"Primitive" Re-Accumulation of Capital in China:

Reverse Investment from Overseas Chinese in Thailand in the Capitalist World System

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Spring 2011

"America must reinvent itself and unite to survive in a fast-changing global economy powered by rising giants like India and China."
US President Barack Obama, January 26, 2011

Interestingly, the US President Barack Obama clearly perceives the robust growth of the Chinese economy as a threat to the US survival in the current global economy.[1] In less than a month, on February 14th, 2011, China has surpassed Japan and become the world's second largest economy after the United States. Until recently, Japan held its position as the world's second largest economy for more than four decades. According to statistics by the International Monetary Fund (IMF), Japan's economy is worth $5.454 trillion whereas China's economy is approximately $5.8 trillion.[2] The reason commonly understood for Japan's economic decline is that Japan has been affected by the decrease in exports and consumer demand while China has been experiencing a manufacturing boom although both countries remain as one other's main trading partner. Not only did China rapidly overtake Japan but in within a decade, China's economy also transcended those of Germany, France, the United Kingdom, Brazil, Canada, and Russia. In addition, numerous analysts have articulated that China will replace the US as the world's biggest economy in about ten years.

Whether or not China will outgrow the US in the realm of economy in the future, China has demonstrated such a rapid and remarkable economic growth that took other industrialized nations several centuries to accomplish.[3] Although China underwent a period of a series of unequal treaties as a result of the Opium War in the mid-19th century, which resulted in the serious impoverishment and backwardness of the Chinese economy, China is currently re-emerging as one of the strongest economic powers in the world and the miracle growth of the Chinese economy has been initiated by Deng Xiaoping's Open Door policy. Deng Xiaoping was officially a chairman of Chinese Communist Party (CCP) from 1981 to 1989. His Open Door policy has been continued and expanded by his successors up until today.

With a strong emphasis on the world system paradigm, this research paper is interested in critically examining the re-emergence of China into the capitalist mode of production with a particular focus on the methods of the accumulation of capital after the economic reforms. Explicitly, this research paper argues that after China was de-centered by the industrialized powers in the 19th century, China's capitalistic accumulation, has been achieved through ethnic and family connections in the Greater China economic networks as well as the overseas Chinese community with the assistance from the Chinese government rather than relying on the exploitation of colonies to accumulate. In other words, China's recent economic growth depended on strategically utilizing ethnic and family ties in order to achieve further development of the economy. The process of China accumulating capital once again in the contemporary period is termed as *re-accumulation* in order to clearly mark the return of China into the capitalist world.

As a specific test case, this research paper will treat China as a core country and look at the Greater China economic networks and overseas Chinese people in Thailand as a semiperipheral population in a semiperipheral area. Additionally, this primary growth of the Chinese economy is facilitated by capital in the form of foreign direct investment (FDI) which comes from semiperipheral areas. This point of view offers the reader a unique and different perspective on the world system paradigm because theoretically and traditionally, a core country is the one that invests in the semiperipheral and peripheral areas from where a core country would extract profits. Conventionally, the periphery investment yields and transfers the value and profit to the core country. In this case, it is the opposite because the re-accumulation of capital in China is, in fact, the process of *reverse investment*—the process in which capital originates from the semiperiphery or periphery, flows the core, and eventually stimulates the expansion of the economy in the core country. In addition, the *reverse investment* is achieved so in the economic network named the *bamboo network* through ethnic and family ties. The following section will review the concepts of the world system paradigm as the conceptual framework for this research paper.

Theoretical Foundation

Conceptualizing World System Paradigm

The world system perspective is a complex and comprehensive paradigm which can be applied to analyze the political economy of China and Thailand in this research paper. It is a complicated perspective that includes numerous disciplines such as sociology, political science, history, and anthropology. The modern world system is a paradigm because it is a general framework from which specific theories are constructed. It analyzes a new level of social organization or a global hierarchical division of labour and emphasizes social transformation of the historical and modern world. There is also a distinction in the use of hyphen in the term, world-system. World-system, as used by Christopher Chase-Dunn and Immanuel Wallerstein suggests the study of comparative world-system theories which can include several different types of world-systems whereas world system, articulated by Andre Gunder Frank, indicates the continuation of the same world system which already existed since at least 1250.[4]

Thomas D. Hall states that "a major premise of this mode of analysis is that the world-system must be studied as a whole. Therefore, the study of social, political, economic, or cultural change in any component of the system must begin by understanding that component's role within the system, whether it be a nation, state, region, ethnic group, class, gender role, or nonstate society."[5] Although there is no one complete conceptualization of the paradigm, this section will attempt to provide a particular overview of the modern world system. Wallerstein's version of the world-system will be presented due to the importance of his work in the world- system discourse, which cannot be disregarded. In his profound study on a Eurocentric world- system, Wallerstein defines world-system as "a multicultural network of the exchange of 'necessities'"[6] which connects a number of culturally different societies. In other words, a world-system is an intersocietal system which possesses a self-contained division of labour and all the roles and functions necessary to maintain it are contained within it.

In addition, Wallerstein distinguished between two types of world-systems: a world empire which is an intersocietal division of labour that is controlled by a single overarching imperial polity such as the British empire, and a world economy in a modern world-system whose intersocietal division of labour is organized in an interstate system. In his approach to the world-system, one component of the current world economy which prevents it from transforming into a world empire is capitalism.[7] In Wallerstein's Eurocentric world-system, the modern world-system originated in western Europe between 1450 and 1640 with the accumulation of surplus capital by trade. During that period, early capitalists and merchants required labour, raw materials, and markets. They also needed to expand their trade networks which often resulted in the colonization of other parts of the world and consequently, they finally were able to attain dominant position in the world economy.

In contrast, Andre Gunder Frank offers an alternative perspective on the world system paradigm by critiquing Wallerstein's Eurocentric account of the world economy that the capitalist world system predated European expansion in the pre-colonial period. He also argues that the centre was, in fact, China which dated back to 1400 until 1800 when "Europe used its American money to muscle in on and benefit from Asian production, markets, trade—in a word, to profit from the predominant position of Asia, then stood on Asian shoulders—temporarily."[8] Frank expects that China will eventually return to its predominant position in the world system in the future and Frank's prediction is thus far correct as China is once again emerging as a power economic centre. Frank's account of the world economy that will be applied in a greater length in the subsequent sections of this research paper.

Relationship between Core, Periphery, and Semiperiphery in the World System

The linkages among different societies and states in a world economy create the division of labour which has three spatial components: core, periphery, and semiperiphery. A core normally possesses advanced industrial production and distribution and has strong states, a strong bourgeoisie, and a large working class. Whereas a periphery specializes in raw material production and has weak states, a small bourgeoisie, and many peasants. As for a semiperiphery, it is intermediate between core and periphery in its economic, social, and political roles and its own internal social structure.[9] It is often understood that semiperipheral regions will be dominated by the core, however, at the same time predominate peripheral areas. The nature of semiperipheral regions depends on the relationship between the core and the periphery as the core, periphery, and semiperiphery are relational concepts that need to be considered in particular context.[10] In addition, capitalists in the core normally employ some form of indirect coercion in order to force peripheral production to accept lower prices and lower wages so that the accumulation of capital in the core could take place at the expense of the periphery. Wallerstein and Frank both agree that the relationship between the core and periphery creates an unequal exchange which leads to an unequal development that can ultimately result in the prosperity of the core and the impoverishment of the periphery, or known as the "development of underdevelopment."[11]

For instance, in the Atlantic triangular trade in the mid-17th century, England and France and colonial American supplied the exports and the ships while Africa supplied the human merchandise, plantations, and raw materials. England and France and to a certain extent, other western European countries such as Spain and Portugal formed the core countries that exacted the major profit in the colonial production from Africa and the Americas which were the peripheral regions. The core re-exported the manufactured goods back to the colonies in which the payment was settled in bullion or slaves.[12] After slaves were purchased with the manufactured commodities, they were transported to the plantations in the Americas where they further supplied the core with raw materials such as sugar, cotton, and indigo. Frank argues that in this triangular trade, the commercial exchange which relied on physical force and violence and the re-export and multilateral payment involved "very largely the unequal exchange on the basis of unequal values, which exploited the producers, especially in the colonies, and benefited the merchants, especially in the metropolis."[13] It resulted in an important flow of capital from the periphery to the core, which stimulated the core country's development and resulted in the discrepancy in development between the core and the periphery.

