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Socially Constructed Ethnic Division of Labour

Labour Control in Taiwanese-Owned Firms in Malaysia and Vietnam

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abstract: Using fieldwork data from Taiwanese-owned factories in Malaysia and Vietnam, the authors argue that the labour regime based on ethnic division of labour is a function of the degree of proletarianization, which depends on the state's policies and one's social capital. State policy protects native Malay and Vietnamese, and excludes the rights of migrant workers, regardless of whether these migrant workers are skilled or unskilled. Local ethnic Chinese, with higher social capital, find themselves somewhere between the two poles.

keywords: ethnicity ♦ labour control ♦ Malaysia ♦ overseas investment ♦ Taiwan ♦ Vietnam

Introduction

There is quite a substantial literature on the impact of overseas investment on labour and gender relations in our globalized era (Heyzer, 1986; Ong, 1987; Lie and Lund, 1994; Lee, 1998; Wang, 2005; Chan and Wang, 2005); however, we find very little research on the issue of ethnic relations in foreign-owned factories. This article fills the research gap by using fieldwork data from Taiwanese-owned firms in Malaysia and Vietnam to argue that the labour regime based on ethnic division of labour is a function of the degree of proletarianization, which depends on the state's labour policies and social capital. This ethnic division of labour helps transnational capital to control labour and accumulate capital.

Overseas capital normally brings managers from the country of origin of that capital, and if the company hires migrant workers from outside the destination country, it makes the ethnic relations complicated. A

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Taiwanese-owned factory in Southeast Asia has its diverse ethnic labour force under one roof. Three main ethnic groups in Malaysia, i.e. Malay, ethnic Chinese and ethnic Indian, had to work together with migrant workers from Bangladesh and Indonesia when labour shortage became a serious problem after 1990 (Kung, 2002). Vietnamese workers in Taiwanese-owned firms (TOFs hereafter) have found that their supervisors are Chinese cadres from China (Wang and Hsiao, 2002). In this multicultural working environment, the division of labour is based on ethnicity. It raises the question: 'Why is the division of labour in production arranged along ethnic lines?'

Previous studies do not pay much attention to this ethnic issue. The influential work by Braverman on labour process emphasizes the fragmentation of Taylorist techniques and the separation of mental and physical labour that makes the subordination of labour to capital (Braverman, 1974), but nothing is mentioned about ethnic relations in labour process. Some other scholars point to the importance of gender rather than other qualities in shaping capital-labour relations, e.g. Ong's research on Malaysian economic development tells the story that gender relations play a salient role in domination and subordination in factories (Ong, 1987). However, when one of the authors did her fieldwork in late 1990s in TOFs in Malaysia, there were only a few female workers in TOFs, while the most impressive phenomenon was different ethnic groups working together under the same roof. In Vietnam, one also finds the same phenomenon.

Different ethnic groups are not randomly mixed to work. What is the principle used by employers to assign different ethnic groups to different positions? It is the degree of proletarianization of workers that makes the Taiwanese capitalists assign them accordingly, so that they can exercise control of the labour process and maximize the extraction of labour surplus. The degree of proletarianization, depending on state labour policies and workers' social capital, is the key factor in this question.

What is proletarianization? In Marx's classical analysis, the most efficient way to extract labour power is through coercion. But the despotic regulation of the labour process is constituted by the economic whip of the market. When workers have no means of livelihood other than the sale of their labour for a wage, and their survival is totally dependent on capitalists, they can be called 'totally proletarianized' (Burawoy, 1985). But, according to Burawoy, when the state intervenes in industrial relations and therefore breaks the ties binding reproduction of labour power with productivity in the workplace, the workers can be said to be 'de-proletarianized'. For example, social insurance legislation guarantees the reproduction of labour power to a certain degree independently of participation in production. Therefore, state intervention in industrial relations becomes the decisive basis for workers' de-proletarianization

(Burawoy, 1985: 122–52). In addition to state policy, social capital that one owns also increases the likelihood of de-proletarianization in terms of bargaining power against the capital. Social capital is defined as someone embedded in a social network utilizing this structural position to gain resources (Portes, 1995: 12–13). In other words, the resources one owns depends on the social position one occupies. The language advantage of ethnic Chinese and a cultural affinity with Taiwanese, especially the lived experience of Malaysian Chinese students in Taiwan, and of PRC Chinese cadres working in TOFs in China, are kinds of social capital that other ethnic groups cannot easily acquire (Bauder, 2001; Kung, 2001; Wang, 2006).

