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### **Chinese Stealth Foreign Policy: Immigration**

Kazakhstan has been focusing on the energy diplomacy with China more than Russia or the Western nations. China has been successful in terms of their access to secure the energy security through economic relations without stimulating the U.S. or Russia for advancing to the Central Asian region. But traditionally as for the region that Chinese began to influence economically, there were cases in which commercial supremacy were frequently gained by the overseas Chinese. The regions where the current overseas Chinese cannot economically influence are such developed nations as the Europe, the U.S., and Japan and as for the cases of such developing nations as the East-Asia, the overseas Chinese who cover about 10% of the entire population dominate more than 50% of local economy for the most part. Accordingly, if the expansion of the economical relations between Kazakhstan and China causes the immigration of the overseas Chinese in the future, it is presumed that similar situations will also occur in Kazakhstan like South East Asia, because Chinese immigration is a part of Chinese foreign policy to get energy security.

**Key words:** Immigration, Chinese, Southeast Asia, Chinese foreign investment, Jeju island

Ким Джонг Мин

#### **Қытайдың сыртқы саясатының бүркемелі ерекшеліктері: иммиграция**

Соңғы кезде, Қазақстан энергетикалық дипломатияда Ресей немесе Батыс елдеріне қарағанда, Қытайға көбірек көңіл бөлуде. АҚШ немесе Ресейдің қатысуынсыз Орталық Азия аймағында өз мүдделерін алға тарту үшін, Қытай экономикалық байланыстар арқылы энергетикалық қауіпсіздік қол жеткізу көзқарасынан тиімді болып отыр. Бірақ, дәстүрлі экономикалық ықпал етумен қоса, көбінесе шетелден келген қытайлықтар қол жеткізетін, коммерциялық басымдылық жағдайлары да болып тұрады. Қазіргі шетелде жүрген қытайлықтардың экономикалық ықпалы жүрмейтін аймақтарға АҚШ, Еуропа, Жапония сияқты дамыған елдер жатады. Ал Шығыс Азия елдерінде қытайлықтар халықтың шамамен 10%-ын құрайды және экономикалық ықпалдың 50%-дан астамын иеленуде. Демек, Қазақстан мен Қытайдың экономикалық қатынастары кеңейген жағдайда, болашақта қытайлықтардың иммиграциясына алып келеді, Оңтүстік-Шығыс Азияда орын алғандай, Қытайдың энергетикалық қауіпсіздікті қамтамасыз ететін сыртқы саясатының бір бөлігі болып табылатын қытайлық иммиграция, Қазақстанда да мүмкін болып отыр.

**Түйін сөздер:** Иммиграция, қытайлықтар, Оңтүстік-Шығыс Азия, қытайлық шетелдік инвестициялар, Чеджу аралы.

Ким Джонг Мин

#### **Скрытые особенности внешней политики Китая: иммиграция**

В последнее время Казахстан был сосредоточен на энергетической дипломатии с Китаем больше, чем Россией или с западными странами. Китай был успешным с точки зрения доступа к энергетической безопасности через экономические отношения без вовлечения США или России для продвижения своих интересов в центральноазиатском регионе. Но, кроме традиционного экономического влияния, были также случаи коммерческого доминирования, часто достигаемого приезжими китайцами. К регионами мира, в которых китайцам не удалось достичь экономического влияния в бизнесе, относятся развитые страны Европы, США и Япония, а в случае Восточной Азии, где китайцы составляют 10% от общего населения, им удается сосредоточить до 50% экономического

влияния. Соответственно, расширение экономических отношений между Казахстаном и Китаем приведет к иммиграции китайцев в будущем, и это видится возможным в Казахстане, так же, как это произошло в Юго-Восточной Азии, где китайская иммиграция стала частью внешней политики Китая для достижения энергетической безопасности.

**Ключевые слова:** иммиграция, китайцы, Юго-Восточная Азия, китайские иностранные инвестиции, остров Чеджу.

## Introduction

The entire population of overseas Chinese in the world is estimated to be around 30 million, and most of the overseas Chinese currently reside in Asia. Besides Asia, they also live in all parts of the

world including the North America, Europe, and Africa. According to the communism branchial of China, 'the People's Daily', the combined amount of assets possessed by all the overseas Chinese in the world is around 200 ~ 300 billion dollars which is equal to 1/5 of Japanese GDP.

**Table 1** – The Population Pyramid of Overseas Population of the World in 2010

*Thousands*

Area	Number	Percentage	Area	Number	Percentage
Asia	29,815	75.4%	Pacific ocean	945	2.4%
America	7,255	18.3%	Africa	236	0.6%
Europe	1,317	3.3%	Total	39,568	100.0%

Source: 2010 Statistical Yearbook of the Overseas Compatriot Affairs Commission page 11 ~ 12

The region with the greatest number of overseas Chinese is Asia as reflected in diagram 1) and they are especially concentrated in East Asian Region. While they reside in South East Asian region, they dominate 50 ~ 80% of local commercial supremacy and they also dominate 40% of foreign trades. The typical overseas Chinese in the past were mostly ordinary people running restaurants, laundries, and miscellaneous stores, but contemporary overseas Chinese are rapidly advancing to the high-tech sectors including the electronics, the chemistry, and precision instruments. Lin Xun Ming (林訓明) which produces soybean in Brazil is showing off the economic power with the annual production of more than 100 million dollars of cooking oil in Brazil, and about 500 additional overseas Chinese corporations are dominating the local economy.