In order to situate China and Thailand's position in the world system paradigm, Frank's representation of China and reference to Thailand will reviewed. For Frank, China was always the core before the European, Japanese, and American powers dominated the Asian and Chinese market in the 1800s. Frank indicates that "if any regions were predominant in the world economy before 1800, they were in Asia. If any economy had a 'central' position and role in the world economy and its possible hierarchy of 'centers,' it was China."[14] A detailed historical study of China by Joanna Waley-Cohen also concurs to Frank's argument. Waley-Cohen asserts that by the 16th century, China had long been incorporated into the complex networks of trade that involved Asia, Europe, and the Americas.[15] Frank further explains that the economies of Asia were far more advanced than of Europe and many Asian powers such as the Chinese Ming and Qing, Indian Mughal, Persian Safavid, and Turkish Ottoman empires maintained greater political and military weight than any of all of Europe. According to Frank, China was the world's economic preeminence in production and export and it was unmatched in porcelain ceramics and had few competitions in silk export which was China's largest export product.[16] In brief, more than 80 percent of China's ceramics exports went to Asia and Europe and silk trade exporting from China was connected to Vietnam, Japan, Holland, and Indonesia. These two commodities were China's crucial export surplus until the mid-19th century and the exports were settled by foreigner's payment in silver. As a result, these multilateral trades were considered the magnet for silver in which China became the "ultimate 'sink' of the world's silver."[17] Due to the influx of silver into China, local economies around the globe became more closely connected through an extensive network of international trade in which Europeans were trading primarily as middlemen.

Frank certainly places China at the centre of the world economy. He articulates that these international commercial transactions demonstrate the core-periphery relations of China with and among Korea, Japan, Southeast Asia, India, West Asia and Europe and its colonies which place China at the centre of the world economy.[18] In terms of Southeast Asia and Thailand in specific, Thailand exported numerous commodities such as rice, cotton, sugar, tin, timber, and more importantly, lead and silver to China. Thailand exports were not considered as marginal luxuries but as staple products intended either for popular consumption or for manufacture of consumer goods by the Chinese. Ayutthaya, the old historic Thai Kingdom from the 14th century to the 18th century, served as significant north-south and east-west entrepot for interregional trade shipment. More importantly, Anthony Reid characterizes Southeast Asia in the period from 1460 to 1680 as the age of commerce when the maritime trade was particularly active.[19]

To Frank, in its position in international trade, Southeast Asia maintained a trade surplus with India, West Asia and Europe, however had a trade deficit with China before the advent of European colonization project.[20] This position of Southeast Asia reflects the Southeast Asian countries as the peripheral relationship with China as a core. In addition, Southeast Asia experienced rapid monetization and commercialization of the economy between 1400 and 1630 with the most rapid expansion from 1570 to 1630 and a large proportion of the population was integrated into production and marketing for the world economy although China, India, and Japan were economically more advanced.[21] In sum, with China at the center of global and regional economy, Thailand can be described as a semiperiphery due to the fact that Thailand is not a completely weak state that fits into the category of a periphery. Moreover, Thailand is one of the few countries that have never been colonized by any western powers and still maintains a strong monarchy until today. The important characteristic of a semiperiphery is that a semiperiphery is a region that is "spatially located between two or more competing core regions"[22] and Thailand fits particularly well into this category because Thailand was a buffer state during the expansion of the European colonial powers. In Southeast Asia, Britain occupied Burma, Malaysia, and Singapore; France successfully colonized Vietnam, Laos, and Cambodia; Spain ruled the Philippines; and the Netherlands took control of Indonesia.[23] Thailand was situated in the middle of European colonial powers and Thailand's fall into one European power would affect the balance of power among the colonial powers in the region. In relation to China, although Thailand's economy has been overshadowed by China, its economy is not destined to the course of development of underdevelopment as seen in former colonies or peripherial regions of the world. Thus, this research paper has categorized China as a core country and Thailand as a semiperiphery.

On "Primitive" Accumulation of Capital

This research paper will touch upon the recent economic growth of China in the capitalist system. Therefore, the process of capitalistic accumulation should be analyzed in order to account for China's emergence from the period of socialism and communism when it started to embrace the capitalist course of development. However, it is important to understand the processes of capitalistic accumulation presented by traditional political economy theorists who have influential impacts in the conceptualization of the world system paradigm. The subsequent sections are dedicated to presenting different classical and theoretical views on the "primitive" accumulation of capital based on the articulations of Karl Marx, Immanuel Wallerstein, and Andre Gunder Frank.

Marx's Primitive Accumulation

Primitive accumulation for Marx is the initial stage of capitalistic accumulation of capital. He compares primitive accumulation to Christianity's notion of original sin in theology. Marx articulates that "the accumulation of capital presupposes surplus-value; surplus-value presupposes capitalistic production; capitalistic production presupposes the pre-existence of considerable masses of capital and of labour-power in the hands of producers of commodities."[24] Consequently, primitive accumulation initializes the whole processes of the capitalist mode of production from the beginning. However, primitive accumulation is one of the significant factors that gave rise to capitalism. Originally, money and commodities are no more capital than are the means of production and of subsistence, however, they can be transformed into capital. Nonetheless, the process of transforming them into capital requires certain circumstances to take place in which two different types of commodity-possessors have to come into contact. The two types of commodity-possessors are on the one hand, the bourgeoisie who own money, means of production, means of subsistence and are eager to increase the sum of capital by buying other people's labour-power and on the other hand, the proletariat who are free labourers that sell their own labour-power and labour.[25] By free labourers, Marx means the labourers who are not part of and do not own the means of production. In other words, in the capitalist system, there is "the complete separation of the labourers from all property in the means of production by which they can realize their labour."[26] Therefore, the primitive accumulation is simply the historical process of separating the producer from the means of production.

It is "primitive" in a sense that it forms the pre-historic stage of capital and of the mode of production. Marx also emphasizes that the dissolution of feudal society essentially set free the elements necessary in forming the economic structure of capitalistic society. As a result, free labourers need to further escape from the regime of feudalism such as guilds because the producers of commodities are transformed in to wage-workers. At this point, it marks the emancipation of themselves from serfdom although wage-labourers will eventually run into the similar feudal arrangement found in the capitalist mode of production as they are alienated from the means of production and exploited by the bourgeoisie.[27] Strictly speaking, the feudal form of exploitation translates into capitalist exploitation with the existence of wage-labourers whose labour consequently creates the primitive accumulation of capital and the reproduction of labour-power is essential to the reproduction of capital itself.[28] This research paper will apply the term "primitive" re-accumulation in order to describe the initial process of China accumulating capital in the economic reform period and subsequently re-emerging as the world's economic power.

Immanuel Wallerstein and the "Primitive" Accumulation in Europe

This section will present the accumulation of capital in Europe as asserted by Wallerstein in order to introduce the reader to the process of accumulation which is a contrast to China's capitalistic accumulation. The theory of capitalistic accumulation is a historical account which illustrates the economic cycles from the beginning of the capitalist mode of production. Therefore, a historical explanation will be offered to the reader. For Wallerstein, by 1450, the stage was set in Europe and nowhere else for the creation of a capitalist world economy which was based on two important institutions: a worldwide division of labour and bureaucratic state institutions.[29] However, it was the 16th century that the European world economy developed into the capitalist mode of production.[30] The large-scale accumulation of basic capital was achieved through the European economic expansion which incorporated other areas of the world into the world-system. The European expansion also made possible the rationalization of agricultural production. By the end of the 16th century, it spread to northwest Europe, the Christian Mediterranean, Central Europe and the Baltic region. Moreover, this enlarging world economy also included various parts of the world such as the Americas, including New Spain, the Antilles, Peru, Chile and to a lesser extent, the Philippines and Russia.[31] In five years between 1535 and 1540, Spain was able to control more than half the population of the Western Hemisphere and from 1670 to 1680, the area under the European control increased from approximately three to seven million square kilometers.

Not only did the enlargement of the European world economy contribute to the primary capitalistic accumulation but also the inflation occurring in Europe which is also known as the price revolution.[32] Wallerstein explains that the connection between the inflation and the process of capital accumulation has been crucial in the studies of modern historiography and provides an illustration of the fluctuation of the inflation and prices from 1504 to 1650:

1504 – 1550—steady rise
1550 – 1562/3—relatively minor recession
1562 – 1610—expansion
1610 – 1650--recession[33]

It was the inflation or price rise and a wage lag that contributed as the major source of capital accumulation in the 16th century. As prices increased, wages and rents were unable to keep up with the rising prices because of institutional inflexibility which existed in England and France. Consequently, it created a disparity between the price and the wage and rent or a windfall profit among the capitalist.[34]

In addition, it was the trade in the East Indies that also assisted in the accumulation of capital as the price paid for commodities in the Americas was fundamentally established by their values in Europe when the merchants sailed but by the time the ships arrived, prices had generally increased tremendously. As a result, the traders and manufacturers could made huge profits from the inflation.[35] Huge profits originating from the inflation and the East Indies trade made way for the initial capital accumulation that sustained as an incentive for the additional pursuit of capitalistic enterprise in Europe. In sum, with the expansion of the European world economy to other parts of the world, "inflation thus was important both because it was a mechanism of forced savings and hence of capital accumulation and because it served to distribute these profits unevenly through the system, disproportionately into what we have been calling the emerging core of the world-economy away from its periphery and its semiperiphery of 'old' developed areas."[36] The next section will move on to discuss the process of capitalistic accumulation in China as well as an alternative view of accumulation process in Europe.