This article uses empirical data drawn from field research in both Vietnam and Malaysia to illustrate our argument. One set of data for Vietnam was collected by one of the co-authors between 2001 and 2002 in three separate field visits to Hanoi and the Ho Chi Minh City area. In order to gain a broad overview of Taiwanese investors' management practices, people holding different positions and perspectives were interviewed: Vietnamese workers, trade union officials, employers' associations, NGOs, Taiwanese officials and investors and their PRC staff hired from China. In addition, 16 workers were interviewed in the Hanoi–Haiphong region and 12 in the Ho Chi Minh City region, using a semi-structured questionnaire. Fieldwork in Malaysia was conducted by another author in the cities of Malacca, Penang and Kuala Lumpur from 1996 to 2001. Interviews were conducted with the Taiwanese Business Associations and Taiwanese employers and managers from Taiwanese-owned factories. The informants were selected from the membership list of the Taiwanese Chambers of Commerce in Malaysia and Vietnam, and from the Taiwan Directory of Overseas Firms published by the Ministry of Economic Affairs. Both authors went to Vietnam in 2001 as members of a research group of Taiwanese academics who interviewed 42 Taiwanese management personnel in southern Vietnam and northern Vietnam (Hanoi and Haiphong). Our comparative evidence mostly comes directly from Taiwanese managers' own descriptions of their management practices and the ethnic division of labour in Malaysia and Vietnam. The big companies interviewed in Penang comprised electronic assembly firms that manufacture for international brand name companies like HP, IBM and NEC. Some of the small and medium-sized enterprises (SMEs) interviewed are subcontractors and produce components for these big Taiwanese assembly firms, and these SMEs hire between 100 and 1000 workers. In Malacca, many interviewees run wood-processing factories, and most of them are SMEs. In Vietnam the companies interviewed are concentrated in the garments and textiles industry. Some hire up to 20,000 workers to produce products for western brand name companies, and other SMEs interviewed are subcontractors of these big companies.

In the following section we describe the labour process at shop-floor level in TOFs in Malaysia and Vietnam, and then the methods of labour control that Taiwanese employers exercise. In last part we analyse how two factors, i.e. state policy and social capital, affect one's degree of proletarianization in the labour market.

Ethnic Division of Labour in Taiwanese-Owned Factories

Taiwan's overseas investment increased sharply after 1986. Before 1990, most overseas investment poured into Southeast Asia, but after the easing of political tensions between Taiwan and China at the beginning of the 1990s, and the development of China's economy, huge amounts of Taiwanese capital flowed into China, starting in 1991 (IDIC, 2002). Most of the investment went to manufacturing industry, a competitive edge of Taiwan's economy. However, the industrial relations in these Taiwanese-owned factories raised widespread human rights concerns (Chan and Wang, 2005; Chan, 2001; Kung, 2002). As the Taiwan government official survey shows, the most important reason for these factories to move abroad is to find cheap labour. If so, we would like to examine how these investors exploit the cheap ethnic labour in Malaysia and Vietnam.

Malaysia

A clear pattern of the labour process in TOFs is along ethnic lines. In addition to the three major ethnic groups (Malay, Chinese and Indian), one new category in the Malaysian labour market consists of migrant workers from Indonesia and Bangladesh. Diverse ethnic backgrounds can be observed in the composition of the labour force in TOFs. In these factories, top managers are Taiwanese; executive administrators in such areas as accounting or purchasing, or managers and technicians on production sites are Malaysian Chinese; direct production labour on the shop-floor comprises native Malay and migrant workers.

Ethnic Chinese in Malaysia constitute 25 percent of the total population, the largest percentage in any Southeast Asian country apart from Singapore. In the interviews conducted at 23 factories in Malacca, and at 39 factories in Penang and Kuala Lumpur in 1998 and 2000, all these TOFs employed Malaysian Chinese as executive and administrative managers. One reason for hiring these ethnic Chinese was their language advantage. The investors in Malaysia are mainly the Taiwanese owners of SMEs, who are not so highly educated (Kung, 2001). They are not able to speak English; Chinese is the only language in which they can communicate with local staff. Most Malaysian Chinese in TOFs quite often have

command of three languages: Mandarin, English and Bahasa Malayu. Some of them can even speak Tamil, Cantonese or Hokkien.

Expatriates from Taiwan in most TOFs count fewer than 10, with the average number being three or four. For example, a big electronics factory employing 2700 workers sent more than 20 Taiwanese expatriates in its initial operations. However, by 2000, only four high-ranking Taiwanese managers remained. Our informant told us that, in the future, expatriate positions in this Malaysian factory would be reduced to only two to save costs. In many SMEs only one Taiwanese manager remained. The positions vacated by Taiwanese managers are mainly filled by local ethnic Chinese.

Production line workers mainly consisted of Malays in the late 1980s, but when Malaysia experienced a shortage of labour after 1990 (Rudnick, 1996; Rahman Karim et al., 1999), and permitted factories to import migrant workers, TOFs began to hire migrant workers to replace Malay workers. According to an estimation by the director of the Taiwan Business Association in Malaysia in 1998, more than 50 percent of production line workers in TOFs were migrant workers. In the fieldwork done in 1998 in Malacca, all informants expressed concern about labour shortages. Among them, three-quarters (17 factories) employed migrant workers as the main production labour force; two companies employed only ethnic Chinese, either as managers or workers, while the other four hired local Malay as the main labour force. In the survey done in 2000, only five out of 39 TOFs did not hire migrant workers. Migrant workers in TOFs could be from Bangladesh, Indonesia, Thailand, Pakistan or India, but male Bangladeshi workers constituted the major part of the workplace labour force.

