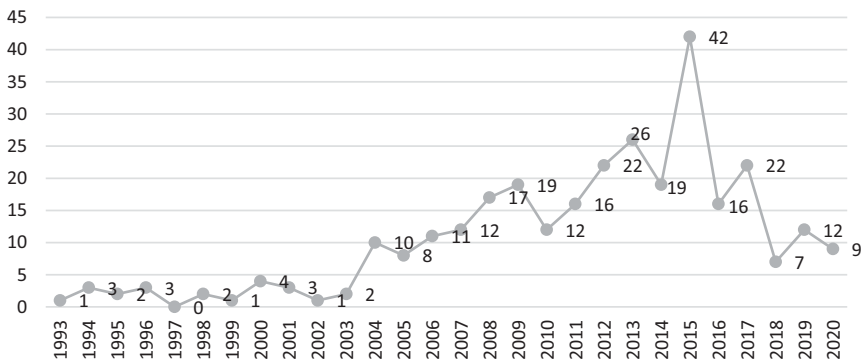


Figure 8.1 Publications on the ‘Singapore model’ in China from 1993 to 2020.

Source: Computed by the author based upon data from CNKI (accessed on June 11, 2021).

including Singapore' (Xiakedao, 2016). Moreover, the 'all-weather friendship' between China and Singapore resurfaced in the official discourse of both countries. At the 13th Joint Council for Bilateral Cooperation (JCBC) held in Beijing in February 2017, leaders of both governments highlighted that Sino-Singapore ties have grown from strength to strength, and Deputy Prime Minister Teo Chee Hean pledged Singapore's strong support for the Belt and Road Initiative, which is Xi's signature foreign policy (Liu, Fan, & Lim, 2021). Prime Minister Lee Hsien Loong praised Xi Jinping's endeavor in advocating globalization and free trade, welcoming China's growing engagement with the region as Singapore has a very broad and substantial relationship with China (Prime Minister's Office Singapore, 2017).

China's attraction to Singapore (and a handful of selective countries) is partially rooted in the CCP's champion of building a 'learning nation'. It could in turn be traced back to a century-old tradition of *qujing* (literarily means, 'to bring the sutra') but has been appropriated by the CCP leadership an all-encompassing concept that describes 'learning from other regions, typically by going to the places of origin to learn about authentic or superior ways of doing things, or by inviting experts from these places to teach or conduct training or pilot studies'. As an integral part of China's distinctive experimentalist governance, *Qujing* represents 'a distinct variety of policy mobility, initiated and organized by the Chinese state for the purpose of policymaking' (Zhou, 2021).

After 1949, the CCP adopted the 'Leaning toward One Side' foreign policy and reconfigured almost every sector of the new country along the Soviet model. As Mao Zedong put it, '[W]e need to launch a nationwide upsurge of learning from the Soviet Union on how to build our country' (People's Daily, 1953). Jiang Zeming advocated constructing a 'learning party' and considered learning as a vital way to survive in an open and changing world, to combat corruption, and to materialize modernization (Jiang, 2006, Volume I, 99, Volume III, 185). Hu Jintao institutionalized this notion by creating a 'learning system': from a collective study by the Politburo members down to study sessions at every level of the Party (Tsai & Dean, 2013). The national network of Party Schools serves as the key institution in nurturing mid-career Party cadres, military officers, and selected businessmen (Wibowo & Lye, 2006; Shambaugh, 2008; Zhou & Xin, 2020). There were 2,753 Party schools at central, provincial, and local levels in China in the mid-2010s (Lee, 2015), and the CCP's systemic training of political elites has been considered a major reason explaining its resilience and capacities of withstanding economic reform and social transformation (Wibowo & Lye, 2006; Shambaugh, 2008; Lee, 2015).

After the 1990s, to confront huge challenges of economic reform, socio-political pressures, and globalization, China set off new rounds of massive learning from developed countries. It is against this background that Singapore has emerged as one of the key learning reference points. The CCP leaders, however, never intend to 'become' another country through learning and firmly believe that learning should be based on China's own circumstances and serve China's practical needs. As Xi emphasized in 2015:

We must learn from the fine achievements of other countries in the development of the rule of law. However, learning from others does not amount to simply copying them. Under no circumstance can we engage in 'all-out Westernization', 'complete transplant' of the systems of others, or copy, from other countries indiscriminately.

