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Formation and development of eastern-asian enterprise type

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In the article, huaqiao is regarded as one of the non-traditional ways of developing entrepreneurship in the countries of South-East Asia.

Keywords: huaqiao, ethnic Chinese, foreign (Chinese) diaspora, compatriots abroad

Under the influence of many factors, in the second half of the 20th century, an East Asian type of entrepreneurship was formed, typical primarily for ethnic Chinese countries and territories (PRC, Hong Kong, Taiwan, Singapore, Macao), Japan and South Korea, among Chinese immigrants residing in Southeast Asia.

The traditional structure of working relations among huaqiao (natives of China living in other countries. These include both Chinese citizens temporarily residing abroad, and descendants of Chinese immigrants of earlier waves who are citizens of the countries in which they live) is based on the principle of joint, group efforts aimed at achieving common goals. A specific system of recruitment, training of workers and employees also bear a strong imprint of Confucian ethics. The recruitment system, in an explicit and indirect form, is based on traditional ties - "guanxi", since a person with whom a personal relationship is established is perceived as more reliable and trustworthy than a stranger.

Moral self-consciousness of society gave rise to a kind of code of honest labor activity. Discipline, obedience, sense of participation in the common cause constitute its basis, and the motivation for work is based on them, and not just on receiving wages. The desire to work with maximum efficiency and with maximum impact applies to all members of the community, from unskilled workers to the educated elite. Permanent work is considered a guarantee of the social stability of the community, personal respect and security of the future.

Here, another important principle takes the origin: the fear of "losing face". "Loss of the face" in Confucian ethics is an immoral act, harm done to relatives or society, in general, a departure from accepted norms of conduct. Therefore, any failure in business, the failure of a job or job for a Confucian is much more serious than a material failure. This applies to all links of production chains, from the entrepreneur, the head of the company to the ordinary worker or employee. Maintaining your reputation, your reputation through successful, but requiring the application of all the forces of work - this is the deep basis of work ethics.

Parasitism is blamed on all levels, regardless of the material situation of each. It is diligence that has become a kind of a visiting card of eastern entrepreneurship.

Also, as the economic development of communities, modesty became an increasingly important feature of the image of the entrepreneur. Partly this phenomenon is explained by the peculiarities of the activities of ethnic Chinese in an alien and sometimes hostile national environment, but it has origins precisely in traditional Confucian ethics. A rich man, endowed with power, should not distinguish himself from society, elevate himself above him, at least not oppose himself to society. He also should not publicly demonstrate his financial capabilities in private life, remain modest in consumption. Of course, at the first stages of economic liberalization and growth this moral norm did not always work, but as society stabilized, society returned to it in one way or another.

An important feature of East Asian business in general and Chinese in particular is the family business, that is, the transfer of inheritance management, usually from father to son, and at all levels, from small businesses to the largest corporations. Heirs at the same time must go through most of the production stages, master the skills of working at different levels. If the new head is not able to cope with the work, then he "loses face".

Another distinctive quality is the interaction between economic agents. As a rule, huaqiao entrepreneurs deal with personal partners, proven partners and experience, preferring contacts with compatriots. They do not maintain business relations with people with a dubious reputation, "lost face". This expresses the Confucian principle of friendship only with equal or more worthy, the principle of mutual assistance and support, which applies to all relatives, acquaintances, and, ultimately, compatriots.

Clannishness, a clear division into "one's own" and "another's" according to the national and territorial principle is characteristic of the business of huaqiao. This peculiar principle of "self-reliance" largely predetermined both the rapid growth of Chinese communities and the active involvement of the PRC in the "Chinese division of labor" system. [1]

Another traditional Confucian norm fulfills the most important function in the conditions of the modern innovation-information economy - this is the common cultural level of all members of society. It is no coincidence that the East Asian countries, which have recently taken the path of accelerated development of the market economy, and especially the enterprises and companies belonging to the huaqiao, have achieved impressive successes in complex modern science-intensive areas, in the modern banking and insurance business.

