CHAPTER 9

Ethnicized Networks and Local Embeddedness: The New Chinese Migrant Community in Cambodia

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Ethnic Chinese in Cambodia are the country's largest ethnic minority. About 60 % are urban residents engaged mainly in commerce, and the other 40 % are in rural areas. Since the fall of the Khmer Rouge regime, the once stricken Chinese community has been rejuvenated by an influx of new migrants from mainland China, Hong Kong, Macau, Taiwan and neighboring Southeast Asian countries. Enterprises set up by new Chinese migrants are now present in almost every city and town, particularly Phnom Penh, Siem Reap, Sihanouk Ville and Battambang. Chinese migrant entrepreneurs invest in building factories, banks, hospitals, restaurants, hotels, discos and casinos, while Chinese skilled laborers have been recruited to work in these enterprises, especially in garment factories. New Chinese migrants play a very important role in the economy of Cambodia, whose revenue relies mainly on the duties levied on their factories and companies.

The new Chinese community is vastly different from the old. Three major groups can be discerned: migrants from mainland China; migrants from Hong Kong and Macau; and migrants from Taiwan. How does this community evolve and develop? How do new Chinese migrants build and rebuild social networks? What accounts for their economic integration and

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success? Why do migrant entrepreneurs from Hong Kong and Macau perform much better than those from Taiwan and the mainland? What is the difference between entrepreneurship and crony capitalism? What is the boundary between rent-seeking and migrant entrepreneurship? How can one understand and analyze Chinese capitalism and ethnic migrant entrepreneurship in the developing countries of Southeast Asia?

Based on fieldwork conducted from 2000 to 2015, this chapter focuses on new Chinese migrants from Hong Kong and Macau. I argue that these migrants have commercial acumen and an entrepreneurial spirit that enable them to adapt well to different environments. However, they rely on institutional mechanisms to protect their interests. Through transnational entrepreneurship, new Chinese migrants appear to fare well in the host country, in whose local society they are deeply embedded.

A Historical Overview of the Chinese Community in Cambodia

Earlier Development

Cambodia has had contacts with China since the beginnings of recorded history, and the history of Chinese immigration to Cambodia dates back at least to the late twelfth century (Coedès 1948; Malleret 1959–63). When the Chinese emissary Zhou Daguan visited Angkor in 1296–1297, a Chinese community had long been established there (Zhou 1981). In Phnom Penh, according to a Portuguese adventurer's account, of 20,000 local inhabitants, 3000 were Chinese (Groslier 1958).

Before the French occupation of Cochinchina in 1859, the Chinese born in Cambodia were considered Cambodian if they adopted Khmer customs and dress. Shortly afterwards, Admiral Louis-Adolphe Bonard, the first French governor of Cochinchina, formalized a system of indirect rule over the Chinese, making it compulsory for the Chinese to belong to a *congregation* representative of their dialect group in 1871. Each *congregation* chief was held personally responsible for the taxes of his *congréganistes* and for maintaining order among them. He also had the authority to deport any of them, and each Chinese had to carry an identification card (Willmott 1967). This mechanism reinforced boundaries among dialect groups.

By the end of colonial rule, different Chinese dialect groups had come to corner different economic niches. Teochiu were prominent in business and

trade, Cantonese specialized as craftsmen and in building, Hainanese dominated food and catering, and Hokkien followed careers in government, or traded in books and cloth. Hakka, the smallest group, ran coffee shops and peddled fruit (Teston and Percheron 1931; Edwards 2009).

Statistics released by the All-Cambodian Ethnic Chinese Association (Jianpuzhai Huaren Lishi Zonghui, ACECA) show that in the1950s and 1960s the Chinese community in Cambodia had a booming ethnic economy and a growing population of more than 700,000, excluding those who had taken Cambodian citizenship. Most lived in rural areas before the 1960s and engaged in petty trade. After 1970, revolution launched by the Communist Party of Kampuchea swept the countryside and rural Chinese fled to cities such as Phnom Penh. By early 1975 the Chinese population was basically urban.

