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Taishang: A Different Kind of Ethnic Chinese Business in Southeast Asia

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Introduction

Taiwanese transnational capital emerged in the mid-1980s, and its importance is now widely recognized by Taiwanese scholars in various disciplines. There has been an increasing interest in investigating the nature of this newly emerging transnational capital, which is considered to be different from the Western or Japanese forms. Studies of Taiwanese businesses (*taishang*) in Southeast Asia have concentrated on the domains of overseas investment patterns (T. J. Chen 1994, 1998; Y. C. Chen 1997; Lin 2002), industrial relations (Chan and Wang 2005; Kung 2002; Wang 2002), and ethnic relations and overseas Chinese networks (Hsiao and Kung 1998; Tseng 1999). Some scholars have noted that, to *taishang*, Southeast Asia is not only a geographical area, but also a cultural entity, and thus their investment behavior as a whole is embedded in the social contexts of the region. As latecomers to transnational capital in Southeast Asia, *taishang* demonstrate some distinguishing features (see also Shu 2000, 2001).

Using *taishang* as the keyword to search title, abstract, and keywords in the database *Zhonghua minguo qikan lunwen suoyin* (Index of Republic of China's journal articles), up to the end of 2006, there are over 500 entries. However, having checked one by one, only 37 articles have really dealt with *taishang* and Southeast Asia in a specified way. This shows that current research on the *taishang* of Southeast Asia has not gone beyond the general description of overseas investment, paid attention to the social context of the host country, or examined the social impact of overseas investment. Among these academic articles, about one-quarter are from the field of economics, focusing solely on overseas investment and location choice, *taishang's* comparative

advantages in export, or the impact of economic change on *taishang* production. These studies have not considered the *taishang* as a social (human) subject that migrates to a strange new world so as to take advantage of local conditions and to engage in production. In addition, the rising power of the mainland Chinese economy in the past two decades has had an unexpected effect in attracting more Taiwanese investment to China. Unfortunately, existing economic studies have ignored the fact that investment in Southeast Asia since the 1980s has actually helped *taishang* to gain the necessary management skills for large-scale production, or for subsequent investment in China (Lim and Wang 2006).

Research on *taishang* in China or Southeast Asia has often considered them to possess more social connections and economic resources than immigrants to Taiwan and, therefore, assumed that they would not encounter problems of adapting to lives in unfamiliar places. In addition it is often assumed that their social connections with ethnic Chinese in Southeast Asia would necessarily facilitate their business entries and practices, and that they are unlikely to run into too many local political and economic barriers (Wang 2008). Such an approach demonstrates that the existing literature has basically essentialized the ethnic economy, considers it to homogeneous and static, and pays inadequate attention to changes in the global economy and market forces.

Therefore, this chapter will argue that the *taishang* phenomenon in Southeast Asia should be understood first in terms of its capital formation and special characteristics, and second in terms of the influence of the political economy of the host countries. We will tackle the issue of how the *taishang* have globalized their capital and business strategies to maintain their competitiveness in the world economy. It also explains how the *taishang* have reorganized their industrial production networks and how they manage labor relations in Southeast Asia.

The information that feeds this chapter is drawn primarily from interview data collected in various research projects conducted by the three authors over the past decade. These projects include (1) "*Taishang* in Southeast Asia: Networks and Ethnicities," a three-year project sponsored by the National Science Council between 1999 and 2002, which involved fieldwork in Malaysia, Indonesia, Thailand, Vietnam, and China; (2) "Exit: Cross-border Investment and the Local Embeddedness of *Taishang* in Asia Pacific," sponsored by the National Science Council in 2002; (3) "Market and State Together? Changing Labor Relations in Taiwanese Companies in Southeast Asia," financed by the Academia Sinica in 2001; (4) "Transnational Capital, International Migration

and Ethnic Division of Labor: Labor Regimes in Vietnam's *Taishang* Factories" and (5) "A New Paradigm or an Old Trick? Effect of Private Codes of Conduct on Industrial Relations in Vietnam," supported by the National Science Council in 2001 and 2003–4, respectively. The fieldwork interviews were conducted with Taiwanese Business Associations, as well as *taishang* employers and managers in various Southeast Asian countries. The informants were selected from the membership list of the Taiwanese Chamber of Commerce in Malaysia, Vietnam, Thailand, Indonesia, and China, and from the Taiwan Directory of Overseas Firms published by the Ministry of Economic Affairs.

