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**BUSINESS NETWORK OF CHINESE IMMIGRANT IN KUPANG  
MUNICIPALITY, WEST TIMOR – INDONESIA**

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**Abstracts**

The business of Chinese ethnics in many regions in Indonesia had shown great success. This evident was an interesting phenomenon to be studied. The success of the Chinese's businessman was indicated by its share were 70 % of Indonesian economics was dominated by 4 % Chinese immigrant businessmen (Tanzer, 1994:139).

In general, the objective of this research was to determine the picture of business network of Chinese immigrant in Kupang Municipality. To be more specific, this research wanted to be determined and to analyze factors influencing the success of businessmen in Kupang Municipality.

The research problem was how business networks of Chinese immigrant were developed. This research was located in Kupang Municipality, East Nusa Tenggara – Indonesia.

The population in this research covers 2,594 Chinese entrepreneurs (Statistic Bureau Kupang, 1999). Samples were taken under disproportionate random sampling. There were 29 wholesaler and 71 retailers that made up 100 samples. Primary data for this research was obtained from observation, interview, and questionnaires. The data collections were analyzed descriptively.

In managing their trading building business, network with their business partners, Chinese entrepreneurs use and maintain faiths that were important their reputation. This faith had important implication in the decreasing of the economic-transaction-costs that threat business organization from time to time. The faith among business partners was put through contract mechanism that implicitly practiced by Chinese entrepreneurs in developing their business network in Kupang Municipality or in other regions Indonesia. In contrary, these who behaved dishonest were treated through implicit mechanism rather than explicit mechanism. The dishonest would have no information access, kicked out from the business network and then considered as non-exist. Therefore, business network of the Chinese entrepreneurs can be used as a model for establishing business partnership among entrepreneurs.

**Rationale**

The business of Chinese immigrant in over the world shows a success. This success is as an interested phenomenon needed to study in details. The achievement of Chinese's businessman was indicated by the number of asset owned in ranging from US \$ 2 – 4 trillions. According to Andrew Tanzer estimation (1994:139), there are 57 millions Chinese's spreads out all over the world. In Asia such as; Taiwan, Hong Kong, and Macao there are 53 million

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Chinese immigrants. Even number of ethnic Chinese or mostly called Tionghoa is small compared to 5 billion population of the world, but they have accumulated quite riches. This riches and the output of Chinese immigrant is US \$ 500 billion or equivalent to Gross National Product of China Continental itself.

For regional level only about 10 % of East Asia is Chinese, instead the dominant trading in this region (The Economist, December 23<sup>rd</sup> 1995 – January 5<sup>th</sup> 1996:79). In ASEAN countries, Naisbit (1996) found that majority companies are owned by ethnic china; in Thailand 81 %, Singapore 73 %, Malaysia 61 %, and Philippine 50 %. In Indonesia 70 % of economic sector is controlled by 4 % of population which Chinese, Malaysia 60 % controlled by 30 %, Thailand 60 % controlled by 3 %, and Philippine 70 % controlled by 30 %. Their numbers were relatively small, but they controlled a large part of economic resources.

The data published by Business Indonesia Data Centre (Adig Suwandi, Kompas, March 5<sup>th</sup> 1996:5), only 2 % or 4 – 5 millions of Chinese immigrant among 200 million of Indonesia own a half of asset. The number of asset is about Rp 271,889 trillion owned by 300 conglomerates. It is estimated that 78.3 % or Rp 212.832 trillions as foreign companies (China, India, and Arabic, etc). While native companies only 17.9 % or 48.668 trillion, and the remaining, 3.8 % are assimilation. The dominant businessman of Chinese immigrant also can be shown from 70 % of domestic private capital; this includes 160 out from 200 the large-scale business (Tanzer 1994:139).

## **Research Problem**

The research problem was how to the business networks of Chinese immigrant in Kupang Municipality were developed

## **Objectives**

In general, the objective of this research was to find out the picture of business network of Chinese immigrant in Kupang Municipality. To be more specific, this research wanted to be determined and to analyze factors influencing the success of Chinese immigrant businessman in Kupang Municipality.

## **Methodology**

The population in this research was covers 2,594 Chinese entrepreneurs (Statistic Bureau Kupang, 1999), that Indonesian Chinese (WNI) and Foreign Chinese (WNA) who live in Kupang Municipality. Disproportionate Random Sampling was used, because based on consideration that population was grouped into wholesaler and retailer. There were 29 wholesaler and 71 retailers that made up 100 samples. It divided into 29 persons were taken as wholesaler (20 for trading; 2 firm, 1 NV, 2 shops, 3 bakeries, 1 pharmacy distributor), and 71 for retailer. Primary data for this research was obtained from observation, interview, and questionnaires. The data collections were analyzed descriptively.