It has been found that not many overseas Chinese reside in Central Asia until the present. In 2009, there was an incident in which the Kazakhstan government tried to sell some portion of land to establish the Chinatown but failed due to the protest of local residents, and based on this incident, it looks like that the Chinese government has the intention to establish the Chinatown in Central Asia like the South East Asia. It is because the overseas Chinese are not simply the immigrants, but they are

the advance guards who would dominate the local economies and exercise their influence under the leadership of the Chinese government.

Although China is doing resource diplomacy in Central Asia with more advantages than Russia or the U.S., they are no better than them in terms of the military or the diplomacy, and because of the anti-Chinese emotion of the Central Asian people, if Chinese economical influence increases more in Central Asia, it will also cause the anti-Chinese emotion to increase simultaneously, and thus it will be the most effective solution to suppress the anti-Chinese emotion by immigrating large number of overseas Chinese in order to include the Central Asian region in Chinese economy. Traditionally, since China is a nation of long history that encroached the economies of surrounding nations and dominated the territories by using the immigrants, it is expected that there will also be many overseas Chinese immigrating to Kazakhstan that is geographically located in important location. But until now, since there are no precise statistical data about the Chinese immigrants in Central Asia, it will be necessary to indirectly take a look at what kinds of influence can be exercised if the overseas Chinese form the economic power in Central Asia through taking a look at how the overseas Chinese work in various fields in other regions.

## Main Issue

### 1. Population of Overseas Chinese

It is estimated that there are approximately 30 million overseas Chinese by 2010, and most of the population reside in Asian region, and they are mostly concentrated in South East Asia. When it is analyzed by country, there are 7.95 million people, the greatest number of population, residing in Indonesia, followed by 7.39 million people

in Thai, and 6.47 million people in Malaysia. Particularly noteworthy fact is that there are 3.93 million people residing in the U.S., or 4<sup>th</sup> largest number of population, and that the population is rapidly increasing. The reason is because it seems that as the U.S. is the center of the world politics, economies, and cultures, there seem to be relatively more social opportunities than other regions, that make it look like a nation to immigrate for overseas Chinese.

**Table 2** – 20 largest nations with most number of overseas Chinese in 2010

Rank	Country	Area	Number	Rank	Country	Area	Number
1	Indonesia	Asia	7,951	11	Australia	Pacific ocean	745
2	Thailand	Asia	7,395	12	Japan	Asia	687
3	Malaysia	Asia	6,479	13	Russia	Asia	448
4	USA	America	3,933	14	England	Europe	351
5	Singapore	Asia	2,794	15	Brazil	America	250
6	Canada	America	1,494	16	Cambodia	Asia	242
7	Philippine	Asia	1,213	17	France	Europe	233
8	Myanmar	Asia	1,101	18	Italia	Europe	201
9	Peru	America	989	19	Laos	Asia	174
10	Vietnam	Asia	980	20	New Zealand	Pacific ocean	149

Source: 2010 Statistical Yearbook of the Overseas Compatriot Affairs Commission page 13

Among the 10 largest nations of immigration, the U.S. and Canada are ranked the 4<sup>th</sup> and the 6<sup>th</sup> respectively, and it is that after the Reform and Opening up, the rich overseas Chinese and their children who were successful with their businesses immigrated to the U.S. in order to learn the U.S. science technology and studies and that made the U.S. to rank 4<sup>th</sup> exceeding the South East Asian nations. The growth of the population of overseas Chinese is very fast, and the population of the overseas Chinese had increased by 1.22 million, nearly 2 times from 1.64 million to 2.85 million during 10 years from 1991 to 2001. According to the statistics of the Overseas Chinese Association, the average growth rate of the overseas Chinese in the U.S. was 4.49% which drastically exceeded 0.93%, the average growth rate of the population in the U.S. The reason why the population of overseas Chinese rapidly increases more than the people of the other nations is not due to naturally increasing birth rate of the Chinese who settled in the U.S., but mostly due to increasing number of immigrants. In 2006, the population of the overseas Chinese in the U.S. was 3.662 million, and 62.0% of them or 2.269 million people were increased by the immigration, and the

number of the overseas Chinese who were born and raised in the U.S. were 1.393 million that was equal to 38.0%. Accordingly, if Chinese constantly immigrates to the U.S., it can be understood that the U.S. will be composed of the black people, the Hispanic and the Chinese who can be one of the major races in composing the U.S. population in the long run.<sup>1</sup>

As the traditional overseas Chinese settled with the languages of their hometowns where they first came from, most of the overseas Chinese were able to speak their first language as well as the local languages. But as the Chinese who spoke Mandarin composed most of the immigrant population with the Reform and Opening of China, the international society of the overseas Chinese is in the trend of being integrated with having a single language of the standard Mandarin. For example, when the hometown of the overseas Chinese population who immigrated to the U.S. from 1991 to 2006 is considered, 67.4% (676,000) came from the mainland, 17.9% (180,000) were Taiwanese, 14.7% (147,000) were

<sup>1</sup> 美國2006年華人人人口統計推估, 中華民國華務委員會統計室(Statistics department of Overseas Compatriot Affairs Commission, R.O.C. (Taiwan))June, 2007, page 1

people from Hong Kong. The overseas Chinese nowadays are advanced to every nation in which the close business relationships with China are formed, and the influence is steadily being diffused. In case of the U.S., although the overseas Chinese may not be able to exercise powerful influences as in South East Asia, even with having huge number of population due to strong economic power and cultures of the U.S., it is expected that they will become powerful force that cannot be neglected someday in the U.S., because they have such a high growth rate of the population than people of other nations.