(Xi, 2015)

### **Mid-level cadres' perspectives of the 'Singapore model'**

Having established the macropolitical environments within which Singapore was situated in postreform China, we now turn to the meso level, namely those officials who experienced Singapore extensively and personally. The 'Mayors' Class' is a one-year, full-time residential program conducted in Chinese, requiring the completion of at least ten courses (three core courses and seven electives) and a thesis to obtain a master's degree. Some graduates wrote monographs based on their study experience in Singapore and recalled that completing the degree courses was no easy task for those middle-aged cadre-students, including facing the risk of failing exams and not getting the degree (Ma, 2004; Wang, 2008).

The origin of the 'Mayors' Class' can be traced back to 1992, soon after the establishment of diplomatic relations between China and Singapore in 1990 and Deng's Southern Tour in Spring 1992. At first, there were just one to two short-term programs a year, hosted by the Nanyang Business School at NTU; later in 1994, the demand escalated to almost one training program every month (Cham, 2014). NTU launched in 1998 a master-degree program (MME) specifically for Chinese cadres and the MPA in 2005.

A key feature of the 'Mayors' Class' is extensive incorporation of the Singaporean experience in its curriculum. There are Singapore-specific courses such as Singapore Public Administration, Singapore's Urban Development, The Social Management System of Singapore, Rule of Law and the Legal System in Singapore, etc. Former ministers, parliament members, and senior civil servants served as Adjunct Professors to lecture on a regular basis. They include Yeo Ning Hong (former Minister for Communications and Information), Yeo Cheow Tong (former Minister for Health, Trade, and Industry), Mah Bow Tan (former Minister for Communications, Environment, and National Development), Raymond Lim (former Minister for Transport), and Lim Swee Say (former Minister for Manpower), to name just a few. With rich experience in governance of Singapore and knowledge of China, they were able to structurally link the Singaporean lessons with China's circumstances. For example, while Lim Swee Say was involved in the early phase of Sino-Singapore collaborations as Director of Singapore Software Project Office (SPO) in the 1990s, Chan Soo Sen, former Minister of State for the Prime Minister's Office, Education, and for Trade and Industry, served as the first CEO of the China-Singapore Suzhou Industrial Park Development Co. between 1994 and 1996. During and after the lectures, the cadre-students had heated discussions with the Singaporean politicians and

exchanged ideas on governance issues (Zeng, 2016; see also Pan, 2005; Li, 2011; Xue, 2013). Besides the structured lectures, the program also organized site visits to various government departments, statutory boards, parliament members' meet-the-constituents sessions, Corrupt Practices Investigation Bureau, Science Park, community-level grassroots organizations, etc., thus enabling the students to gain first-hand knowledge of the operation of the Singapore government.

Based on data we collected, 1,350 Chinese students had graduated from the 'Mayors' Class' by 2016. About 72% were working in the government sector at the time of admission, while most of the rest were from state-owned enterprises or public institutions such as Women's Federations and universities. Our data show that 86.4% of the cadre-students were recommended by their work units to study at NTU; 60.2% were selected through a competitive process; and the majority (86.4%) were financially supported by their work units.

### *A demographic analysis of the 'Mayors' Class' and its influence in China*

Before exploring the graduates' perspectives of the 'Singapore model' and its transferability, we examine the potential influence of the 'Mayors' Class' graduates in China. The metrics employed are the cadre-students' geographical distribution, administrative ranks, quality, and career benefits from their education in Singapore.

In terms of geographical distribution, the 'Mayors' Class' graduates covered 33 province-level administrative regions in the People's Republic of China (PRC), almost all of the country. As the pioneer province of sending government leaders to NTU, Hebei tops the list of the 'Mayor' Class by having sent 181 cadres. Beijing and Chongqing follow closely, with 131 and 122 students, respectively.

