Chapter 5:

Jingsing Zheng and the Wanma Group

As Aihwa Ong and Donald M. Nonini point out: by the 1970s, Diaspora Chinese had come to play nodal and pivotal roles in the emergence of the new, flexible capitalism of the Asia Pacific region (Ong and Nonini 1997:11). Consequently the interest of scholarship in Southeast Asian Chinese transnational enterprises and entrepreneurship has been greatly on the increase in the last two decades. Many scholars have argued that both the operation and the development of these enterprises are unique, particularly in terms of their use of personalized family and political networks in forging economic successes in a socially hostile environment (Chan and Chang, 1994; Limlingan). The recent liberalization of Mainland China's economic policies to encourage foreign investments and economic partnerships from Chinese overseas in Southeast Asia has further fuelled a debate among researchers about their successes in China. Some, for example, suggest that many of these Chinese family enterprises have used their qiaoxiang ties strategically to gain easy entry to and comparative advantages in operating their businesses in China, while non-ethnic Chinese businesses have met with less success (EAAU 1995; Lever-Tracy, Ip and Tracy 1996). Others have disagreed and insisted that such ties are only useful for getting the businesses off the ground (Li 2000: 261-284).

The aim of this chapter is not to resolve these debates. Instead, as a case study, I propose to examine not only the growth and expansion of the enterprises of the Jingsing Zheng family in Southeast Asia, but also the trajectories the family members have taken to diversify their investments and business operations in Mainland China. Specifically, I am interested in exploring how their decisions to invest in China were
made. Further, what is the cultural interconnectedness behind the transnational strategy? How were specific types of networks, especially social and political, formed and utilized? Finally, how were the management and the outcome of their businesses determined by these network relationships?

The selection of the Jingxing Zheng family is intentional. It has a long business history with its first enterprises established before World War II. It was founded by Di Zheng and his uncle. It was Jingxing Zheng, Di Zheng’s son, a second generation Chinese migrant in Malaysia, who was responsible for turning the Zheng family business into an empire of more than ten companies located in Kuala Lumpur, Selangor, Pahang, and other parts of Malaysia. Moreover, the Zheng family also owns large shares in banks and real estate businesses funded by Malaysian and Chinese Malaysian capital. The Zheng family first decided to invest in its hometown in China, Yongchun, in 1993 before they expanded to Fuzhou, the capital of Fujian province. Two years later, they set up a consortium of six companies, the Wanma Group Co., Ltd. in Yongchun, Fuzhou and Hong Kong. The richness and complexity of their transnational operations will provide much insight into understanding and clarifying how transnational Chinese enterprises are operated in times of adversity and prosperity.

1. Zheng Family Enterprise Group in Malaysia

The founder of the Zheng family enterprise was Di Zheng. He was born in Yongchun in the 1910. His father was a teacher in a traditional private school in the county. Not surprisingly he was sent to Xiamen, the economic and cultural center of southern Fujian, to be educated. However, he did not finish his secondary school education. His father, being the only income-earner in the family, passed away when he was seventeen or eighteen. Not able to afford to pay the fees, Di Zheng had to leave school
and find a job. Since his uncle, like other Yongchun migrants, lived in Malaysia, Di Zheng decided to go and seek refuge with his uncle.

In the first few years after his arrival in Malaysia, he worked as an apprentice in a Chinese grocery. He was hard-working and eager to learn - he was able to memorize the prices of all the items that were sold in the store. However, the business did not last long and went bankrupt. Even with this set-back, he was able to accumulate a small amount of savings that enabled him to go into partnership with his uncle and start a local rubber trade house in Semenyih, a town not far away from Kuala Lumpur.

As mentioned earlier, there were numerous Hokkien from Yongchun working on small rural rubber plantations, especially in Johor and Selangor. As Yongchun immigrants came from a hill commercial crops planting and trading background, it was easier for them to pick up the familiar pattern of earning a living. No less important was that many also acted as middlemen, collecting and selling unprocessed latex or dried latex to trading houses. The latex was then processed in Kuala Lumpur and Penang before it was exported to Britain. The Hokkien, particularly those of Yongchun origin, therefore had long-established trading networks with the British, other European export firms and local rubber plantations. That was why the majority of Yongchun settlers there were engaged in rubber trade and plantations and later became a powerful economic force in the area.

In a fate similar to that which overcame many other Chinese merchants, the business of Di Zheng and his uncle came to a complete halt when the Japanese occupied Malaya from December of 1941 to August of 1945. They lived on their savings and on selling off their property. After the Second World War, Di Zheng began his business again with his cousins, starting with only 5000 M$, each for a half share of capital. Later when he started making profits from rubber trading as a middleman, he immediately invested this in purchasing land and bought small blocks of rubber plantations one by one. In this way, he accumulated capital for further development.
In the 1950s, he turned his local rubber trading firm into a multiple-enterprise, which consisted of planting, processing and exporting of rubber. He named it 'Bee Seng Co Sdn. Bhd.' Zheng still kept his company as a typically family-based one. His family members, in particular he and his children, provided the major input. Di Zheng was the manager who made the major decisions. His cousin was responsible for public relations, while as a teenager Jingxing Zheng was the assistant who loaded and unloaded unprocessed rubber.