## **Result and Discussion**

The successes of business of Chinese immigrant also create a gape in productive asset own and produce an uncertain environmental business. This situation is manifested in jealousy and then creates to a riot and become a politic issue. Dominant factor on Chinese immigrant business may become one cause of the violence i.e. Situbondo case, Sanggau Ledo, Tasikmalaya, and Rengasdengklok, Ketapang, and other places in Indonesia.

Besides that, among the public opinion, it appears that ethnic Chinese cannot integrate, this prefer to business willing. This may lead to a mechanism to avoid conflicts. Chinese is Chinese, hated but needed. Indonesia has two faces on Chinese existences. Ambivalence

attitude of Indonesia is related to the image that Chinese only get the benefits or advantages. This benefit may create an arrogance of Chinese. On the other hand, from Chinese point of view, Indonesia is a country for work, life, and dead.

Mostly, the business is family orientated. This business orientated has positive impacts and negative impacts. The good impact may have a structure with less bureaucracy so for decision-making is quick and less conflict. On the other hand, negative impacts of this orientated the companies has a weakness for international competition because is managed by the person who no business trace. Inheritance can derive an ambitions and support for family members into family business. This metaphoric to wise words that first generation gather the money, second generation lend the money, and the third generation waste the money.

The form of Chinese immigrant business is based on family orientated and direct potential relation with inside the family or outside the family. The ratio of this relation as a density of a network (business network). In meantime to realize into connective of direct or indirect business agency. The network becomes stronger when the agency has a contact each other's. The level of contact called intensity. The agencies in business has the roles for example how much money or financial they have put or other contributions as a reality of their contribution in the network.

Chinese immigrant business is difficult to breakthrough by out-group because it is so solid. It is formed on social such as helping each other based on family trust, clone, region, or dialect like Cantonese's, Hakka, or Chiu Chow. The way of helping each other according to a social interaction is based on spirit of entrepreneurship which an integrated of three lessons (San Jiao): Taoism, Confucianism, and Buddhism. The worthies of San Jiao lessons are the truth of absolute humanity, respectful, gallant, unpretentious, bashful, faithful, solidarity, relationship, friendship, realistic, and sufferance.

Previous researches implicated three main points. First, in business Chinese immigrant always make network/group among them based on their heritages, regions, family, habitat, dialect, and skills. Business is practiced by Chinese immigrant capitalism spirit orientated. For instance able to take the risk has high dedication, competitive and high motivation, and trust in partnership. From terminology of transaction cost economic, trust is called implicit contractual. Second, the formation of group may get through the Chinese border. Cooperate between native population and politic. This situation is a mechanism to avoid opened conflict because of their minority. Third, besides uncertain situation and social interaction. This business group is formed to reduce a high transaction cost. High transaction cost may lead to less competitive business. Therefore, reducing transaction cost is aimed to achieve business efficiency, which as Chinese immigrant group rationality.

In general, this ethnic group dominates trading business. Disproportion Random Sampling was used, because based on consideration that population was group into wholesaler and retailer disproportional take sample are 100 Chinese immigrant business, it divided into 29 persons were taken as wholesaler; 20 for trading, 2 firm, 1 NV, 2 shops, 3 bakeries, 1 pharmacy distributor, and 71 for retailer.

To form network among Chinese immigrant in Kupang Municipality, implicit contractual mechanism more than explicit contractual. This may lead to honestly and trust as an important value. However, in business, conflict can not be avoided conflict because of trust and honestly disobey can be overcome by contractual implicit mechanism, exit from the group and do not have any access to the information system for the sustainable business as a social sanctions for them who disobey the rules (its central value).

## Conclusions and Recommendations

Actually, to develop business's performance the ethnic the determinant policy could learn from how the business network was formed by Chinese immigrant in Kupang Municipality. If economically, it can be approved that Chinese immigrant above the average level of population in Kupang Municipality majority trading is managed by Chinese immigrant, so the determination factor is business group/network. Chinese immigrant business network in Kupang Municipality has concentrated on centre value, density, connectivity, intensity and transaction cost. In business relation values of honestly, discipline, obey contractual; implicit must be the key as realization of trust if this condition disobey, the member of group is disapproved as part of network, this one of the sanction. Family members dominate the sustainable of business. The honestly in managing the business including non-family member who work and other relation. The relation among them should be keep by some ceremonial activities, meeting. Beside that, the easiness to get an information about number of things, prices, quality, order, expedition, negotiations approval and agreement.

The business network of Chinese immigrant can be used as a model for establishing business partnership among entrepreneurs, in two ways: firstly, by creating the central values of business; secondly, to guard against improper business and misused in business collaborates careful by putting the proportional contractual mechanism (explicit and implicit).

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