Reorganizing *taishang* production networks in Southeast Asia

Investment by Taiwanese companies in Southeast Asia has grown significantly since the late 1980s, a phenomenon that has been attributed by many economists primarily to the changing economic environment in Taiwan. The abrupt appreciation of the Taiwan currency in the late 1980s caused problems for many export-oriented and labor-intensive local industries. In 1987, the New Taiwan dollar rose 22.4 percent (from NT\$36.00 to NT\$28.95) against the US dollar. This led to an increase in the average monthly wage in the manufacturing sector from US\$353 in 1985 to US\$821 in 1990 and then to US\$1086 in 1992, which undermined the competitiveness of labor-intensive small-medium enterprises. Inevitably, overseas investment emerged as an alternative for such businesses. Since then, from being a meager investor in Southeast Asia before 1986, the *taishang* have emerged as the largest investors in the region. Between 1959 and 2006, Taiwanese companies ranked third in terms of investment in approved projects among foreign investors in Malaysia, third in Thailand, sixth in Indonesia, seventh in the Philippines, and third in Vietnam (Table 7.1). Before 1990, overseas investment from Taiwan was concentrated in Southeast Asia. As the political tensions between Taiwan and China eased at the beginning of the 1990s, and as China began to open up its economy and market, huge amounts of Taiwanese capital began to flow into China from 1991 (IDIC 2002). Most of this investment has gone into the manufacturing industry, which is the most competitive sector in Taiwan's economy. As the official surveys of the Taiwanese government have repeatedly shown, the most important reason for moving factories abroad is the need to secure cheap labor.

Table 7.1 Taiwanese investment in Southeast Asian countries, 1959 to March 2007 (Unit: US\$ million)

Year	Thailand		Malaysia		The Philippines		Indonesia		Singapore		Vietnam		Cambodia	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
1959-89	642	2,097.25	477	1,257.05	348	349.41	75	1,381.38	35	22.72	2	4.69	0	0
1990	144	782.70	270	2,347.83	158	140.70	94	618.30	10	47.60	8	135.80	0	0
1991	69	583.50	182	1,326.17	109	12.00	58	1,057.80	13	12.50	13	224.19	0	0
1992	44	289.90	137	574.70	27	9.10	23	563.30	11	8.79	15	615.80	0	0
1993	61	215.40	86	331.18	21	5.40	20	358.90	12	69.47	30	757.66	0	0
1994	88	477.50	100	1,122.76	42	199.15	48	2,484.03	19	171.19	55	575.48	2	15.87
1995	102	1,803.90	123	567.80	34	13.60	89	567.40	20	31.65	45	913.34	14	10.03
1996	66	2,785.20	79	310.40	22	117.11	111	534.60	54	165.00	47	478.62	34	163.73
1997	62	414.30	63	480.40	16	80.56	101	3,419.40	27	230.32	54	249.56	62	44.04
1998	69	253.60	74	263.40	19	30.48	91	165.20	56	158.18	62	258.15	25	138.51
1999	86	211.10	66	70.26	18	19.15	92	1,486.10	19	324.52	80	201.33	15	55.39
2000	120	437.41	92	241.07	10	5.42	82	134.54	40	219.53	135	403.33	15	18.85
2001	50	158.69	88	296.58	9	11.99	69	83.85	26	378.30	140	1,004.92	8	56.97
2002	41	62.93	64	66.29	22	236.35	50	83.18	27	25.76	198	511.82	4	6.82
2003	57	338.83	57	163.69	17	47.11	49	117.54	15	26.40	190	540.67	1	1.00
2004	53	268.53	78	109.09	11	29.52	41	68.87	18	751.78	171	562.53	6	4.60
2005	63	417.66	71	113.64	N.A.	25.30	43	133.39	16	97.68	187	570.59	4	4.19
2006	63	284.30	70	110.48	N.A.	38.05	27	218.62	18	806.30	125	241.61	1	16.44
2007 (1-3)	13	78.68	10	11.61	N.A.	N.A.	9	10.36	1	0.49	18	101.80	1	5.99
Total	1,893	11,961.38	2,187	9,764.40	883	1,370.40	1,172	13,486.76	437	3,548.18	1,575	8,351.89	192	542.43
Ranking	3		3		7		5		5		3		3	

Source: ROC, Ministry of Economic Affairs, Department of Investment Services, "Statistics of Investments to ASEAN" [available in Chinese only] <http://www.dois.moea.gov.tw/asp/relation3.asp>, accessed August 6, 2007.