. The early 1950s were one of the golden periods for rubber trade because of the Korean War. The United States was the biggest buyer as it considered it a strategic material and they wanted to keep a huge stockpile. During this time, Di Zheng expanded the family company and hired four to five British people, two of whom were managers, to assist in his export business. This is a good illustration of the size and success of his business. Some rubber merchants who had been in the business since the 1940s in Kuala Lumpur recalled that Di Zheng’s company was among the five or six biggest Chinese rubber traders. Di Zheng’s important position in this business also is demonstrated by the fact that he held the chairmanship of The Rubber Trade Association of Selangor and Pahang, which was set up in 1953, and lasted for twenty years (1953-1973).

Di Zheng also was one of the biggest owners of rubber plantations in Selangor and Pahang. At the time, Selangor was the second largest rubber-producing region, following Johor. Zheng had 4,000 acres of rubber plantations in both Kuala Lumpur and Selangor. In 1950 the price for an acre of land in a rubber plantation was only M$500. Many considered owning the land risky as Communist Party guerrillas were very active in the area. However, later in 1960s and 1970s when Kuala Lumpur experienced a building boom, land prices skyrocketed to M$100,000 an acre. With an eye for major chances, Zheng cashed in on the boom by starting a property development company, the Chinese Union Construction Company, with several partners who were members of the board of directors of Singapore Chinese Union Bank. The company built 3,800 houses on a block of land of over 200 acres.

It is safe to say that the trajectory of Di Zheng’s business development is typical of Hokkien from Yongchun, working his way up from being a rubber trader to a smallholder of rubber plantation, then on to establishing an export business owner and
becoming the owner of vast amounts of land. His wealth expanded rapidly working away like yeast in a dough. Chinese Malaysians described this kind of rapid rise in the value of land as *Fa* in Mandarin as opposed to *zhuan* (normal increase of profits) in Chinese Malaysian words.

Apart from rubber trading and land development, he also diversified into the banking business. He became the second largest shareholder and vice-chairman of the board of directors of the Chinese Union Bank, one of the major Chinese banks in Singapore. He was also a major shareholder in the Republic Bank of Malaysia, plus the owner of a chain of financial companies affiliated with the two banks. Besides these enterprises, he was involved in tin mining activities.

With his business success came social responsibility and Di Zheng held leadership positions in the Malaysian Chinese community for almost four decades. He was chairman of Malaysian Rubber Association, vice-chairman of the Hokkien Association and the Yongchun Association of Malaysia respectively in the second half of the twentieth century. At the same time, he put down his roots in the ground of his lineage. He held the chairman position of Malaysia Zheng Clan Association from the 1960s until his death.

In 1987, Di Zheng decided to dissolve the partnership with his cousin (since the family company had been built in 1940s, the partnership had been maintained in the form of Di Zheng holding 40% and his cousin 60% to begin with and later changing to 50% to 50%, although the former was the major manager), as the size of their families grew bigger. More importantly, it was his elder son, Jingxing Zheng, who had chiefly assisted him in running his business, who now began to resent strongly other members in the big family for their lack of attention to and support for the family business.

In Chinese business culture, a family business is seen to consist of two components: the common (*gong jia*) and the private (*si jia*). The former refers to the business activities involving all members in the entire family, including brothers and sisters, or cousins and their family members. The latter refers to the business activity involving only the core family. When Jingxing Zheng was working in the family business with
his father and his father’s cousin at the beginning of the 1960s, he had already started to form his own tin-mining business. This, however, is not uncommon in Chinese business - all entrepreneurs prefer eventually to be independent and be their own boss.

Jingxing Zheng, the eldest of Di Zheng’s ten children, was born in 1934. He received his education in Chinese schools, first in Kuala Lumpur, and later he graduated from high school in Singapore. His Chinese education to a certain extent shaped his cultural identity and had impact on the way he has invested transnationally.

As the eldest son, he was expected to become involved in the family business at an early age, when he was only a teenager. Such an early start reflected traditional thinking among Chinese entrepreneurs who believed that it was necessary to train and prepare their eldest child early so that, when he inherited the family business, he would be experienced enough to maintain its success.

Jingxing Zheng became the head of the Zheng family business empire after his father passed away in 1994. His personal interests in agriculture and aquaculture led to the development of his family business in new directions.

Traditionally rubber and tin were Malaysia’s major exports. Since 1960, however, prices of rubber had continued to drop sharply on the world market, and tin was also on the decline. When the Malaysian economy was hit by falling commodity prices, the government began to encourage farmers to diversify their production into cultivating oil palms, ultimately replacing rubber.

Jingxing Zheng started an oil-palm plantation in Pahang state in the 1970s, investing M$ 500,000 on land clearing and planting 5,000 oil-palms. When the profits started to return, he re-invested them in expanding production. This using-profit-as-investment strategy can be regarded as the style of his business permeating his entire entrepreneurial activity like a red thread. At present, he has over 15,000 acres of oil
palms, and a refinery with the capacity to process the harvest of 20,000 acres of oil palms into oil.