Data show that most of the 'Mayors' Class' graduates are mid-level cadres and executive leaders in their respective localities. Figure 8.2 compared the cadre-students' administrative ranks at the time of their entrance to NTU from 1995 to 2015 and updated in 2016. The proportions of Division-Head, Deputy-Bureau-Director, and Bureau-Director have increased significantly from 23.6%, 19.9%, 3% to 28.2%, 31.5%, 8.9%, respectively, while the proportion of the relatively lower level, Deputy-Division-Head has decreased from 36.3% to 31.5%. A total of 82.8% of the graduates working in the government sector were holding (vice) mayor-level positions when studying at NTU, and the proportion increased to 92.5% in 2016. In other words, almost all 'Mayors' Class' graduates working in the government sector are now top executive leaders of their local or functional areas. When a cadre is promoted to a leading executive position such as party secretary or mayor, he/she has the authority in terms of policymaking and policy implementation, which in turn have a direct impact upon that area.

China's Party Schools at different levels are tasked to nurture promising cadres who have the potential to be promoted to leadership positions either in party sector or government, namely the Reserve Cadres. To be selected, cadres must fulfill the following requirements (Hu, 2011; Liu, 2015; Tsai & Kou 2015):

1. Youthfulness, in line with party's principle of Youthful Rejuvenation. To be included on the list for provincial-/ministerial-level reserve cadres, cadres are normally between 45 and 50 years old; prefectural-/bureau-level candidates aged from 40 to 45; and county-/divisional-level candidates between 35 and 40;
2. Superior leadership capacity based upon substantial work experience;
3. Good educational background, accordant with party's principle of Intellectualization;
4. 'Correct' political stand.

In a similar vein, most cadre-students in our data are well qualified to be grouped among Reserve Cadres: more than half are 35 to 45 years old, accounting for 67.5% of the total intakes; before entering NTU, 81.8% had a Bachelor's degree and 16.5% a Master's degree; the average length of work experience when entering the 'Mayors' Class' is 14.4 years, and 52% had accumulated 14 to 21 years of work experience, indicating their potential for taking on bigger responsibilities.

A comparison of data collected at the time of admission in various years and the updated data in 2016 shows that most cadre-students' administrative ranks have been enhanced substantially and the promotion is statistically significant. We encoded the level of 'National leader' as '1', the 'Sub-National leader' as '2', and the other lower levels as numbers in ascending order with an interval of one. A larger value refers to a lower rank while a smaller one a higher rank.

Figure 8.2 shows that most cadre-students were concentrated at the levels from Deputy-Bureau-Director (code = 6) to Deputy-Division-Head (code = 8) when enrolling in the 'Mayors' Class'; later in 2016 their ranks changed upward, with more clustered in the categories of the Bureau-Director level (code = 5), Deputy-Bureau-Director level (code = 6), and Division-Head level (code = 7). To test whether these changes are statistically meaningful, we conducted a Paired-Samples T-test to evaluate its significance. The analysis results in Table 8.1 show that the average value of students' initial administrative ranks is 7.75, which has decreased to 6.99 with an absolute change of -0.76 in 2016. This decline is statistically significant with a p value lower than 0.001 ( $T = 10.640$ ;  $p = 0.000$ ). A straightforward way to interpret this finding is that the cadres' average administrative levels were between Division-Head (code = 7) and Deputy-Division-Head (code = 8) when they were studying in Singapore, and in 2016, they had been promoted to the levels between Deputy-Bureau-Director level (code = 6) and Division-Head level (code = 7). Although these findings alone cannot confirm a causal relationship between 'Mayors' Class' education and the graduates' subsequent promotions, they do demonstrate that these cadres-students are among the most promising middle-level cadres and the significant relevance of their Singapore experience.

#### *Mid-level cadres' perspectives of the 'Singapore model'*

The survey (N = 193) found that almost all (96.3%) of the respondents agree that there exists a 'Singapore model' reflected in Singapore's governance. The survey