Under democratic Kampuchea the cities were evacuated and everyday family ended. In April 1975, ethnic Chinese were driven into the countryside, where they suffered greatly. Around 150,000 Chinese died in the Northwest Zone alone between 1976 and 1978 as a result of execution, starvation and disease. Almost all ethnic Chinese were resettled in the "Chinese village" (Zhen Xiang Zazhi 1981–1982; Kiernan 2002). Their numbers were halved, to some 200,000, by Pol Pot's Khmer Rouge regime, a death rate twice as high as that of the Khmer urban population under the same regime (Zhen Xiang Zazhi 1981–1982; Kiernan 1986, 1990).

Intragroup Diversity

Historically, the Chinese community in Cambodia has been internally diverse. Although literate Chinese can communicate with each other irrespective of dialect, Cantonese, Hainan, Hakka, Hokkien and Teochiu are mutually unintelligible. Hainanese and Hokkiens came to Cambodia much earlier than the other three groups and were already active in Phnom Penh by the late nineteenth century. Before1891, neither the colonial government nor the Cambodian crown required Chinese communities to group along dialect lines. The Chinese must have gravitated spontaneously toward their dialect groups.

Dialect group identity, an intrinsic feature of Chinese immigrant communities, was further entrenched by the *congregation* system. Five *congregations* were established in Phnom Penh: Teochiu, Hainan, Hokkien, Hakka and Cantonese. They arose elsewhere according to the size of Chinese communities. *Congrégation* leaders, hand-picked by the French, were

responsible for policing and taxing their constituents and for enrolling new immigrants (Willmott 1967). While the boundaries between dialect groups were reinforced by the *congrégation* system, language policies of mainland China paved the way for Mandarin teaching in Cambodia's Chinese schools. From the 1950s to 1970, an unprecedented number of Cambodia's Chinese learned Mandarin, and so communication barriers between dialect groups were eroded.

The Socioeconomic Niche of the Sino-Khmer Community

By the end of colonial rule, different dialect groups had cornered different economic niches, as we have seen. Economic specialization generally comes about after emigration, shaped by opportunities and obstacles in the land of settlement, the demographic spread of a given dialect group and its level of access to resources. In this case, colonial economic planning and labor policy also played a role.

There is evidence of a Teochiu community in Phnom Penh from at least the 1880s, and in Kampot and Kompong Cham from the early1900s, but most Teochiu immigration came after the Thai annexation of Battambang in 1941. Thousands of Teochiu poured in from Thailand, radically changing the Chinese demography of Battambang, where Hokkien and Cantonese had previously held sway. When Battambang was returned to Cambodia in 1945, most of these Teochiu settlers stayed on to escape the stringent anti-Chinese restrictions in Thailand. Soon the Teochiu outnumbered the earlier Hokkien and Cantonese settlers in Battambang, and they dominated business. By the 1960s, Teochiu had become the language of commerce in the town. Teochiu has been a driving force behind Chinese education in Cambodia. The Teochiu dialect group runs the most influential voluntary organization in the Sino-Khmer community. The leader of the Teochiu Association, Yang Qiqiu, chairs the All-Cambodian Ethnic Chinese Association, an umbrella organization for the five dialect groups.

The New Chinese Migrant Community Today

Khmer Rouge incursions into Vietnam and the slaughter of ethnic Vietnamese in Cambodia triggered a Vietnamese invasion of Cambodia in 1978–1979 (Chanda 1988; Seekins 1990; Becker 1998). Vietnamese motorized troops captured Phnom Penh and dispersed the Khmer Rouge army. More than 150,000 Vietnamese soldiers remained in Cambodia for

the next ten years. In July 1989, the Paris Peace Conference called for their withdrawal (Berman 1996; Becker 1998; Pribbenow II and Merle 2006), which happened shortly afterwards. In October 1991 the Paris Peace Agreements were signed, paving the way for new migrations.

In 1989 the new State of Cambodia began relaxing restrictions on the Chinese community and, backed by Hanoi, gave it more freedom and revived Chinese education. Once peace was restored, new Chinese migrants started to arrive.

According to ACECA, around 500,000 ethnic Chinese live in Cambodia, representing some 2 % of the population. More than 80 % are engaged in trade and business. At least 90 % were born in Cambodia but, over the past 25 years, new migrants have flowed in from mainland China, Hong Kong, Taiwan and other Southeast Asian countries. Most have settled in Phnom Penh, Siem Reap, Sihanouk Ville and Battambang. The Chinese community comprises assimilated ethnic Chinese or Sino-Khmers and new Chinese migrants.