Production networks enclave

When Taiwanese enterprises moved into Southeast Asia, one of the strategies that allowed them to remain competitive was persuading suppliers in the same production network in Taiwan to move to the region as well, so that seemingly new production networks in Southeast Asia have, in fact, been transplanted from original production networks in Taiwan (Jou and Chen 2002). How the transplanted pattern of production network works depends on size and the business strategy of the enterprises and the business environment in the destination country. Nevertheless, an important asset of these newly established production networks is their “Taiwaneseness,” or the fact that they are mainly composed of enterprises of Taiwanese origin. Taiwanese businesses tend to work with other Taiwanese companies, to form an “enclave network” that is founded on past experiences in Taiwan and thus possessing Taiwanese cultural affinity. From the perspective of social embeddedness, these reconstructed overseas production networks are more or less ethnically closed. They serve to reduce transaction costs and the risks associated with an imperfect market mechanism, insufficient information, and the different legal and social systems in foreign countries.

Not only do *taishang* rarely cooperate with indigenous Southeast Asian business to establish a production network, it is also very rare to find cooperation between *taishang* and local ethnic Chinese capital. If there is any, such cooperation usually takes place at the initial stages of investment when a *taishang* firm needs to understand local socioeconomic conditions. In addition, when *taishang* companies want to evade strict regulations on foreign investment, such as caps on the percentage of total shares that they can own, and land purchase restrictions, they use the names of local ethnic Chinese as “fake owners.” However these private agreements are very risky, and it sometimes happens that a *taishang* company or property registered in the name of a local Chinese person is appropriated. As time goes by, the “fake” cooperation model disappears as true cooperation among the *taishang* gains significance. Therefore, when we talk about ethnic Chinese cultural affinity, we must distinguish between the different kinds of business networks that are formed between new *taishang* and old ethnic Chinese business, which, despite conventional beliefs, are quite limited (cf. Gomes and Hsiao 2004a, 2004b). This is not to say that ethnic Chinese cultural affinity is unimportant for understanding *taishang* investment strategy, as the next section on “production relations” discusses.

There are two major reasons why it is difficult for *taishang* and local ethnic Chinese companies to establish business networks in Southeast

Asia. First, their differing historical development paths have led them to adopt different business models. The *taishang* are more familiar with industrial capitalism, which has been the development strategy adopted in postwar Taiwan. The production of the *taishang* is mainly export-oriented, and emphasizes innovation, human resources, and new skills. In contrast, local Chinese businesspeople in Southeast Asia mostly specialize in businesses that can be liquidated quickly such as finance, trade, or services, so that they can move out swiftly whenever political risks arise (Chen and Liu 1998, p. 107; Tseng 1999, p. 9). Second, the development policies of the Southeast Asian states, which emphasize attracting foreign capital for industrialization, have produced a dual economy in which foreign capital, with its abundant capital and high level of technology, dominates the export sector—whereas indigenous businesses, with less capital and a lower level of technology, remain in the domestic market. This is especially prominent in Malaysia. Malaysian Chinese and indigenous companies usually have only weak links with foreign capital due to the differences in product quality, ways of doing business, and purchasing power, and are therefore only seldom incorporated into the production networks of foreign businesses. As a result, *taishang* companies find no synergy or benefit in networking with local Chinese businesses in Southeast Asia.

Enlarging Taiwanese business

When a *taishang* company starts to invest in a Southeast Asian country, it often quickly realizes that it is difficult to find a local business partner who can provide high-quality and low-price products that are delivered on time, and thus it internalizes production within the group of Taiwanese suppliers that were previously its subcontractors in Taiwan. The enlargement of the scale of operations is the most important feature of the *taishang* in Southeast Asia, and is the major mechanism by which they continue to accumulate capital. Coming as they do from a semi-peripheral country, the position of the *taishang* in the global commodity chain constrains their overseas investment strategies, timing, and choice of location. However, when buyers in the core countries press the *taishang* to reduce costs, *taishang* are obliged to use overseas investment as a strategy to ward off such pressure due to the increasing cost of domestic labor and land in Taiwan. This is different from the situation with Western overseas investment, which is the result of long-term planning backed by abundant financial capital and human resources (Jou and Chen 2002).

The overseas investment strategy of the *taishang* has been termed a “passive and defensive globalization” strategy by Taiwanese scholars (T. J. Chen 1998; Chen and Chen 1998). To compete globally, small

and medium-sized enterprises (SMEs) in Taiwan that produce labor-intensive products need to reduce their costs, and increasing the economies of scale to reduce unit costs is an important strategy that allows them to maintain a competitive edge. Amsden and Chu (2003) contend that the core competitiveness of Taiwanese enterprises lies in their ability to swiftly expand their production capacity to a large scale, such that they can beat their competitors and consolidate their dominant position in the global commodity chain. It is cross-border investment that allows Taiwanese SMEs to increase their production scale so rapidly. In this way, a company that in Taiwan hires no more than a hundred workers can expand to employ more than a thousand workers abroad.