Like many other ethnic Chinese entrepreneurs in Southeast Asia, his business activities are well diversified. The enterprise covers plantations: not only oil palms, but also various fruits trees; aquaculture, cultivating prawn and fish; the manufacturing industry; housing development; banking and insurance, and so forth and so on. Jingxing Zheng has been engaged in a joint venture with one of Japan’s largest micro-electricity generator producers for two decades. Two factories were set up in Kuala Lumpur, and one in Fuzhou, the capital of Fujian province of China. Zheng was responsible for providing the land, the plant and equipment. The Japanese partner, on the other hand, was in charge of production. Moreover, Jingxing Zheng is involved in two aquaculture projects, one in Kuala Lumpur and the other in Fujian, where he operates jointly with a Chinese Fujian state-owned entity. At present, Jingxing Zheng is the owner and managing director of more than ten family businesses.

2. Zheng’s Transnational Investments in China

The Zheng family made its first investment in China in 1993. In that year, Jingxing Zheng invested US$1 million in Yongchun, his father’s hometown, setting up the Fujian Yongchun Yongfu Building Material Company Limited, a factory manufacturing building materials with equipment imported from the United States that was worth US$300,000. The gross output of the business per annum was estimated at 17 million yuan RMB. Later, Zheng continued to expand and invest in Fuzhou, the capital city of Fujian province. In 1995, he set up a consortium, the Wanma Group Company Ltd., incorporating five subsidiaries including the Fujian Tee Teh Electronics Company Limited, Fujian Allied Frozen Foods Company Limited, Fuzhou Wanma Aqua Product Company Limited (including Fujian Yongchun Aqua Farm), Fujian Youchun Yongfu Building Materials Company Limited and Hong Kong Wanma (Asia) Company Limited.

This raises various questions. Why did Jingxing Zheng decide to invest in China?
Why did Zheng favour Yongchun, his father’s native place in China to be the recipient of his first international investment? In other words, is there any cultural logic behind this economically rational choice? It appears that there are at least three factors which account for this transnational action.

Firstly, although Jingxing Zheng is a second generation migrant, his educational background has patently influenced his identity. He completed his schooling in Chinese schools. Since the beginning of the twentieth century it has been a spectacular phenomenon that Malaysian Chinese have mobilized the financial and social resources of the Chinese community to run Chinese schools. In the time of Jingxing Zheng received his education in 1950s, a whole system of Chinese schools had been formed under the leaderships of the United Chinese Schools Committees’ Association and the United Chinese Schools Teachers’ Association (Tan Liok Ee 1992). Seventy-eight Chinese schools were established in Malaysia. Besides, the 1940s and 1950s was the period in which Chinese nationalism and patriotism ran high both in the Malay Peninsula and in Mainland China. The textbooks used and many teachers in the Chinese schools in Southeast Asian region came directly from Mainland China. This undoubtedly sowed seeds for the young Jingxing’s cultural identity and political orientation. After school, his main language media were Mandarin Chinese (reading the news) and Hokkien dialect (oral communication) as well as Malay.

Secondly, his position in his extended family strengthened his cultural orientation. As the eldest son among ten children, his father imposed a strict Confucian-style of family education on him. Jingxing explained that a family rule had been maintained for almost half a century:
Every night after family dinner, I would go to join my father in the living room. We watched TV and read newspapers. When we chatted, my father sat and I would stand in front of him to listen. I would not go away before my father went to sleep. This lasted till 1994 when he passed away.

In the conversations we had, he often mentioned his father, in particular when referring to value judgements or to the networks his father had built up. In his company office, huge pictures of his parents are hung on the main wall of the conference hall. There is no doubt that the Confucian idea of stressing paternal authority and family order is still valid in Jingxing Zheng’s point of view.

The examples below may serve to illustrate Jingxing Zheng’s cultural identity. He stated that he never does business with any Singapore Chinese businessman who has an English name. His explanation is that, if a Chinese even abandons his Chinese name, he cannot be trusted. He is proud that he can speak Chinese. Once he made a comment on an international diplomatic affair with regard to the language issue. He said that the reason why Wu Xiuquan, the representative of the P.R. of China, is able to attract wide attention in his presentations in the United Nations is because he speaks with perfect assurance in Chinese. In contrast, the representative of the Taiwan regime gives his speech on the same occasion in English. That is shaming, he commented. He sends all his five children to study at the Chinese School founded and run by the Hokkien community in Kuala Lumpur. He himself has followed in his father’s footsteps, holding the position of treasurer on the board of trustees of the school. With this attitude it is only natural that he feels that one should firmly assert continuing support for the running of the school. He does not complain about or shirk his responsibilities in this regard.

