



## Hong Kong – Regional Hub of the Overseas Chinese Network

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### **1. Introduction: A More Global Approach**

It is an honour to address such a distinguished, international gathering. There is a certain fascination with the apparent link between the entrepreneurial abilities of Overseas Chinese, business success and the fast growing economies of Asia. I must also own to a personal interest in this subject. I come from a Pearl River Delta family that has prospered through the setting up, more than 80 years ago, of an entrepreneurial trading company with many international connections.

The title of this conference, "World Chinese Entrepreneurs" underscores this interest and the growing trend among the estimated 55 million ethnic Chinese living outside China to see ourselves in a more global context. We are less inward-looking and more outward-looking. We may still value the family as the single most important unit of our success, but we are poised to move to the next threshold, whereby our small-to-medium sized family companies acquire a multi-national character and a global presence.

In looking at these developments in more depth, including Hong Kong's role in the Overseas Chinese Network, I propose to

attempt to answer a few questions to which I'm sure many of us have already given some thought: Will the Chinese business community overseas continue to produce generations of dynamic, talented and highly-motivated business people? What will the second or third generation of Overseas Chinese entrepreneurs be like? And what of the future of the Overseas Chinese Network?

### **2. The Makings of An Entrepreneur**

For most of us, an entrepreneur is a rugged individual running his own company, who begins with nothing, seeks out opportunities in new markets, discovers new processes, new products and the like, takes the risks associated with new ventures, and ultimately emerges rich and successful and powerful. But the real picture of the entrepreneur needs to be more three-dimensional. He or she is the value-added human element in the production process. The entrepreneur is, in effect, the economic agent who spots market opportunities and assembles other factors of production, such as the land and the capital, to develop market opportunities effectively and efficiently. It is this function that Chinese entrepreneurs have been so successful



in fulfilling wherever they have set up businesses, especially in the Asian region. The truth is that entrepreneurs today can be found anywhere, in large companies - among the individual managers within the corporate structure - as well as small, in partnerships, as sole traders, in services as well as the production of goods.

### **3. The Importance of the Overseas Chinese Network**

What has tended to distinguish Chinese entrepreneurs from others is not the individual but the group. Overseas Chinese have had a unique ability to blend individual endeavour with common aspirations. Their business base has always been comprised of hundreds of interlocking family companies and familial relationships - entrepreneur dealing with entrepreneur; family dealing with family; community dealing with community. These relationships are held together by trust transmitted through generations. In short, I am describing the Overseas Chinese Network.

Yet the old ways are beginning to change in response to new economic conditions. No longer can the Overseas Chinese Network be seen as a closed network - if it ever was one. For our grandfathers and even our fathers it may have been the case that they dealt almost exclusively with other ethnic Chinese businessmen. They may have even dealt predominantly with individuals and families from their home provinces in China itself. But it was never an exclusive club, or how could Overseas Chinese have been so successful in the countries to which they migrated and where they have established their businesses? They could not have grown affluent and successful merely by dealing among themselves. Yet there is little doubt they drew comfort and strength from their common cultural heritage.

Today, the strength of the Overseas Chinese Network, especially the more entrepreneurial aspects of it, is not that it is a "closed shop". It is the "open architecture" of the Network - its ability to work with others from the outside that it is its real strength. It has enabled

the Overseas Chinese Network to be a positive force for change and economic development, and the growth of affluence, especially in the Asian region.

The financiers, traders and industrialists who make up the Overseas Chinese Network are now responsible for much of the cross-border flow of trade and investments fuelling Asia's economic boom. With production bases distributed across the region, many of the businesses controlled by Overseas Chinese have become truly regional and, to an increasing extent, multi-national. They have accomplished spontaneously in Asia what governments elsewhere have failed to do by decree - namely the creation of a trans-national economic community. It exists in practice rather than in name and its unofficial headquarters is Hong Kong, with its open market and financial services.

### **4. Hong Kong - A Regional Hub for the Overseas Chinese Network**

But the Overseas Chinese Network is not a one-way street working only for Overseas Chinese. It also provides opportunities for other entrepreneurs as well, especially those from Europe and the United States and elsewhere who are intent on locking themselves into fast-developing Asian markets, including the Mainland. Hong Kong, as one hub of the Overseas Chinese Network, is a perfect example of this process. Further south, so too, is Singapore. Both operate as "one-stop-shops" for foreign business from Europe, the US, Canada, Australia and so on, all attempting to gain access to the region. For Hong Kong, of course, the overwhelming emphasis today is on the China market. More than any other centre in the Asian region it acts as the "gateway to China" for these foreign enterprises and the Overseas Chinese Network. Its geographic location and its increasingly special relationship with the Mainland helps in this, of course. But so, too, does Hong Kong's role as an international business centre, as the world's tenth largest trading economy, as the fifth biggest financial



centre and as the tenth biggest equity market. It is all these attributes that have helped attract more than 600 regional headquarters of multinational companies to the territory and the 160 banks that enhance its global financial status. For foreign businesses intent on accessing the China market there is no better point of entry than Hong Kong, with its well-developed infrastructure and its pool of skilled and motivated entrepreneurial Chinese talent.