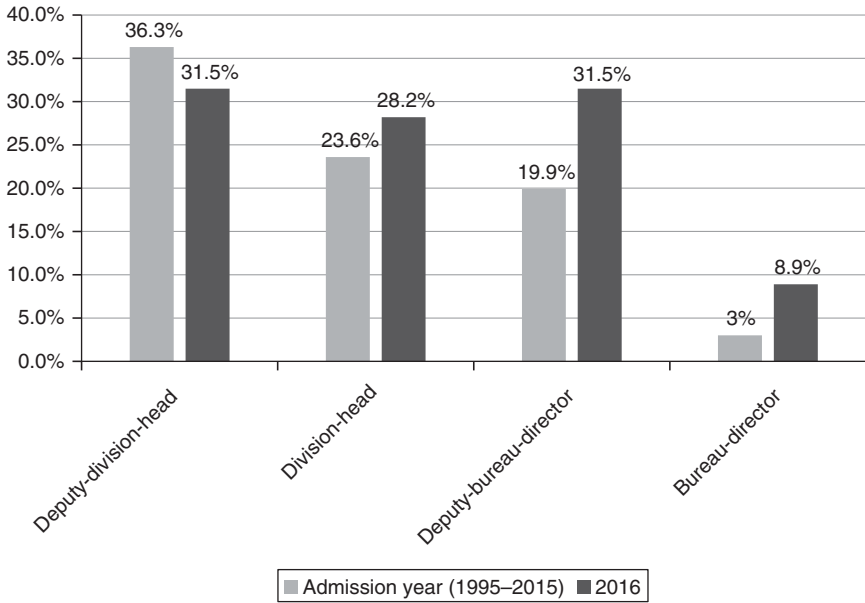


Figure 8.2 Changing administrative ranks of the cadre-students of the 'Mayors' Class' (1995–2016).

Source: Calculated by Hong Liu and Tingyan Wang based on graduate data.

Table 8.1 Comparison of students' administrative ranks in admission (various years) and in 2016

<i>M (SD)</i>		<i>T-test</i>	
<i>In admission</i>	<i>In 2016</i>	<i>t (df)</i>	<i>p</i>
7.75 (1.340)	6.99 (1.196)	10.640 (539)	0.000

Source: Calculated by the authors based on data from the NTU Office of Alumni Affairs.

provided a series of options on the Singapore model's core elements, and the respondents could select the ones they perceived to be most crucial and attractive. Figure 8.3 presents the supporting rates of the 12 elements of the 'Singapore model', which are: (1) one-party dominance, (2) authoritarianism, (3) periodical democratic election, (4) meritocracy, (5) clean and efficient government, (6) rule of law, (7) grassroots social management, (8) racial and religious harmony, (9) economic success, (10) the Temasek model, (11) public housing, and (12) Central Provident Fund (CPF). The 12 elements are further categorized in analysis into four major dimensions, namely polity/ideology (one-party dominance, authoritarianism, and periodical democratic election), governance (meritocracy, clean and efficient government, rule of law, grassroots social management, and



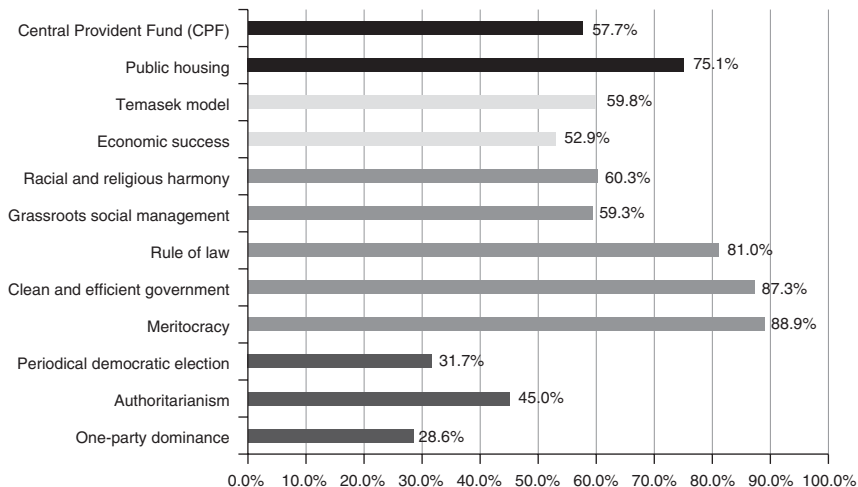


Figure 8.3 Respondents' supporting rates of the proposed elements.

Source: Calculated by Hong Liu and Tingyan Wang based on the survey data.