Thirdly, since the era of Di Zheng, this family had maintained a connection with their hometown in Yongchun. Although Di Zheng did not set foot in Yongchun again after he got married in the early 1940s, he had been supportive of and helpful in
emergency relief programmes set up to ameliorate problems caused by natural calamities which afflicted the area in the first three years of the 1960s. He sent truckloads of flour and food to his hometown. When China started to open up in the 1980s, he started to donate money to Yongchun for construction projects. In this case it is important to note that the maintenance of the linkage with the hometown is not a one-way effort on the part of the overseas Chinese. The roles of the Chinese government at various levels and its efforts to build up linkages with overseas Chinese communities have been significant as well. As Di Zheng was one of the most successful businessmen in the community in Malaysia and had held high position in the Malaysia Yongchun community, his family had always been targeted by the county and provincial government in China as a priority for building close relationships. In the early 1980s, Di Zheng followed the advice of Lian Piyun, a well-respected figure both in Yongchun and in the overseas Yougchunese community (his story is presented in Chapter 7) to make contributions to Yongchun county. This included the donation of one million yuan RMB to build a cultural centre, and 200,000 yuan RMB for an assembly hall to be built in Pengxiong School of the Zheng Clan. After he passed away, his son has continued to keep up the tradition. He sent one million yuan RMB as bequeathed by his father plus an addition a 10 million to build a grand gymnasium for the county.

This constantly nurtured connection has built mutual trust between the Jingxing Zheng family and the local governments of Yongchun and of Fujian province. At the time when the elder Zheng made a donation to Yongchun in the early 1960s, Changpei Shu, one of the county leaders, was very grateful for his contribution. When Shu was later was promoted to a higher position in the provincial government, first as the Minister of Agriculture, then as deputy-governor of Fujian province and member
of the Standing Committee of the National People’s Congress, the Zheng family had built not only a trusting relationship with Shu, but also other very important connections with the top level officials in the Fujian provincial government through Shu’s introduction.

One could be sceptical about the Zheng family’s motives for making donations to Yongchun. After all, the elder businessman, Di Zheng, had left the hometown behind without returning to it for several decades and Jingxing Zheng had never been to the land till 1991. So why do they feel an obligation to the place? Here we see again the explicit expression of cultural logic with regard to moral considerations. Confucian influence can be matched with the concepts of Western thinkers to explain this social and cultural phenomenon. The cultural logic existing in Southeast Asian Chinese communities under the influence of Confucian ideology is that success for a man, more precisely for an emigrant, means that one should bring honour to one’s ancestors (Guangzong-yaozu) and one has obligation to render service to the hometown should he ever acquire riches and honour (Enze-xiangli). This may imply what Weber means by "value interjection". Weber saw economic decisions as socially oriented in the sense that they can be governed wholly or partly by value interjection (Weber 1965 88-115 and Portes 1995:4). However, Durkheim’s explanation may be more relevant to this case. He suggests that social morality is further reinforced by group membership (Durkheim1973). Having held leading positions in organizations such as the Hokkien Association and the Yongchun Association of Malaysia, and as chairman of the Zheng Clan Association of Malaysia for decades, the elder Zheng felt responsible for setting an example for his clan members and townsmen by making a contribution to his hometown. This sense of responsibility and associated sentiments can be seen as part of a firm moral order which prevails among the Chinese Malaysian
community. This order has been renewed and, has even been strengthened to certain extent since the linkage tie with China has become resurgent since China opened its doors. Jingxing Zheng's action of bringing his children, the local-born third generation, to visit Yongchun, his father's hometown, in the middle of the 1990s, speaks louder than any spoken message that the moral order of the ties is still there and intact. But as Durkheim pointed out 'obligation or duty only expresses one aspect abstracted from morality. A certain degree of desirability is another characteristic no less important than the first' (Durkheim 1973). In the case of Southeast Asian Chinese, the motives for making a contribution to the native place were a reflection of their need to seek approval, status, and power. The actions of the Chinese governments, especially at the local level, were also reciprocal. For example, the contributions of the Jingxing Zheng family were honoured repeatedly, by having the cultural centre and local school hall named after the family, the statue of the elder Zheng couple being erected in front of the grand gymnasium, then being the recipient of a gold award plaque.\textsuperscript{11} Jingxing Zheng has been held in great esteem by the local government and community in Yongchun.

It was the process of making donations and transferring funds to China that got Jingxing Zheng interested in investing both in Yongchun and in Fuzhou. At first, he had no intention in investing in China as he had been fully occupied with his Malaysia enterprises. However, as he got to know more about Fujian and having acquired the personalized networks with the leadership in the Fujian provincial government, he began to realize the great economic opportunities and potential offered by the Chinese market. Moreover, as in the late 1980s the Malaysian government started to tighten up regulations for transferring funds out of the country, this posed difficulties for the Zheng family in transmitting large sums of money to Yongchun for charitable
purposes. The combination of these two factors: the promising perspective of China
development and practical consideration of transferring contribution funds for
Yongchun, spurred Jingxing to respond by setting up business ventures in Yongchun
and Fuzhou. He simply transferred some of the profits he made in his enterprises in
Fuzhou, at a monthly sum of 20 thousand yuan RMB, to complete his donation
project, the construction of the county gymnasium in Yongchun. By doing so, not
only could he use his connections in Fujian to facilitate his business expansion into
China, he was also able to maintain the moral order of philanthropy that had been set
up by his father.