For Taiwanese SMEs, their overseas investment experience in Southeast Asia often turns out to be the first step toward globalizing their business. Sharing industrial zones with international brand name companies buys them a place in foreign production networks in which they supply components and intermediary goods to US and Japanese transnationals. In the process, they learn new business models and practices that were absent from their domestic production experience, which enhances their production skills and ability to conduct business globally.

Experiencing business enlargement and globalization in Southeast Asia helped the *taishang* to set up business in China in the later stage of Taiwan's overseas investment in the early 1990s. One of the main factors that attracts foreign capital to China is the country's unlimited supply of cheap labor, and the mass employment of China's domestic migrant workers in *taishang* factories has helped the *taishang* to achieve even better economies of scale. Indeed, with the help of subsidiaries in Southeast Asia and China, many *taishang* companies have become the world's largest producers of specific products, such as notebook computers, motherboards, and mobile phones (Jou and Chen 2002; Lin 2002).

Until the 1980s, Taiwan mainly supplied original equipment manufacturing (OEM) industries, but has since then gradually moved to the upper scale of the global commodity chain. Many scholars have pointed out that OEM not only involves the division of labor between core and peripheral countries, but also serves as a channel through which new skills are acquired. Suppliers in the commodity chain acquire technology and managerial skills from the buyers in the core countries (Chao 1998; Cheng 1999; Cheng and Hsu 2002; Lin 2002), a trend that we also witnessed in our fieldwork research. It takes six months to two years for Taiwanese subcontractors to be accredited by buyers. During this period, engineers are stationed by the buyers in the factory to transfer the relevant skills, examine the product quality, labor processes, and factory management until the accreditation certificate

is issued. The spillover effect of gaining recognition from one big buyer is that other buyers will also recognize the certificate, which allows the Taiwanese subcontractors to expand their business opportunities. For example, after one *taishang* was accredited by Dell, other buyers recognized the certificate and subsequently adopted the company as a supplier. Therefore, through cross-border investment and subcontracting for core companies, *taishang* have successfully organized the economic and human resources of the host countries to promote their own productivity, extend their production scale and potential buyer pool, and consolidate their position in the global commodity chain. The *taishang* can thus be said to be acting as a semi-peripheral middleman between core and peripheral economic resources.

Table 7.2 presents the historical development of Taiwanese overseas investment, and clearly shows the significant move between the 1960s and the 1990s from the operation of single production bases in Taiwan to triangle manufacturing in several different countries. The marketing and R & D functions of the *taishang* are still based in their headquarters in Taiwan, but the major production bases are now in China, along with some R & D, with many of the subsidiaries in Southeast Asia running independent marketing, R & D, and production functions. It can be

Table 7.2 Regional division of labor in Taiwanese transnational companies since the 1960s

Region	Year		
	1960~	Mid-1980s~	1992~
Taiwan	Securing orders Manufacturing	Operational HQ Securing orders R & D Overseas production coordination	Operational HQ Securing orders R & D Overseas production coordination
Southeast Asia	–	Manufacturing	Starting to secure orders Small-scale R & D Production lines partly moved out
China	–	–	Mass production R & D
The United States and Europe	–	–	Warehouses for global logistics
Development stage	OEM	ODM	Global logistics management

Source: Compiled from fieldwork data collected by the authors.

seen that this triangle is mutually supportive, and no area is left to rely on one specific market or product.

The products that Taiwanese suppliers make for Western buyers are mostly labor-intensive, involving medium-level technology; such as apparel, footwear, or information technology products. It is often suggested that this kind of subcontracting and the manufacturing of products that are based on low labor costs will inevitably be taken over by other countries with even lower labor costs. As one interviewee described, "It is not difficult at all to produce a keyboard. You just have to take it apart and understand its internal structure. There are very few barriers to this industry." However latecomers will find it hard to surmount the systematic barrier that is built up by the synergy of R & D, production procedures, economies of scale, and service provision. The *taishang* understand this competitive advantage well. Such a systematic barrier began to form in the 1960s when Taiwan was incorporated by the First World into the global production chain. The production scale of the *taishang* progressed from small to medium, and nowadays can be described as large, and their production capacity has become indispensable to the functioning of the global production chain. Taiwan's semi-peripheral economy is now linked with core economies such as the US, Europe, and Japan, a position that cannot be easily replicated by other countries.