Though Bangladeshi migrant workers are popular among Taiwanese employers, we can find that some Malay workers are put in the same production line to work with Bangladeshis. Basically, migrant workers do the 3D (dirty, dangerous, difficult) and more skilful jobs, while Malay workers do the unskilled jobs, which take just five minutes' training to learn. One Taiwanese manager told us:

Based on different skill level and knowledge we divide one production line into A, B, C sections. Section A demanding special skill is charged by senior migrant workers, section C requiring no skill is done by Malay and newcomers. After newcomers learn the skill, they can move into section B, and most of them are migrant workers, not Malay.

People with different ethnic background on the shop-floor are put together to work in a production line, but in different sections. Then why aren't different ethnic groups assigned to different production lines rather than mix them on one line? One employer explained:

We had thought of working in that way, but it did not work. The work like goods packaging requires workers to lift, to move around. Only migrant workers can do this, and if we require Malay to do this work, they will not work here over two days.

Vietnam

The majority of the Vietnamese population is *Kinh*, comprising 87 percent of the total population, while ethnic Chinese, *Hoa*, comprise 1.3 percent (Van et al., 2000: 1; 226). In Vietnamese TOFs there is also a clear ethnic division of labour in the labour process. The top positions are held by Taiwanese expatriates. Administrative work is done by Vietnamese Chinese or Chinese cadres hired from PRC China. Managers or technicians on production sites are mainly PRC Chinese professionals, while direct production workers are Vietnamese and Vietnamese Chinese.

Unlike Malaysian Chinese, Vietnamese Chinese in TOFs play a very limited role. Their ability to speak Mandarin is the most important advantage they have, but their degree of proficiency lags far behind the companies' requirements. Before the unification in 1975, most ethnic Chinese could speak good Mandarin if they went to Taiwan-government sponsored Chinese schools in Saigon from elementary to senior high school. The textbooks used there were the same as in Taiwan, so the ethnic Chinese received relatively good Chinese education at that time. They could go to Taiwan to undertake their tertiary education if they finished high school. After 1975, however, Taiwan-government supported schools were shut down. In addition, after 1980 all Chinese schools were banned because of the Sino-Vietnam war. Therefore, the younger generation born between 1970 and 1990 is not able to speak fluent Mandarin, and depending solely on them to translate accurately is too risky. In addition, these Vietnamese Chinese have not received a good education overall, so they are not qualified to do managerial work (Khanh, 1993).

There are ways to resolve this language barrier problem. The boss might diligently learn Vietnamese to overcome the problem. This resolution is rare, though not impossible. The second way is to hire older generation Chinese aged 40 or older, who had received a formal KMT-oriented Chinese education. Or the Taiwanese company encourages single Taiwanese managers to marry Vietnamese girls so that they might settle down in Vietnam permanently and have an incentive to learn the Vietnamese language, and then be able to take care of the company in the long term. However, the most popular way is to import short-term Chinese skilled migrant workers to fill the language gap. Of the 42 TOFs surveyed in 2001, more than half had employed PRC Chinese professionals, while some of them planned to do so. The positions they

held were middle to high-ranking managerial or technical positions like plant vice-director, accounting director, technical director or sales director.

The impact of importing PRC Chinese professionals for TOFs is the reduction in the number of Taiwanese expatriates. In a big company producing sporting shoes for a western brand name with more than 20,000 workers, more than 360 PRC Chinese professionals were hired, while only 120 Taiwanese expatriates remained. SMEs hired a higher proportion of Chinese cadres, while retaining a minimum number of Taiwanese managers to look after the whole company. Direct production line workers are Vietnamese or Vietnamese Chinese.

In Vietnam, the unemployment rate and under-employment rate are still very high (Ministry of Labour – Invalids and Social Affairs, 2001: 623); there is no labour shortage problem as in Malaysia, so we do not see any unskilled migrant workers in Vietnamese TOFs. Table 1 presents the ethnic division of labour in TOFs in these two countries.

Labour Control in Taiwanese-Owned Factories

Given the ethnic division of labour in TOFs, Taiwanese bosses have to use a variety of methods to control labour so as to get the best performance. We would argue that the methods of control depend upon the degree of subordination that the workers experience towards the employers. 'Subordination' means the degree to which workers are subject to the orders, control and instructions of the employer. The power of employer over employee consists not only in what work must be done but also how and when. The most subordinated workers are those who can work and serve at any time (Veneziani, 1986: 63–6). Through this control the capitalists can extract more labour surplus from the workers.

Table 1 *Ethnic Division of Labour in Taiwanese-Owned Factories in Malaysia and Vietnam*

Positions in factory	Malaysia	Vietnam
Owner and top managers	Taiwanese	Taiwanese
Administrative managers	Ethnic Chinese	Ethnic Chinese, PRC Chinese professional
Low-ranking managers, technicians or supervisors on production site	Ethnic Chinese, a few migrant workers	PRC Chinese professionals, a few Vietnamese
Direct production workers on shop-floor	Mainly migrant workers, some Malay	Mainly Vietnamese, some ethnic Chinese

Labour Control on Native Workers

In Malaysia, Taiwanese managers found that the turnout rate of Malays was low, and the turnover rate was very high. Facing the unstable turnout rate in Malaysia, many TOFs have entrusted the recruitment and turnout of workers to local Malay business people. One of the key instruments for recruiting workers is Bas Kilang, meaning a van or a bus, owned by local Malay business people, who are contracted to TOFs to ensure that a certain number of workers, perhaps 10, are sent to the factories on time. In Malaysian industrial parks you can see many Bas Kilang shuttling between different factories. However, the 10 workers might be different every day, depending on whom the Bas Kilang could recruit. Bas Kilang owners are only responsible for carrying 10 persons to the factory, but they do not have to carry the same persons.