### **Economic Power of the Overseas Chinese**

On December 31<sup>st</sup> 2000, there was a bell-striking ceremony in Beijing World Art Museum to commemorate the New Year and all overseas Chinese were gathered to participate in the ceremony. In this ceremony, the overseas Chinese declared to make the century of the centralized Chinese with China with formation of solidarity with all the overseas Chinese throughout the world.<sup>2</sup> This was not a simple declaration but it is substantially meaningful. The overseas Chinese possess several enormous conglomerates and the total number of tons of the ships they possess in maritime sector is 50 million tons which is about 12% of that of the world, and two of the seven major captains of the world are overseas Chinese. They play huge roles in helping the overseas Chinese to spread out to overseas market. They cooperate together and host a video contest and they provide many benefits to the overseas Chinese corporations to advance to China.

The economical hubs of the overseas Chinese are South East Asia, Hong Kong, and Taiwan and recently there is an increasing rate of overseas Chinese population in the U.S. As for the origins of the overseas Chinese, the overseas Chinese from Guangdong, and Fujian were dominant followed by those from Jiangxi. The total estimated assets possessed by these overseas Chinese is 1.1588 trillion dollars, and the total market price of the overseas Chinese corporations is 675 billion dollars, and the total annual income of the overseas Chinese is 270 ~ 317 billion dollars. The domestic media consider it to be 2 trillion dollars by referring to the estimated figures of the 'Economist' of the U.K., and the International Fine Research Center of the Ohio State University of the U.S. One thing that should be focused regarding the economic power

of the overseas Chinese is the overseas Chinese in South East Asia, and according to the findings about the market share of stocks possessed by the overseas Chinese among the listed stocks of 5 nations in South East Asia by Fujitsu Research Center in Japan, Thai had 81% of market share, Singapore with 81%, Indonesia with 73%, Malaysia with 61%, and Philippines with 50%. Especially as for Indonesia, Philippines, and Thai, their strong capitals of overseas Chinese are quite remarkable when compared to the composition rates of populations.

It can be seen that the economic powers of overseas Chinese living abroad excluding the enormous economic power of China is already greater than that of the Central Asian nations. The overseas Chinese have constructed the network system by using the internet after 1990s, pursuing the mutual investments and advances among the overseas Chinese in the world, and it allows them to freely move the capitals and people due to globalization although they may be apart from each other. Especially these people are maximizing the synergies effect by investing along with the economic development policies implemented by the Chinese government with the dramatic economic growth of China. They receive information on various raw materials and agriculture products, and they purchase corporations, lands, and raw materials by going around the world.

### **Cooperation between Overseas Chinese and Chinese Government**

Originally, before China became a communism nation, the overseas Chinese lived differently from China in which Mandarin was centralized culturally and linguistically because it was formed by those who established the community after moving to South as the nation of Ming was collapsed by the nation of Qing. Especially after the Second World War, with the economic growth of Taiwan and Hong Kong, the overseas Chinese have recognized the people in the region of Hong Kong, Taiwan, and Singapore, in which the overseas Chinese belonged to, to be economically superior to the mainland Chinese who were believed to be inferior. But after the Reform and Opening up by China in 1991, the overseas Chinese who could not miss the enormous Chinese market, emphasized their places of origins to be within the Chinese territory and they also emphasized the sense of community. As for these kinds of recognition changes of overseas Chinese, the purpose of obtaining economical

<sup>2</sup> Dong-A newspaper, February 15 2000

benefits from the enormous Chinese market and the purpose of economical development by the Chinese government were conformed which allowed them to develop their relationships in earnest cooperating with each other.

The reason why the overseas Chinese and the Chinese government united is believed to be due to the remarkable activities of Xie Guo Min (謝國民), the entrepreneur of Thailand, and he had prepared the opening of the Chinese market since long before China reformed. After the Reform and Opening up, he established the feed mills and poultry farms

together with U.S. corporations in Shenzhen Special (深川) Special Economic Zones and Shantou (汕頭) Special Economic Zones. He had supported the Chinese government during the period when the foreign capitals were withdrawn due to SARS by building the foundation for the growth of Chinese economy through the investments in auto parts, petrochemical, cement and infrastructure industries. With this incident, many overseas Chinese invested in China that enabled China to overcome the economic crisis and become the 2<sup>nd</sup> largest economic nation in the world.

**Table 4** – Comparison of Economic Power between Overseas Chinese and the Kazakhstan

Overseas Chinese		Kazakhstan		Uzbekistan
Population	39.6million (2010est)	Population	16.6 million (2011est)	27.6 million (2009est)
Annual income	317 billion (2006est)	GDP (PPP)	\$215 billion (2011est)	\$86billion (2010est)
Average income	\$8,011* (2006est)	GDP (PPP) Per capita	\$13,060 (2011est)	\$3,015 (2010est)

Source: CIA factbook, Wikipedia, OCAC

**Table 5** – (Number of overseas Chinese Instructors Participating in Studies in China)

Region	2007		2008		2009		2010	
	Male	Female	Male	Female	Male	Female	Male	Female
Total	95	468	128	410	55	356	118	339
Asia	54	265	106	297	45	251	75	201
America	38	180	16	64	9	81	33	98
Europe	1	19	1	15	1	24	8	24
Pacific	1	4	4	26	-	-	1	12
Africa	1	-	1	8	-	-	1	4