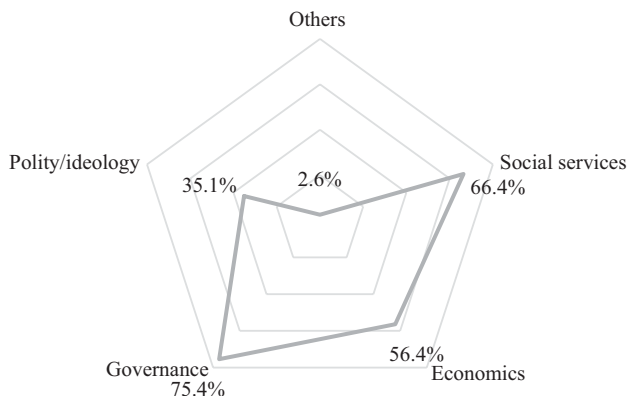


Figure 8.4 Respondents' supporting rates of the four dimensions.

Source: Calculated by Hong Liu and Tingyan Wang based on the survey data.

racial and religious harmony), economics (economic success and the Temasek model), and social services (public housing and CPF). The supporting rates of each dimension are shown in Figure 8.4.

Figures 8.3 and 8.4 show interesting findings: only 28.6%, 45%, and 31.7% of the respondents consider, respectively, 'one-party dominance', 'authoritarianism', and 'periodical democratic election' to be key components of the 'Singapore

model'. The average supporting rate of the elements listed under the category of 'polity/ideology' is modest (35.1%). These findings are in stark contrast with the established conclusion that the most alluring features of the 'Singapore model' to China lie in their ideological resemblance, such as 'soft authoritarianism' and long-term one-party dominance. While there is no denying that authoritarian politics has been a driving force behind China's Singapore fever, our empirical analyses provide an alternative lens to reexamine the reasons underpinning China's continuous obsession with the 'Singapore model' from the perspectives of mid-level cadres educated in Singapore, thus challenging the sweeping statement that the only most important drive of China's interest in Singapore is on ideological politics, for the purpose of maintaining the CCP's one-party and authoritarian rule.

The cadre-students gave more weight to practical governance lessons instead of Singapore's polity. The supporting rate for the 'governance' dimension is 75.4%, the highest among all the dimensions. The indicators contributing the largest weight are 'meritocracy' (88.9%), 'clean and efficient governance' (87.3%), and 'rule of law' (81%). Singapore's economic success seems to be less appealing to these mid-level cadres. Items such as 'economic success' and the 'Temasek model' did not receive many votes. 'Public housing' was viewed favorably, with an approval rate of 75.1%. These findings conform to the shifted development focus under Xi, namely, less emphasis on GDP growth but more on better life for all the people under the framework of the 'China Dream'.

There are controversies on whether the Singaporean experience could be transplanted to China. Many scholars and policymakers are skeptical of the transferability of the 'Singapore model' to other countries, especially to the populous and geographically vast China, while others argue that its good practices could be adapted to the context of China or act as an inspiration to stimulate contextual policy innovations. Our survey showed that 72.5% of the respondents believed that the Singaporean experience could be gradually and selectively applied in China. While fully aware of the significant differences between the two countries, they remain convinced that Singapore's operational practices and principles (e.g., 'Homes for All', and rule of law) could operate in China as China fosters a modernized civil society. Below is a summary of the main responses to the open-ended question of whether the 'Singapore model' is transferable in China:

- Part of the Singaporean experience could be transferred to China step by step, after making necessary adjustments according to China's circumstances;
- Singapore is a very successful model of modern governance and worth taking reference to, especially nowadays, when China faces new challenges of modernizing the governance capability and government system, as pledged by President Xi;
- The party-building of the PAP and the government's clean image is worth learning;
- Rule of law, clean government, and racial harmony policies are transferable to China;

- The 'Mayor's Class' played an important role in transferring Singaporean governance lessons to China. Public housing, CPF, anticorruption policies, and the 'Temasek model' all have been partially or fully transplanted in China and proved to be successful;
- It's difficult to transfer the 'Singapore model' to China because there is a huge gap between the two countries in national quality, education level, governance efficiency and capacity, maturity of legislation, etc.

There was a widespread expectation that after their graduation from the program in Singapore, the cadre-students would be able to apply what they learned back in China. One middle-ranking cadre from Shandong who graduated in 1999 recalled that the then vice-governor commented that he looked forward to the implementation of some of the measures after reading his graduation report. A major city's party secretary shared that his studies on managerial economics courses enabled him to lead, confidently and competently, the discussions and formulations of economic policies. Another official (at the rank of deputy director-general level) told us that he returned in 2007 to Qinghai province 'with enthusiasms and the intention to apply' what he had learned in Singapore.