It is important to note that had the local governments in Fujian taken a less active
role in attracting investments from Chinese in Southeast Asia, the Zheng family
would probably not have invested in China. In 1991 Changpei Shu and other top
leaders from Fujian province visited Malaysia and met Di Zheng and Jingxing Zheng,
encouraging them to invest in the hometown. In the same year, Jingxing Zheng
responded by bringing two agricultural specialists from the United Nations, one an
agriculturalist and the other an aquaculturalist to Yongchun and Fuzhou to investigate
business opportunities. This was the first time he visited his father’s hometown and
China. When he later attended the celebrations commemorating the 120th anniversary
of the Yongchun Association of Singapore, he met the deputy chairman of the
Yongchun Union of Returned Overseas Chinese, who is also a relative of his clan. He
found out from this relative that not only were local townships being encouraged to
start their own enterprises, in fact there was a huge demand for ‘hollow bricks’ as
Chinese central government required all future construction of houses to abandon
using solid bricks in order to save on valuable clay, energy and weight. When this
coincided with the fact that Singapore was going through a building boom, he started
thinking seriously of setting up a factory in Yongchun producing tiles and bricks and exporting tiles to the Singaporean market while also supplying the local market with bricks. He then asked for a sample of soil from Yongchun to be analysed, and for a feasibility report to be prepared by his Singaporean company on the business prospects for manufacturing tiles and bricks in China before his final decision was made. For this project, the local government offered him 80 acres at a favourable price. The preferential land prices offered by the local government - 80 yuan RMB per acre - may have also contributed to his final decision to invest in China.

3. Network Ties

The Zheng family has invested in a broad range of enterprises in China. Some of them are owned solely while others are joint ventures with local state-enterprises. There is also a joint venture with a Japanese partner.

The Yongchun Yongfu Building Materials Company Limited was the first business the Zheng family invested in China. It was established in 1993 and was solely funded by the family’s capital. One immediate problem that confronted Zheng was that as a Chinese overseas entrepreneur living in Malaysia, he would need to rely upon a good manager to oversee the operations of his newly set up business in Yongchun in his absence. Considering that he had established a trusting relationship with the local government, particularly with the magistrate who was responsible for co-ordinating foreign investment activities in the region, Zheng asked this magistrate to recommend a suitable candidate to run his business. The aforementioned deputy chairman of the local UROC, who is also the nephew of a principal Zheng clansman, was suggested. In view of the fact that he was related to the Zheng clan, and that Jingxing Zheng gained a favourable impression of him when he visited Singapore as a member of the Chinese delegation to promote investments in China, Zheng quickly agreed to the appointment.
As the manager of a privately owned business, by law this man was required to resign from his government position immediately. However, he managed to keep both his jobs that in the government and that in Zheng’s enterprise. For him, it was the best opportunity to build up his social capital for future promotion the ranks of the local government bureaucracy. Being the managing director of Zheng’s business, he could claim he had the expertise in running an international business to warrant a promotion to higher official rank. Simultaneously, he was in the right position to siphon off from Zheng’s business resources and commodities for his own personal use. As reported by our informants, he rarely made an appearance in his office at the factory located about 10 kilometres away from town. Furthermore, he appointed his own relatives to occupy all key positions in the factory, ranging from financial controller, to accountant and treasurer. When he built a four-storey house for his family, he simply took the bricks and tiles out of Zheng’s factory to exchange them for cement.

It was not surprising to find that under the circumstances Zheng’s enterprise incurred massive losses. What was ironic, however, was that the manager was later promoted to the position of vice-chairman of the County People’s Congress, and he did not hesitate to ask Zheng to recommend him to the local political leadership for another promotion to become the deputy head of the county. It was unclear how he could get away with what he did to Zheng’s business during the first five years of its operations between 1993 to 1997. It was not until 1998 that Zheng appointed an experienced new manager to replace him when the output of the business reached a total of two million yuan RMB, that is was showing signs of starting to make a profit.

The Zheng family’s joint venture with state-owned enterprises in China was similarly tied to personalized networks. As mentioned earlier, Shu, the deputy governor of Fujian province who was also from Yongchun, had been appreciative of the efforts the Zheng family had made in maintaining qiaoxiang ties, particularly
through its generous donations. For the sake of the economic development of Fujian, when Shu led a delegation visiting Malaysia, Shu invited Jingxing Zheng to invest in his ancestral home promising to extend the most attractive terms. This suggestion coincided nicely with the thoughts of Jingxing Zheng. On that occasion, Wang, who was also in the visiting group, recommended himself energetically to Jingxing Zheng as the best possible person to take charge of the enterprise Jingxing intended to set up in Fuzhou, the capital city of Fujian province. On the basis of good impression made by the Chinese officials, Jingxing Zheng entrusted Wang with the responsibility for running his newly settled enterprises in Fujian.13

Wang first suggested Zheng take over the Fujian Allied Frozen Food Company Limited, a business jointly owned by the Aquaculture Department of Fujian Province (20%), the Beijing Kuolong Company, which was funded by the central government’s Department of Agriculture (40%), and the Runxian Company in Taiwan (40%). At the time, its major product was processed eel for the Japanese market. Both the Taiwanese and Beijing owners, however, decided to pull out as the Japanese market experienced a slowdown and competition in this business in Fujian increased. Zheng decided it would be a good idea to gain control of the company and bought 53% of its shares. The circulating capital of the business was estimated at RMB 16 million while the fixed capital was worth 22 million.