Another competitive advantage of the *taishang* is that, because of their production scale, latecomers are not able to compete to secure orders from Western buyers. It is almost impossible for a newly established company to produce millions of keyboards or sporting shoes per month. One *taishang* owner candidly stated that, "To enter this market, you need a large scale production capacity and high quality to be able to survive. It is very difficult to have such scale, such a system, and such quality when one enters the market." Economies of scale are also important for the vertical integration of different companies into an industry. For example, mass production enables footwear producers to support upstream suppliers to develop and supply cheaper and better quality components, which in turn helps footwear producers to strengthen their competitiveness in terms of price, quality, and delivery.

There are two commonly held viewpoints on Taiwan's economic future. The first is that, because of the new international division of labor, overseas Taiwanese investment is driven by low labor costs, and thus in the future Taiwanese capital will move to lower-cost destinations, just as it has done in Southeast Asia and China. Contrarily, the second thesis postulates that China's economic development will soon allow it to replace Taiwan in the global economy. Both views can be questioned

on the following grounds. First, labor costs are not the only factor influencing the overseas investment decisions of Taiwanese companies, and thus Taiwanese capital will not necessarily withdraw from Southeast Asia and transfer to China or other regions. Second, it will be difficult for China to replace Taiwan's role in the global production chain. By coordinating different production sites in China and Southeast Asia and through their capacity to reproduce an efficient and market-responsive production network anywhere, the *taishang* will be able to maintain their established business networks with their long-term buyers in the core countries, a position that Chinese firms are unlikely to be able to replicate in the foreseeable future. Thus, production networks based on cultural affinity with ethnic Chinese human resources and a large production capacity have ensured the competitiveness of the *taishang* in the world market in the last two decades.

Another important point to note is that enlargement brings about not only a change in industrial network structures, but also a change in internal managerial structures. Before transnationalization, Taiwanese companies in Taiwan were usually small- or medium-sized, each with a staff of just a few dozen workers.¹ Upon their move into Southeast Asia and the mass employment of workers, these companies have found it necessary to hire more managerial staff to manage and restructure production lines, which are now totally different from those back home in Taiwan. The internal organizational structure of the *taishang* companies is no longer characterized by simple boss-worker relationships, but involves more middle layers. In addition, the employment of workers of different ethnicities from the host country in the same factory has forced the *taishang* to adopt new management styles and approaches.

Restructuring *taishang* production relations in Southeast Asia

Mobilization of the ethnic Chinese managerial class

Another unique feature that distinguishes the *taishang* from other transnational businesses from the core countries is that all the owners speak Mandarin or a Minnanese language, which helps them to build links with overseas ethnic Chinese communities in many of the host countries in Southeast Asia. The data that we collected shows that the ethnic Chinese play an important role in the initial stages of *taishang* business establishment in the region. As most *taishang* cannot speak fluent English or the local language, they have to rely on local ethnic Chinese and their relatives, friends, or customers to mediate their initial investment, handle

official documents, and even to help manage the company. For example, *taishang* companies may need to engage with local civil servants to buy land, apply for a license to build a factory, or obtain approval for operations; these would be impossible without the help offered by the local ethnic Chinese, as they would be unable to communicate with the relevant bureaucrats and officials. To mobilize ethnic Chinese human resources, many *taishang* also recruit ethnic Chinese employees from other countries in the region, such as China, Malaysia, or Singapore (Wang 2007). Ethnic Chinese of different origins usually occupy different positions in Taiwanese companies in Southeast Asia, earn different wages, and are subject to different forms of discipline from the management (Kung and Wang 2006).

Southeast Asian ethnic Chinese can be considered a kind of social resource that helps to link the *taishang* with individual Southeast Asian markets. However this does not mean that all overseas Chinese are included in this mobilization. Many scholars point out that an important characteristic of ethnic Chinese businesses in Southeast Asia is their networking activity. The *taishang* initially joined these Southeast Asian ethnic Chinese networks following their mass investment in the region in the mid-1980s, but have since then gradually built up their own types of economic networks. The center of such networks is the industrial capital of the *taishang*, which they have used to mobilize the local ethnic Chinese networks to achieve their economic goals. In addition to providing them with employment and establishing cooperative relationships with them, the *taishang* have also mobilized local ethnic Chinese managers to work for them in other Asian countries. For example, the Taiwanese company Hualong has a subsidiary in Malaysia, and when it began to invest in Vietnam, it recruited Malaysian Chinese to work in Vietnam instead of sending Taiwanese managers directly from Taiwan. These *taishang*-centered networks were virtually constructed around various globalized production sites in different countries, and thus differ from the traditional trade-based Chinese networks in Southeast Asia.