But what the TOFs need is not a vehicle to carry their workers, but the social networks that these Bas Kilang owners can access so that they can recruit enough workers. When the Bas Kilang carries workers to factories, the employers either pay money and the workers' wages to the bus owners and they hand wages on to the workers, or they give the wages to the workers and then the workers in turn pay the bus owners. If a factory were to pay less than a satisfactory wage, Bas Kilang owners would leave at once and drive the passengers to another factory where the payment might be more reasonable. The workers in the Bas Kilang would be easily persuaded to work in another factory, for the skill required to work in a factory is the same everywhere.

In addition to the social networks of the owners of Bas Kilang, another way to recruit workers is to encourage Malay workers to introduce their relatives or friends to work in the same factory. A worker who successfully introduces one worker would get RM\$100 (about US\$26.3), under the condition that the new worker does not leave within one year. In this way, TOFs try to keep the turnover rate to its lowest level.

To cope with the problem of reluctance to work on holidays or to do overtime, TOFs arrange three shifts a day so that the workers have to alternately take a rest, which ensures that on holidays there are workers showing up. Another problem TOFs face is the high absentee rate after payday. The normal practice, therefore, in these TOFs is to set the payday before the weekend or a holiday.

The labour control practices for Malay workers are not repressive: we can see that these TOFs have had to find innovative ways to interface with local social practices and business operation. A manager told us: 'I could not give heavy or difficult work to Malay workers, nor could I push them to do something. If I said something harsh, they would leave right away, even giving up their wage.' There are other ways of managing Malay workers, such as: raising their salaries, improving the working

environment, providing free accommodation, or organizing a 'Family Day' to 'make them feel we are family'. Sometimes the Taiwanese managers arrange special lunches with Malay workers, in the name of 'ideas exchange'. Michael Burawoy (1985) distinguishes two generic types of labour regime: despotism and hegemony. These two types of labour control are exercised either through coercion, or through consent. In Burawoy's sense, these TOFs adopt the strategy of consent to manage Malay workers.

The labour market conditions in Vietnam are very different from those in Malaysia. In Malaysia, labour shortage is a problem, while in Vietnam, it is quite the contrary: the labour force is oversupplied. Large numbers of rural workers flow to urban areas looking for temporary jobs when agricultural work is not needed. It is estimated that there are more than half a million short-term migrants working in Ho Chi Minh City, and the daily wage for these workers is less than US\$2.00 (Tien and Ngoc, 2001: 34). In rural areas, the under-employment rate was about 38 percent in 2000 (Ministry of Labour – Invalids and Social Affairs, 2001: 623). Taiwanese bosses never worry about labour shortages; normally, TOFs attach a small notice to the factory wall, and workers come to ask for a job.

From the point of view of Taiwanese owners or managers, Vietnamese workers are not well disciplined. Often heard from the informants was that Vietnamese workers do not like to work overtime, even for triple pay. For example, an informant said that:

Vietnamese are very different from Taiwanese. We Taiwanese always asked for more work to earn more money, but they don't. If you push them to work overtime, they will protest, even strike. Take my driver as an example, after 5.00 p.m. he will go home to pick his wife and children up. I suggested to him to work overtime and pay him triple the normal wage, but he declined.

Though management can use different strategies to dismiss disobedient workers, such as sending these workers to the harshest section to work, or not renewing their contract, they cannot use authoritarian methods to force Vietnamese workers to do something. One Taiwanese factory owner complained:

You can't even touch the Vietnamese workers, let alone abuse them. In China, we used a Taiwanese management style. When we began our operations in China, we frequently resorted to punishment. Physical punishments were very common, including even hitting, like in the military. . . . The company organization is the same as in China, but management style is Vietnamese. We have to communicate with workers in their language and local practices. If we adopt the same management model as in China or Taiwan, well, you will get strikes in return.

When we compare Taiwanese management practices in Vietnam and Malaysia, it becomes apparent that both use 'soft' management methods,

i.e. they use a consent mode of labour control. It raises the first question: why is the management style towards native workers in Vietnam not so different from that in Malaysia, given that the labour market conditions are very different in these two countries?

Labour Control on Migrant Workers

Labour control practices imposed on migrant workers in Malaysia are quite different from those on Malay workers. TOFs in Malacca are mainly wood-processing factories, and their main labour force is Bangladeshi migrant workers, who are regarded as the most compliant workers in the labour force. Normally these migrant workers have to work over 12 hours a day, and 16 hours is not unheard of. They live in the factory compound, and daily activities are under strict surveillance. If these migrant workers cannot finish the work required, the boss just sends them back to finish it. One Malaysian Chinese manager said that he had to choose his words very carefully to talk to or persuade Malay or ethnic Chinese to work, and if their production efficiency was poor, he could not directly reproach them as inefficient workers, but had to explain to them in mild tones like that 'all of us have to make profit for our company'. To manage Bangladeshi workers, he said, 'is much easier. Push them. Only press and press. When I set a target to achieve, well, they have to reach the goal, no matter how difficult it is.' They have to work from 8.00 in the morning to 11.00 at night the whole year, and can never ask for sick leave. Another boss said more explicitly: 'I told them, give me 2000 pieces tomorrow. If not, I cancel your residence permit status and send you back. I don't need to remind them to work overtime. It's enough to scare them to work hard.'