Source: 2010 Statistical Yearbook of the Overseas Compatriot Affairs Commission page 29

With having these aggressive supports from the overseas Chinese, the Chinese government recognized the importance of the overseas Chinese and began to establish the foreign trade, and foreign relations using the overseas Chinese. Accordingly, the Chinese government placed the Office of Academic Affairs that manages the overseas Chinese Committee and overseas Chinese Business under the Political Consultative Conference, and they support the domestic and international activities of overseas Chinese politically. The size of the fund that China invested overseas in 2005 was around 5.5 billion dollars and most of these funds came from

the overseas Chinese. In other words, it can be seen that current overseas Chinese work as the advance guards who play roles in resource diplomacy of the Chinese government.

### The Influence of Overseas Chinese on Surrounding Nations

Difficulties in Local Adaptation due to Enforcement of Chinese Education

The development of relationship between the Chinese government and overseas Chinese influence on the overseas Chinese society, and the biggest

influence is the language. Originally the overseas Chinese did not use Mandarin but instead, they used the dialects of hometowns and the languages spoken in their regions. However, as China made huge profits from the enormous market, many overseas Chinese immigrated back to China and learned Mandarin, and the overseas Chinese society (community) that was divided into 5 dialects and regionalism is now becoming the single integrated society with having the Mandarin as the standard language.

The Chinese government supported the work of teaching Mandarin to overseas Chinese in order to make Mandarin as their only language, and the Chinese government is pursuing the business that will establish the schools for overseas Chinese abroad with the overseas Chinese and dispatch the instructors.

The reason why Chinese government is interested in education business is because each of the overseas Chinese who have long histories uses different languages and interests, and the government felt that it was necessary to integrate them. Due to these integrated education system, the overseas Chinese are growing as the identical community sharing identical language, history, and philosophy as the original Chinese and with having these influences, the entire community of the overseas Chinese began to use the standard Mandarin as their common language. Although these educations may be helpful in improving the identity for overseas Chinese, as overly many Chinese people immigrated to the regions settled by the typical overseas Chinese, there have been frequent conflicts occurring between them, and also between the local people and the mainland Chinese. In October 2011, there was a large-scale Chinese protest in Milan of Italy, and they ignored the questions asked by the journalist and requested for the apology by the Italian police. As for how the incident developed, although the city prohibited the wholesale business, Chinese reported their business as the retail business and made huge amount of profits by doing wholesale business, and additionally, even though they were prohibited from parking large cars due to possibility of the traffic congestion, they blocked the roads with large cars in order to distribute products into wholesales stores, and eventually the police came out for crackdown for Chinese people doing their businesses not considering the surrounding environments, and in response to that, the surrounding Chinese merchants began to protest and it became a large-scale protest.

The reason why this kind of incident occurs is because the Chinese people believed that Chinatown is the land of China, and thus the regulations of China should also be controlled by themselves based on the school relations and regionalism, that make them ignore the laws of the corresponding nations for the most cases.

The city of Prato in Italy is also having troubles with 40,000 of both legal and illegal Chinese residents, and 30 years ago when Chinese investors came, the city of Prato welcomed them, but now the media is opposing them. The reason is because of their conservative attitudes refusing communications with the Italians, conducts ignoring the local laws, conducts of reporting little amount of their income, and the productions of low-price products using the illegal immigrants. These sorts of phenomenon not only appear in the Chinese who reside in Italy, but they commonly appear in all regions of Chinese communities throughout the world.

#### **Corruption Connection of Overseas Chinese and Local Governments**

When the success stories of South East Asian overseas Chinese are considered, it can be seen that for the most part, they had a close relationship with regional political leaders, and the typical overseas businessman Lynn ShaoLiang (林紹良), enjoyed many exclusive privileges using the friendship with the president under the regime of Suharto, and he exclusive monopolized the Indonesian flour and processing sales, and he also monopolized 40% of Indonesian cement. Most of the overseas Chinese have the tendency to collude with regional political leaders in order to promote the security of themselves, the minorities residing in South East Asia that is economically, politically outdated, and also to safely expand their businesses, but due to this, conflicts with the local residents occur frequently. It was same for the case of Myanmar that has close political relationship with China, and as major tourist shops were already moved to the hands of the Chinese that made the local people to lose their jobs. In addition, the Chinese used bribery to government officials so that the local businessmen cannot do their business around them, and they also hired illegal Chinese immigrants to illegal businesses, but despite the fact that they commit many illegal conducts, they are rather protected by the government, and there have been even some cases in which the local people who accused were arrested. Especially the Chinese who advanced by doing re-

source diplomacy with Africa recently, intervened in human rights abuses of the corresponding region having corrupt relationships with African nations of dictatorship, and the typical example is that when the residents who opposed against the policies of becoming Islam-like implemented by the Sudan government, China provided the Sudan government with the weapons necessary for suppressing the crowd and even dispatched advisory groups. Due

to these diplomacies by the Chinese government, the overseas Chinese were able to accomplish the economical success by receiving more economical benefits. In other words, although the overseas expansion of Chinese may be beneficial for pursuit of profits of Chinese and the dictatorship, it can be seen that it may steal the commercial supremacy of corresponding local residents and it may also frequently abuse the human rights

