THE SOCIOLOGY OF CHINESE CAPITALISM IN SOUTHEAST ASIA

CHALLENGES AND PROSPECTS

EDITED BY YOS SANTASOMBAT

The Sociology of Chinese Capitalism in Southeast Asia

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Editor

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Preface

This book is a companion to our previous volume *Chinese Capitalism in Southeast Asia: Cultures and Practices*. While the first volume provided integrated perspectives on the situated and diverse cultures and practices of Chinese capitalism in Southeast Asia, this second volume focuses on the challenges and prospects of Chinese capitalism within the context of China's rise and economic regionalism.

How does Chinese capitalism from China impact the Association of Southeast Asian Nations (ASEAN) integration and its attempts at community building? In what ways does Chinese capitalism from China interact with the diverse forms of Chinese capitalism in Southeast Asia? The penetration of new Chinese economic statecraft and the accompanying transnational Chinese business corporations and entrepreneurs have posed serious challenges to both Southeast Asian governments and local Chinese communities. On one hand, China's rise and its growing economic engagement with ASEAN has presented new investment and business opportunities for local Chinese communities in Southeast Asia. On the other hand, China's rise has also stimulated anxieties, ambivalences, and new politico-economic realignments.

Those challenges have triggered multiple and transformative changes to the modes of economic organization in Southeast Asia, a region already influenced by regionalization and globalization, as well as the cultural foundations of the overseas Chinese. Creative strategies through desinicization, resinicization, and rebalancing of economic relationships have been used by local Chinese communities and ASEAN countries to cope with the challenges of Chinese capitalism.

This volume, like the previous one, is the fruit of collective efforts made by a team of dedicated researchers who have worked with, argued with, and assisted each other for many years. I am grateful to all the researchers and contributing authors for their untiring research efforts, endurance, and cooperation. The researchers, authors, and I, as editor, have benefited a great deal from challenging and perceptive commentaries from Chulacheeb Chinwanno, Celia Lee, Chen Chung-An, Guanie Lim, Hui Yew-Foong, Kei Koga, Koh Keng We, Kong Tuan Yuen, Michael Montesano, Siriporn Wajjwalku, Wang Tingyan, Yow Cheun Hoe, and Zhou Taomo. A short visiting fellowship at the Institute of Southeast Asian Studies (ISEAS)-Yusof Ishak Institute in Singapore provided a stimulating intellectual environment as well as facilities for further research, writing, and editing. I would like to thank Director Tan Chin Tiong, Terrence Chong, Michael Montesano, and Benjamin Loh for providing me with this opportunity.

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Chiang Mai, Thailand Yos Santasombat
February 2018

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CHAPTER 1

Introduction

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Chinese Capitalism and ASEAN Economic Community

The Association of Southeast Asian Nations (ASEAN) was founded in 1967 to coordinate security policy during the Cold War as part of the anticommunist containment strategy led by the USA and North Atlantic Treaty Organization (NATO). Historically and geo-politically, China has always viewed ASEAN as an integral part of its security environment.

Over the past two decades, a changing global context has given rise to remarkable opportunities to forge closer relations between the People's Republic of China (PRC) and ASEAN countries. The constructive role played by the government of the PRC in dealing with the Asian financial crisis coupled with the changing US priorities in Asia during the 1990s have led to a marked improvement in relations between ASEAN and the northern neighbor. The considerable distrust that once defined their relations during the Cold War has evolved into a more positive and intimate economic and political rapport.

However, China's territorial claims in the South China Sea reveal its increasing naval capabilities and willingness to deploy them for politico-economic interests. Hence the contemporary relationship between China and ASEAN is marked by a combination of cooperation and

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tension. China's rise exerts a powerful gravity on ASEAN economies and an impetus for a resinicization of the overseas Chinese economic elite and their descendants in Southeast Asia. China has the potential to strengthen the ASEAN economies but also to create structural and political imbalances in the region. Since full enactment of the ASEAN–China Free Trade Area (ACFTA) in 2010, ASEAN's trade with China has gone from a surplus to a deficit that reached US$45 billion in 2013. China has become relatively more important to ASEAN as a trading partner than ASEAN is to China. More importantly, poorer ASEAN members depend heavily on China, particularly as a source of imports. Vietnam's share of Chinese export and import flows with ASEAN has increased substantially although Singapore's share has dropped. ASEAN–China economic relations are strategically important for regional development and stability. The asymmetry of size and power, in conjunction with territorial disputes, however, can be sources of anxiety and mistrust which hamper political relations.