In addition to the threat to send them home, TOFs also use the wage structure to control these migrant workers. A business owner described the function of such wage structures vividly:

The wage is structured into five parts: basic wage, full attendance bonus, efficiency bonus, night shift bonus and overtime work wage. Do you know how low is their basic daily wage? Only 10-something Ringgit! If they do overtime work hardly, they can get about 1300 or more. If they are not conforming, they will get no overtime work, and their monthly wage will be about 400 only. How could they survive with such little money to pay their living costs, and the debt they owe at home for overseas work? I don't fire them, nor send them back. After one or two months, they will come to me and ask for more work to do. At the time, they will show their obedience to me.

In a word, these migrant workers are totally subordinated to capital. This labour control is close to the coercive labour regime discussed by Michael Burawoy.

Migrant workers from China in Vietnam's TOFs are all skilled labour. They are hired to work overseas because of their skills, low cost and language advantage (Wang and Hsiao, 2002). A PRC Chinese cadre's monthly wage in Vietnam ranges from US\$450 to US\$800, which is three to five times higher than their domestic monthly wage, but only half or even one-third of that of Taiwanese expatriates. They speak Mandarin, and have the skills that TOFs require.

We might think that these skilled workers would have more leverage over their superiors, but that is not the case. When commenting on a strike in a big shoe-making factory, one boss said:

These Chinese cadres will not be able to achieve anything. They can be deported back to China at any time. Their strike action is just a bluff, and deemed to be a failure.

Their subordination to the boss is not less than that of the Bangladeshi workers in Malaysia. One PRC Chinese cadre said: 'A Taiwanese factory employing Chinese managers gets many benefits. First, we work very hard. Second, we are highly obedient, much more so than Taiwanese managers. The money paid for a Taiwanese expatriate can be used to hire three Chinese cadres. We always do what the boss asks, or even more.'

The labour control over these Chinese cadres is militaristic, in much the same way as it is over Bangladeshi workers in Malaysia. Another PRC Chinese professional described her living conditions in Hai Phong in 1999:

The company forbade us to go out of the factory compound. In the six months, I never stepped out of the compound, a place less than one square kilometer. If we wanted to go out, we had to ask for permission first. The company said that it would not forbid anyone going out because one has the freedom to move, and it would not confine one's action. But you know, the factory guard would record your movement, and report to the vice president. No one knows what would happen if you dare to go out.

A strike occurred in a large shoe-making factory by Chinese cadres. The situation arose because a Taiwanese manager asked all his subordinated Chinese cadres to get up at 4.30 in the morning to jog. After a few months some defiant Chinese cadres reported to the superior, but got no response, so they took collective action to strike, demanding that the company replace this Taiwanese manager. A high-ranking manager in the company commented on this strike:

Though the Taiwanese manager was not right, it was totally wrong that these Chinese cadres staged a strike. It was as if they tried to strangle the company. If the Taiwanese manager commits the same error again, he will be fired. Chinese cadres will be sent back home if they stage another strike.

Only symbolic action is taken, i.e. to announce publicly that both sides should follow the company's rules. In reality, under the company's rules, the Chinese cadres are not able to strike at all. Any protest will immediately result in deportation. This situation sounds similar to that of the Bangladeshi workers, though they belong to two different classes. It raises the second question: why do different classes in TOFs face the same labour conditions?

Labour Control on Ethnic Chinese Cadres

Many Taiwanese managers described Malaysian Chinese as 'super-practical: they hop around the jobs whenever pay is a little higher, even for RM\$100 difference'. So the turnover rate of this ethnic group in Malaysia is high. However, TOFs do not use repressive measures to control; instead, money talks. In the companies we visited and which had a low turnover rate, the pay for these ethnic Chinese was quite high, and could be as high as RM\$6,000, which is four times higher than local average pay, so that there was no desire to leave. With such high pay, 'even a bulldozer could not push them away'.

The second way to cope with the high turnover rate of these ethnic Chinese managers is to implement a 'backup programme'. When someone leaves, the parent company in Taiwan sends a staff member to help until another manager is recruited. Another way is to train several managers at the same time, so that the work is not exclusively managed by one person. However, these Malaysian Chinese know very well that their 'value' depends on the market situation, so, if Taiwanese business people can not find anyone to replace them, they have more bargaining power in the industrial relationship.