Andre Gunder Frank and the "Primitive" Accumulation of China and Europe

This section will account for China's "primitive" accumulation which took place in the extensive network in the global world economy in order to contrast with the re-accumulation of capital which occurred after China's recent economic reform period. Moreover, this section will apply Frank's account to dispute Wallerstein's traditional view on the capitalistic accumulation in Europe and to mark China impoverishment period after the expansion of the European powers who would then temporarily be at the centre in the capitalist world economy. Frank considers that China has always been part of the world economy since the 15th century. For instance, by 1500, the Chinese had already been sending sea-faring galleon and trading in East Africa. Furthermore, they expanded their trade into Southeast Asia and established overland contacts with the West through the Mongol-established Yuan dynasty long before the Portuguese arrived in Canton by sea in 1514.[37] In the early 15th century, China had dominated ocean trade with Africa with 28,000 men in fleets of over sixty-two ships that were nearly four times as long and seven times as wide as Columbus's ships.[38 39] Frank argues that "during the period 1400-1800, sometimes regarded as one of 'European expansion' and 'primitive accumulation' leading to full capitalism, the world economy was still very predominantly under Asian influences"[40] of productivity, competitiveness, trade, and capital formation until around the period from 1750 to 1800.

Another feature that contributes to the primitive accumulation in China was the tribute trade system, which maintained commercial transactions only on the basis of profit-making.[41] In the tribute trade system, commercial expansion and tribute-trade network developed together and the system placed China at the centre of the economy that encompassed East and Southeast Asia, India, the Islamic regions and Europe.[42] In order to trade with China, the trading partners in the tribute zone were required to pay China in silver for the available exports that China considered of lesser value than the massive amounts of inadequate supply of silver coming to China. Frank argues that the entire system of multilateral trade balances and imbalances was considered the attraction of silver in which China became the "ultimate 'sink' of the world's silver!"[43] More importantly, it was the incorporation of silver into the Chinese economy that stimulated further growth of the economy. During the Ming dynasty, the economy was increasingly monetized on a silver standard and expanded tremendously through the 1620s although the growth was interrupted by internal problems such as the transition from the Ming to Qing dynasties after 1644. Moreover, in southern China, the agricultural and settlement areas expanded along with the commercialization that was stimulated by the external demand of export commodities and local demand and this process of commercialization was, in addition, financed by the inflow of silver from abroad.[44] Consequently, according to Frank's point of view, the accumulation of capital in the Chinese world economy was initiated through the extensive network of the tribute trade system at the global level.

In addition, as opposed to Wallerstein's articulation of the primitive capitalistic accumulation in Europe, Frank argues that the factor which assisted the European powers, especially the British, in penetrating into the Asian world economy was the colonial exploitation.[45] The colonial exploitation served as their supplies and sources of capital which eventually and temporarily placed Europe at the centre of the world economy. In Britain, as Frank argues, there was no capital shortage in the 18th century[46]; and capital from agriculture and commerce was the direct result of the capital flow from abroad, including from slave trade and the "organized looting of India"[47] in the 1760s. Frank cites Jose Arruda who argues that not only did commercial investments made in the colonies contribute to the economic growth of western Europe but they also opened new areas for investments that resulted in further growth, mobility, and circulation of capital.[48]

Furthermore, the West Indian colonies provided not only capital but also servile labour, cheap sugar, tobacco, timber, cotton for the European consumption. More importantly, it was the capital from the colonies in the Americas that gave Europeans access to the silk, cotton textiles, and spices from Asia and the additional profits they were able to extract from their trading partners in Asia. The evidence supporting this argument is that it was estimated 1,000 million gold pounds sterling was acquired from the European colonies between 1500 and 1800, of which 100 to 150 million reached Britain from India alone between 1750 and 1800.[49] It was also the same inflow of capital that financed Britian's spending in the Industrial Revolution, especially in steam engines and textile technology. More importantly, by 1800 the capital which were utilized in steam-operated industry in all of Europe was still lower than the profits western Europe made from the colonies.[50]

Frank disputes Wallerstein in terms of the time period and the sources of "primitive" accumulation of capital which financed further expansion of the European world economy that placed Europe in the core areas in the world system paradigm. However, Frank has provided his constructive account for China's capitalistic accumulation during the time when China was still at the centre of the world economy. The next section will analyze the process of "primitive" re-accumulation of capital in communist China which marks China's re-entry to the capitalist world system. China's recent economic growth after the economic reforms during Deng Xiaoping's era represents a unique process in the capitalist world system as most countries have already been incorporated into the capitalist economy and China took only a few decades to overcome many long-standing capitalist countries and finally becomes the world's second largest economy.

The Spirit of the Bamboo Network

This research paper argues that it is in fact the bamboo network which led to the "primitive" re-accumulation of capital in the early stages of the China's economic reform. Moreover, in the context of the world system paradigm, the bamboo network represents the process of capital flow that originates in the semiperipheral and peripheral areas and in the end, reaches the core country for the specific purpose of capital accumulation and economic development. As mentioned earlier, this process is referred as the *reverse investment*.[51] This section will present the special characteristics of the bamboo network that facilitate the reverse investment and capitalistic accumulation in China. The term, bamboo network, refers to "the remarkable and pervasive cross-border movement of people and goods…Goods, services, money, and people are increasingly flowing arcoss this region (East and Southeast Asia), despite the substantial differences voiced so noisily by leaders in Beijing, Taipei, and Hong Kong." [52] The bamboo network consists of the ethnic Chinese entrepreneurs who have relocated to several regions such as East and Southeast Asia. In addition, the bamboo network possesses tremendous financial wealth and the ability to capture large profits from emerging markets in spite of political fragmentation and economic uncertainty as argued by Murray Weidenbaum and Samuel Hughes.[53]

The overseas Chinese in the bamboo network normally have to experience three stages in order to become successful players in this network. The first stage is for them to "go literally from rags to riches."[54] Most overseas Chinese left the mainland with little wealth and they could not depend on the governments of the host country for effective assistance. For example in Thailand, the authoritarian regime targeted the Chinese immigrants in the assmiliationist campaign from the 1940s until the 1970s.[55] They were severely assimilated and discriminated. Due to this prejudice and discrimination, they were required to establish their own private businesses for their survival. Over a certain period of time, their businesses would eventually become successful and to a certain extent, dominate national economy in many countries including Singapore, Indonesia, and the Philippines.

The second stage of development takes place with the internationalization of the family business on an unprecedented scale.[56] Because the Chinese were discriminated, they learned that a common background provided a basis for successful business and trade throughout the region. Language, culture, and ethnicity were and are utilized as common ground among the overseas Chinese while family ties are still the most reliable and secure assurances. Many overseas Chinese firms have established branches of the companies elsewhere in the region while the control of the business is always kept within the family. After the transnational expansion of their enterprises, the third stage of the bamboo network starts when the massive investments are being made by overseas Chinese capitalists to set up new businesses in the original home of their parents and grandparents.[57] This stage of development in China also outgrows the efforts of the most successful western firms that attempt to invest in China. The members of the bamboo network are currently offering three important components that a communist China lacks—entrepreneurship, risk-taking capital investment, and business management capability.[58] It is the second component, capital investment, that this research paper is most interested in. Furthermore, the third stage in the bamboo network will be argued that it leads the initial accumulation of capital in China after the start of the economic reform.