ASEAN Regional Integration and Chinese Capitalism

The establishment of the ASEAN Economic Community (AEC) can be seen as an attempt to strengthen regional organization and its bargaining power. It has four objectives, namely the transformation of ASEAN into a single market and production base, creating a highly competitive economic region of equitable economic development and a region that would be fully integrated into the global economy by the end of 2015. As of early 2018, many indicators show that economic integration cannot be accomplished soon. A single market and production base requires that all members have a common interest and a high degree of cooperation. However, the authority of domestic political economy reigns over regional integration and cooperation. The political elite of the ASEAN countries tend to facilitate the monopoly of important domestic sectors to the Chinese economic elite, and their mutual interests are so intertwined that competition from neighboring firms are seldom tolerated. China's rising influence in the region, or what Jones (2016: 24) calls the 'the sinification of the ASEAN way', has profoundly and negatively impacted the capacity of ASEAN to strengthen its integration. ASEAN's connectivity master plan, for example, will be funded indirectly or directly by China to the extent that those infrastructural development projects serve Chinese interests, which are not necessarily those of

ASEAN. China's continuing attempts to dominate the South China Sea raise more critical issues that hinder regional integration. A shift in US foreign policy under a new leader drives another nail into the ASEAN regional integration coffin.

On his first day in office President Trump signed an executive order formally withdrawing the USA from the Trans-Pacific Partnership (TPP) trade deal. The abandonment of TPP marks the end of the US pivot toward Asia. TPP would have checked Beijing's penetrating politico-economic influence in Asia and regained the USA as an important leverage. The decision to discard TPP shows that the American leader has little concern for the geopolitics that offer choices to ASEAN nations. Donald Trump's transactional view of the world leads him to prefer 'deals' over global leadership. In terms of security relations, Trump's questioning of the established security relationship with NATO, Japan, and Korea, and how its economic burdens are shared marks the beginning of a decline of security commitments between the USA and old alliances. If long-established security relationships are subject to the strict calculus of economic self-interest, ties between old alliances may be weakened. The geopolitical map might collapse into the economic one, and China could become an even stronger player on the global political stage.

As the USA moves toward isolationist leaning under the "America First" banner, ASEAN countries are witnessing another round of power shifts in the global geopolitical landscape which could potentially lead to heightened tension between the superpowers on various issues ranging from currency manipulation to unfair trade and protectionism, Taiwan, North Korea, as well as territorial boundary disputes in the South China Sea. With the end of US President Obama's rebalance policy and TPP Free Trade Area, ASEAN countries will pragmatically have little choice but to accommodate China's bilateral relations. Individually, each country will negotiate to achieve the best possible deal with China. Growing bilateralism between China and ASEAN countries implies fragmentation rather than integration of the AEC. In turn, a low level of regional integration implies that convergence between ASEAN countries is limited and difficult to achieve. Additionally, regional and within-country inequality is high and in many countries steadily growing.

Within the context of ASEAN economic integration, this text asks the following questions: how will Chinese capitalism from China interact with ASEAN integration and its attempts at community building, and how will Chinese capitalism from China interact with diverse forms of

Chinese capitalism in Southeast Asia? In other words, what are the challenges and prospects of Chinese capitalism in Southeast Asia?

On one hand, China's rise and its growing economic engagement with ASEAN has presented new investment and business opportunities for local Chinese communities in Southeast Asia. On the other hand, China's rise has also stimulated anxieties, ambivalences, and new politico-economic realignments. What are some of the creative strategies–desinicization, resinicization, rebalancing–utilized by local Chinese communities and ASEAN countries to cope with the challenges of Chinese capitalism?