### **5. Chinese Entrepreneurs in China - the Biggest Challenge?**

The ultimate prize for those of true entrepreneurial spirit is China itself. While much has already been accomplished to cement closer ties, it is still not clear how the Overseas Chinese Network and its talented entrepreneurs will interface with a more open China for the longer term. China's market undoubtedly offers huge potential for the alert entrepreneur. Overseas Chinese entrepreneurs are playing and will continue to play an increasing role in revitalising Chinese industries and in facilitating Mainland access to new technologies and skills in every area of economic endeavour. But China will not be looking for such people to develop its market alone. The other side of the coin is that Mainland businesses are also seeking to extend their reach into foreign markets. And there seems little doubt that the Overseas Chinese Network of entrepreneurs will play a key role in helping Mainland companies penetrate foreign markets. Again it is a two-way street, really a freeway, which will be accessed not merely by Overseas Chinese but by Western entrepreneurs as well in alliances with their Chinese partners. China will need tens of thousands of enterprising, intelligent entrepreneurs as it continues to open to the world, develop its economy and navigate the bottlenecks of rapid growth. And I have no doubt that the vast intellectual resources of China, whether in the sciences, research and development, engineering or commerce, are going to produce even more opportunities for partnerships with alert Overseas Chinese

entrepreneurs.

### **6. A World Chinese Entrepreneur?**

There are plenty of Chinese-owned companies in Hong Kong and the region demonstrating that they can tackle the world market - become true global players - both in terms of providing the goods the world needs (the traditional role of Asian manufacturers) and investing and expanding their businesses regionally and internationally. We are beginning to see a degree of large corporate entrepreneurship - bright young people within larger companies but still showing and using all the entrepreneurial abilities and expertise of the individual. This is what someone, somewhere, at sometime termed, rather inelegantly, "intra-preneurship". It is even evident, I believe, in China's large State enterprises as their new, entrepreneurial managements begin to compete in the new landscape of a market-oriented economy.

### **7. What Future for the Chinese Entrepreneur?**

Where does the Chinese entrepreneur go from here? What sort of entrepreneur will he or she be, individual or corporate? I believe opportunities for developing and using entrepreneurial talent will proliferate in the years ahead, not just in China, but throughout Asia and around the world. There is little doubt that within the Overseas Chinese Network the traditional "family-run" business can face hurdles when it seeks to expand beyond the limits of where family control can remain effective. Today's entrepreneurs are quickly learning how to deal with this potential problem. I believe a new Chinese management model is emerging, one which embraces the traditional Chinese values of hard work, thrift and respect for one's social network, and is also oriented to Western practices that encourage flexibility, innovation and assimilation of outsiders. This model is being introduced by second and third generations of Chinese entrepreneurs, many educated overseas, who have been more



successful in assimilating Western-style management techniques to ensure their enterprises will grow. Although some of these groups are still controlled by their founding families, they have successfully absorbed Western management techniques and non-Chinese managers to grow their businesses. Newer ideas and technologies, again home-grown in the Asian region, are now springing up to further tempt and test the new breed of entrepreneurs. Yet another aspect of this whole question is where the Chinese of the great diaspora, spread far beyond Asia fit in. Over the years, the emigration of talented Chinese to countries such as the US, Canada, Australia and throughout Europe has produced a ready-made pool of high skilled people, many of them scientists and engineers, that could prove invaluable to the Asian region. Together they can provide the conduit through which new ideas and new technologies are transferred back to China and the other developing economies of East and South East Asia.

#### **8. Conclusion: Handing over to a new generation**

Will entrepreneurial young people continue to come forward to strive and serve in our Overseas Chinese society? Will the new affluence in many Chinese societies leave the entrepreneurial spirit in ruins? Will the growth of large Chinese-owned global conglomerates stifle individual entrepreneurial talents within their corporate structures? I believe the answer to all these questions is a resounding "no" and that the future will continue to bring forth Chinese entrepreneurs to take on the challenges offered by business in the region and the world.

We will need to nurture and develop in our young people the same seeds of entrepreneurial ability that Chinese businesses have always shown. We must support their career choices,

whether it is to play an entrepreneurial role within a large corporation or to strike out on their own to launch new entrepreneurial ventures. If Asia's entrepreneurs continue to play as big a role in the region's future development as they have in its past, and if Overseas Chinese continue to dominate Asian entrepreneurial endeavour, then much will rest in hands of our next generation to secure a more prosperous future for us all. We have hardly begun to tap the resources available within the increasingly prosperous and educated Chinese communities around the region and in the Mainland's new entrepreneurial stratum.

Within the Asian region, there are varying levels of technological development, labour costs, resource availability and affluent markets. Overseas Chinese entrepreneurs are undoubtedly well placed to take advantage of these differences and produce competitive products and services. These same Chinese entrepreneurs are also well placed to introduce Western methods, Western companies and Western products into the rapidly emerging markets in the region. As I have said, China represents the ultimate opportunity for these entrepreneurs, their partners, their products and services. The Overseas Chinese Network with its "open architecture" will bring plenty of opportunities for "outsiders". The "network" will never be exclusively Chinese. Additionally, Overseas Chinese businesses will continue to diversify their operations globally - the Mainland representing the future, economies like Hong Kong and Taiwan using their skills to capitalise on the present and with the US and other Western trading partners representing markets successfully developed in the past and still able to provide a hedge. The Overseas Chinese Network provides the vital bridge between China's potential and the rest of the world.

Thank you.