Some new Chinese migrants arrived along ties of kinship and dialect. Others have specialist skills, such as dentistry, medicine, cooking, news reporting and editing, as well as Chinese language teaching. Many have found it difficult to settle down in local society. Chinese schools and companies would not employ them without the proper documents. However, such documents could easily be bought on the local black market. These new Chinese migrants normally had no regional, dialect or occupational identity but their common background in either mainland China, Taiwan or Hong Kong, their knowledge of Mandarin (*putonghua*) or Cantonese, and their shared predicament and national pride gave them a common sense of identity distinct from that of the longstanding ethnic-Chinese community.

New Migrants from Taiwan

A small number of new migrants from Taiwan came to Cambodia in the 1980s. By the time the mainlanders arrived, the Taiwanese had already begun to prosper. Most of the new migrants from Taiwan were investors and businessmen. However, when in the late 1990s the Taipei authorities supported Norodom Ranariddh in his political struggle against the prime minister, Hun Sen, the latter shut down the official Taiwan office in Phnom Penh and expelled Taiwanese officials and business migrants. Businessmen and migrants from Taiwan faded from the picture, and their numbers fell

from 30,000 to around 1000. Their businesses were purchased by new migrants from Hong Kong and mainland China.[1]

Efforts in the early 2010s to restore a semi-official Taiwan presence in Phnom Penh have led to a situation in which an estimated 5000–6000 Taiwanese-owned firms operate in Cambodia. Unfortunately, plans for an official trade office were quashed by Hun Sen because of their political sensitivity (Naren and Robertson 2014).

A large number of the Taiwanese have set up catering businesses in cities such as Phnom Penh and Siem Reap. Interviews with local Taiwanese businessmen and leaders of Chinese voluntary associations in Phnom Penh suggest that around 20,000–30,000 Taiwanese migrants live in Cambodia, though there are no reliable statistics. Thus the Taiwanese community has quietly re-established itself since the late 2000s.

New Migrants from Neighboring ASEAN Countries

Ethnic Chinese from the Association of Southeast Asian Nations (ASEAN) countries, Singapore and Malaysia in particular, also came to Cambodia in the early 1990s. Their numbers are estimated at around 2000. Like the Taiwanese, they are mostly businessmen and include some wealthy tycoons. The most active businessmen are likely to be Chinese Malaysians and Singaporeans. Chinese business migrants from these two countries have established their own commercial associations.

They tend to maintain a low profile. Nexus Naga Hotel presents a good example. The hotel is the biggest luxury hotel in Cambodia. It is owned by Ariston, a little-known company in Malaysia, and its boss is a Malaysian Chinese named Chen Lip Keong. The Ariston Company has close ties to the Cambodian government, so the Malaysian Chinese tycoon was able to secure a special license from the authorities to run a casino in Phnom Penh.

New Migrants from Mainland China

In the early 1990s, Chinese business migrants from Taiwan, Hong Kong and the ASEAN countries were the major players in Cambodia's economy, but new migrants from mainland China have come to dominate the Chinese community during the last decade, at least demographically.

A local-born Chinese journalist based in Phnom Penh, Mr. Li, who has close ties with different Chinese migrant groups, said:

> The new migrants from mainland China are mostly from Zhejiang, Sichuan, Hunan and Guangxi, followed by Guangdong, the Northeast (Liaoning, Jilin and Heilongjiang), Hubei, Henan, Chongqing, Shanghai, Yunnan, Beijing and Fujian. The earliest migrants are the Fujianese, who came in the early 1990s.