In the bamboo network, the ethnic Chinese usually created businesses and conducted transactions that crossed over national borders with other overseas Chinese in other countries and also throughout the region. As a result of this type of trade, tightly knit family-owned and family-run business groups come into existence. At the same time, they create great economic power and financial wealth not only for the owners but also for the countries they reside and invest in.[59] Although nowadays family-run ethnic Chinese businesses are increasingly managed by descendants of the first generation overseas Chinese, these companies still maintain strong family control over in the company. The decision-making process of the ethnic Chinese enterprises is still heavily centralized as the core parent company controls the main subsidiaries and various branches through shareholding. Moreover, the senior management of the company are normally family members or close relatives.[60]

The role of family and family ties is significantly powerful in terms of understanding the overseas Chinese business enterprise. Traditionally, a routine of performing business transaction is by maintaining strong kinship ties that initiate repeated interaction among the same circle of people. It is argued by Weidenbaum and Huges that “kinship ties are extremely important and family control over firms is the rule.”[61] The notion of family ties gains such an important aspect in the overseas Chinese business due to the fact that family is heavily emphasized in the Confucius concept which preaches that the family directs the way individuals take on a relationship with others in the society.[62] Furthermore, the Confucius concept of filial piety states that individuals are obligated to the responsibility owing to their nuclear and extended families, especially to the parents and ancestors.[63] Consequently, the expansion and management of the overseas Chinese business firms remain tightly in the family members. In other words, family ties are one of the means for the initial accumulation of capital for China.

In addition to kinship connections, ethnic ties are another significant aspect of the bamboo network that cannot be neglected. In his account of the bamboo network in which he calls *ethnic Chinese business networks* (ECBN), Dajin Peng argues that the ethnic Chinese business network is informally conducted mainly through ethnic ties.[64] The Chinese living abroad found that kinship, dialect, or common origin including in a same clan, village, or country provided a basis for mutual trust in business transactions. Furthermore, these relationships offered both certainty and informality which facilitate business expansion that does not include legal structures.[65] The retention of ethic separateness among the Chinese is a common feature that has a long-standing and consistent history. The ethnic division is normally caused by three factors: firstly, the overseas Chinese are resented for their usual economic success in the host countries; secondly, the Chinese normally perceive their culture as superior to others; and thirdly, it may be the usual routine among them to associate themselves among the alike.[66] This ethnic separateness will be demonstrated through the policy formulated by the Chinese government that specifically urges the overseas Chinese population to invest in China in the latter section of this research paper.

The above characteristics of the bamboo network: family ties and ethnic association will be illustrated and examined in the case study of Thailand's Charoen Pokphand (CP) Group in the latter section of this research paper to present the process of reverse investment that results in the initial capitalistic accumulation of China after the implementation of the economic reform. The next section will provide an account of the Open Door policy, the Beijing's treatment of the overseas Chinese during the Communist regime, and the realization of the overseas Chinese as a significant source of capital by the Chinese Communist Party in order to comprehensively understand the critical context of the process of reverse investment.

Critical Context

Demography of the Chinese population in Thailand

Because this research paper argue that the Chinese population in Thailand is part of the larger picture in the accumulation of capital in the early stage of China's economic reform, it is important that a brief account of the Chinese in Thailand and a definition of the term, *overseas Chinese*, be provided before the analysis of the Beijing's treatment of the overseas Chinese can begin. *Overseas Chinese* or *huaqiao* (华侨) is generally defined as Chinese citizens who are living abroad. However, in terms of understanding the overseas Chinese in Southeast Asia, the term is much more complicated as millions of the Chinese in this region neither claim nor exercise any prerogatives of Chinese citizenship due to miscegenation and assimilation that took place in the past.[67] Many of them identify themselves based on their local Southeast Asian country's citizenship. It is also argued by William Skinner that being a Chinese is essentially a matter of self-identification and those who identify themselves as Chinese are "almost without exception descended from Chinese immigrants."[68] Thus, overseas Chinese include China-born residing abroad as well as descendants of Chinese immigrants. This research paper uses this inclusive definition because of the complication in the Southeast Asian context and the terms, overseas Chinese and ethnic Chinese, are used interchangeably.

In Thailand, 14 percent of the population is ethnic Chinese[69] and they form the second largest ethnic group, comprising of more than 8 million people.[70] It is believed that the earliest Chinese migration to Thailand dates back to the 13th century during the Sukothai Kingdom, the first official historic kingdom of Thailand.[71] It was a group of Chinese political refugees who fled from southern China to the Champa Kingdom and eventually to Siam after the Mongols conquered southern China and sacked the Cham capital in 1283.

It is important to recognize the current ethnic Chinese population in Thailand is not a homogenous group due to the long historical migration of the Chinese to Thailand. In fact, they come from different historical backgrounds and speak different dialects. Gungwu Wang differentiates the Chinese migrants into four types. The first type is the trader who went overseas in the 13th century; the second type is the coolie or the unkilled, landless laborers from the peasant class who migrated from China during the 19th and 20th centuries; the third group is the sojourner who are from a more educated and cultured class that left China after 1949; and lastly, the descendants of the ethnic Chinese who have Chinese ancestors and may have never lived in China. [72] In terms of the number of the ethnic Chinese living in Thailand, out of approximately 8 million Chinese-Thais, 56 percent belong to the Teochiu dialect group, 16 percent are the Hakka people, 12 percent are Hainanese, 7 percent are Hokkien, 7 percent are Cantonese, and 2 percent are considered other groups such as the Yunnanese in northern Thailand.[73] The next section will examine how the CCP re-discovered the overseas Chinas as a main source of capital for the Chinese government in the economic reform policy.

China and the Open Door Policy

On December 18, 1978, the Chinese Communist Party (CCP) convened the Third Plenum of the Eleventh Party Congress in Beijing, which was considered a historic event, marked the "third turning point in China's twentieth-century history"[74] after the overthrow of the Qing dynasty in 1911 and the founding of the People's Republic of China (PRC) in 1949. It was the third turning point because China officially started to embrace the market-driven economic reform and the Open Door policy still influences the development of China's economic growth until today. The central agenda of the Third Plenum was the declaration that the era of violent class struggle was over for China and it was time for the CCP and the Chinese nation to concentrate on economic development. In addition, there would be no further mass campaigns and mass movements that characterized the turbulent era of Mao's rule.[75]

Shortly afterwards, China would start to proceed gradually and incrementally in its economic reform which started with the agricultural sector and then expanded to the industrial reform in the urban centres. In brief, China entered a period of reforms that included the decentralization of economic decision-making to the local government and business, the acceptance of the role of market forces as opposed to central planning, and lastly, opening to the outside world through trade and foreign investment.[76] Although this research paper is mainly interested in the early stage of China's economic development as a result of capital flow contributed by the overseas Chinese community, a brief overview of the economic reform policy will be presented in order to provide a better picture of the economic reform in China.

China's economic reform began with the dissolution of the agricultural commune system and the return of agricultural production to households.[77] Decollectivization of the commune system was followed by the directive from the government which introduced a program called the household responsibility system. Under this system, people are allowed to divide into production teams among their households and the peasant families in the village would be able to plant and work in separate fields. Moreover, they could profit separately from their own crop production.[78] Cultivating land was allocated on a *per capita* basis in which a quarter of an acre of farmland was allocated per family member. Means of production like farm tools were also distributed and sold off to all of the families in the production team. The responsibility system also permitted for the families to hire laborers to assist them in harvesting. Peasants were still required to sell grain to the state, however, each of the households were only responsible for an annual sales quota. As long as the family could reach the sale quota, they would be able to plant and sell any crops they desire on their allotted field. Under this responsibility system, peasants once again became small-scale cultivators and independent entrepreneurs.

Similarly, in the urban centres, there was the introduction of the enterprise responsibility system in the early 1980s. The government encouraged people in industrial ventures, whose profit they were permitted to keep, as a way to absorb the huge surplus in agriculture production.[79] The urban market also turned their local areas into entrepreneurial production centre in order to process agricultural products as well as produce light industrial goods. In addition, urban enterprises become more dependent on bank financing rather than on the government's budget. Enterprise autonomy was increased by the decentralization process of decision-making to provinces and lower level administrative units, which subsequently attained the ability to pursue their own industrial policies.[80]

Domestically, the rural and urban sectors became increasingly depended on market forces which well prepared China to adopt its Open Door policy in which foreign direct investment (FDI) would have a significant role in promoting technology transfer and assisting the economy to meet international standards required for export market.[81] In this research paper, foreign capital acquired through ethnic ties among the overseas Chinese is treated as the source of initial growth and development of the Chinese economy that is still influential nowadays. Therefore, it is important to specifically examine the Open Door policy in relation to capital inflow with the emphasis on the Beijing's treatment of the overseas Chinese in the subsequent sections.

The Open Door policy emphasizes not only on the increase in technological exchanges with other foreign countries but also the speedy entry of Chinese products into the world market and the expansion of foreign trade. It was recognized that foreign capital could be exploited to "speed up [the] economic construction [and] it is definitely necessary to utilize as much foreign capital as possible."[82] In the attempt to attract foreign capital as well as technology and management system, the Chinese government initiated the establishment of special economic zones (SEZs) in 1979 starting with two coastal provinces of Guangdong and Fujian, which are adjacent to Hong Kong, Macao, Taiwan and the South China Sea. Currently, SEZs have expanded to fourteen cities in eleven provinces in many parts of China.