This book begins with a discussion of the relations between Chinese capitalism and the AEC from a perspective of desecuritization. In Chapter 2, Hsing-Chou Sung focuses on the meaning of security issues in Southeast Asia and the political realist friend/foe dichotomy that securitization brings. The author applies the desecuritization concept to the relationship between China and ASEAN countries and demonstrates how security is constructed in economic terms. Desecuritization concepts problematize security as discursively established, dismissing the idea of objective threats. The chapter defines desecuritization as a critical strategy that tries to relocate the question of power and domination to a context of economic integration and development in which political relations are not perceived on the basis of existential insecurity. With that perspective in mind, Sung asks what types of strategies are used by Beijing to remove obstacles if a mutual trust relationship exists between China and ASEAN member countries. Although China remains a vital security concern for ASEAN, despite the issue of territorial disputes and naval bases in the South China Sea, China still actively participates in every movement of regional integration.

Sung shows that Beijing appears aware of the complex intertwining between political and economic situations and tries to reshape the structure of distrust in the ASEAN perception of China as a regional threat. The way to achieve its overall policy goal is desecuritization based on regionalism and soft power. Since the 1997 Asian financial crisis, China has been able to dismiss the anxiety of an objective threat by the premise of economic cooperation (trade, investment, foreign aid), regionalization and global connectivity (One Belt One Road [OBOR]). China has taken advantage of the new regionalism and has become a skilled practitioner of "commercial diplomacy" (Frost 2007: 95). If China continues to lead the way in regional integration (state-led), Chinese capitalism will integrate into AEC and become China's essential strategy of desecuritization.

There is no doubt that China is now a superpower in global affairs. But how effectively does China make use of its growing power (resources, including the military) and influence (exercise of power) to achieve desirable goals? Drezner (2009) cogently argues that China was unable to exert much meaningful leverage over US financial policy despite its position as the leading holder of US debt. Similarly, China was unable (or unwilling) to change North Korea's nuclear policies despite increasing economic dependency. Additionally, China was unable to persuade Vietnam to deflect the territorial claims in the South China Sea. Conversely, increasing dependency on China has turned the Myanmar's Tatmadaw into a more balanced and diversified strategic relations with Japan, the USA, and Europe.

In economic terms, however, China has used its central position in regional production network and its huge market potential to influence ASEAN countries' choices. Its ultimate goal, however, is to consolidate its position as the region's economic driver by initiating East Asian regionalism (Ravenhill 2006), AEC (Jetin and Mikic 2016), and OBOR global economic order linking Asia to the Middle East, Africa, and Europe. It is using its economic influence to induce, coerce, and force ASEAN countries into actual regional economic integration. China has proliferated its economic power and influence over the AEC (Goh 2014: 834) in two fundamental ways: (1) by stimulating economic growth in the least developed countries in the region (see Chapter 9), and (2) by multiplying the more developed parts toward a trading bloc.

Chapter 3 by Liu and Zhou examine the historical and politico-economic contexts of Chinese capitalism in Southeast Asia and its relations with the Chinese diaspora. The authors contend that China's rapid growth in terms of economy and outward foreign direct investment (OFDI) has lent itself to a new wave of Chinese capitalism that increasingly blurs the boundaries between state, private, and public interests. This new Chinese economic statescraft or the state's intention to provide impetus for Chinese entrepreneurs to generate business ventures that are conducive to the state's and public interests has been the essence of China's outgoing policy aimed at promoting outward investment and elevating China's status as a global superpower.

How has the Chinese economic statescraft (Norris 2016) interacted with the AEC? Using Indonesia, Malaysia and Singapore (the more developed parts of AEC) as case studies of both private and state-sanctioned Chinese investments, Liu and Zhou delineate the geographical and sectorial distributions of Chinese OFDI and discuss how those Chinese enterprises penetrate ASEAN countries and with whom they have collaborated in their business endeavors.