**Table 6** – Corruption perceptions index in Central Asia and Southeast Asia

	Rank of overseas Chinese	Corruption perceptions	Rank		Corruption perceptions	Rank
Indonesia	1	3	100	Kazakhstan	2.7	120
Thailand	2	3.4	80	Uzbekistan	1.6	177
Malaysia	3	4.3	60	Kyrgyzstan	2.1	164
Philippine	7	2.6	129	Tajikistan	2.3	152
Myanmar	8	1.5	180	Turkmenistan	1.6	177

Source: Transparency International

The chart above shows that the corruption index of the Central Asian nations is much higher than that of South East Asian nations. Accordingly, it can be presumed that if the overseas Chinese advance to the Central Asian region, the possibility for them to make more corruptions to protect their commercial supremacies by colluding with government officials will be much higher than the South East Asian region.

#### **Weakening of Local Economy due to Deals of Overseas Chinese and Chinese Government Intervention**

During the financial crisis in 1997, there was a large-scale anti-Chinese protests and riots, and the reason for these riots is not simply due to the jealousy and resentments about the fact that the overseas Chinese have economically dominated the South East Asia from a long time ago, but it is because of the fact that the overseas Chinese invested huge amount of money to recover the Chinese economy when each of their corresponding nations needed the foreign currencies because they were going through economic crisis, but since the foreign currencies were withdrawn, the economic crisis was intensified.

Although from the perspectives of overseas Chinese businessmen, it may be a reasonable choice to expand the business by securing enormous Chinese market during the financial crisis, but from the perspectives of the local economy, it may look like conducts to accumulate individual wealth declining the local economy, and it may be inevitable for them to go through the conflicts due to differences in values pursued by each other. As reflected, the overseas Chinese deal all the products and funds only with each other in order to protect their commercial supremacies, and they do not make contributions to the development of local economy.

Especially the overseas Chinese are forming the loan system to supply the funds quickly when one of the overseas Chinese in the world tries to do a business by constructing the network with the development of the internet. Accordingly, when a nation from a region of developing nations is going through economical difficulties, if they make investment with the huge amount of loan by using the video system of the overseas Chinese of that particular region, it may be possible to dominate the local economy within few days. Accordingly, as for the cases of developing nations in which decent systems are not implemented, they will not be able to win the competition against the organized force of the overseas Chinese.

**Table 7** – Loan area and amount of Overseas Credit Guarantee Fund in 2010

\$ Thousands

Region	Loan		The Amount of Loan		Deposit	
	Case	%	Dollar	%	Dollar	%
Asia	1,087	18.8	58,555	21.0	37,000	21.2
America	4,125	71.3	192,705	69.2	124,615	68.7
Los Angeles	1,623	28.0	97,602	35.1	60,218	33.2
New York	848	14.6	41,872	15.0	27,324	15.1
Europe	221	3.8	5,248	1.9	3,800	2.1
Pacific	181	3.1	4,889	1.8	3,668	2.0
Africa	175	3.0	16,915	6.1	10,766	5.9
Johannesburg	141	2.4	15,266	5.5	9,612	5.3
Total	5,789	100.0	278,312	100.0	181,266	100.0

Source: 海外信用保證基金

**Table 8** – Overseas Credit Guarantee Funds Status

\$ Thousands

Year	International Credit Fund (海外信用保證基金)			Avg loan	Ave deposit
	Case	Loan	Deposit		
2001	358	15,366	9,217	40	26
2002	300	12,426	7,900	41	26
2003	336	13,862	9,071	41	27
2004	311	15,257	10,263	49	33
2005	313	18,387	12,142	59	39
2006	304	19,650	12,577	65	41
2007	277	18,690	11,845	67	43
2008	253	16,264	10,450	64	41
2009	250	20,797	13,037	83	52
2010	278	23,685	14,494	85	52

Source: 海外信用保證基金

One of the megamillionaires in China, Huang Nu Bo applied to the Ireland government mentioning that he had intention to use \$8.8 million for purchasing the real estate and investment in order to construct large-scale environment-friendly resort and recreation facilities by purchasing 300 square km of land in Grimsstadir a Fjollum region of Iceland, but it was rejected on November 26th 2011. It was because of the fact that 0.2% of real estate of the entire Iceland region was about to be in possession of a single foreigner, and also because the physical size of the real estate was overwhelmingly enormous to be a resort to such an extent that it was suspected to be an advanced base for China advancing to the North Atlantic Ocean.<sup>3</sup> Especially, the fact that Huang Nu Bo had been former senior civil servant working at Publicity Department of

the Communist Party of China (中共中央宣传部) and at Ministry of Housing and Urban-Rural Development of the People's Republic of China (住房和城乡建设部) convinced these kinds of suspicions even more. As most of the Chinese megamillionaire had close relationships with the Chinese politicians and as their economic activities are ambiguous, it is sometimes difficult to distinguish whether their business activities are corporate activities or governmental activities. The possibility that Huang Nu Bo who is a former senior civil servant obtained important information using his political contacts who worked in the Ministry of Construction and the publicity departments while he managed the Beijing Zhongkun Investment Group is very high. Accordingly, it would be difficult to deny the possibility that there was a relationship with the Chinese political world in terms of purchasing the overseas real estate. This sort of corrupt relationship between