Special economic zone is a term that describes certain legal and geographic area where commercial transactions such as manufacturing, exporting, processing, banking, and assemble can take place between the local and foreign company under particular conditions that grant several incentives that are not available in other parts of the country.[83] In addition, in these zones, the investment environment is considered more liberal because foreign investors acquire a high level of autonomy in their investment and are able to either take a minority position in an investment project or own up to 100 percent with the approval of the local government. One of the major reasons the Chinese government chose Guangdong (Shenzhen, Zhuhai, and Shantou cities) and Fujian (Xiamen city) is that these zones are home to many overseas Chinese who reside in Hong Kong, Macao, and Southeast Asia. For them, the opportunity to assist in the economic development of their hometown and make a profit on their investment would have both sentimental and practical appeal.[84]

The growth of FDI in China can be examined through three phases: 1979-1985, 1986-1989, and 1990-1996. Since the unfolding of the economic reform until 1982, there were 922 foreign invested projects that had been approved with pledged investment of US$4,608 million, of which US$1,168 million was realized. However, the investment environment for foreign investment was still restrictive. For instance, foreign share in joint ventures were restricted to less than 50 percent, the investment was not permitted in finance, banking, transportation, telecommunication, and retail, and the government strictly regulated the use of local labour and land.[85] As a result, FDI grew slowly. With the announcement that expaned SEZs to fourteen coastal cities in 1984, there was a sharp increase in FDI until 1985 when China experienced a decline in FDI due to the worsening of economic problems such as high inflation and trade deficit.

After 1986, China entered the second period of experiencing FDI when the government further decentralized the decision-making process to local governments. Additionally, local governments readily provided extra incentives including exemption of local tax, lower land use fees and lower charges for using public facilities on top of the incentives offered by the central government. In response to the improving investment condition, FDI continuously and quickly recovered until the first half of 1989 and the decline was due to the economic and political climate as the government attempted to slow down the growth of the over-heated economy and to reduce the two-digit inflation rate in late 1988 by restraining the domestic credit and controlling market demand.[86] Concurrently, there was a crackdown of the democracy movement by the Chinese government at the Tiananmen Square in June 1989 when the reform process was stopped temporarily. Consequently, it negatively affected the confidence of foreign investors in the stability of Chinese policies which resulted in a sharp decline of the pledged FDI.

In the third phase from 1990-1996, the Chinese government desired to encourage more investment by relaxing various regulations such as the elimination of the duration limit applied to some ventures and the permission for foreigners to act as joint venture board chairperson. In 1991, the government repealed the law that discriminated against the wholly foreign-owned enterprises on income tax, loosened control over the domestic loans and opened up more domestic markets to foreign investors.[87] Most importantly, the growth of foreign investment grew remarkably after 1992 when Deng Xiaoping was on his southern tour to southern cities in the SEZs. The government further relaxed economic policy in order to speed up the economic reform by allowing foreign companies to invest in the previously restricted fields of retailing, real estate, trading, transport, financing and banking. Furthermore, the Chinese government officially announced the adoption of the "socialist market economy"[88] strategy and started to standardize market operation.

Deng's southern tour and the government official announcement clearly signify the Chinese government's serious attempt to attract more foreign capital by not only showing their commitment but also facilitating a better investment environment. The growth of the foreign direct investment (FDI) in China also coincides with the way in which the Chinese government treats the overseas China population in relation to the neighboring countries, especially in Southeast Asia. The next section will thoroughly examine the Beijing's treatment of the overseas Chinese under the Chinese Communist Party (CCP) and the re-discovery of the Chinese abroad as the source of capital, which facilitated further growth and development of the Chinese economy in the early reform period.

Treasure Hunt: Re-Discovery of Overseas Chinese as Capital and the Beijing's Treatment

This research paper recognizes the overseas Chinese as the source of capital that the Chinese government required in order to facilitate the speedy growth of the economy. Thus, it is important to examine the discourse of the overseas Chinese taken by the Chinese government because the Chinese government previously lost its connection with the overseas Chinese population during the period of self-imposed isolation after the establishment of the People's Republic of China (PRC), during the Cultural Revolution, and the Cold War. The utilization of overseas Chinese as a source of capital is not completely new. During the late Qing dynasty around 1900s, the Qing court was severely and continously weaken by heavy indemnity as a result of the Opium War in the mid-19th century, the Sino-Japanese war in 1894-95 and the Boxer Uprising in 1900.[89] The overseas Chinese had clearly demonstrated their economic power and wealth in order to support the weak Qing dynasty by sending US$20 million annually as early as in the 1880s.[90] By 1910, the sum of remittances increased to US$26 million per year and rose sevenfold by 1931.[91] Currently, the total population of ethnic Chinese outside of mainland China is close to 60 million[92] and by far, they constitute the largest investors in mainland China.[93] Therefore, this section is dedicated to analyze, through a course of history, how the Chinese government eventually came to the realization of the importance of the overseas Chinese, re-connected and reconciled with the overseas Chinese population and successfully urged them to invest in China. This significant re-discovery of the Chinese abroad in the late 20th century will be presented mainly through Beijing's policies and treatments towards overseas Chinese since the founding of the PRC.

In 1949, after the Chinese Communist Party (CCP) took control of Beijing and mainland China, the CCP was committed to and pre-occupied with consolidating its position in the mainland. As a result, the overseas Chinese issue was not an important aspect of the government's foreign policy. However, soon enough the CCP realized that in order to gain more power in the mainland, they needed to attain support from overseas Chinese in order to assure their success over the Nationalist Party or Kuomintang (KMT) and firmly establish diplomatic recognition for their new government.[94] After 1949, the support for the CCP among the overseas Chinese, especially the young and educated ones in Southeast Asia where 90 to 95 percent of the overseas Chinese reside,[95] increased dramatically due to the perception that a unified China and its new government would be able to protect the overseas Chinese population from the discrimination by the host states. The CCP also realized that:

> the Overseas Chinese represent a number of important assets. They can be used to provide bargaining leverage in dealing with Southeast Asian governments, by conveying the impression that fair treatment of the Overseas Chinese is pre-requisite for good relations with the PRC (People's Republic of China). The Overseas Chinese can help the Chinese Communist Party to maintain contact with, finance and influence local communist parties.[96]

Therefore, the treatment of the overseas Chinese by Beijing became significant not only because the CCP desired to strengthen its power through the overseas Chinese but also establish diplomatic ties with other countries and at the same time, influence the expansion of local communist activities. From this point of view, the Chinese abroad were considered an asset rather than a liability for the government. Consequently, the CCP inherited the policy from the Qing dynasty introduced in 1909 and from the KMT introduced in 1923 and followed the principle of *jus sanguinis* which recognizes any person with a Chinese father or a Chinese mother is considered a Chinese citizen regardless of one's birthplace.[97] In addition, thirty seats in the People's Congress were dedicated to delegates among the overseas Chinese and the government also established the Overseas Chinese Affairs Commission (OCAC) in 1949 which replaced the KMT's Chinese Affairs Commission in order to protect the well-being of the overseas Chinese.[98]

These gestures expressed by the Beijing government did not only signify the CCP's serious commitment to take the issue of the overseas Chinese but also created the suspicions among the Southeast Asian states on the issue of whether the PRC was determined to interfere in domestic affairs using the overseas Chinese and achieve the expansion of communism. Moreover, American propaganda during the 1950s and the 1960s portrayed China as an expansionist power utilizing overseas Chinese as a fifth column of revolution and strongly threatening the western-oriented regimes of Southeast Asia.[99] Because of the negative images of communist China perceived by other countries, the CCP needed to embrace a different approach to its foreign policy in dealing with the overseas Chinese at the Afro-Asian Conference or the Bandung Conference in Indonesia after 1955.[100]

Being a newly established government while attempting to gain recognition from the international community, the CCP was determined to carry out on the different treatment of the overseas Chinese after 1955 in order create friendly relationship with the Southeast Asian countries. At the Bandung Conference, Premier Zhou Enlai of China explained the new Beijing's attitude on the nationality of the overseas Chinese. He opposed the earlier principle of *jus sanguinis* that was adopted from the KMT by the Beijing government and supported the opposite legal doctrine of *jus soli.* This opposite legal doctrine accepts that a person should naturally be a citizens of the country in which one was born and could only claim another nationality through official procedures or in exceptional cases such as a child of a foreign diplomat.[101] Thus, this means that if accepted fully, anyone born of a Chinese parent would be a citizen of the host country and the overseas Chinese who had immigrated from China would continue to be Chinese citizens unless their citizenship was naturalized by the host country. Additionally, Premier Zhou Enlai proposed to sign treaties embracing the *jus soli* principle with any government if the government concerned had diplomatic relations with the PRC or agreed to acknowledge the PRC as the only government of China with Taiwan being part of China.[102] The new position taken by Beijing implies that Beijing was committed to alleviate the fear of China interfering with domestic politics as well as expanding the communist networks in Southeast Asia. Beijing implicitly advocated the overseas Chinese to integrate themselves into the local communities by acquiring local nationality and receiving local education as opposed to solely obeying the Chinese government.[103] This position clearly represents China's goodwill in foreign policy towards the Southeast Asian countries.