According to Li, between 1992 and 1996, 20,000–30,000 Fujianese worked in garment factories owned by Taiwanese. They came not to settle down but as a stepping-stone to the USA. However, the smuggling of migrants by way of Cambodia came to an end in 1997 as a result of US action. New migrants from Zhejiang began arriving in 1999, and their numbers peaked between 2002 and 2004, at 20,000–30,000. Currently at least 5000 Zhejiangese work in the grocery trade. Those from Hunan mainly work in farming. Those from Hubei, Chongqing, Shanghai, Guangdong, Sichuan, Yunnan and Guangxi are small traders, and most Beijingese are engineers and technicians. Some 500 Henanese work in garment factories. The northeasterners number around 2000 and are mostly female, aged late 20s to early 40s. Many work in the sex trade.[2]

Nobody knows exactly how many new migrants from mainland China live and work in Cambodia. Some Cambodian officials say there are more than 40,000 mainland Chinese in the country, but embassy officials and leaders of associations put the figure at more than 100,000. Journalists familiar with Chinese migrant groups put the figure at 150,000–200,000, of whom around 60,000 are illegal.

Unlike new Chinese migrants to developed countries, those in Cambodia are diverse. They include bankers, investors, businessmen, small traders, restaurant owners, schoolteachers, doctors and nurses, journalists and skilled laborers, as well as farmers, fishermen, miners, prostitutes and even refugees (see Table 9.1). Their monthly incomes also vary, as shown in Table 9.2.

Some are *nouveaux riches*. The owner of Nexus Naga Hotel is an example. He was formerly a senior Chinese People's Liberation Army adviser working in the Cambodian army who built up a range of connections with Khmer officials, whence his business success. He remains aloof from his compatriots and keeps a low profile.

Table 9.1 Origins and occupations of mainland Chinese migrants

Origin	*Occupation*
Anhui	Traders and peddlers
Beijing	Clinics and hospitals; engineers and technicians
Fujian	Management in garment factories
Guangdong	Aquiculture; Chinese language teachers; media and journalism
Guangdong: Teochew	Farming and gardening
Guangxi	Clinics and hospitals; traders and peddlers; Chinese language teachers; media and journalism
Hebei	Forestry and logging
Hubei	Farming of rice, vegetables, and mushrooms
Hunan	Farming of rice, vegetables, and mushrooms
Northeastern China (women)	Massage and sex industry
Shanghai	Traders and peddlers
Shandong	Forestry and logging
Sichuan	Chinese language teachers; media and journalism; traders and peddlers
Yunnan	Chinese language teachers; media and journalism; forestry and logging
Zhejiang: Zhuji, Ningbo, Shaoxing	Technicians; management in garment factories
Zhejiang: Qingtian	Import, wholesale, supermarket

Source: Author's compilation

Table 9.2 Monthly income of mainland Chinese migrants in Cambodia

Occupations	*Monthly income (USD)*
Factory workers	500–600
Factory management	600–1500
Private taxi drivers	1000–1500
Engineers	1000–1500
Massage workers and nightclub dancers	500–1500
Chinese language teachers	250–300 (teaching 20–24 hours per week)

Source: Author's compilation

New Migrants from Hong Kong and Macau

New business migrants from Hong Kong and Macau form a small but visible community in Cambodia around 2000 strong. This is often referred to as Gangshang (Hong Kong traders or merchants) by other Chinese

migrants in the country. The Gangshang community comprises two groups of business people:

- The first is Cambodian Chinese who fled to Hong Kong during the war and moved back when the new government was formed. These Sino-Khmers maintained close links with the local Sino-Khmer community, though they had lived in Hong Kong or Macau for more than 15 years and many had children living in Hong Kong. Their dual identities helped them develop businesses in Cambodia.
- The second is businessmen who immigrated from Hong Kong and Macau together with their family business over the past 25 years, mainly (so I am told) because production costs in the Pearl River Delta had increased, whereas post-war Cambodia benefited from a most-favored-nation clause granted by the USA and other Western countries. Many big garment factories moved from the Pearl River Delta to Cambodia, a step warmly welcomed by the Hung Sen government, which needed foreign direct investment.

Some Hong Kong and Macau migrants are in, for example, banking, pharmacy, shipping, catering and as in real estate. However, most are in the garment trade. The Hong Kong and Macau Expatriate and Business Association of Cambodia has 78 corporate members, more than 85 % of whom are in the garment business.