From those cases, the authors found that the new Chinese capitalism is transnational and foreign. Although the overseas Chinese entrepreneurs were migrants who had settled down and integrated into their new "homes" and identified themselves as Chinese-cum-Southeast Asian, the new Chinese diaspora are highly mobile but retain a strong identification with the homeland. The rise of China and its economic power in terms of trade and investments provides an impetus for a resinicization process of the Chinese communities and a reproduction of Chinese cultures and identities among the ethnic Chinese in ASEAN countries.

The Chinese economic statescraft and the transnational Chinese entrepreneurs have not disrupted the preexisting structure of Chinese enterprises, but have been able to establish networks of cooperation in terms of joint ventures for the benefit of both sides. In their examination of the business practices of the top echelons of Chinese businesses, Liu and Zhou are optimistic that the new Chinese capitalism is reflective of both a different consciousness among China's big businesses and the state in their mutual goal of enhancing China's international image as a peaceful and responsible world power.

Domestic Politics and Economic Regionalism

The roles of the military, bureaucracies, and political elite will be important in shaping the business practices and policies of developing countries toward the world economy. Contrary to Yeung's assertion that the future of Chinese capitalism in the era of globalization will no longer be "sustained by politico-economic alliances with powerful political elites" (Yeung 2004: 254), we believe that the preexisting alliances between ethnic Chinese capitalists and ruling power elite have not been disrupted by China's rise. Additionally, the alliances have also been extended to include closer ties between new Chinese entrepreneurs and the power elite, with the ethnic Chinese serving as bridges. However, the political elite in ASEAN may have a greater ability than previously acknowledged to shape policy directions toward trade and investment. The question is how China's rising influence over regional integration affects the transformation of the ASEAN political elite and domestic politics. Lessons learned from Thailand, the Philippines, and Cambodia provide a partial answer to that question.

The Chinese have been the prominent economic minority in Thailand for hundreds of years. Traditional Thai political elite ethnicize key economic roles to the Chinese entrepreneurs while simultaneously denying them access to political power. In this context, the Chinese economic elite become what Hamilton (1978) calls 'pariah capitalists'. Contrary to popular contention, the Chinese have not been fully assimilated (Skinner 1957, 1958) to their host country. The Chinese in Thailand and elsewhere in Southeast Asia have developed double 'social embeddedness' (Liu and Na 2017: 58–59) reaffirming their Chinese identity while at the same time maintaining their Thai identity.

Chapter 4 by Wasana Wongsurawat portrays the life of Banharn Silpa-acha, a successful businessman, a former Thai Prime Minister, and a prominent leader of Chinese descent in Thai history. Banharn's life as both an economic and political elite testifies well to the process of resinicization of Chinese identities and cultures in Thailand. Banharn was born in 1932, when the patrimonial system was successfully challenged. The role of Chinese entrepreneurs as dependent subjects and agencies of the royal household who managed the tributary trade and tax collection had come to an end. Banharn was born in a family of Chinese migrants who made a comfortable living in the fabric business in Suphanburi province, northwest of Bangkok. His parents sent him to Bangkok to further his education at the secondary level, but World War II disrupted his education and he started to work for his elder brother before trying his luck in various businesses of his own.

In the 1950s, the Chinese constituted about half of the total population of the greater Bangkok area. The Chinese community focused inward upon itself, being controlled through ethnic associations, secret societies, and the Chinese Chamber of Commerce (Skinner 1957: 203–207). The question of loyalty of the *huaqiao*[1] and the fear of Communist China resulted in strained relations between the Chinese and the Thai communities throughout the successive military regimes from the 1950s to the late 1970s. Those military governments were short of economic capital and turned toward the Chinese-Thai entrepreneurs who could provide it. Leading Chinese-Thai businessmen (i.e. Chin Sophonpanich) could mobilize resources within the Chinese community through their connections, and those economic elite began to develop a new set of alliances with the military and the revitalizing monarchy.