However, the positive development between Beijing and the overseas Chinese community in Southeast Asia was interrupted by the outbreak of the Chinese Cultural Revolution that started in 1967. The Southeast Asian governments were once again suspicious of Beijing's policy and the allegiance of the Chinese community due to a series of extreme and radical communist policies such as the violent class struggle between the bourgeoisie and the proletariat. In 1968, Lin Biao, the then Vice-Premier of the PRC, included patriotic overseas Chinese in the revolutionary unity of the Chinese people in his report to the Ninth Party Congress. Furthermore, he stated that overseas Chinese would "devote themselves to opposing the aggressive designs of US imperialism and social revisionism, and to the liberation of China's territory, Taiwan."[104] The Chinese government also "urged patriotic overseas Chinese to support the struggle of the revolutionary peoples of all countries against US imperialism and all its running dogs."[105] These two messages can clearly be perceived as the Chinese government's attempt to motivate and mobilize the overseas Chinese to participate in the revolution both at home and abroad. Consequently, the overseas Chinese again were considered a political tool of China in extending the communist revolution to other countries, especially Southeast Asia where most overseas Chinese reside.

China's foreign policy on the overseas Chinese became much more complicated for the Southeast Asian governments after the returned overseas Chinese and anyone in China who had any external connection with the Chinese abroad were targeted and violently attacked. For instance, they became one of the Seven Black Elements opposing the proletariat revolution and there was one political slogan stating that "Indonesian Chinese were capitalists to be overthrown; Malaysian Chinese were renegades and traitors; Japanese Chinese were spies; and those from Thailand obviously Kuomintang (Guomindang) agents."[106] They were labeled as class enemies and capitalist roaders who received "foreign capitalist goods."[107] The Overseas Chinese Affairs Commission (OCAC) was also disbanded in 1967 and its personnel came under attack. Due to the aggressive attack and harassment directed at the returned overseas Chinese and their associates, there were numerous anti-China protests, which took place in Hong Kong and in Southeast countries such as Burma, Indonesia, and Cambodia. The unrests were perceived to be creating problems for the Sino-Southeast Asian relations as "the incidents involving the Chinese abroad further alienated the PRC and aggravated the PRC's diplomatic isolation in the South East Asian region. During this phase, the countries of the region were collectively deplored by the PRC as 'lackeys of American imperialism'."[108] The period during the Cultural Revolution was considered as an intimidating period with the confusion in the Beijing's position towards the overseas Chinese population, which led to the detrimental relationship between Beijing and other countries in Southeast Asia.[109]

By 1971, China's foreign policy returned to the pre-Cultural Revolution phase because of two reasons: the first reason is that there was an increasing polarization between China and the Soviet Union and the second reason is that the United States was committed to an overture with China to normalize the two countries' diplomatic relations. At the same time, China was interested in carrying out more friendly foreign policy towards Southeast Asian nations in order to establish diplomatic relations. An effective way to achieve this goal for China meant that China was required to loosen its ties with the overseas Chinese.[110] As a result, in 1974, Malaysia established its relation with China based on the principle that anyone of Chinese origin who has acquired Malaysian nationality automatically forfeits Chinese nationality and those who desire to maintain their Chinese nationality need to abide by local laws, respect local customs, and live in unity with local people. China and Malaysia signed the Zhou Enlai-Tun Abdul Razak Joint Communique whose principle would become the model of subsequent diplomatic relation establishment for other Southeast Asian countries.[111] In 1975, Thailand eventually assumed its diplomatic tie with China based on the same model of agreement. More importantly, the PRC passed a Nationality Law in September 1980 that combined both the principle of *jus sanguinis* and *jus solis* with an exercise of free choice of an individual in accordance with the naturalization laws of the host country. In other words, the new Chinese law allows the abandonment and restoration of Chinese nationality, however, does not acknowledge dual nationality for any Chinese citizen.[112]

The Nationality Law passed in 1980 was and is a significant law because it was the first time that the PRC formulated a law on Chinese nationality in order to represent the PRC's determination to receive confidence among nations where there was a large population of overseas Chinese. This law can also explain the utilization of overseas Chinese during the recent economic reform in China. During the years of the Cultural Revolution, the political violence inflicted upon the returned overseas Chinese resulted in they and their overseas connections being "extremely bitter" [113] towards the Chinese government. Therefore, there was a necessity for the Chinese government to aim for the rapprochement with the returned overseas Chinese and the ethnic Chinese abroad without creating distrust among the host countries. Since 1977, the Chinese government has been attempting to correct injustices and compensate for the discrimination that occurred during the Cultural Revolution and as argued by Gungwu Wang, “the most effective form that restitution could take was to let them re-establish their overseas connections.”[114]

However, Wang also asserts that there was a practical reason for the Chinese government’s restitution because China began to open its door to economic and technical influences from abroad and was in need for foreign assistance especially among the overseas Chinese. Prior to the Nationality Law being in effect, Deng Xiaoping indicated in 1977 that he desired to see the Overseas Chinese Affairs Commission (OCAC) be placed back on the agenda. Additionally, in 1978, the government stated that:

> Administration of Overseas Chinese is an important work of the Party. Success in this work is of positive significance for mobilizing the initiative both at home and abroad, expanding the patriotic united front and the international united front against hegemonism, consolidating the dictatorship of the proletariat and modernizing agriculture, industry, national defence and science and technology in China by the end of this century.[115]

Concurring to the government’s perspective, the media in China also advocated the formation of the broadest patriotic united front that expanded to incorporate the overseas Chinese population.[116] More importantly, in the same year, a member of the Central Committee of the CCP recognized that the overseas Chinese are generally patriotic and they wish to see China occupying a higher status in the international community while still contributing the economic and cultural development in their host countries. Therefore, the Chinese government should collaborate with the oversea Chinese community in the broadest patriotic united.[117]

It is interesting to observe that the formation of the patriotic united front was closely linked to the launch of Deng Xiaoping’s Four Modernization campaign in December 1978, which sought to modernize agriculture, industry, national defense, and science and technology. This time, China’s renewed interest in the overseas Chinese was based on economic necessity. Beijing unquestionably required assistance in the form of investments and remittances sent from overseas and the effective way to channel the investment was through the overseas Chinese. At first, the government specifically encouraged people with overseas ties in Guangdong and Fujian provinces where Special Economic Zones (SEZs) are situated to restore foreign links and contacts.[118] The direct consequences of restoring the ties abroad include "the investment of overseas Chinese capital in their home provinces, cities or towns, the financial contributions made by relatives overseas towards all levels of education, and even the simple remittances to assist the housing and living problems of Guiqiao (former overseas Chinese) and Qiaojuan (dependents of overseas Chinese)."[119] Consequently, investing in China has become equivalent to being patriotic.

More importantly, on August 9, 1990, the Chinese government formally issued a law which attempted to attract more capital from the overseas Chinese, especially in Hong Kong and Macao. The law is called *Provision of the State Council Concerning the Encouragement of Investments by Overseas Chinese and Compatriots From Hong Kong and Macao*. It states that the investment made by the Chinese overseas is entitled to the same treatment applicable to enterprises with foreign investment as indicated in relevant laws, decrees, and regulations.[120] It further emphasizes that the state will not nationalize the investment or other assets of the overseas Chinese investors. However, in a special case of a takeover of the enterprises by the state, compensation will be offered according to an established legal procedure. The law also indicates other aspects such as the available investment area, means of investment, applicable preferential treatment, application for investment, and resolution of dispute.[121] By passing this law, the Chinese government competently provides the overseas Chinese with the rigid legalized structure and guarantee in the stability of investment without the government's interference at any random time. It also represents the government's true dedication to attracting foreign capital from the Chinese abroad. Consequently, the overseas Chinese have been motivated to invest in China as part of the nationalistic campaign with the assistance and facilitation from the Chinese government. The next section will present the case study of Thailand's ethnic Chinese enterprise, Charoen Pokphand (CP)

Group in order to critically analyze how the bamboo network contributes to the accumulation of capital which eventually results in the rapid economic growth in China.