Almost all the businesses established by Hong Kong and Macau new migrants are family owned. They were well established and developed decades before moving to Cambodia in pursuit of cheaper labor and the quota-free system, so they can easily secure orders from clients in Europe and the USA. Most keep their headquarters in Hong Kong, whence they maintain contact with the factories in Cambodia and with clients in the West, while purchasing raw materials and shipping them to Phnom Penh. The patriarch or big boss is based in Cambodia to monitor and control production, while one of his sons (usually the eldest) works in the Hong Kong office. Decisions are made by the patriarch, while senior managers are family members.

As in the case of Taiwanese companies in Cambodia, the senior managers and engineers are from Hong Kong while middle-level managers and workshop chiefs are from mainland China. Initially, the Hong Kong business migrants had to help the latter get working visas, but now they come to Cambodia on their own and seek employment. To show solidarity within

the management, the patriarch invites them, together with middle managers from mainland China, for meals. The workers are Khmers or Sino-Khmers from the villages.

It is not easy for new migrants to set up businesses in a country ravaged by war. Corruption and extortion are rampant and most officials at all levels ask for bribes. New migrants from Hong Kong and Macau, like their counterparts from mainland China and Taiwan, encounter blackmailing and bribe-taking. Nearly all new migrants suffer from the system.

Gangshang business people and other foreign investors frequently experience trouble at the hands of the workers' union. Cambodia has a large number of non-governmental organizations (NGOs) financially supported from abroad. They are wealthy and influential, and they get their voices heard. Some NGOs encourage factory workers to form unions and teach them how to negotiate with the factory owners for higher wages and shorter working hours.

Network-Building and Local Embeddedness: The Case of Gangshang

During my fieldwork I often asked which new Chinese migrant group in Cambodia was most successful. To my surprise, everyone answered Gangshang. I conclude that this is because the multilayered social networks that Gangshang have built in the host society since 1992 have assisted them in their efforts. Six layers of social networking can be discerned in the case of the Gangshang community.

Networking within the Gangshang Community

Internal solidarity has always been a Gangshang priority. The Gangshang community is centered on its leader, Mr. Y, a banker whose clients are business people from Hong Kong and Macau, mainly in the garment trade. To facilitate collaboration among Gangshang and mobilize their financial resources, Mr. Y set up a voluntary association, the China, Hong Kong and Macau Expatriate and Business Association of Cambodia, officially established on March 18, 1998. It is the first of its kind in Southeast Asia. So far only Cambodia has an independent organization established by and for Hong Kong migrant entrepreneurs.

The Hong Kong Migrants' Association obtained the blessing and support of the Chinese embassy. Mr. Y was elected as its founding chairman and the association is based in his bank building. It employs someone from China as its secretary and publishes a monthly newsletter. Its aims are to

- promote and encourage commercial institutions and businessmen from Hong Kong Special Administrative Region (SAR) and Macau SAR to invest and conduct business in Cambodia, and help them contact local government authorities;
- protect the legal rights of members in Cambodia;
- provide consultancy and advice to investors from Hong Kong and Macau, particularly regarding Cambodia's investment policy, environment, working opportunities, accommodation and tourism;
- provide legal and financial consultancy and advice to members, assisting members to solve problems in their investment, management, job searching and accommodation in Cambodia;
- promote business cooperation and information-sharing among members;
- provide members with information about business and security in Cambodia.[3]

The solidarity of the community was tested in July 1997 when Hun Sen launched a military assault on Prince Norodom Ranariddh's Funcinpec party and army. Garment factories owned by Hong Kong and Taiwan businessmen urgently needed cash to purchase materials or comfort their workers, so a large crowd gathered in front of Mr. Y's bank. Mr. Y ordered his staff to release funds to those in need and asked shareholders to inject more cash into the bank. The bank thus not only won the trust and gratitude of migrant entrepreneurs but benefited some Taiwanese businessmen. As a result, the latter applied to join the Gangshang Association.

The association organizes group tours for its members and special workshops, while inviting officials from the Chinese embassy and the Cambodian government to give speeches and explain government policies.

Networking with Other Chinese Communities

Maintaining regular and close cooperation links with other Chinese communities is important for the survival and development of the Gangshang group. It has relations with the Singapore Chamber of Commerce in

Cambodia, the Malaysian Chamber of Commerce in Cambodia and the China Chamber of Commerce in Cambodia.