<sup>3</sup> China's Huang Nubo seeks Iceland land for eco-resort, BBC News Europe, August 30 2011



political and the business circles are the factors that prevent the Chinese economy from soundly developing, but in a strategic level of the world, it will be highly effective for occupying the overseas market. The amount of money that disappeared due to various corruptions in China from 2003 to 2006 was around \$367.5 billion and the number of officers who were higher than the chief that appropriated to overseas until 2007 was around 4000 and the amount of money they appropriated was around \$191.3 billion. Especially, according to the Chinese economist Hu An Gang (胡鞍鋼), the amount of money that disappeared due to corruptions since the 90s was around 13.3 ~ 16.9% of the Chinese GDP. Accordingly, it can surely be presumed that the possibility that some portions of this enormous amount of money are linked to the former civil servants who immigrated to foreign countries or escaped to overseas, and are used for purchasing the large-scale real estate in overseas. The phenomenon of Chinese people purchasing the real estate did not just happen in Iceland. In Japan, due to dramatic increase of number of foreigners purchasing the real estate, there has been some attempts to make bills to limit it. According to the most of the Sankei Newspaper (産経新聞), since many Chinese and Korean are obtaining the real estate in Hokkaido, Nagasaki, and Tsushima, the related bills were made in order to limit them. Especially in Tsushima, the real estate near the Jietai facilities were proved to be taken over to Korean capitals and it was also reported that there were 33 cases with increment up to 820ha for foreigners acquiring the forests in Hokkaido, 12 cases among them were done by the Chinese capitals.<sup>4</sup> According to Japanese journalist Arimoto Kaori (有本香), 70% of the total area in Chiyoda (千代田) of Hokkaido (北海道) were possessed by Chinese. Especially the location of the real estate purchased by Chinese were for the most part near major public office facilities such as Jietai military facilities, nuclear power station, and police station, and although the Chinese government sent a message to Japanese government mentioning that they desired to purchase the Senkaku Island (尖閣諸), the area of territorial disputes for \$5 billion, but the Japanese government denied it. In other words, it can be seen that the purchase of the real estate by Chinese in Japan is not at the level of individual investments.

Also in Korea there is increasing number of pur-

chase of real estate by Chinese and on September 23<sup>rd</sup> 2009, the Jeju-Island governor, Kim Tae-Hwan met with people related to Benma Group (奔馬), people related to Yiho-Land and the Chinese politicians such as directors of Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) at the Diaoyutai State Guesthouse (钓鱼台国宾馆) and announced that he will sign the MOU that will invest 2.5 billion Yuan for 3 years on the Jeju Yiho land development project in form of purchasing the shares. The development project of Benma Group to work together with Jeju Yiholand that will make family hotels, medical hotels, luxury shopping malls and etc. by investing \$521.3 million in Yiho amusement park in Jeju that is 255,713m<sup>2</sup> was approved by the Korean government.<sup>5</sup> In the beginning the business expense of the Yiho Amusement Park was expected to be \$367 million but the Benma Group decided to invest \$521.3 million that is much higher than their initial expectation and thus the initiative of this Yiho Amusement Park project will be held by Chinese corporations.

At the time when this contract was signed, it can be understood that the Chinese government was very interested in this contract based on the fact that they used Diaoyutai State Guesthouse, one of the Chinese government facilities, and the fact that the government officials also participated. Especially, it is presumed that this contract has a close relation with the construction of the U.S. military base in Jeju Island, and in fact, the Korean government has negotiated with the U.S. soldiers about the construction of the military base in Jeju Island, and although they tried to work on the construction near GangJeong Village in Jeju Island in 2011, it was stopped due to protests by local residents. Also, the location of the resort business that is propelled by china is interesting and the reason is because it seems that there is a relation between the coastal wilderness that Chinese businessmen purchase on a large scale, and the construction of the U.S. military base. If The U.S. soldiers cannot build the military base that is expected to be constructed in GangJeong Village due to the protests by the local residents, the coastal area in Jeju Island in which no one lives in due to strategic importance of Jeju Island may be considered as the new place for the construction of military base. However, since most of the current real estate that Chinese purchase is the coastal wilderness area in Jeju Island, if this happens, the U.S.

<sup>4</sup> 外国資本の森林買収、昨年は計約45ヘクタール半数以上が中国 林野庁など発表, MSN 産経ニュース, May 21 2011

<sup>5</sup> 중국 분마그룹 제주이호랜드에 3년간 6천억 투자, Jejusori.net, September 23 2009

soldiers will not be able to construct the military base in Jeju Island.

In addition, Jeju Island current has imported the Public Fund Investment Immigration System in 2011 that entitles the foreigners who invest more than a certain amount of capitals on public undertaking such as the roads, harbor, and construction for more than a a certain period of time, to have the permanent residency in order to facilitate these kinds of investments.<sup>6</sup> Due to this, many Chinese investors in Jeju Island currently are purchasing the real estate in Jeju Island and simultaneously obtaining the permanent residency, and as a result, the Jeju Immigration Office conferred the first certificate of the permanent residency to the CEO of Benma Group Jiang Xian Yun (蔣賢云) on November 14th 2011.

The feature of the foreign investors of real estate is that most of the foreign investors are Chinese, and considering that they are either real estate company or megamillionaire that have close relationship with the Chinese government, it looks like the construction of the large scale resort that is underway in Jeju Island, that is the real estate that can be used for building the U.S. military base, is being preoccupied by Chinese. Along with this, other regions are also importing the Investment Immigration System, and the YongJong district of Incheon, Song-Do, and Cheongna District, have also made the system that entitles the foreigners to obtain permanent residency if they make investments, providing the Chinese with the opportunity to occupy the West Coastal region that is close to China through investments.