The Secret of "Primitive" Re-Accumulation: A Case Study of the Charoen Pokphand (CP) Group

This section will explain the process of re-accumulation of capital in China by providing an account of one of the most important players in the bamboo network, the Charoen Pokphand (CP) Group. The CP Group will also be presented through the three stages of becoming a successful player in the bamboo network. As discussed earlier, the three stages include the processes of becoming a local successful business; internationalizing family business on an unprecedented scale; and investing in China. The CP Group is chosen in this case because not only does the CP Group currently ranks as Thailand's largest transnational business group but also one of the largest foreign investors in China since 1994.[122]

The two founding brothers, Chia Ek Chor and Chia Seow Nooy, migrated from Shantou, Guangdong province in southern China in 1917.[123] The CP Group had its beginning when the two brothers set up a small seed company named Chia Tai in Bangkok in 1921. While the headquarters of the CP Group was still in Shantou, Chia Tai had already started to develop a network of seeds outlets in Bangkok, Hong Kong, Taipei, Kuala Lumpur, and Singapore. However, after the 1949 Communist Revolution in mainland China, Chia Ek Chor moved the company headquarters to Bangkok and embraced his Thai name—Chearavanont, meaning "long established wealth" in Thai.[124] In the 1950s, the two founders were struggling in their seed business as they began to specialize in supplying animal feed for chicken. But, in the 1960s, they reached an agree with Arbor Acres, a firm in the Rockefeller group, in order to implement their new formula for combining chicken breeding with feed milling. By 1969, the formula was so successful that the company had an annual turnover of approximately US$ 1.5 million.[125]

The expansion of the company in Thailand did not take place until 1969 when an American company that had started a chicken farm and fled from the Vietnam War while still owing a large sum of money to the Bangkok Bank. As a result, the Bangkok Bank requested the CP Group take over the business by having the CP Group loan Thai farmers money and teach them how to raise chickens efficiently. The farmers then would raise the chickens supplied by the CP Group who in the end would buy back the grown chickens. At the start of the take-over, 10,000 chickens were collected from each farmer and the number has increased to 50,000 chickens from each farmer.[126] The Central Bank of Thailand was also another factor which facilitated this expansion because the Central Bank preferred loaning money to low-risk businesses such as the CP Group. In addition, government banks were greatly interested in injecting money into the agricultural sector and would provide loans to farmers who agreed to be in contract farming with the CP Group.[127] This tremendous growth of the CP group in Thailand marks the first stage in the bamboo network in which the company has acquired a dominant position in the domestic market.

After its success in Thailand, the CP Group started internationalizing this family business in the 1970s. The CP Group began to grow rapidly and expanded to other countries such as Indonesia, Taiwan, Turkey, Portugal, the Philippines, Singapore and China. In the CP Group case, the second stage in the bamboo network coincides with the third stage in which the enterprise begins investing in mainland China on a huge scale. In 1979, the CP Group was the first transnational corporation to invest in China, specifically in the agribusiness sector.[128] In China, the company is known as Zheng Da Group (正大集团) in mandarin Chinese and Chia Tai in Teochiu dialect. In the same year, the CP Group received the first foreign-invested license from the Chinese government and established a modern mill feed factory.[129] The investment started in Shenzhen, Guangdong province. The company expanded continuously as their products did not only include animal feed but also processed meat and frozen food.

Since 1981, the CP Group has expanded into raising poultry and pigs as well as into the aquaculture of prawns and fish across the countryside of China, including Inner Mongolia.[130] In October 1984, Beijing Chia Tai Feedmill was established. It was also the largest Feedmill in China with an investment of US$10 million and held a 35 year-contract.[131] A joint venture was also founded in October 1985 between the CP Group's subsidiary called Shanghai Dajiang and the Songjian County Feed and Livestock Company with an initial investment of US$18 million. The sales of this joint venture were only 67.16 million *yuan* or US$10.24 million in 1991 but within a short period of five years, its sales increased enormously to a sum of 2384 million *yuan* or US$364.44 million.[132] The company emerged as China's largest broiler chicken and animal and fish feed producer in 1990. In addition, by 1987, the CP Group initiated manufacturing businesses in Shanghai, producing motorcycles with a license from Honda and brewing beer with a license from Heineken.[133] Prior to its expansion to Shanghai's Pudong new area, by 1996, the CP Group's Ek Chor motorcycle company was producing at least 300,000 motorcycles a year at its two factories in China and had already achieved 15 percent share of the Chinese motorcycle market.[134] By November 1993, the CP Group was involved in 40 agribusiness projects, 13 of the large initiatives held in joint-venture contracts with American MNEs and the Chinese government and regional authorities. Furthermore, in the same period, the CP had already launched more than 200 subsidiaries across China.[135]

Coinciding with the 1990 investment law passed by the Chinese government as well as Deng Xiaoping's Southern Tour in which both circumstances encouraged the overseas Chinese investment in China, the CP Group involvement in the Chinese economy was stimulated even further. In 1992, the company was committed to the creation of large, luxurious shopping complexes, hypermarkets, warehouse clubs and department stores. Moreover, three retail operations were established in Shanghai in 1992. By 1995, the number of these shopping complexes increased to 14 in total. The CP's participation in the retailing network in Shanghai attracted approximately US$13 million each year during this period.[136] In addition, it also injected US$39 million in the retailing business in China between 1993 and 1995 which resulted in China's retail further growth. The achievement in retailing and hypermarket businesses was possible chiefly because of the CP Group's crucial partners—Makro (the Dutch discount retailing corporation) and Neil Bush and Koll (the California construction and property management corporation).[137] By 1997, their hypermarkets expanded to 55 operations and currently, the company runs 77 hypermarkets in total. More importantly, Shanghai's Super Brand Mall, the largest shopping in China, was opened in 2002 with the total investment of US$500 million.[138]

Currently, the CP Group's involvement in China does not only include agribusiness, aquaculture production, machinery manufacturing, telecommunication, and retailing operation, but also petrochemical industry, finance, and real estate development. By 2009, the total investment was worth US$6 billion[139] and will increase by US$2 billion in the near future.[140] So far, this section has outlined the process of *reverse investment* of the CP Group by illustrating it through the three stages in the bamboo network. This outline only shows several examples among the 200 subsidiaries that led to the massive inflow of the FDI coming from the CP Group, which undoubtedly has contributed to the growth of China's economy. The following paragraph will present the two factors; family ties and ethnic connections which are the crucial facilitators in this case of *reverse investment.*

For the CP Group case, family ties are utilized and expanded in correlation to the development of business. It is clear that the company started the investment in Guangdong province where the two founding brothers originally came from. The CP Group is a family-dominated business in which the founding family maintains ownership and control, management, and investing equity in the entire firms in the conglomerate. For example, Dhanin Chearavanont, the youngest of Chia's four sons took over the executive management at the age of 25 while his older brother, Sumet Chearavanon took the position of vice-chairman operating out of Hong Kong. By 1994, Dhanin had already been a direct of 42 companies and Sumet was a direct of 53 companies in the CP Group.[141] The rest of the two brothers, Montri and Jaran, are also acting as honorary chairperson of the company. More importantly, it indicates on the CP website that "Mr. Dhanin Chearavanont has a special affection for China. The Chearavanont's is very supportive of hometown construction and donated more than RMB100, 000,000 (US$ 15.28 million) to education, public welfares, health care and poverty-disaster relief."[142] In addition, the CP Corporate University was established in China in 2007. Consequently, the *reverse investment* has been achieved by the CP Group along with the strengthening of family ties in the subsidiaries of the company. More importantly, the CP Group recognizes the importance of developing the founders' homeland while still investing in China and the donation can definitely be perceived as a form of remittances that in the past were sent back to the hometown of the overseas Chinese.

Being called to form the broadest patriotic united front by the Chinese government and facilitated by the 1980 nationality law and the 1990 investment law, the CP Group strategically utilizes ethnic connections with China as the company expands its businesses. The official website of Zheng Da, which is completely different from the CP group's Thai website, is published only in Mandarin Chinese and English and introduces the company as being founded by "Thai-Chinese"[143] rather than by Chinese-Thai even though the Chinese government does not recognize dual citizenship among the overseas Chinese population. Furthermore, the introduction also asserts that the two founding brothers and their second-generation descendants currently holding the position in the executive management have "strong China complex."[144] By presenting the founders' ethnic ties with China, the CP Group also states that "the Group has always been concerning about and supported development of China."[145] More importantly, the company embraces the principle of the three benefits in which the company seeks to work "for the country, for the people, and for the company."[146] This principle shows the CP Group's commitment to the development of China and its Chinese employees as well as to the benefit of the company. It is obvious that ethnic ties are important for the CP Group in order for the company to invest in China as the link between the two founders as well as their descendants and China is emphasized.