Taishang factories in Southeast Asia usually employ an ethnically diverse labor force. In Malaysia, for example, the three major ethnic groups—the Malays, ethnic Chinese, and ethnic Indians—habitually work together, and since the labor shortages that began in 1990 they have been joined by migrant workers from Bangladesh and Indonesia (Kung 2002). The situation is the same in the *taishang* factories in Vietnam, where Vietnamese workers are supervised by managers from China, rather than Taiwan or Vietnam (Wang and Hsiao 2002). In this multicultural working environment, both the hierarchy of power and the division of labor are different from the norm.

Table 7.3 Ethnic division of labor in *taishang* companies in Malaysia and Vietnam by ethnic group

Positions in factory	Malaysia	Vietnam
Owner and top managers	Taiwanese, with some local ethnic Chinese with "Taiwanese connections"	Taiwanese
Administrative managers	Local ethnic Chinese with "Taiwanese connections"	Local ethnic Chinese, mainland Chinese professionals
Low-ranking managers, technicians or supervisors	Local ethnic Chinese	Mainland Chinese professionals, a few Vietnamese
Blue-collar workers	Mainly migrant workers, some Malays	Mainly Vietnamese, some local ethnic Chinese

Source: Research data collected by the authors.

Table 7.3 clearly demonstrates that the employees who occupy the top positions in *taishang* business are mainly Taiwanese, although in some cases in Malaysia, they are local ethnic Chinese. It is important to point out that the ethnic Chinese that occupy these important positions are not just any local Chinese, but are those who have studied in Taiwan as *qiaosheng* (overseas Chinese students). In contrast, most of the mainland Chinese who work for the *taishang* are hired as factory heads or middle-level managers. Apparently, the *taishang* prefer to recruit local ethnic Chinese with Taiwanese connections, rather than mainland Chinese, into the upper echelons of management.

Other ethnic Chinese who work in administrative functions normally occupy middle- to lower-level management positions in accounting, finance, or purchasing. They are usually supervised by Taiwanese senior managers, who are not necessarily familiar with how the production lines really work. As the *taishang* need interpreters to communicate with the local workers, these local ethnic Chinese administrators become indispensable to the functioning of the production facility, and come to occupy better positions in the company than other local staff members. Again, the *taishang* prefer to hire local ethnic Chinese who have studied in Taiwan for these positions if possible. One *taishang* told us:

The way of thinking of students who have graduated from the American or European schools is very different from ours, and the barrier does not only lie in the language. The difference may have resulted from

cultural differences. ... There are more than twenty engineers in the technical department, and all of them graduated from Taiwanese colleges. There were once some MBA engineers who had graduated from the UK and the USA, but they stayed here only for a short period of time. In contrast, most of the engineers who are graduates of Taiwanese universities work in our company for a long time.

Experience of living in Taiwan and familiarity with Taiwanese society and culture are the key factors that explain the popularity of Taiwanese-trained local ethnic Chinese among the *taishang* in Malaysia. Most of the local ethnic Chinese engineers employed by the *taishang* have lived in Taiwan for more than four years, and can easily acclimatize themselves to the work ethic that is expected; namely, to work hard and take few holidays. The importance of this first-hand knowledge learned from living in Taiwan contradicts what is postulated by the human capital theory, which depicts a person's ability as deriving only from education and skills.

If the local *taishang* cannot find suitably Taiwan-connected managers, then mainland Chinese may be an alternative, especially as they tend to be paid less. The *taishang* have thus generated a large ethnic Chinese skilled labor market in Asia. Employing staff from mainland China to work as middle-level managers has become a common human resources management practice among the *taishang* in Southeast Asia, given the lower salary cost of these workers compared to Taiwanese expatriates and their language proficiency. Mainland Chinese are attracted to work overseas by the higher incomes offered by the *taishang* companies, and are recruited through three channels: internal corporate transfers, social networks, and placement agencies (Wang 2007).

Finally, the major objective of the *taishang* in Southeast Asia is to build a production facility within as short a period of time as possible to meet their buyers' demands for lower prices and better quality. The *taishang* utilize all possible means to mobilize both local and foreign resources to achieve this objective, and in this situation the employment of local ethnic Chinese professionals is highly desirable. The hiring of ethnic Chinese by the *taishang* can thus be viewed as a way of mobilizing ethnic resources.