Another problem of issuing the Korean permanent residency is that it does not only confine within Korea but it will also influence Japan as well. As mentioned above, Japan is considering about the bill that restricts the Korean people from purchasing the entire real estate around the land nearby Self-Defense-Force located in Tsushima Island. The question is that they may not be Koreans. In general, when making a real-estate investment, the airports and the military bases are the ones that should be primarily out of consideration. Nevertheless, the fact that Korean people purchase the land near the military base in Tsushima Island that is distant from the center of the Japanese economy is illogical. Even if they purchase the land, they would not be able to invest and why would they pay money for the meaningless land? The possible scenario about the Korean investments in Tsushima Island in Japan could

be that the Chinese who changed his nationality to Korean, or the Chinese businessmen who use the Korean name, are purchasing the Tsushima Island. The reason is because if the U.S. military base cannot be constructed in Jeju Island, the next possible candidate would be the Tsushima Island, but if the land nearby the Self-Defense-Force is possessed by Korean, it will be difficult the build the U.S. military base. Especially, as the Tsushima Island is a sensitive region that may cause the typical conflicts between Korea and Japan, even though it becomes impossible to construct the U.S. military base in Tsushima Island because the land is owned by Korean, and it becomes a hot social issue, the possibility of failure of the construction of the military base in Jeju Island and Tsushima Island is high because of the Japanese civic groups protesting against the construction of the U.S. military base, demonstration of Koreans who have anti-Japanese emotions for having to sell the lands in Tsushima Island, and passive attitudes of Korean-Japanese politicians who do not desire to see the conflicts between Korean and Japanese due to the U.S. military base problem. In other words, it can be seen that the Investment Immigration Policy that is happening in Jeju Island is being used as a very good system for China to interrupt the construction of the U.S. military base.

Not only the Benma Group, but also the Baitong Group in Qingdao is taking the administrative steps in order to make the comprehensive resort such as the beer museum and resort condominium in NamWon-Eup of Seo-Gui-Po that is 5,770,000m<sup>2</sup>. According to the concerned person in Jeju Island, there are currently 5 ~ 6 corporations propelling the Jeju investments and the size of the business is around \$2.6 billion. According to the report by the Ministry of Land, Transport and Maritime Affairs in September 2011, the domestic real estate owned by the foreigners is 229,290,000m<sup>2</sup> that is 0.2% of the Korean territory and it is \$28.1 billion. Although the land purchase by the foreigners have increased since opening of the real estate market in June 1998 and stopped from 2002, the land purchase by the Chinese had steadily increased and the land owned by Chinese that was 65,000m<sup>2</sup> in 2nd quarter of 2007 had dramatically increased up to 70,3000m<sup>2</sup> by the 3rd quarter.

Also in Hong Kong, there is increasing amount of fund inflow by the mainland Chinese, and according to the Centerline Property (中原地產), among sales contract of newly registered or existing homes in the first half of 2010, the weight of sales made by the mainland Chinese was 10.8% compared to the total amount, and 6.7% compared to the total number

<sup>6</sup> 공공펀드 투자인민제 도입 주목, Jeju Newspaper, June 6 2011

of sales. Especially as for Jiu Long (九龍) in which high-speed train is expected to be constructed, the trade with mainland China is expected to be facilitated and more than 40% of the monthly sales are made by the mainland Chinese. Due to this, the weight of the real estate in Hong Kong GDP is greater than 20% and due to the overheated real estate speculation, the house price in 2009 soared by 30% and additionally 13% in 2010 and that made it more difficult for low-income families to purchase houses. In conclusion, the Hong Kong economy also cannot avoid from encroachment of the mainland Chinese.

### **Becoming China-like after the Economical Encroachment of China**

One of the most significant problems from the influence made by the overseas Chinese to other nations is that if Chinese start to flow into a certain region, they will dominate the local economy by using the organizational power and the funds as mentioned above, and they form corrupt relationships with politicians, but when the formation is complete, the corresponding nation would be politically subordinated in China and be incorporated into the Chinese territory at a certain point.

Among the 5 overseas Chinese organizations in Chinese history, the overseas Chinese who were out of the influence of the Chinese central government were the Guangdong overseas Chinese with their base in Hong Kong and the Fujian overseas Chinese with their base in Taiwan. Since these two organizations were incorporated into nations that had separate political organizations as they went through the colonial period in 19th century, the Second World War, and the Chinese Civil War, they were more Western than the other overseas Chinese and they took negative positions against the China's centralized governance. But as Hong Kong was returned to China in 1997, the Hong Kong people became unable to be away from the control by China's centralized government. Especially since the recognition by the international community was that Hong Kong was the China's territory, the Guangdong people with their base in Hong Kong area were going through difficulties without international support to have their own independent nation. Accordingly, Hong Kong has been slowly becoming China-like after the merger, and enormous number of people in the Hong Kong financial world and the politicians who denied it immigrated to the U.S.