Re-Accumulation in a Sino-Centric Capitalist World System: A Bigger Picture

The trend of *reverse investment* presented with the case of the CP Group is in fact part of the larger picture in the re-accumulation process. This section will illustrate that it is not only the CP Group that invests in China but the overseas Chinese community in other countries also join the forces in the re-accumulation of capital. It is difficult to recognize the significance of the overseas Chinese community because their impact is spread across numerous national boundaries. As Redding states, "they cannot as a total be represented in any national statistics. Even adding together Taiwan, Hong Kong, and Singapore is grossly inadequate as it leaves out so much going in Malaysia, Indonesia, Thailand, and the Philippines, to say nothing of China, or of Vancouver, Toronto, New York, San Francisco, London, Sydney, etc."[147] Although national statistics may not be accurately accountable in terms of the overseas Chinese investment, the total assets of the 500 largest public companies in Asia controlled by overseas Chinese exceeded US$500 billion.[148] The combined economic output of the overseas Chinese was approximately US$400 billion in 1991 and currently, it is estimated to be around US$600 billion.[149]

It is without a doubt that the overseas Chinese economy is a powerful economic network according to the above statistics. However, if a set of national statistics is presented to account for the FDI in China, Hong Kong has always ranked first as the largest investor since 1979 to 1993 with the initial investment of US$47.5 billion sharing 69.1 percent of the total FDI. Taiwan and Macau from 1979 to 1993 ranked second and third with the investment of US$6.4 billion and US$1.9 billion respectively.[150] In February 2011 alone, the top three investors in China are Hong Kong (US$11.476 billion), Taiwan (US$1.14 billion), and Singapore (US$953 million) while the UK and the US rank fifth and sixth with the investment of US$367 million and US$262 million.[151] From this statistics, it shows a strong pattern of two geographical areas (Hong Kong and Taiwan) and one country (Singapore) that have a huge population of overseas Chinese which are presently engaging in the *reverse investment* in China. There are also obvious differences in the investment values between the Greater China economic network in Hong Kong and Taiwan and western countries such as the US and UK. One important reason why Thailand does not occupy the position of the top three investors although the CP Group has the investment of approximately US$6 billion as mentioned earlier is that the CP Group and its subsidiaries can be found across East and Southeast Asia. Therefore, the transnationality of the ethnic Chinese business network is why Redding is correct that any national statistics cannot be accounted for the impact of the overseas Chinese population. Nonetheless, the national statistics presented above can provide a clear picture of the importance of the overseas Chinese in the capitalistic re-accumulation of China after the economic reform.

World System Paradigm and "Primitive" Re-Accumulation of Capital: Recaptured

This research paper has argued the process of "primitive" re-accumulation of capital in China is a new phenomenon in the world system paradigm as it is the result of the *reverse investment* process in which capital originates in the semiperipheral area and in this case, Thailand is the focus. Furthermore, the capitalistic re-accumulation is assisted and facilitated by the strengthening of family and ethic ties in which the Chinese government also played a crucial role of encouraging this process.

For example, in contrast to China, Thailand which is one of the newly industrializing countries (NICs) in Southeast Asia has long been a recipient of foreign direct investment. The major source of the FDI in Thailand is quite the opposite of China. According to Thailand's Board of Investment (BOI), in 2010, the top 4 investors are Japan, the European Union (EU), and Singapore with the approved investment of US$3.33 billion, US$2.16 billion, and US$637.5 million respectively.[152] Recalling Hall's definition of a core country presented earlier in this paper, a core normally possesses advanced industrial production and distribution and has strong states, a strong bourgeoisie, and a large working class in relation to the semiperipheral and peripheral areas. Thus, the major investors in Thailand—Japan and the EU—are evidently the core countries due to their advanced economy while Singapore, in a regional context of Southeast Asia, is a more developed country with an advanced economy than Thailand. In the case of Thailand, capital certainly flows from the core countries to the semipherical region in which the core is able to extract profit from the semiperiphery.

On a contrary, China presents a different and unique process in the "primitive" re-accumulation of capital in which China is situated as a core country that receives the FDI originating from the semiperiphery. This new phenomenon has been termed as *reverse investment* in this research paper. In addition, this research paper uses the term re-accumulation because in the past, China was the "core zone of an 'Asian super-world-economy"[153] but lost its economic dominance temporarily to other advanced industrialized countries. Only recently China has started to accumulate capital once again after the economic reform in the late 1970s and the center of the economy is oscillating back to China as correctly predicted by Frank.

This research paper has also argued that the bamboo network as well as the encouragement from the Chinese government facilitate the "primitive" re-accumulation of capital in China. The Open Door policy was embraced by the Chinese government which allowed market forces to be in effect in the Chinese economy while the government also offered foreign investors special incentives in the Special Economic Zones (SEZs). From 1979-1996, the FDI inflow was interrupted by certain economic and political climate in China. However, after the 1992 Deng's southern tour, China has experienced a steady increase of FDI as the CCP was committed to attract further capital from the external sources.

The increase of FDI in China also coincides with the way Beijing treated the overseas Chinese community. From the founding of the PRC, overseas Chinese were perceived by Beijing and other countries as Beijing's political tool in attempting to spread communism and interfering in the domestic politics of the overseas Chinese host countries particularly in Southeast Asia. From 1955 onwards, Beijing took a new position in regarding overseas Chinese as a foreign policy and assured the Southeast Asian governments that China would not interfere in their domestic politics. This positive development in the relationship between China and its neighboring countries was halted again after the outbreak of the Cultural Revolution as overseas Chinese were considered as Beijing's political tool again. By 1974, the tension between China and Southeast Asian countries was relieved as China adopted the policy that officially encouraged overseas Chinese to abide by local laws, cultures, and governments. With the adoption of the 1980 Nationality Law, the CCP aimed for the rapprochement with the overseas Chinese population as China was carrying out the Four Modernizations campaign which needed the financial assistance. In August 1990, the Chinese government formally passed a law that specifically promoted FDI from the overseas Chinese community in order to legally assure them of equal treatment and incentives in their investment projects in China.

This research paper presents the CP Group as a successful player in the bamboo network that has been part of the *reverse investment* process in China since the beginning of the economic reform. The CP Group participates in the bamboo network through the utilization and strengthening of family and ethnic ties. The conglomerate with the current investment of US$6 billion has diversified and extensive projects under its 200 subsidiaries in almost all provinces in China. There is no doubt that the CP Group contributed to the re-accumulation of China's capital. Furthermore, the CP Group is also part of the larger picture in which the overseas Chinese community has been called by the Chinese government to form the broadest united patriotic front to invest in China.

The forces among overseas Chinese in developing the Chinese economy are evident as China is currently able to implement the outward foreign direct investment (OFDI) policy in which among the Asia Pacific rim, Thailand is the second biggest recipient of China's OFDI after Australia. In 2002, the accumulative value of OFDI in Australia and Thailand are US$431 million and US$217.4 million respectively.[154] China's OFDI in Thailand has been injected in the Thai economy and stimulating the growth of local industries such as agriculture, textile, services, mining, machinery, and chemical products. This special cycle of investment first coming from the semipheripery, flowing to and out of the core, and returning to semipheripery also illustrates the dependent relationship in the world system paradigm that does not result in the development of underdevelopment in both Thailand and China as the two countries are currently sustaining the economic growth of each other. As recognized by Dhanin Quote from Dhanin Chearavanon, the CP Group chairman:

> In my view, China's economy today is more beneficial to Southeast Asian countries than before….Now China is becoming more wealthy. Not only does China export, she also begins to import from these Southeast Asian countries. The Chinese people are now rich, and can afford Southeast Asian products as well as travel to Southeast Asian countries for tourism. Chinese enterprises have become rich and they are able to invest in these countries…
>
> We should not be concerned about a wealthy China. The wealthier she gets, the more beneficial it is to the world, especially to Southeast Asia. A poor China offers Asia not a single benefit…
>
> China's development will propel the development of Asia as a whole, thus strengthening the common prosperity of Asia and entire world.[155]

The result of the *reverse investment* process is certainly beneficial to both China and Thailand. The concluding remark of this research paper is that the "primitive" re-accumulation of capital in China is clearly the outcome of the effectiveness of *reverse investment* in which players in the bamboo network significantly have a crucial role in facilitating the tremendous growth and development in modern China.

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