Authoritarian labor control

Southeast Asia is a multiethnic society, and most *taishang* employ workers from a number of ethnic groups. It is this distinct situation that gives rise to another characteristic of the transnational *taishang* companies: their use of an authoritarian management style to control their labor. The *taishang* prefers to employ workers who will "accept

subordination," such as Bangladeshi migrant workers in Malaysia or female migrant workers in Vietnam and China. To keep industrial relations in check on the shop floor, the *taishang* usually employs rather coercive means of disciplining workers of different origins. However this should not be mistaken as an extreme measure as depicted in the hegemonic model described by Burawoy (1985).

The labor control practices that are imposed by the *taishang* on migrant workers in Malaysia cannot be applied to local Malay workers. For example, Bangladeshi migrant workers usually have to work for more than 12 hours a day, and 16 hours is not unheard of. They live in the factory compound, and their daily activities are under strict surveillance. If these workers cannot finish the work that is required of them in the allotted time, then the *taishang* managers will demand that they stay back to finish it. In contrast, *taishang* or Malaysian Chinese managers must choose their words carefully when talking to or persuading local Malays or ethnic Chinese to work. Managing Bangladeshi workers "is much easier; you just push them. Just press and press. When I set them a target to achieve, well, they have to reach the goal, no matter how difficult it is." According to one *taishang* manager we interviewed, such workers have to work from 8 a.m. to 11 p.m. for the entire year, and they cannot ask for sick leave. Another *taishang* boss stated even more explicitly: "I told them, 'give me two thousand pieces tomorrow. If not, I will cancel your residence permit status and send you back.' I don't need to remind them to work overtime. It's enough to scare them to work hard."

Other than threatening to send the workers back home, the *taishang* also manipulate the wage structure to control migrant workers. One *taishang* owner described this vividly:

The wage is structured into five parts: basic wage, full attendance bonus, efficiency bonus, nightshift bonus and overtime work wage. Do you know how low their basic wage is? Only ten-something Ringgit! If they do work hard overtime, they can earn about thirteen hundreds or more. If they do not follow, they will get no overtime work, and their monthly wage will be about four hundred only. How could they survive with such little money to pay their living cost, and the debt they owe at home for overseas work? I don't fire them, nor will I send them back. After one or two months, they will come to me and ask for more work. Then, they will show their obedience to me.

(Kung and Wang 2006)

In Vietnam, *taishang* footwear factories employ a large number of female workers, as was the case in Taiwan, South Korea and Hong Kong in the 1960s and 1970s. A clear division of labor on gender lines is practiced; the sewing, gluing, and quality control work are carried out mainly by female workers, while the packaging, loading, and raw material production are undertaken by male workers. The male labor force constitutes only a small fraction of the entire workforce in the factory.

The standard explanation offered by the *taishang* for the “feminization” of the labor force is that the Vietnamese society is a matriarchal society; Vietnamese women have to take care of the family, and are therefore able to put up with the working pressure that is imposed on them, whereas Vietnamese men are “lazy, useless, and not able to work under stress.” However if we look at the labor process in these *taishang* factories, we find the reason to be otherwise. Female workers are preferred by the *taishang* in Vietnam because they are more submissive than men to the company labor control mechanisms. Working hours in Taiwanese factories are normally long, sometimes up to 12 hours a day.² We also found in one of the factories where we conducted interviews that workers are only allowed to go to the washroom three times a day; they must take a card whenever they use the washroom, and only three cards are issued on a production line at any one time.

Engaged as they are in labor-intensive industries, *taishang* try to extract the maximum labor value by imposing an authoritarian management style. Labor control in Vietnam is imposed through a clear ethnic division of labor: the top managers are Taiwanese, professionals hired from mainland China occupy the middle-level management positions, and the Vietnamese work on the shop floor (see Table 7.3). Many *taishang* invested in the footwear industry in China in the early 1990s, thereby creating a pool of low- to middle-level managers in China trained in the *taishang* way. When the Taiwanese footwear industry shifted its investment to Vietnam in the mid-1990s, these managers were later mobilized to work in Vietnam. The widely reported militarist management practices that the *taishang* employed in China were therefore transplanted by the mainland Chinese managers to Vietnam. During our research, we often heard complaints from Vietnamese workers that mainland Chinese supervisors or shop floor managers shout at them or scold them. We also heard of a case where a Taiwanese top manager transferred from China asked his mainland Chinese managers to get up at 4:30 a.m. to go jogging and made them line up under the scorching sun before lunch, which eventually resulted in a strike. Some Taiwanese top managers admitted that although they have refrained from using

authoritarian management control in Vietnam, they still cannot stop protests by Vietnamese workers. One *taishang* manager stated:

It is too much of a luxury and too early to talk about [labor] human rights in Vietnam. [Sighs]. You have seen our factory, and if you go to their home you can't imagine what it looks like. It is very ironic. We Taiwanese have already gone through this stage in the past and understand what it was. The key point right now is how to make everyone rich. Strong human rights [for workers] will not make a nation wealthy. They protect workers too much, and they [workers] demand their rights too much. A country with US\$370 GDP per capita wants to have the same human rights as in a country with US\$10,000 GDP per capita; that is not reasonable. In Vietnam, you can't even touch Vietnamese workers, let alone abuse them.