In 1995 Wang advised Zheng to set up a consortium, the Wanma Group Company Limited, to incorporate Zheng’s five companies in Fuzhou, Yongchun and Hong Kong. Wang thought by doing so Zheng would be able to claim tax exemption for a number of years and this would mean a savings of millions for his business. Wang also volunteered himself to run this consortium. Zheng responded with trust and consent.

However, little did Zheng know that he had fallen into a scam that abused the trust he had invested in his personalized network. For one thing, Wang had good knowledge of legal matters. He made himself chairman of the board of directors of the Wanma Group when he drew up the company’s charter. Zheng, as the major investor, was only one of the members of the board. As chairman, Wang had the power to make decisions to transfer funds between companies within the consortium without Zheng’s approval. But he went further and duplicated Zheng’s personal seal14 to forge authorization documents for contracting loans from banks. For example, he obtained a loan of 40 million yuan RMB by mortgaging another one of Zheng’s businesses, the
Fujian Tec Teh Electronic Company Limited. Similarly, he used the land reserved for Zheng’s other joint venture with a Japanese Electronics Company as a collateral to borrow US$1 million dollars plus another one million yuan RMB from the Jiyou Bank in Hong Kong. These loans were all for his personal use and they still remain a heavy financial burden on the Wanma Group.

Typically, too, Wang appointed his relatives, friends and even his mistress, to take up various positions in the consortium of companies. For example, his mistress knew nothing about running a business, yet he made her the chairman of the board of directors of the Fujian Allied Frozen Food Company Limited so that he could transfer US$1.60 million to London via Hong Kong to his private company EURO-WAN MA (UK) LTD without being detected. Needless to say, he was the director of the company and both his sons and mistress were also members of the board of directors.

Besides these frauds, he siphoned off 1.42 million yuan RMB to purchase two luxurious houses and 3.3 mu of land in Fuzhou for his personal use. He also set up the Hong Kong Wanma (Asia) Company Limited, an empty shell for the purposes of claiming wages paid to bogus employees. An investigation shows that the scheme had earned him a total of HK$176 thousand dollars which went straight into his own pocket. It is worth noting that this was on top of his monthly expenditures of more than RMB100,000 per month (salary excluded) and the numerous overseas trips he had made on company expenses.

Subsequently many problems began to emerge in Zheng’s business. As a consequence of Wang’s collaboration with unethical contractors and engineers, the factory buildings they constructed for Zheng’s Japanese joint venture were substandard and have been plagued by structural problems. Attempting to gain complete control of Zheng’s enterprises, Wang deliberately blocked the flow of information to overseas investors and company directors. At the same time, he also tried to cut off direct communication between Zheng and other top officials in the Fujian provincial government. In an attempt to prevent people from exposing his shady dealings, he openly claimed that the secretary of the Provincial Communist Party Committee was on his side.

Not surprisingly, the Wanma Group suffered a major loss of 50 million yuan RMB between 1995 and 1998. The Fujian Allied Frozen Food Company Limited incurred even greater losses - 30 million in yuan RMB in just one year.
Wang's psychology may be illustrated well by the following saying, which was typical of the attitudes toward overseas investors, by the chairman of the economic and trade committee of Shanxi province:  

"Having come in, you are like meat lying on the chopping board – ready to be quartered and divided."

So in Wang's eyes, Jingxing Zheng was just such a naive investor from outside (we return to this case later in Chapter 7, because it is even more complicated than what has been presented here).

In stark contrast, the Fujian Tee Teh Electronics Company Limited, the joint venture which Zheng established with his Japanese partner, was relatively free of this sort of corruption.

The Japanese consortium was one of the better-known manufacturers of micro-motors in Japan. IBM has long been a major buyer of this product, and the consortium has been diversifying its operations in Southeast Asian countries. Zheng first collaborated with them at the beginning of the 1980s in Kuala Lumpur by setting up an electronic factory. Now Zheng's family holds 15% of the consortium in Malaysia and has developed a relationship of trust over the past twenty years.