At the same time, the degree and nature of the Confucian influence on the economic development of China, the newly industrialized countries and the huaqiao communities are complex and ambiguous. In international scientific circles, much attention has recently been paid to the study of this issue, especially in the light of the financial crisis that erupted in 1997, which many saw as the result of failures of a Chinese type of entrepreneurship based precisely on Confucian ethics. But, as the subsequent events have shown, countries in whose

economics huaqiao was of decisive importance managed to get rid of the consequences of the crisis in a short time.

The social structure of the Chinese diaspora is determined by informal ties, primarily the family one in the broadest sense of the character. It allows easily overcome state borders, various political and ideological differences. If we represent this structure graphically, it can take the form of divergent circles, and, the circle closer to the center, the more closely the relationship is within it. In descending order the picture looks like this: family, clan, place of origin (at the level of the county, province). Family, family relations are the basis of society, and the family includes not only the closest blood relatives, but also relatives by marriage.

The formation of Chinese communities in the often hostile societies, which was expressed even in political and economic repression, could not but leave a mark on the activities of huaqiao. This influence was reflected in the strengthening of family and clan ties at the economic level, with a high degree of caution (for example, huaqiao's financial structures still have the lowest ratio of loans to deposits in the world), concealing their true material condition both at the personal level and at the level firms, which, incidentally, significantly hinders economic research in this area.

All these factors formed the basis for a special type of entrepreneurial behavior peculiar to huaqiao, which is sometimes referred to as "Chinese capitalism" by Western experts.

Entrepreneurial ethics huaqiao take the foundations in Confucianism. It is based on the desire to improve the financial situation of their families and to achieve respect for their relatives.

The central components of entrepreneurial ethics are familialism, concentration in some hands of command positions, orientation to the future. For huaqiao is characteristic combination of the functions of the owner and the manager.

Without such a combination, it would be difficult, apparently, to survive in an alien to the ethnic Chinese business environment in other countries, when a person can rely only on himself and his family. Low capital accumulation at the initial stage prompted to conduct business on the basis of unpaid family services. All the largest companies huaqiao in the recent past were only small businesses, so the stereotypes inherent in their behavior then persist and at a new level of prosperity. All non-family members are broadly considered outsiders and therefore are not allowed to the highest levels of government. That is why huaqiao holdings are uncharacteristic of a broad issue of shares, considered as a "spillover" of property in the external environment.

In addition, for entrepreneurs-huaqiao is characterized by the absence of a kind of "primogeniture", that is, the transfer of the main part of the inheritance in one hand. As a rule, the family property is divided approximately equally among children.

Enterprises belonging to huaqiao entrepreneurs are mainly represented by small and medium-sized businesses. However, the largest holdings in the economy

of the region are the largest holdings, which have a similar structure and distinctive features. Usually a conglomerate belonging to ethnic Chinese consists of two parts: financial and non-financial. The financial component includes banks, insurance and financial companies, non-financial - production, trade, real estate and services. Such organizational nature ensures constant access to investment resources and allows not to put your company in excessive dependence on external sources of financing. Traditionally, Chinese entrepreneurs regard the growth of capitalization through the corporatization of the company as a loss of family control over the business.

As an example of the traditional Chinese conglomerate can lead Singaporean-Malaysian holding family Lee. The founder of the corporation, Lee Kunchang emigrated from Fujian province to Singapore, where he began to develop rubber production. Currently, the holding company has the following structure.

As part of the Lee Group, which is entirely owned by the Lee family, the financial component is Singapore Investment, the production units are Lee Rubber, Lee Pineapple, Lee Plantation, factory), Koth Trading (distributor). In Overseas Chinese Banking Corp., Lee's conglomerate is the main shareholder. The corporation controls also production and financial companies. The production is handled by Malaysian Cables (cable production), Malayan Breweries (leader of the local brewing market), Fraser and Neave (the largest producer of soft drinks). The trading and financial part includes Great Eastern Life (the largest insurance company), Wearne Brothers (the distributor of prestigious cars), Straits Trading (investment company), Times Publishing (publishing house), OSVS Property Services (services in real estate), Bank of Singapore (Banking services).