In short, the perspectives and experiences of the cadre-students differ from the conventional wisdom, which held that ideological expediency plays a key role in China's learning from Singapore. Instead, they have been more attracted to the practicability and transferability of the 'Singapore model' in its social, economic, and political governance (Gao & Liu, 2017; Liu & Wang, 2021). Their intensive immersion in courses (many of which were taught by practitioners and senior civil servants) pertaining to Singapore's management of success and field visits to various public agencies have provided them with a unique perspective to understand developments in Singapore. This has been reinforced by their extensive experiences in China and questions they attempted to address prior to embarking on their studies.

### **Chinese leadership views the 'Singapore model'**

We have demonstrated that the majority of the cadre-students enrolled in the 'Mayors' Class' have made significant progresses in their political careers through steady promotions after graduation. Their perceptions of Singapore and the feasibility of transferring some elements of the 'Singapore model' are conditioned by the overall political environments in China, especially Xi Jinping's vision for China's future.

Although Xi Jinping seldom expresses his views on different models of development and is fully confident of China's own political path, various studies have revealed his interest in the Singapore experience (Mingbao, 2012; Zhang, 2013; Ortman & Thompson, 2014). Like his predecessors, consistent learning and training of party cadres is one focal point of Xi Jinping's views on governance. The great significance of the continuous training of CCP's officials was highlighted in his speech at the national Organization Department meeting in 2013, entitled

'Train and select good officials', pinpointing 'learning is the process toward progress' (Xi, 2014, 460–471). After Xi Jinping became the CCP Secretary-General, he has expressed positive views of Lee Kuan Yew and Singapore. When Lee's book *Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World* was released in China in 2014, wrote an endorsement for the book, which is unprecedented for a top Chinese leader. Disagreeing with Lee's comments in 2010 that it might soon be Singapore's turn to learn from China, Xi Jinping responded by emphasizing that there is still much to learn from Singapore, especially in institutionalization (Lee, 2014, 38).

The *Xuexi Shibao* (*Study Times*) and the Xuexi Group help reveal indirectly Xi's views of Singapore. The former is an influential periodical published triweekly by CPS, aiming primarily at lecturers and administrators in party schools and other parts of the CCP's propaganda system (Pieke, 2009, 100). Its main role is to initiate policy-oriented discussions on crucial issues to guide the thoughts among Party members. From 2008 to 2016, the *Study Times* published about 60 essays detailing the Singaporean experience, covering a wide variety of areas such as the PAP and Singapore's political system, social management, 'the Temasek model', and public housing, with topics like anticorruption and party-building receiving the highest level of attention in terms of occurrence frequency. This is in tandem with the major tasks Xi Jinping and the CCP leadership have carried out since 2012 to eradicate corruption and to strengthen the CCP's governance capability.

Three peak periods of publications on Singapore were in 2008 when Xi Jinping took the post of as the CPS President, in 2012 when he assumed the role of the Secretary-General of Party Central Committee, and in 2014 and 2015 when the 'deepening reform in an all-round way' was kicked off under Xi Jinping's leadership. This is perhaps not a coincidence. Within Xi's first two months as the CPS President, the *Study Times* published five essays on Singapore, leading to the reemergence of a mini-'Singapore fever' during the 18th Party Congress, with eight essays about Singapore being published. Discussions about Singapore were further intensified in 2014 and 2015, with 10 and 13 essays on the 'Singapore model' released each year, respectively. Table 8.2 shows the numbers of essays on Singapore published in the *Study Times* from 2008 to 2016.

The Xuexi Group is a social media platform with large numbers of followers, disseminating news and exclusive information about Xi Jinping. Since its first essay titled 'Understanding Xi Jinping's Governance Strategy through 40 Key Words' was released in February 2014, it has received enormous attention from mass media and public officials. About one-third of its 400,000 or so followers in

Table 8.2 Number of essays on Singapore published in the *Study Times* (2008–2016)

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
No. of articles	7	2	4	3	8	3	10	13	8

Source: Website of the *Study Times*, <http://dzb.studytimes.cn/>.

China are reportedly working in the public sector, including many who are at the director-general levels as well as some at the ministerial level and national leaders. It has become a 'must-read' for those interested in Chinese politics or seeking to survive in Chinese bureaucracy.