Nevertheless, their relationship has not always run smoothly. At one point, Zheng was not satisfied with the way profits and costs were being distributed within the inner system of this global-wide Japanese consortium. The arrangement was that production costs were to be shared equally by all factories within the company regardless of their locations in the world. This meant that, if the Japanese factory were in the red, the Malaysian counterpart would have to bear part of the losses in Japan. For a long time, Zheng made little profit because of the comparatively high cost of production in Japan. When the Japanese partner persuaded Zheng to open a second factory in Malaysia, Zheng proposed a different cost- and profit-sharing system - he would be responsible for providing the land and build the factory building and rent it out at a fixed rate to the company. The other side would be in charge of production and management. Through this new arrangement, Zheng was able to earn half a million MS dollars monthly from collecting rent.
When Zheng visited Fujian Province for a second visit in 1995, two managers from the Japanese consortium travelled with him. In Fuzhou, at a welcome reception hosted by top officials of the Fujian provincial government, he had met other officials from the Department of Electronics Industry who had exchanged business cards with the Japanese representatives. They told Zheng that both Beijing and Shanghai had been trying to entice this consortium to invest there because the company was considered to be the leading producer in its field. At the time, although this company had no intention of going into China, it was actually planning to invest in Indonesia. Nevertheless, swayed by Zheng’s persuasion, the company decided to pull out from Indonesia. Instead, it invested 60 million US dollars in building a new plant whose size was comparable to the one in Malaysia that manufactured reading heads for DVD players and micro-motors. In 1998 the total value of its exports exceeded three hundred million yuan RMB. At present, they are planning to build another factory with five times the production capacity and export value. Their success had earned them recognition from the provincial government as one of the outstanding models of production, contributions to taxation and exports in Fujian Province.

The pattern of the collaboration between Zheng and his Japanese partner in China is the similar to the operation they have in Malaysia. Zheng is in charge of making decisions on land purchase, building construction and installation, while his Japanese partner takes full responsibility for production and management. Zheng’s shrewdness in tax minimization in this business is exemplary of Chinese entrepreneurs. His decision to donate 200,000 yuan RMB to Yongchun to fund the construction of a sports centre, for instance, had helped to lower the business property rental tax (taxes should be paid when a profit is being made by lending out a factory building) by 30,000 to 40,000 yuan RMB per month. In another instance, when the factory needed to buy a new, imported generator that cost 1.40 million yuan RMB, his first decision was to purchase it directly from his Japanese counterpart. Since the latter was both the manufacturer and Zheng’s partner, when the generator was shipped to China, it could be exempted from import tax. Moreover, instead of paying his partner in full, Zheng also decided to pay for the generator in instalments, using the income from rent he collected from his partner. This also helped him to get around the problem of currency control imposed by the Malaysian government.
Zheng admitted that as an ethnic Chinese entrepreneur in Malaysia, it is difficult for him to devote a large amount of attention to his enterprises elsewhere. The dependence on others to supervise and oversee his overseas business operations proved even more difficult, as his experiences had demonstrated. It has been a common difficulty for many Southeast Asian Chinese transnational businesses investing in China in controlling their family business. Nevertheless, he was able to learn from his early mistakes. Recently, he took back the controlling power of the Wanna Group (how this was achieved will discussed in chapter 7) and restructured the board of directors of Fujian Frozen Food and is now the chairman of the board. The other partner in the business, the state-owned aqua-product export company, is the vice-chairman. Out of the seven members on the board, four were handpicked by Zheng—Zheng’s son, Zheng’s friend from Hong Kong, the deputy manager and the financial supervisor of Zheng’s consortium. Moreover, Zheng has started to incorporate professional managers from the China side to help manage his enterprises, while keeping a watchful eye on their operations. He now has firm control over his businesses abroad and dictates how they should be run by telephone or fax. He requires his managers to report the progress of his businesses, complete with financial and bank statements directly to him every month. Under his helmsmanship, his enterprises are now beginning to show signs of increasing profits.

4. Conclusion

It is apparent that the expansion of the Zheng’s family businesses from China to Malaysia has been prompted not only by stimulating market forces. In other words, the attractiveness of China’s promising economic opportunities cannot be taken for
granted. In fact, initially a decision to invest in China, as indicated from the information we gathered from our informants, is often less motivated by commercial interests. This case reveals several decisive factors embodied in the cultural interconnectedness which has been the mainspring inspiring the family firm to diversify the investment into China.

First of all, for ethnic Chinese in the Malaysian context, educational background, both in school and in the family is crucial to forging orientation of identity. The fact that Jingxing Zheng uses Mandarin Chinese and Hokkien dialect as the major means for communication with the world he is located in, and the fact that he has been designated and trained as the successor of his family’s enterprises, has contributed to the formation of his identity.

The second, rational choice is also affected by a person’s position in the society in which he is embedded. The leading positions of Di Zheng and his son in Chinese groups, both at the levels of lineage or of region, committed them to making generous financial donations to finance infrastructural upgrades and community welfare programmes in their hometown. It is therefore inappropriate to suggest that their donations were mere public relations exercises to facilitate their commercial entry into China’s business market.

With regard to the function of personalized networks in the perspective of diversifying business, the common trend often adheres to one direction, namely starting from the entrepreneur’s angle, to stress how important is the role of the networks of particularistic ties, known as guanxi, play in Chinese diaspora business success (Lever-Tracy, Ip and Tracy 1996; Hamilton 1991). This study discloses that role Chinese governments have played in knitting personalized networks with potential overseas investors. The experience of the principal actor in this case
illustrates the double-edged effect of this kind of network. On one hand, the connections with the local officials provide the Chinese overseas entrepreneurial capitalists easy entry in terms of operating their businesses in China. On the other hand, the trust of Chinese officials without strict supervision may bring negative results.