The local ethnic-Chinese community has been established for generations, and a nationwide umbrella organization named Jianhua Lishi Zonghui (All-Cambodian Ethnic Chinese Association) was re-established on December 26, 1990 with the approval of the Hun Sen regime. It comprises five dialect groups and 18 branches in all of Cambodia's provinces. It has set up more than 70 Chinese schools, with one in almost every town and big village. More than 50,000 Chinese students have enrolled to study Chinese language and culture (Wu 1993). The community numbers between 600,000 and 800,000, 250,000 of whom live in Phnom Penh. Some are wealthy and maintain links with senior officials. The Gangshang community treats these local ethnic Chinese with care and respect, regularly inviting their leaders to dinner, and it donates money and provisions to support poor ethnic Chinese.

There are regular exchanges between Gangshang and Chinese from mainland China and Taiwan, although it is my observation that the relationship between Gangshang and businessmen from mainland China and Taiwan is not close. Relations are harmonious but built on the basis of mutual respect and understanding rather than of real trust and cooperation.

Networking with the Chinese Government

Hong Kong and Macau are now part of China, so migrant entrepreneurs spend much time and energy networking with the Chinese government by building up a relationship with the embassy. At important events, such as when leaders or officials of the People's Republic of China visit Cambodia, the Gangshang invite them to a banquet and they frequently invite the Chinese ambassador to attend their activities. The Gangshang community has extended this network to some provincial governments in China, including in Guangxi, Guangdong and Shandong, to promote new investment opportunities on the mainland.

When I asked why they put so much effort into building close links with the embassy and different levels of the Chinese government, I was told that it is sometimes useful when seeking the embassy's assistance in negotiating with the Cambodian government and protecting Gangshang rights and interests.

Networking with the Homeland

Gangshang as a whole identify with Hong Kong or Macau, though many have permanent residence permits or Cambodian passports. On December 22, 1999, the Gangshang held a party to celebrate the handover of Macau's sovereignty. In June 2004, it invited the Hong Kong SAR football team to visit Cambodia. Official visits from Hong Kong and Macau are warmly received by the Gangshang community. Mr. Y's bank and many private enterprises based in Cambodia receive logistic and financial support from Hong Kong, which encourages their identification with the region. As one of their advertisements says, *Xiang Gang shi wo jia* (Hong Kong is my home).

Networking with Ethnic Chinese Communities from ASEAN Countries

The association established by mainland Chinese entrepreneurs and the local ethnic-Chinese community would not normally have contacts or collaborate with ethnic-Chinese migrants from ASEAN countries. However, the Gangshang community sees the ASEAN Chinese as good business partners and so maintains regular working relations with them. In November 2002, for instance, a trip to Thailand was organized by the Gangshang Association to link up with Chinese associations in Thailand. In October 2004 it organized a big party with Cambodia's Malaysian Chamber of Commerce and Singapore's Chamber of Commerce to promote commercial cooperation. Ambassadors from these three countries were invited.

Cross-Ethnic Networking with the Cambodian Regime

This network with the regime is most important for the survival and development of the Gangshang community, which has spent years building it up. First on the long list of VIPs who supports the Gangshang community is Premier Hun Sen's wife Bun Rany. She is from a Hainanese migrant family and has close connections with the ethnic Chinese community. Her intimate friend is a local Chinese woman named Ms. YDP, also from the Hainan dialect group. The Gangshang leaders, following Ms. YDP's suggestion, raised funds for Cambodia's Red Cross, which Hun Sen's wife chairs. Thus they succeeded in getting close to Bun Rany and through her they could speak with Hun Sen.

Second on the list is Mr. S, deputy premier minister and senior minister in charge of the Office of the Council of Ministers. He is an old friend of Mr. Y, and he helped him in 1991 to open a bank in Cambodia. Mr. S is an invisible partner in the bank and recently, after resigning from it, became the honorary president of the Gangshang. His personal relationship with Mr. Y is very close and he is always ready to give him advice and help. The important but invisible assistance of Mr. S and other senior officials in the Cambodian government has helped make the Gangshang community a successful business group. Through Mr. Y, all the other Gangshang can tap indirectly into the social capital forged between Hong Kong's migrant entrepreneurs and the ruling elite. On the one hand, Mr. S and his colleagues in the cabinet provide enormous assistance, protection and favors to the Hong Kong migrant entrepreneurs; on the other hand, the Khmer ruling elite collect enough "rent" from their business partners as a result of the relationship. Neither the mainland Chinese migrants nor the Taiwan businessmen have networks of this sort. That is why the Gangshang perform so much better in Cambodia than their counterparts from Taiwan and mainland China.