In March 2015 when Lee Kuan Yew was critically ill and passed away, the Xuexi Group discussed extensively close connections between Xi, Lee, and the 'Singapore model'. Six essays were released from March 18 to 26, focusing on Lee's life, his personal ties with Xi Jinping and their similarities, and Xi's thoughts on the 'Singapore model'. An essay entitled 'Xi Jinping, Lee Kuan Yew and the "Singapore model"' attracted wide attention both domestically and overseas. Written by Guang Zhao (a pseudonym meaning 'to widely proclaim'), it claimed that there is sound evidence showing that Xi Jinping is inspired by the 'Singapore model' in his endeavor to find a balance between social progress and social control (Guang, 2015).

Xi Jinping's views of Singapore might be partially attributed to his early work experiences. His formative working experience in Fujian (1985–2002), which is a major ancestral hometown of the Chinese diaspora, might have an impact upon his policy preferences after 2012. For example, China's transnational model of diaspora governance could be traced back to 1995 when Xi Jinping, as the Party Secretary of Fuzhou (provincial capital city), published an essay advocating '*da qiaowu*' (big overseas Chinese work) incorporating both domestic policies and overseas Chinese policies (see Chapter 3 of this book). He had visited Singapore six times prior to becoming President and had had numerous occasions of interacting with Singaporean officials and businesspeople.

Xi Jinping's view of China as a 'learning nation' and favorable impressions of Singapore, therefore, provide a political framework that would ensure the continuing relevance of the Singapore experiences in China and the selective transferability of the 'Singapore model', which has been reinforced by the fact that China's investments in Singapore alone amount to close to 30% of its total investments in 'Belt and Road Initiative' countries and that Singapore has been the largest foreign direct investor in China since 2013. There are a number of major industrial and innovation parks operating in China, serving as a fertile ground for transnational knowledge transfer (Chien, Zhu, & Chen, 2015; Miao, 2018; Liu & Wang, 2021). Indeed, it was Xi Jinping who personally announced the third Sino-Singapore Government-to-Government project (Chongqing) during his seventh visit to Singapore in November 2015 (Kor, 2015).

## Conclusion

China's persistent interest in and institutionalized learning from the 'Singapore model' has been extensively studied. However, the perspectives of mid-level cadres educated in Singapore – who are key stakeholders in the process – and their implications have been neglected, partly due to data constraints. This chapter fills the gap by making use of the graduate data of the 'Mayors' class' program. This group is important for two main reasons: they are at the forefront

of policy implementations on a daily basis and they have first-hand experiences of not only China but also the outside world through intensive study in and about Singapore.

We found the cadre-students of the 'Mayor's Class' were predominantly interested in the practical aspects of governance and social services, such as 'clean and efficient government', 'rule of law', and 'public housing', demonstrating that their focus in learning from Singapore is pragmatism oriented rather than ideology driven. They were generally positive about the selective and gradual transferability of the 'Singapore model' in China. Xi Jinping's favorable impressions of Singapore and the rapid rise of China demonstrate the two-way learning relation is likely to sustain for the foreseeable future, thus providing a conducive environment for the further growth of the 'Mayors' class' graduates in China's political arenas.

Placing our case in larger and theoretical contexts, transnational knowledge transfer, referring to as the process in which the tested policies, administrative arrangements, institutions, best practices, or expertise are transferred and applied across countries (Duan, Nie, & Coakes, 2010), has become increasingly prevalent. Traditionally, transnational policy transfer was deemed to occur between 'Northern' and 'Southern' countries, where the 'teachers' were usually large, Western, economically advanced countries, transferring development experiences and skills to less-developed counterparts in the global South (e.g., Campell, & Hall, 2017), or within a self-contained structure with a shared past such as the Commonwealth (Laking & Norman, 2007), or from the Global North to the Global South (e.g., Zhang & Yu, 2021), with little reference to policy transfer within the Global South or among nonwestern nations.

In association with the rise of the nonwestern economies such as China, BRICS, and ASEAN countries, there is a marked trend of reorientation in terms of mutual learning among them, which could be traced to the Bandung Conference in 1955 when the Asian and African nations sought to shape their own destinies through learning from one another (e.g., Liu & Zhou, 2019; Liu, 2021). Apart from China, other emerging economies in Asia such as Vietnam, Myanmar, Cambodia, and the Philippines have also sent high-ranking public officials to Singapore to study good governance and economic management (Ji, 2013a; Shen, 2015; Wadhams, 2015).

