Year 2008 marked the thirtieth anniversary of the peak of ‘Boat People’ exodus, a movement started at the end of the Vietnam War in 1975. This war resulted in some three million people leaving their homes in Vietnam, Laos, and Cambodia. While much attention has been given to the boat people over the last three decades, little has been done on the society they left behind. Even less has been done on the overseas Chinese, who, as a group were made scapegoats for Hanoi’s inability to achieve socialism in the south, and who formed a large part of the boat people in the late 1970s.

Despite the remarkable growth in China-related studies, much of the scholarship on the overseas Chinese of the last decade has showcased the intellectual poverty that went with the economic rationalism of the 1990s. Terms like ‘network capitalism’ and *guanxi* dominated the field, being described as uniquely Chinese (never mind that the term *guanxi* was a Japanese creation), and were widely used to account for Chinese economic success. If articulating class through an ethnic lens may seem a question of harmless rhetoric in the academic world, in Vietnam, the Chinese paid a high price for this categorization. As Wee and Chan point out, this process of essentializing the Chinese *hides* ongoing real-world processes of colonialism, capitalism, and nationalism (Wee and Chan 2006).

This chapter tries to fill a gap in our knowledge and understanding of modern Vietnam and its southern society. It will focus on the crucial transitional period of the ethnic Chinese, particularly on the elites and the major business groups in post-colonial South Vietnam between 1945 and 1975.

**Putting the Chinese back to South Vietnam: 1945–1975**

There are myths regarding the Chinese in Vietnam and the first is Cho Lon. It has been described as Vietnam’s ‘China Town’ and in the 1950s it was ranked as the
‘second largest Chinese city outside China, next only to Singapore’ (Purcell 1965:169; Chang 1982: 4). This public impression of Cho Lon crystallized the stereotype of the Chinese as a closed and unassimilated group. There, Chinese lived, spoke their own language, and sent back to China the money they made in Vietnam. This notion of a clearly alien group helped the Vietnamese government in 1976 to single out the ethnic Chinese as the targets of socialist revolution, and to describe Cho Lon, as curiously not Saigon as ‘the capitalist heart beating within socialist Vietnam’s body’. Yet, as Engelbert points out, Cho Lon has never been a totally Chinese town, and conversely, Saigon was always, until the beginning of the Indochina War, a city populated in the majority by Chinese rather than French or Viet. Viet people had made up a good half of Cho Lon’s inhabitants throughout the prewar period, and more than a half of Saigon’s inhabitants were Chinese (Engelbert 2008). Hybridism was a century-old tradition and a way of life in the south.2

Along with the Chinatown image it was also believed that there was a ‘Chinese economy’ in South Vietnam. According to Hanoi, the ethnic Chinese controlled 100 per cent of South Vietnam’s domestic wholesale trade, 50 per cent of retail, 70 per cent of foreign trade, and 80 per cent of industry (Nguyen Khac Vien 1981: 267). If indeed this was the case, the Chinese in Vietnam would have enjoyed the strongest economic position among all their contemporary counterparts in Southeast Asia. On the other side of the political equation, overseas Chinese presses of the 1970s also widely reported that huge Chinese fortunes were lost during Vietnam’s socialist transformation process; some estimated that the loss was two billion US dollars (Lung 1975; Huaqiao jingji nianjian 1976). These assertions, driven by political agendas at the end of the Vietnam War, were accepted as truth and have never been independently tested.

A critical assessment of the economic position of the Chinese ultimately have to be based on an understanding of the fundamental changes taking place in South Vietnam from 1945 to 1975, and a comparison between South Vietnam and its Southeast Asian neighbours. I will start the attempt first with the rice trade.

Commercial rice production was the economic foundation of the Mekong delta from
the early eighteenth century on, and the whole rice economy, from financing the planting to collection and transportation was all done in this location. The rice trade was the key business for the Chinese and the crux of the rice trade was the rice mills, most of which they owned. It was a major avenue for Chinese capital accumulation but things changed dramatically in the 1950–1970s.