Entrepreneurship or Crony Capitalism?

Are the business activities of Chinese overseas best described as entrepreneurship or crony capitalism? How can one best understand Chinese capitalism and ethnic migrant entrepreneurship in Southeast Asia? What is the boundary between rent-seeking and migrant entrepreneurship? Are Chinese migrant rent-seekers entrepreneurs? Can the collaboration between Chinese migrant entrepreneurs and the Cambodian regime be viewed as an inevitable part of the early stage of economic development in the host society?

Crony capitalism refers to a situation in which success in business depends on close relations between business people and government officials. It may take the form of favoritism in the distribution of legal permits, government grants and special tax breaks, or other forms of state intervention. Yoshihara Kunio argues in his research on ersatz capitalism in Southeast Asia that crony capitalists are "private-sector businessmen who benefit enormously from close relations with leading officials and politicians, obtaining not only protection from foreign competition, but also concessions, licenses, monopoly rights, and government subsidies" (Yoshihara 1988). Rent-seeking occurs when an individual, organization or firm seeks

to earn income by capturing economic rent by manipulating or exploiting the economic environment rather than by earning profits through economic transactions and the production of added value (Tullock 1967; Krueger 1974; Ross 1996). It generally implies the extraction of uncompensated value from others without making any contribution to productivity, such as by gaining control of land and other natural resources, or by imposing burdensome regulations or government decisions that may affect consumers or businesses. Rent-seeking in the aggregate imposes substantial losses on society (Kang 2003). Rent-seeking behavior is distinguished in theory from profit-seeking behavior, in which entities seek to extract value by engaging in mutually beneficial transactions. Critics point out that, in practice, it can be hard to distinguish between beneficial profit-seeking and detrimental rent-seeking (Pasour 1987). The term "rent-seeking" has been applied to bureaucrats who solicit and extract "bribes" or "rent" for applying legal but discretionary authority to benefit clients (Chowdhury 2006).

It is generally agreed that clean governments are better at fostering growth than those driven by crony capitalism and corruption. In Southeast Asia and East Asia, particularly in Indonesia, Malaysia and South Korea, crony capitalism is too widespread to ignore. Why does it impede growth in some developing countries but not in others? Theoretical advances on rent-seeking, transaction costs and the new institutional economics can help explain when cronyism is deleterious and when it is not. If there is a situation of mutual hostages among a small and stable number of government and business actors, for instance, cronyism can reduce transaction costs and minimize dead weight losses through its special links forged and arrangements reached with the government authorities.

By examining corruption and cronyism through the lens of transaction costs, it can be shown why a particular set of government–business relations, although corrupt, reduces transaction costs and makes investment more credible means while another set of relations does not. This approach can explain one aspect of corruption and offers a theoretically grounded causal mechanism that distinguishes between types of corruption. An analytic framework that contrasts a transaction-cost approach with neoclassical models of the economy will show that the former leads to different expectations and different conclusions regarding cronyism and policy-making.

The perspective of new institutional economics is particularly useful for understanding cronyism and Chinese capitalism in most of Southeast Asia, especially Cambodia. While personal relations sometimes enhance efficiency and reduce transaction costs, special links formed with local ruling elites can

provide Chinese migrants with protection and opportunities for corporate expansion and investment. In a developing country where legal, political and economic institutions are weak, where information about market conditions is scarce and difficult to obtain, and where investments and property rights are often insecure, Chinese migrant entrepreneurs have to engage in crony capitalism by networking with local regimes to get protection and lower transaction costs. The boundary between rent-seeking and migrant entrepreneurship is blurred in such a context, and the actions of new Chinese migrant entrepreneurs in Cambodia are understandable. It is necessary for them to form rent-seeking connections with powerful ruling elites in the host society, especially in the early stages of economic development.