It is perhaps in this context that Fan Ning, a prominent public intellectual based in the Chinese Academy of Social Sciences, sees the applicability of the Singapore model beyond China: 'By employing a special development path that has never been tried before and accomplishing the nation's industrialization and modernization, the Singapore model has provided successful answers to perplexing problems of our time. This path has certain universal significances and proved to be successful in many Asian countries, thus the Singapore model has entered the systems of experiences (*jingyan tixi*) of political and social development of the world' (Fang, 2016). Our case of Chinese cadre-students provides important implications for fostering sustainable transnational knowledge transfer in the intra-Asian context.

First, our case has demonstrated a shifting trend in transnational knowledge transfer in that there have been increasing exchanges between countries in the broadly defined Global South and the ensuing departure from one-way flow of knowledge transfer (from North to South) that has dominated development cooperation discourse since World War II. South–South knowledge transfer has been growing noticeably (UNDP, 2013) partly because of their geographical proximity and similar political, social, and economic challenges. Countries such as Singapore – a former developing country that has transformed into a developed nation – and China are paradigmatic examples in this regard. Our case has reinforced the validity of Christopher Pollitt's argument in his 2014 IIAS Braibant Lecture. As he contends forcefully, the age of 'Anglosphere' dominance in public administration on the global stage is ending, facilitated in part by the fact that 'other regions of the world are becoming economically and politically more influential and self-confident, and, in some cases, they also have long administrative traditions of their own' (Pollitt, 2015; on the shifting trend toward South–South transfer of knowledge and policy, see also Drechsler, 2015; Wang & Liu, 2020; Stone, Porto de Oliveira, & Pal, 2020).

Second, no knowledge transfer could be undertaken without considering the specific circumstances of the recipient countries. Despite the overall optimist perceptions of the Singapore model's transferability in China, national leaders, local cadres, and academics are keenly aware of the limitation of the Singapore experiences in its applications. The absorption capability comprising the ability to adapt and to innovate is, therefore, crucial in ensuring successful transnational knowledge transfer (Duan, Nie, & Coakes, 2010). As practitioners at the forefront of policy formulation and implementations, key stakeholders such as mid-level officials in our case study play an important role in the process of institutionalized knowledge transfer.

Third, transnational knowledge transfer has to be construed as an ongoing and multidirectional process. China has long been a learning nation and good at drawing on any experiences successfully tested by other countries and cultures. Singapore is just one of them, although a special and significant one. However, China serves simultaneously at both ends of the knowledge transfer spectrum. It is worthwhile noting that Xi Jinping highlighted the theme of mutual learning (*huxue hujian*) between China and Singapore in his meeting with Lee Hsien Loong in July 2017 (Xinhuanet, 2017a), which may herald a new trend of the Sino-Singapore interactions. With China's rapid economic growth and rising clout in the global arena, the past decade has seen an increasing number of developing countries sending their officials to be trained in China. About 10,000 African officials have received training in China each year since 2000; the number of training courses has risen steadily from 7,000 places pledged during 2000–2003 to 30,000 places pledged during 2012–2015 (Tugendhat & Alemu, 2016; see also Oqubay & Lin, 2019). China's role as a provider apart from a recipient in the transnational knowledge exchange is likely to accelerate as China's Belt and Road Initiative to be expanded substantially in 2017, with US\$4 billion of

investment made by the Silk Road Fund and US\$1.7 billion of loans for participating countries provided by the Asian Infrastructure Investment Bank over the past four years (Xinhuanet, 2017b). Indeed, Fukuyama contends that the 'One Belt One Road [initiative] represents a striking departure in Chinese policy. For the first time, China is seeking to actively export its development model to other countries' (Fukuyama, 2016). How China is to make this major transition in the transnational knowledge transfer equation, and how the West counterbalances China's growing influences in this area, will have a significant impact on our world and is something worth closer academic inquiries.

[This is a revised and updated version of Hong Liu and Tingyan Wang, "China and the Singapore Model: Perspectives from the Mid-level Cadres and Implications for Transnational Knowledge Transfer," *The China Quarterly*, no. 236 (2018), pp. 988–1011. Published on-line in May 2018.]

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