Banharn's rise in business was made through the accumulation of social capital or personal connections with high ranking members of the military governments. Banharn started a construction company in the 1950s and used his connections with the military to win a lucrative ten-year monopoly to install tap-water pipes throughout Thailand. In the 1960s, Banharn used his newfound wealth to initiate development works—hospitals, schools, temples restoration, and construction—in his hometown. The internationalization and industrialization processes in the 1960s restructured the Thai economy toward the emergence of export-oriented sectors. Chinese-Thai manufacturing companies grew from joint ventures with partners in Japan, Europe, and the USA. Banharn also began a joint venture with a Japanese company. In 1976, Banharn was a candidate in his first election as a member of the conservative Chat Thai Party led by retired military elite. He gradually rose to become secretary and leader of the party. He served as a cabinet member in many governments and in 1995 became the twenty-first century prime minister of Thailand (Nishizaki 2011). Over the many decades of his political career, Banharn attempted to expand his base of support in Suphanburi by securing unprecedented amounts of state funds to build various local infrastructures and spent a great deal of his personal wealth building an impressive array of monuments, including the 'Dragon Descendants Museum', as part of an attempt to reaffirm his ethnic Chinese identity.

The story of Banharn is not one of economic or political success of an assimilated second generation Chinese descendant, but rather it is a story of ethnic reconstructions and of a dual social embeddedness with both Thai and Chinese cultural traditions. His life attests to the extraordinary ability of the Chinese entrepreneurs to adapt to a new home and embed themselves in a set of political alliances and economic networks. On the one hand, Banharn's expression of total submission to the monarchy and the royal family made him a trusted ally of the military and bureaucratic elite who were also exploiting their loyalty to maintain status quo. All successful Chinese tycoons of his generation (i.e. Sophonpanich, Sahapathanapibul, Charoenphokphand, Sirivadhanabhakdi) who dominated all sectors of the Thai economy expressed their loyalty to the monarchy and maintained strong alliances and partnerships with the military and bureaucratic elite. On the other hand, the story of Banharn testifies to the changing image of Chinese-Thais as a once stigmatized minority group and the overt reaffirmation of their Chinese cultural roots. With the rise of China and the growing economic power of transnational Chinese entrepreneurs, younger generations of Chinese-Thai economic elite are reclaiming their ethnicity and reconstructing it to fit regional and global definitions.

In Chapter 5, Ellen Palanca and Austin Ong demonstrate how the political elite and domestic politics may have greater ability to profoundly shape policy directions toward bilateral relations than previously acknowledged in the Philippines. The chapter is an attempt to demystify the dynamics of China–Philippines bilateral relations by disentangling the domestic factors from the external ones and by illustrating how bilateral relations have been shaped, influenced, and managed by domestic politics but tempered by the external forces of a global market. By examining the different trajectories of China–Philippines relations under the administration of different governments since Cory Aquino, Ramos, Estrada, with special emphasis on Arroyo, Aquino III, and Duterte, there has clearly been a lack of a coherent China policy and volatility of the bilateral relations.

After the Asian financial crisis and the deepening of China's economic involvement in Southeast Asia, during Arroyo's administration (2001–2010), China's charm offensive resulted in an unprecedented level of Chinese investments, economic partnerships, and joint ventures that developed rapidly in the field of infrastructures, power, mining, and agriculture. The Philippines was among three Southeast Asian countries with large China aid and investment projects reaching US$5.4 billion between 2002 and 2007 (Vietnam, US$3.4 billion; Burma, US$3.1 billion). In 2004, China's official development assistance represented 60% of the Philippines' total ODA. Despite China's economic power and strategic diplomacy, however, it had not been successful in obtaining the cooperation of the Philippines because China underestimated the strength of domestic politics and the effect of China's strong stance on territorial issues, which the Philippine side perceives as the flexing of the emerging state's newfound power. On the other hand, the Philippines' domestic politics prevented the country from fully capitalizing on China's economic charm offensive. Ultimately, that led to a roller coaster ride in the Philippines–China relationship—the manifestation is seen in how relations went from "Golden Age of Partnership" (Arroyo, 2000–2010), to antagonistic relations (Aquino, 2010–2016), and to friendly relations (Duterte, 2016–2022).