The high turnover rate of ethnic Chinese in Vietnam is the same as in Malaysia. The way of managing the problem is also the same, i.e. using high wages and a backup programme to keep them. One fan-manufacturing factory in Ha Noi hired two ethnic Chinese, whose fathers were from China, but who themselves were born in Vietnam. They command both languages. The monthly pay for each was US\$350, about seven times higher than that for manual workers. The company hired them because of the language barrier it had in Vietnam. Another way to cope with the language barrier is to encourage Vietnamese workers to learn Mandarin so that in the future these Vietnamese cadres can be the backup. Most Vietnamese cadres in our interviews have taken Mandarin lessons in private language institutions so that they might expect better promotion in the future. But otherwise, these Vietnamese Chinese are replaceable. High-ranking positions are now occupied by PRC Chinese cadres, and office cadres are mainly Vietnamese Chinese whose tasks entail lower-level paperwork.

State Policy and Proletarianization

The state always intervenes in labour process to ensure the reproduction of the labour force is not interrupted. In a multiethnic society, when the state is controlled by a specific ethnic group, it often tries to maximize its members' life chances and to secure their advantages (Hobsbawm, 1990: 115). There are three main ethnic groups in Malaysia, but the state apparatus is controlled by Malays, and the Malays are officially protected by state policy since the New Economic Policy announced in 1969. In Vietnam, the war against China in 1979 created the problem of boat refugees, and most of them were ethnic Chinese. From this viewpoint, different ethnic groups experience different degrees of proletarianization due to differential treatment by the state.

In addition, another line is drawn between citizen and non-citizen, i.e. national workers and migrant workers. Though different ethnic groups are not treated equally within a national border, they are regarded equally as citizens with minimum labour standards protection. However, with regard to migrant workers, they are bonded and without full citizenship to ask for rights protection. They are normally regarded as a 'reserved army' for domestic industrial development (Hollifield, 2000), and not deserving the host state's protection. The differential treatment of state policies produces different degrees of proletarianization of a worker, and therefore influences the modes of labour control adopted by Taiwanese employers in overseas factories.

In Malaysia, the labour shortage was severe from the early 1990s. This kind of labour market puts Malay workers in a better position to bargain with the employers. In addition to market forces, the Malaysian government actively intervenes in employment relations. After the ethnic conflict of 13 May 1969, the government pursued its economic nationalism policy – New Economic Policy – aimed at alleviating poverty and at redistributing wealth between *Bumiputeras* (Malays) and non-Malay groups. Ethnically, the target for poverty reduction was from 74 percent of Malays living in poverty in 1970 to 24 percent in 1990. Malay, non-Malay and foreign corporation equity participation was 20.3 percent, 46.2 percent and 25.1 percent respectively in 1990 as against 2.4 percent, 32.3 percent and 63.3 percent in 1970. Malays contributed only 30.8 percent and 37.9 percent to overall employment in the secondary and tertiary sectors respectively in 1970; this was changed to 51.9 percent and 51 percent in 1990. This goal was achieved mainly through the control of business registration (Rasiah, 1997: 127–31).

In a labour shortage market, foreign-owned businesses cannot complain too much if they can find Malay workers who are willing to work in the factory so that the company can meet the regulations set by

the government. In addition to the market advantage that the Malay group has, the government's regulations put the Malay group in a better position vis-a-vis another ethnic group, the Bangladeshi migrant workers without state protection.

The migrant status without full citizenship rights produces a completely commodified labour force. Portes argues that the importing of migrant workers does not aim at increasing the labour supply, but at increasing the *cheap* labour supply. The low wage that migrant workers receive is not the outcome of individual performance, as neoliberal economics depicts, but of their disadvantaged civil rights position in the receiving country. The employers can exploit these disadvantages to get docile workers (Portes and Walton, 1981: 49–50). Therefore, migrant workers normally work in harsh labour conditions, and are used by the employers to ward off local workers' demands for improved labour standards.

In our survey, most Bangladeshi migrant workers arrive in Malaysia through commercial placement organizations, and pay high placement fees, ranging from US\$500 to US\$1000. This figure is close to the survey data obtained by Anja Rudnick in 1994 on Bangladeshi migrant workers in Penang (Rudnick, 1996: 49). This initial payment is mostly funded by selling land or loans, and Bangladeshi workers have to work overtime for at least two years so that the debt can be paid back. Over this time, their earning capacity is wholly dependent upon their employers; they have no other means to survive. Understanding their weakness in terms of their (lack of) labour rights and debt, TOFs can control the workers of this ethnic group by coercive domination, e.g. by threatening to send them back, and by not giving them overtime. TOFs know clearly that these Bangladeshi migrant workers do not have other means to survive in this society.¹

In Vietnam there is no labour shortage such as exists in Malaysia. Our fieldwork also suggested that Taiwanese companies do not have trouble recruiting workers, and any job opening will attract many applicants from the neighbourhood of the factory. What troubles TOFs the most in human resources is the lack of skilled labour and the shortage of middle-level managers. In 2000, only 10.8 percent of the labour force received more than or equivalent to vocational high school education (Ministry of Labour – Invalids and Social Affairs, 2001: 429).