The manager of a large *taishang* sports shoes company even commented that his industry basically rests on a patriarchal form of management. Many Taiwanese managers learned to make shoes through an apprenticeship, and the only form of management that they have ever learned in Taiwan is to scold. Indeed, they equate "management" with "scolding." When this authoritarian management style is confronted with resistance from Vietnamese workers, and male workers especially, this is countervailed by the management accusing these Vietnamese men of laziness and of a lack of interest in working hard. It is for these reasons that the conforming and docile female workers are much preferred by the *taishang* for their operations in Vietnam, and this has nothing to do with the "matriarchal society" rationale. The construction of Vietnamese society as a matriarchal society is, in fact, a "patriarchal discourse" on the part of the *taishang* to enforce and maintain their labor regime.³

Concluding remarks

The *taishang*, as a modern capitalist development in Asia, are Taiwanese businesses that have been investing globally since the mid-1980s. Global economic change since the mid-1980s, especially after the Plaza Agreement, has forced Taiwanese companies to seek other means by which their accumulation of capital can be continued. Southeast Asia and the next big investment destination—China—have become strategic regions for the *taishang* in pressing ahead with their global production plan. The US is no longer the most important trading

partner: it is Southeast Asia and China that have emerged as the most significant areas for the *taishang*.

In tracing the history of the overseas investment of the *taishang*, it becomes clear that most started out as SMEs, which contradicts the commonly held belief that SMEs have insufficient capital, human resources, or management capacity to proceed with overseas investment. This “rational economic model” apparently does not apply to *taishang* SMEs after the mid-1980s, which took on the mantle of overseas investment until larger *taishang* became involved in the early 1990s. This succession pattern of overseas investment is quite different from the course of US or Japanese overseas investment (Cumings 1984; Hsiao and Kung 1998).

The rise of the *taishang* is, of course, a consequence of global capitalist development. As latecomers to transnational business from a semi-peripheral state, the position of the *taishang* in the global division of labor is certainly different from that of transnational companies from the core states, and their paths to globalization are different. In this chapter, we discussed the historical process of *taishang* investment and analyzed the characteristics of the *taishang*'s reorganization of industrial production networks to allow expansion and the massive upscaling of production. The *taishang* also represent a form of transnational capital with a distinct cultural trait, given their cultural affinity with Chinese human resources, which has helped them to mobilize ethnic Chinese human resources all over Asia to support their production networks in various countries. An additional characteristic of the *taishang* network is the coordination of a host of Taiwanese firms to generate the final product, which has led to the creation of Taiwanese production network enclaves that seldom cooperate with local Chinese business. These characteristics set the *taishang* outside the discussions of overseas Chinese business networks in the literature.

This chapter also demonstrated that the mobilization of ethnic Chinese human resources and the practice of authoritarian labor control have helped the *taishang* to consolidate and sustain their competitiveness in the contemporary world production system. The *taishang* have undoubtedly emerged as distinct ethnic Chinese transnational business entities in the modern capitalist world.

Finally, it is essential to emphasize again that the development of Taiwan's semi-peripheral economy has resulted from the combination of economic, social, and human resources from Taiwan, Southeast Asia, and China. It crosses boundaries and is truly global in nature. The ability to respond quickly to market demand, efficient and flexible production, and unique production networks have all helped the *taishang* to

remain competitive in the volatile world market. The *taishang's* role in the global production chain cannot be easily displaced by business networks from other countries, as this distinct business structure is embedded in a very complex socioeconomic context.

Notes

1. A "large company" in the manufacturing sector, according to the definition of the Taiwanese government, is one that hires more than 200 workers.
2. Compared to the working conditions in the Zhujiang delta in southern China, the working hours in Vietnam are significantly shorter. For further comparisons between Taiwanese factories in China and Taiwan, see Chan and Wang (2005).
3. For a discussion of management practices and discourses on Vietnamese society, see Wang (2004).

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