The authors conclude that the domestic factors manifested in personality-based politics and rampant corruption coupled with the negative public perception of China have largely driven the roller-coaster China policy that changes cycles with every new president. Although the territorial disputes paralyzed the economic relations in terms of the flow of major Chinese investments, other aspects such as trade were driven by global trends and market forces. The bilateral trade data are indeed better explained by global economic phenomena such as the impact of the global supply network, the global financial crisis, and the rebalancing of China's economy.

While the Philippines–China relations have changed with every new president, Cambodia's longest reigning authoritarian ruler has consistently moved on a pro-China trajectory over the past two decades. Cambodia is now without a doubt one of China's closest allies in Southeast Asia. The reasons behind Cambodia's embrace of China are complex and interwoven with political, security, and economic factors. China's bilateral ties with Cambodia comprise political and military alliances, business collaboration, and generous financial aid. In political and security terms, Cambodia's inexorable anxiety that Vietnam and Thailand's growing economic superiority will threaten its sovereignty has been a key reason for its embrace of China (Chong 2017). In economic terms, China is the top investor and a major aid provider in Cambodia. Chinese investment in Cambodia, in turn, has received political protection and privilege from the ruling elite (Chheang 2017).

Chapter 6 by Siphat Touch examines the relations between Chinese investments and the rise of the Cambodian-Chinese who serve as links between Cambodia and China. The Cambodian elite see the formation of the AEC as an opportunity for rapid economic development through foreign direct investment (FDI). The Chinese-Cambodian community has been prominent in the business sector for generations and continues to play a key role in current economic development. The rise of Chinese-Cambodians is contributing factor to Cambodia's embrace of China and increasing Chinese influence in the country. As a global economic power, China has been positioning itself as Cambodia's most important economic partner while Cambodia's elite need China as the key supporter for both economic and political reasons.

Over the past decades, the resiliency of ethnic Chinese in various Cambodian political regimes has allowed them to dominate the national economy. The ethnic Chinese integrated themselves into Khmer cultures through intermarriage and, except for the Khmer Rouge period, have been fully accepted as an integral part of society. Increasing economic regionalism creates further opportunities for the rise of Chinese-Cambodian power in the national economy as they become key players for the regional investment competition. Chinese-Cambodian business tycoons have served as intermediaries between the Khmer elite and transnational Chinese investors. Through them, direct investment from China has steadily increased particularly in real estate, energy, agriculture, textile, mining, railways, and highway construction. Political trust and strategic and economic interests are the basis of China–Cambodia relations. China is perceived as the most important strategic and economic partner to Cambodia in providing performance legitimacy and countervailing force against immediate neighbors perceived as threats to Cambodian sovereignty.

State-Owned Enterprises and Large-Scale Chinese Entrepreneurs

ASEAN leaders have by no means shed their anxiety about China's rise and its implications for Southeast Asia. ASEAN governments believe that they are competing with China for investment and that China is winning. The drive to achieve a more integrated regional market is a practical effort to rise on China's economic wave instead of drowning. The political elite are convinced that they have no choice but to be a part of a more integrated market with China to expand their own exports and make their economies more attractive to foreign investors.

China has taken advantage of the new regionalism to enhance its position through skillful use of commercial diplomacy within the context of an integrated market. Networks of economic cooperation in terms of mega-projects, concessions, and joint ventures between China's state-owned enterprises (SOEs) and ASEAN economic elite are fostering continued economic growth to the benefit of China and the AEC's business tycoons and large-scale entrepreneurs.

As ASEAN and China become increasingly integrated through trading and investment links, what are the drivers of Chinese multinational corporations' (MNCs) internationalization and the interactions with host-governments, local ethnic Chinese partners, and suppliers? Chapter 7 in this volume attempts to shed light on those questions by studying China's Chery Automobile Co. in Malaysia. That research shows that the local ethnic Chinese community has benefited from business engagement by playing an intermediary role between MNCs and politically dominated government-linked companies (GLCs) in Southeast Asia. Nevertheless, local ethnic Chinese firms have not developed a strong production capability by extensively collaborating with China's manufacturers to forge a regional production network. Therefore, despite Chinese firms having increasingly invested in Southeast Asia, the domestic business environment facing the local ethnic Chinese business community has not fundamentally improved. On the contrary, Chery's experience in navigating a set of complex state-society relations in Malaysia leads to the conclusion that Chinese MNCs tend to be more attracted by hostile developing countries where productive alliances can be established in institutional settings that are not necessarily transparent and well governed.