The labour market situation does not seem to offer any hope that workers will enjoy any better labour conditions. When we interviewed these Taiwanese bosses or managers, we got a strong feeling that they were very keen to fully control workers. However, because of strict government regulations they are not able to fully exercise their domination. Strict control of workplace trade unions is the most important

means to secure a smooth production process in these TOFs. In Taiwan, the attitude of management to trade unions is generally hostile. In Malaysian TOFs, Kung found that 'not one company has a trade union in the workplace' because 'they [Taiwanese bosses] don't allow it' (Kung, 2002). These findings echo those of Chan and Norlund (1999), and seem likely given that most Taiwanese companies would have had no previous experience in dealing with trade unions when they were in Taiwan. Most new trade unions in Taiwan were established after the lifting of martial law in 1987 and during the subsequent period of political liberalization, so that the Taiwanese business people involved had had no experience at all in working with trade unions when they started their overseas operations in the late 1980s or early 1990s. Even so, no one interviewed for this research made negative comments about the Vietnamese Trade Union Law. This may be explained by the similarity between the Vietnamese workplace trade unions and those in Taiwan during the martial law period; that is, all trade unions are sham unions, under the capitalists' control (Wang, 2005).

Though TOFs can control workplace trade unions quite well, the state's policy constrains the degree of domination. Ideologically, the Vietnamese government shows a willingness to protect workers' rights. Labour laws have been enacted that cover almost every aspect of the labour process, and all foreign companies are required to abide by the laws. The Vietnamese trade unions, above shop-floor level, are also aggressive in protecting the rights of their workers. The vice-chairperson of Dong Nai Provincial Trade Union, near Ho Chi Minh City, told us that the union is implementing a new policy to raise workers' awareness. It runs a one-day training course on the Vietnamese Labour Law, which course is compulsory for all job applicants who seek work through its employment office. Only when they pass the test can they be given a job. The workers we interviewed who had taken the course appreciated this and we could tell that they were aware of the basics of the law such as working hours, etc.

We have also interviewed the Ho Chi Minh City Union, the Employer Association and the vice-director of the Labour Department in the city government. The HCMC Union is so powerful that it can have direct contact with foreign embassies to ask for improvements in labour conditions. In addition, the chairperson of the Employer Association said that the proposal regarding overtime hours was reduced from 400 to 300 because of strong resistance from the HCMC Union.

However, this protection is not fully extended to non-citizens, and it places the PRC Chinese cadres in a weak position vis-a-vis the employers. Vietnamese TOFs need managerial staff with the ability to speak Mandarin, but such people are in very short supply, so hiring Chinese

professionals from China can alleviate this problem. However, the ways of controlling these professional transients are more authoritarian than those used to control the ethnic Vietnamese Chinese. Why? As was discussed earlier, they are 'migrant workers', and the labour conditions are more or less the same as for Bangladeshi workers in Malaysia. Before they get the job in Vietnam, they have to pay the placement fee to a mediating agency, about US\$4000. If the monthly wage in Vietnam is US\$500, they have to work for at least eight months to pay back the debt.

The job they get in Vietnam is not secure. Most of them have to sign a contract with a three-month probation period, and if TOFs are not satisfied with their performance, the contract will be terminated. The company is not responsible for all the travel expenses incurred. No wonder a PRC Chinese professional transient described the difference between them and the Taiwanese as 'the degree of obedience. We are absolutely obedient to our boss.' Like Bangladeshi workers, they have to be submissive to their boss so that they can keep the job and pay back the huge debt in China. Another restriction placed on them is the employment practice by TOFs: they never hire Chinese transients directly in Vietnam. If Chinese professional transients want to work in another TOF, they have to return to China first, then come back. Why does such a practice exist? It is more or less like a blacklist that can restrict the turnover of Chinese professionals. To prevent any collective resistance by these Chinese cadres, there is a blacklist circulated among TOFs in Haiphong, and those fired or blacklisted Chinese cadres will not be able to find another job there. In other words, the labour market for these professionals is not free. As one Chinese cadre said:

When Chinese professional transients gather, we always talk about the way of life here. If one is aged more than 35, it is hard to find a better job in China when one returns. The family in China relies on the income earned here. So we have to be obedient, highly obedient! No matter the rules are right or wrong, we all accept it. Unless I save enough money and am able to return home, I never think of changing my job here.

From the comparison between Malaysian and Vietnamese labour conditions, we can tell that, though the labour market situation affects the bargaining power of workers in industrial relations, the state regulations play a more active role in protecting workers' rights. The state sets labour standards to consolidate its social base, which more or less de-proletarianizes and de-commodifies the labour force in the society. Because of ethnic politics, the native Malay workers are quite well protected by the government's policy, while migrant workers like Bangladeshis are put in a 'naked' capitalist market without any state intervention in the labour process. Similarly, the Vietnamese government

regulates the minimum wage and overtime working hours, and establishes strong trade unions to protect workers from exploitation, but the migrant Chinese cadres are excluded.

Social Capital and Proletarianization

A vast literature has shown that one's occupational attainment is not only determined by human capital but also by social capital (Elliott and Smith, 2001; Friedman and Krackhardt, 1997; Smith, 2002). Social capital refers to the capacity of individuals to command scarce resources by virtue of their membership in networks or broader social structures (Portes, 1995). In other words, workers' position in different social networks or structures has an effect on their life chances in the labour market, and therefore can change their bargaining power vis-a-vis the employer. Accordingly, employers hiring workers with different social capital have to use different modes of control to extract labour power.