Financial institutions of foreign Chinese have, as already noted above, the lowest in Asia ratio of deposits to loans. For example, one of the largest financial institutions in Southeast Asia, the Overseas Chinese Banking Corporation, owned by the Lee family, has one of the lowest credit-to-deposit ratio in the world - 58%. For Southeast Asia, this figure is on average 90%, which is why the SAR is considered the most reliable bank in Asia.

In modern conditions, corporations are seeking to diversify their activities, develop knowledge-intensive and technologically-intensive industries along with traditional ones. However, the rise in the cost of labor in the host countries, caused by the rapid economic growth of recent decades, encourages the redeployment of the lower links of production chains. As a rule, geographical expansion occurs through the establishment of financial companies in Hong Kong, from where investment penetration into the markets of China, Southeast Asia and developed countries begins.

At present, taking into account the changed conditions, almost all entrepreneurs- huaqiao practice the transfer of their enterprises abroad. However, they are guided by different motives. We can conditionally identify 3 main strategies: protective, initiative and institutional.

Protective strategy, as a rule, choose small companies, characterized by a relatively low level of investment and short-term tasks. The main reason that

motivates them to invest abroad is the loss of competitiveness in the host country. Produced products are then returned to the country of residence of the investor.

Initiative strategy is chosen, on the contrary, by large companies, which set themselves the task of penetrating and mastering a new market for the application of investments. It is implemented on the basis of strategic alliances between large companies in the country of residence of the huaqiao or between Chinese companies from both countries (cases of forming alliances with companies belonging to another country to non-Chinese are extremely rare). Sometimes, in order to reduce investment risks, investments are made to different countries. Examples of successful conglomerates created by several Chinese corporations are: alliances between the Hong Kong diversified corporation Tontex Group and the ethnically Chinese Bangkok Bank for investment projects in Thailand; between the Taiwanese company Taiwan Cement Group and the Indonesian Salim Group for the construction of plants in Indonesia and China.

Institutional strategy is formed under the influence of the so-called "investment pressure", that is, the movement abroad of the productions of the largest partners of this company. It is characterized by low investment risks and limited geographic focus. For example, when the Taiwanese corporation Acer Computer and Lite-on Technology Corp. transferred a significant part of the production chains to China, many of its suppliers were also forced to organize factories in mainland China.

When deciding on the choice of the "destination" of capital investments, huaqiao entrepreneurs use ties with their compatriots in this country to obtain information and access to power. According to Professor Mu-lan Hsu (Taiwan National University), only 6.5% of entrepreneurs do not use contacts with local Chinese to collect information.

The most important characteristic of huaqiao's business strategies is the establishment of personal relations with local and central authorities, which should facilitate bureaucratic procedures, expand access to financial resources, etc. Personal relations are also the basis of business partnership, the guarantee of honest operations and mutual prosperity. Chinese entrepreneurs cultivate personal ties to the degree of personification of economic interactions.

However, under the influence of globalization, the traditional structure of the largest firms owned by foreign Chinese is beginning to change. Going out to the highest level of the world economy, huaqiao are compelled to accept the existing rules developed by Western corporations in order to gain access to large capital flows and product markets, not the least role is played by the pressure of international financial institutions that do not abandon attempts to open an opaque veil over "economic cuisine" Chinese companies. Huaqiao conglomerates in recent years have shown a tendency to share their holdings and hire high-level top managers from outside. In more developed Hong Kong, Taiwan, Singapore, the ownership and management of the company are more divided than in the Southeast Asian countries [2, p.11].

Nevertheless, the special type of business ethics of the Chinese diaspora is still strong, it allowed it to achieve significant economic results in the countries of

residence, and now it is best to establish relations with the PRC, becoming a kind of engine for opening China to the outside world.

Due to numerous factors (geographical proximity, cultural community, and the presence of family ties), huaqiao played an active role in reforming the Chinese economy. The scale of their influence can be evidenced by two indicators: the share of the Chinese diaspora in foreign investment and in foreign trade.