Taiwan is also rapidly becoming China-like, and in October 2010, as China and Taiwan signed

on Economic Cooperation Framework Agreement (两岸经济合作架构协议, ECFA). China obtained the opportunity to expand their economical influence in Taiwan, and Taiwan obtained the opportunity to advance to the domestic markets in China. The reason why the contract was signed though it may not be economically beneficial for China, is because they are aiming to absorb Taiwan for unification in the long term. As for Taiwan, as the prolonged one-man rule has been historically in place for a long time by a small number of rulers who came over from the continent during the days of Chiang Kai-Shek's reign, the dialects of Fujian region was abolished and as the policy of using the standard Chinese spoken in Beijing was implemented, there was no linguistic problems in communication with the Taiwanese people making it easy to absorb them, and thus if they open the Chinese market to Taiwanese, the Taiwanese may initially benefit from their advances into Chinese market and achieve economical growth, but as they increasingly depend on China economically, they will start to lose their political independency as well, and that will increase the possibility of their absorption into China. Currently, as 31.8% of Taiwanese export and 60% of FDI are China, China is becoming an indispensable economical trade nation to Taiwan. In addition to that, as direct flights have been established, 1.06 million Taiwanese people had visited China in 2009 and that is 269% higher than the previous year. This sort of economical dependency influences on the political world, and as the Chen Shui Bian (陳水扁, Taiwanese: Tan Chui Pin) of the Democratic Progressive Party (民主進步黨) from Taiwan became the president in 2000, he attempted to reform escaping from China's control for the first time in Taiwanese history, and although he also tried the political and economical independence of Taiwan, since the mainland Chinese had dominated the political and economical power, and as most of his economical policies failed, he, in the end, lost to Chinese Nationalist Party (Kuomintang) in January of 2008, and Chen Shui Bian became the first Taiwanese president who was sentenced to life imprisonment in 2009 for bribery. After that, the Chinese Nationalist Party implemented pro-Chinese policies that is regarded to be 3rd Kuomintang-Communist Collaboration that made it difficult for Taiwan to be economically independent from China. The Chen Shui Bian incident is considered to be a typical case that reflects how the Chinese immigrants can provide influence in local administration.

**Table 9** – The Trend of Weight of Export Depending on the Regions in South East Asian Nations (%)

	China		USA		Japan	
	2005	2009	2005	2009	2005	2009
Indonesia	7.8	10.4	11.5	10.5	21.1	16.8
Malaysia	6.6	15.1	19.7	11.7	9.3	8.6
Philippine	9.9	21.0	18.0	13.9	17.5	12.8
Singapore	8.6	9.7	10.4	6.5	5.5	4.5
Thailand	8.3	10.6	13.6	10.9	15.4	10.3

Source: KOTIS

As reflected in the chart, it can be seen that most of the major nations in South East Asia are incorporated into Chinese economy, escaping from the influence of the U.S. and Japan. China not only provides loans to South East Asian nations and imports the necessary raw materials from this region, but they are also increasing the speed of the economical trades by constructing the roads and the railways to incorporate them into Chinese economy. Due to this, the South East Asian nations are slowly becoming the supply bases for raw materials, but the reason why the South East Asian nations are increasingly cooperating with China economically is because the overseas Chinese are dominating the economy in these regions. To take Malaysia for example, the overseas Chinese who represent 25% of the entire population own 60% of shares of the listed corporations and 40% of the capitals, and thus if they implement the pro-Chinese economical policies, there will be no other force to hold them on check. Accordingly, it can be understood that the existence of the overseas Chinese is stronger factor than the U.S. capitals or military force for the expansion of the Chinese force.

### Conclusion

The diplomatic capability or the political capability of China is not relatively huge compared to European nations or the U.S. in terms of resource diplomacy. Due to this, as one of the various methods to exercise their influences to the nations of their interests, China is working hard to dominate the economy of local nations and to raise the pro-Chinese politicians, by using the greatest advantage that China has: the population.

The reason why the Chinese can constantly have solid economical foundation despite the large-scale anti-Chinese protests and riots after the South East Asian financial crisis in 1999, is because they have close relationship with the local politicians, so that

even though they may temporarily look like they collapsed in the period when the dictatorship regime is collapsed, they can still build decent relationship with the newly emerged politicians so that the influence of the overseas Chinese in South East Asia did not diminish but it was rather maintained. In addition, with the enormous amount of fund support from the mainland China that succeeded in economical development after the Reform and Opening up as well as the political support from the Chinese government, the influence of the overseas Chinese is spreading out to the entire world.

Although the military strategic advance of the U.S. with its naval bases, air-force base constructions in strategically significant nations may create conflicts with the local residents, the investments and immigration strategy by the overseas Chinese based on the economical advance of China not only provide benefits to local economy in short run, but also the entertainment to the politicians, so that they could rapidly dominate the local economy in short period time avoiding the protests of the local residents, and establish a community based on Chinese. Accordingly, as time consumed for the U.S. global business strategy gets longer, it will be more costly and it will be more likely to see the anti-U.S. emotion due to conflicts between the local residents and the U.S. soldiers, whereas the Chinese global business strategy is a economical advance based on economical fund provision, so if the developing nations constantly receive the funds from China they will be included and be controlled by the Chinese economy in the long run, which implies that even though the population of the overseas Chinese is constantly imported to such an extent that their economical development is interfered, they will have no choice but to depend on China due to their economical structure, and they will slowly become China-like even though they may have anti-Chinese emotion.

Accordingly, it will be meaningful for Kazakhstan to study the cases of other nations about the problems on how the labor workers and

immigrants into Kazakhstan should be treated from now on for in terms of doing economical relations with China.

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