The Zheng family’s early business operations in China suggested that they had a tremendous amount of trust in the networks they formed in China, which included government officials, clan members and other business associates. Their faith in trusted and personalized relationships of this network in China unfortunately was met by deception, fraud, corruption, and betrayal. Seen in this context, it is easy to conclude that qiaoxiang ties do not always necessarily contribute to business success in China.

Yet we feel that it is still premature to jump to such a conclusion because despite these early failures, the family’s joint ventures with the Japanese counterpart in China also suggest that a trusted relationship combined with good management will also bring business successes. This is of particular interest as Zheng’s involvement in this instance has been as more than a business partner. He has also assumed the role of a middleman, or a cultural broker for the Japanese interests. It was through Zheng’s own network and connections that many problems this joint venture faced were resolved.19

Furthermore, what is interesting about this case study is Zheng’s final recognition and incorporation of professional managers in the operation of his enterprises in China. Yet the recently appointed professional managers in his enterprises in China were still from his personal network. Similarly, the other members on the restructured board of directors in his consortium are his allies. Viewed in this context, in to
Zheng’s eyes, the significance of personalized connections in business appears to be unchanged.

1. In those days the prices of commodities in Chinese groceries were not displayed. A good worker was expected to know the prices by heart.

2. The fact that Hokkien from Yongchun had a strong presence in the rubber trade was related to the characteristics of economic activities in Yongchun. It is conveniently located between the coastal and the mountain areas in southern Fujian, and thus for a long time, it became a centre of trade where commodities normally flowed through. Its merchants traded a wide range of commodities including agricultural and forestry products, and daily consumables.

3. According to my informants, the reason why most migrants from Yongchun concentrated on rubber plantations and the rubber trade was because of the familiarity and knowledge they had from home farming in mountainous terrain.

4. Zheng’s son explained that when his father’s uncle passed away, his father could have run the business by himself. However, like many among the older Chinese, he decided to keep his word to go into partnership with his cousin although he realized that his cousin could not do much to help business operations. He felt indebted to his uncle because his uncle took him in when he first arrived in Malaysia.


6. According to our informants, who have long been rubber traders, few Chinese companies at the time were able to employ Westerners as managers.


8. Generally there are the Chinese-educated and the English-educated Chinese Malaysians. Tan Chee-Beng, however, believes that there are ‘three major categories of Chinese… the Chinese-educated, the Malay-educated, and the English-speaking.’ The Chinese educated will comprise Type 1 and Type 3. ‘Type 1 Chinese are those who have received, either only Chinese primary education, or both Chinese primary education and secondary private Chinese education, and even tertiary education from Taiwan.’ The difference between type 2 Chinese-educated and the English-educated will eventually disappear as all English schools have been converted into Malay schools.’ However, the ‘English-speaking’ category will remain for those ‘who grow up in English-speaking families’. The Malay-educated will undoubtedly become more important: ‘They share many characteristics of the English-educated although they have less exposure to Chinese tradition. The internal diversities of Chinese

Several informants of Chinese Malaysian background share the same expectations as the older traditional Chinese entrepreneurs.

During last summer, he was negotiating to purchase another 10,000 acres of oil palm plantation from a Malaysian co-operative.

In recognition of the contributions made by Chinese overseas, the Chinese central state and the Fujian provincial government have established sets of regulations for encouraging and rewarding respectively. For instance, they present a golden award plaque to a donor who has donated an amount of 10 million yuan RMB. A silver plaque is presented for donations to an amount of between half a million and 10 million yuan RMB, and a copper one for donations between 300 to 500 thousand yuan RMB.

In order to promote foreign investments in rural industries, the Yongchun government was willing to absorb the costs involved in land purchasing from farmers which could amount to 10,000 yuan RMB per acre. This included the compensation the government had to pay to farmers for their loss in income, crops, and loss of tax revenue to the central government. This means that an acre of land should be priced at 30,000 yuan RMB but was only sold to foreign investors at 20,000 yuan RMB.

It is common among Chinese tycoons in Southeast Asia to form personal alliances with government officials, especially those in the higher echelons. This is often seen as an insurance against the frequently unstable and hostile political circumstances in Southeast Asian countries. For similar reasons they are ready to form personal alliances with government officials to minimise their risks when running a business in China.

It has been a common practice in China to use a personal seal instead of a signature to authorize cash transactions.

It was a issue in the conference of the Chinese People's Political Consultative Conference of Fujian in 2000

Japanese consortiums had no intention of establishing high-tech factories in China. Nevertheless they did indicate a preference for Shanghai, because it is close to Japan, and for Shenzhen, which borders on Hong Kong.

Most Chinese entrepreneurs in Southeast Asian countries felt that the political situation in the region has always been unstable and thus they had to spend much time cultivating alliances with the ruling governments. When the author conducted her fieldwork in Malaysia in 1999 just before the general elections, Zheng confessed that he dared not leave Malaysia at such crucial moment.

I was told that the expenses on long-distance calls to his enterprises in China were about M$10,000 per month.

There were some problems with the construction of the factory but they were resolved through the Zheng connections with leaders of the provincial government.