In Malaysia and Vietnam, most managerial positions are occupied by ethnic Chinese. Taiwanese SMEs rely heavily on them to manage shop-floor workers and for mediation with local government. In Malaysia, ethnic Chinese are discriminated against by the New Economic Policy, but their relatively high educational attainment offsets this political disadvantage, and allows them to achieve a better socioeconomic status in the private sector. From the perspective of human capital, educational and skill levels are the main criteria for selecting a worker in a company. In addition to this human capital consideration, other factors also come into play. Ethnicity could be a kind of social capital in running a business in Southeast Asia, as some scholars have argued (Granovetter, 1995; Kuo, 1991; Portes, 1995). This social capital helps Malaysian Chinese to offset the disadvantage position in the labour market regulated by the Malaysian government. For example, compared with a Malay university graduate, a Mandarin-speaking Chinese person without a tertiary degree might be considered as having better skills, or a Malaysian Chinese person with a master's degree from the US might not be regarded as good as one with a college degree from Taiwan. As one informant explained:

The way of thinking of those students graduating from the American or European schools is very different from ours, and the barrier does not only lie in the language. This difference may have resulted from the cultural differences. . . . There are more than 20 engineers in the technical department, and all of them graduated from Taiwan's schools. There were some MBA engineers graduated from Britain or USA, but they stayed here only for a short time. On the contrary, most Taiwan university graduated engineers work in our company for a long time.

The experience of living in Taiwan and the familiarity with Taiwan's social culture are the key factors to explain their popularity with Taiwanese TOFs in Malaysia. Most engineers in these TOFs had lived in Taiwan for more than four years and knew the work ethic expected by Taiwanese companies, i.e. working hard without taking any holiday breaks. This social capital, learned from their experience in Taiwan, is different from human capital theory, which depicts a person's ability as arising mainly from education.

Another important factor in explaining their popularity is that these Taiwan trained graduates could not find a job in the public sector, not because of their ethnicity, but because their diploma was not recognized by the Malaysian government. Therefore, their mobility in the labour market is more restricted, and TOFs can get a worker who conforms more.

Vietnamese TOFs also value this social and cultural capital. The main problem that Vietnamese TOFs face is that there were no Taiwan graduated students between 1975 and the mid-1990s. At present Vietnamese students in Taiwan are booked by TOFs before they finish their degree, and the demand is far greater than the supply. As one Vietnamese manager told us: her monthly wage is about US\$600, because the company values her 'Taiwan experience'. Compared with the group with Taiwan experience, most ethnic Vietnamese Chinese do not have this specific advantage. They can find a low-skilled white-collar job in an office, but they do not play as important a role as the Malaysian Chinese in TOFs. From the TOFs' perspective, they need these ethnic Chinese, who are protected by the Labour Law applied to all citizens, for daily routine work, so TOFs tend to use the consent mode of control rather than absolute domination to control these ethnic Chinese.

Conclusion

This article has tried to make a contribution to the literature on ethnic studies and labour issues. Traditional ethnic studies focus on the social relations and cultural effect of different ethnic groups, but not so much on the labour process where different ethnic groups are put together to work. We argue that the ethnic division of labour in the workplace is constructed by the business owner who wants to maximize the control of labour. However, the power of control is constrained by different social forces intervening in the labour process. Our viewpoint is different from the research of 'diversity management' in the business community, which mostly emphasizes how to achieve organizational efficiency (Lauring and Ross, 2004), and not the labour control process and the structural forces that shape this labour regime.

In the study of industrial relations, ethnographic methods like Braverman's (1974) and Burowoy's (1985) normally focus on how to control the labour process, but they do not pay enough attention to ethnic factors that might affect the ways of control. In addition, in the research of transnational capital investing in the third world, labour control is often related to gender issues, but not so much to ethnic issues in the workplace. Our research has tried to contribute to this field.

The labour force in Southeast Asian TOFs is composed of different ethnicities, and the different ways of labour control for different ethnic groups depend on the degree of proletarianization of these workers. Two factors influence the degree of proletarianization, and therefore the mode of labour control: first, the state's policy of protection of its citizens makes it difficult for TOFs to use despotic management styles of control, even when the workers are not competitive in the labour market. In contrast, the migrant workers without citizenship are easily controlled by the TOFs. PRC Chinese professional transients have better human capital in the labour market, but their labour conditions are almost the same as those of blue-collar migrant workers, with the exception of their wage. With iron-fisted management styles, TOFs can send these migrant workers back home at any time, without any reason. Therefore, the degree of subordination to the boss is much higher than that of the local workers who have government protection. Second, social and cultural capital embedded in ethnic relations also affects the modes of labour control in TOFs. The language advantage of local ethnic Chinese makes TOFs less able to exercise harsh labour control; the way to control these ethnic Chinese is more by consent than by dominance. Taiwanese expatriates and managers with a degree from Taiwan are key persons in TOFs, and consent is the best way to have their cooperation.

Notes

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1. One referee points out that we should pay more attention to the distinction between the 'ethnic' and 'national' factor affecting the ethnic division of labour. This point confirms our argument once more that it is state policy that influences workers' life chances on the labour market, not the question of ethnicity or nationality.

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