Conclusion

The influx into Cambodia of Chinese migrants, mainly merchants and entrepreneurs, has been going on for a long time. Unlike in developed countries and most developing countries of Southeast Asia, the new Chinese migrant community in Cambodia is highly diversified—socially, professionally and in terms of provenance. Some new migrants are from remote inland places such as Xinjiang and Qinghai. In that sense, this research concerns a new trend in Chinese transnational migration.

Sociologists have highlighted the importance of social networks in economic transactions (Granovetter 1985; Coleman 1990). Network relationships underpin the social capital that determines a firm's or an ethnic migrant community's ability to create value or achieve economic goals (Coleman 1990; Tsia and Ghoshal 1998; Echols and Tsai 2005). The performance of the Chinese migrant community in Cambodia can be better understood by examining the network of relationships in which different subethnic migrant groups are embedded. The multilayered network built up by the Gangshang community helps harmonize its intragroup relationships while providing channels for sharing valuable information and resources. Migrant entrepreneurs from Hong Kong and Macau use its network channels to seek advice and gain access to key resources and investment opportunities.

Since the early 1990s, studies on Chinese capitalism have argued that ethnic Chinese networks are spearheading Asia's economic growth and becoming a major global force (Kotkin 1993; Nasbitt 1995; Rowher 1995; East Asia Analytical Unit 1995; Weidenbaum and Hughes 1996; Hiscock 1997). Other studies contend that contemporary Chinese

capitalism has distinctive characteristics that have facilitated its growth. The institutions, norms and practices of ethnic Chinese have been identified as reasons for the growth of their enterprises and the emergence of Chinese business networks. Ethnic networks, based on trust and kinship ties, have reduced transaction costs, increased coordination and diminished risks (Redding 1990; Whitley 1992; Kotkin 1993; Gomez 1999).

While acknowledging the contributions made by intraethnic networks to the rise of Chinese capitalism, this research emphasizes the role played in the Cambodian case by cross-ethnic networks. The multilayered Gangshang network depicted is useful in the daily life and business activities of the Gangshang community. Carefully built up over three decades, it has strengthened their internal solidarity while promoting friendly relations with different subgroups of Chinese community, fellow ethnic Chinese from other ASEAN countries, the Chinese government and its official representatives, and the Khmer ruling elite, which is essential for their survival and success. In the Gangshang case, the most important tie is that forged with the Khmer ruling elite. The Gangshang community has thus become an influential and successful business group in Cambodia, despite its small size. That is why new Chinese migrants from other parts of mainland China and Taiwan cannot compete with those from Hong Kong and Macau.

It is possible to depict the network system established by new Chinese migrants in Cambodia using a multilayered ball-shaped model. As illustrated, the migrants are protected by different layers of networks. All these networks are pliable and strong, and, whenever the network system is pressed by external forces, the interwoven networks quickly respond and help the system to recover to its original state. Like a multilayered rubber ball, the heavier the blow, the quicker the reaction. Sometimes layers of the network might be broken by violent external attacks, but other layers maintain their protective function.

New Chinese migrants, especially those from Hong Kong and Macau, are endowed with a commercial acumen and entrepreneurial spirit that enables them to adapt to different environments in the host society. However, they must rely on various institutional mechanisms to keep them safe and protect their interests. Where legal, political and economic institutions are weak, as in post-war Cambodia, personal relations between migrant entrepreneurs and government officials, patron–client relations, rent-seeking and crony capitalism are needed as strategies for survival and social mobility. Through transnational entrepreneurship, new Chinese migrants

appear to fare well in Cambodia, while transforming their diversified community into one protected and assisted by different networks intertwining with each other. By collaborating with the Khmer ruling elite, some new Chinese migrants have successfully established themselves in Cambodia and become deeply embedded in Cambodian society.

Notes

1. Interview notes with the chairman of the Taiwanese Commercial Association of Cambodia, March 25, 2009.
2. Interview notes, November 5, 2011, Phnom Penh, Cambodia.
3. See "Pamphlet on the China Hong Kong & Macau Expatriate & Business Association," 2000, p. 3. Phnom Penh, internal publication. It can also be read on the official website: http://www.chkmeba.com.kh/about/statute.html

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