Similarly, Chapter 8 by Romyen Kosaikanont shows that political connections are fundamentally important for joint ventures between Chinese SOEs and the economic elite of ASEAN. The chapter examines China's Going Out Policy in practice and how a joint venture between a Chinese SOE and a Thai large-scale business enterprise has developed by using the Thai-Chinese Rayong Industrial Zone. This site was chosen as a case study because it is one of the 56 Chinese government-supported cooperation zones situated worldwide while Zhongce Rubber (Thailand) Co., Ltd. was chosen because it is the largest SOE in the rubber sector outside of China.

Romyen uncovers that the Going Out Policy has in practice been a part of Beijing's grand strategies of OBOR or the Belt and Road Initiative (BRI) and has received various support from the government, namely (1) BRI and related policy implementation, (2) institutional infrastructural establishment and setting up the mechanism to facilitate the trajectory of going out, (3) the subsidies by state and local government, and (4) network of support from various ministries and departments. The motivation from the Thai side is to find ways and means of uplifting the economy from the middle-income trap through the implementation of the newly invented development model of Thailand 4.0, which can be interpreted as a welcoming message for the coming in of Chinese investments for the much-needed FDI. The political support of the Thai government and Thailand's Board of Investment can be a mechanism for the Chinese establishment of their business in Thailand.

Zhongce Rubber (Thailand) Co., Ltd. positively generated more than 2000 jobs for the Thai and Chinese. However, the working conditions and practices of running businesses are still unclear. Chinese management style clearly divides Thai and Chinese employees in space management and unequal treatment and creates friction and conflict rather than building people up under the BRI. The study also found that the joint venture received support from both the Thai and Chinese governments.

Thailand has received political support in participating in a government-initiated business matching and subsequent tax privileges provided by the Board of Investment. Regarding China, both national and local governments of Hangzhou provided subsidies as part of the Going Out Policy. Chinese investors have strategically used political and business connections with the Rayong Chamber of Commerce, the Chinese Embassy, Thai politicians, as well as a cluster of Chinese suppliers to minimize business investment risks. Additionally, Chinese investors are directly linked and benefit from the grand strategy of the Chinese government going global and the BRI. Romyen shows that the joint venture is highly profitable to investors on both sides but that the local community has gained limited benefits from this industrial zone.

Large-scale investment from China remains in close contact with and to a large degree is directed by the state. Interacting in the foreign market opens up space for Chinese investors to be more innovative in creating business opportunities by establishing new connections among Chinese diaspora abroad, linking with the crony capitalists and political elite in the host country, maximizing the privileges provided by the host country. State-led Chinese capitalism perceives the entire world as its playing field. The support of going global along with the BRI strategy through the establishment of Industrial Zones in Southeast Asia and other regions is an indicator that China is strategically moving closer to becoming a world economic superpower.

As seen in the chapters on Singapore, Malaysia, and Thailand, ethnic Chinese MNCs have captured the opportunity to serve as "connectors and bridges" between the host countries and China (Suryadinata 2006: 4) and have benefited from the joint ventures and business investments. The impact of new Chinese capitalism on the small and medium enterprises (SMEs) in the AEC member countries, however, has not been equally positive.

SME Transnational Chinese in Southeast Asia

Trade, investment, and foreign aid between China and ASEAN countries, particularly the least developed countries, have been expanding rapidly since the turn of the millennium. Megaprojects resulting from economic cooperation have stimulated increasing numbers of 'overland' Chinese migrants[2] (Siriphon 2015) flowing into the region, particularly to Cambodia, Laos, Myanmar, and Vietnam (CLMV) countries.