To simplify the analysis, countries and territories with a significant Chinese diaspora will include Hong Kong, Macao, Taiwan, Singapore, as well as the Chinese communities of Southeast Asian countries - Indonesia, Malaysia, the Philippines, Thailand, given in aggregate. It is interesting that almost all investments in China from these countries belong to huaqiao.

Another methodological assumption is the restriction of the analysis in the period 1980-1999., inclusively. It was done in order to compare the equivalent time intervals (1980-1989 and 1990-1999) to identify the general trend.

The share of ethnic Chinese investors accounted for the bulk of foreign direct investment: from 50% to 80% in certain years [3]. Entrepreneurs and financial institutions in Japan, the Republic of Korea, Britain, Germany, the United States, Canada, Australia preferred to lend to the government of the PRC, but not to make direct investments, not trusting to the end the Chinese reforms.

In the 90s, a rapid increase in direct investment began. The volume of attracted direct foreign capital under agreements for this period was 9 times higher than in the 1980s.

For the period 1990-1999., Huaqiao, Hong Kong, Macao, Singapore and Taiwan invested \$ 282.5 billion in foreign direct investment in the Chinese economy, or about 75% of the total. The Chinese diaspora of the Southeast Asian countries is significantly behind. However, one should take into account the fact that a significant part of the capital from Southeast Asia passes through Hong Kong and Macao and is accounted for as their investment. The share of Japan and South Korea accounted for 19.65 billion dollars, or 5.2 percent. Canada, the United States and Australia invested \$ 34.33 billion, or 9.2 percent. The countries of Western Europe invested \$ 7.33 billion in direct investments, that is, 1.9 percent.

If we consider the flow of capital of all forms into the PRC, then there is a slightly different picture. During the same period, ethnic Chinese territories signed investment agreements worth \$ 328.21 billion (70%); Southeast Asian countries - 3.2 billion dollars (0.7%); Japan, South Korea - 37.41 billion dollars (8%); Canada, Australia - 43.58 billion dollars (9%); European countries - 17.34 billion dollars (4%).

In general, the investment of huaqiao in the 1980s amounted to about 30% of all foreign investment in China, and in the 90s - about 70% of all revenues and more than 75% of foreign direct investment.

In the 80th years of the twentieth century, the majority of huaqiao's investment was attracted through cooperative enterprises and projects on a compensatory basis, that is, through the simplest forms of interaction. In the 90 years the situation changed. The share of cooperative enterprises has steadily declined, from 19% in 1990 to 16.5% in 1999. Investors began to trust more

economic stability and reliability of investments, began to consolidate and create more complex types of production that require other legal relationships. Accordingly, the share of joint ventures and enterprises of fully owned capital huaqiao has increased. Today we are witnessing a large-scale merger of the economic systems of China and ethnic Chinese states, territories and communities.

In 1999, ethnic Chinese territories and Indonesia, Malaysia and the Philippines accounted for 25% of China's total trade. In this case, in many cases, trade relations are mediated by huaqiao entrepreneurs. On the ethnic Chinese territories in 1985-1990. turnover increased 1.6 times; in 1995-1999. - by 116%.

An important reason for the rapid growth of economic relations along the line of huaqiao can be considered a successful "inscription" of the PRC in the framework of business strategies huaqiao. With the economic growth of the PRC, the countries of residence of the huaqiao experienced increasing pressure from cheap goods produced in China by Chinese companies. Hence the natural move: many enterprises began to transfer the lower links of production chains to the PRC. Mainland China attracted compatriots and a strategic perspective of a capacious market. In addition, the Chinese government has provided special benefits to huaqiao, which also stimulates the activity of the Chinese diaspora.

In Southeast Asia, almost all strategically important posts are in the hands of huaqiao. ASEAN countries, experiencing the pressure of local Chinese capital and taking into account its interests, act according to their rules. Therefore, the economic cooperation of the PRC-ASEAN is a very peculiar variant of the development of integration processes in the modern world.

The economic efficiency of Chinese business contacts is very high. In many respects thanks to foreign Chinese in China, production of many types of products was established, market methods of management were mastered, the way of life changed. Close mutually beneficial cooperation, played a huge role in the entry of the PRC into the world and regional market.

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