Rice production was the first and foremost victim of the First and Second Indochina Wars. Rice exports in 1935 and 1936 were 1,500,000 metric tons (Annuaire statistique de l'Indochine 1936–1937: 100). In South Vietnam's last plentiful harvest (1962/1963), however, only one fifth of the rice of pre-war period (322,570 metric tons) was exported, although this was the highest exports of the post-1945 period (Sansom 1970: 101). Naturally rice milled in early 1950s Cho Lon was less than 20 per cent of that of the 1930s (Zhang Wenhe 1956: 60). At the same time small mills mushroomed. Because of the running costs, the limited supply of rice favoured small mills rather than large ones. By 1958, rice milling, previously controlled by the Chinese in Cho Lon, had become virtually a village-level enterprise (Hendry year: 143–4), and rice marketing became more a ‘neighbourhood’ operation, to which small farmers engaged directly (Sansom 1970: 99). The removal of the middlemen was hailed at the time.

The breakdown of the Cho Lon Chinese monopoly on rice milling and trade was significant. It meant that this crucial Chinese business was affected from upstream to downstream. The erosion of the traditional rice-marketing system reflects the changes taking place in southern Vietnamese society, and profoundly changed the Chinese economic position in this society. Table 1 shows how much profit disappeared from this crucial sector of the Chinese economy.

Table 4.1 Share of profit on rice trade, 1936

<table>
<thead>
<tr>
<th>Secipient</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer</td>
<td>26</td>
</tr>
<tr>
<td>Middlemen</td>
<td>33.6</td>
</tr>
<tr>
<td>Carriers</td>
<td>21</td>
</tr>
</tbody>
</table>
Rice Mills | 5
--- | ---
Public Treasury | 14.4

Source: Robequain (1944:346)

This table shows that while in the 1930s 60 per cent of profit from the rice sector went to the Chinese by the late 1950s, 40 per cent of this profit was gone (Dacy 1986: 115). The differential between paddy price in the Delta and that in Saigon virtually vanished. In fact, after Vietnam began to import rice on a large scale, rice price in the Mekong Delta—rice producing area—was 10–15 per cent higher than the consumer market of Saigon’s wholesale price.

This loss of control of the rice economy was reflected in the following sectors:

**a. Credit market which used to be shared by the Chinese.** Traditionally it was common that peasants borrowed from Chinese merchants and paid in rice at harvest. It was called the ‘green crop loan’, and it was considered as a classic example of Chinese exploitation. In the 1960s, the big US dollars spent in the country seemed to have greatly eased credit conditions, such green-crop loans became uncommon in the Mekong delta (Sansom 1970: 109).

**b. Junk shipping** was closely related to the rice trade, Chinese owned 5000 junks at the peak time in the 1930s. Once the monopoly was broken and rice mill became a neighbourhood industry in the 1950s, nine out of 10 junks lay idle and shipping companies could not operate properly (Zhang Wenhe 1956: 63).

**c. Many mills had changed hands** since the 1930s and so had rice shops. According to a survey by South Vietnam’s Ministry of Economy in 1956, rice shops (Vietnam National Archives 1956):

<table>
<thead>
<tr>
<th>Rice shops in South Vietnam, 1956</th>
</tr>
</thead>
</table>

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It seems that in the long-settled areas of the Mekong delta: Ba Ria, My Tho, Tan An and Go Gong, rice shops were virtually all Vietnamese-owned, and so was the Cao Dai area of Tay Ninh. Chinese retained their dominance in the Trans-Bassac or the Mien Tay area. As a Vietnamese source indicated, by 1957 sixty percent of rice exported was by Vietnamese rice exporters (Chan hung Kinh te 1958:27).

If the 1950s saw a rapid decline of Chinese business in the rice trade and rice milling, from 1967 on they became even less relevant in this sector. Table 3 is South Vietnam’s rice exports for the 10 years between 1955 and 1964 (in 1000 metric tons).

Table 4.3 Vietnam's rice export for the 10 years between 1955 and 1964

<table>
<thead>
<tr>
<th>Year</th>
<th>Metric tons (1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>69</td>
</tr>
<tr>
<td>1956</td>
<td>24</td>
</tr>
<tr>
<td>1957</td>
<td>183</td>
</tr>
<tr>
<td>1958</td>
<td>112</td>
</tr>
<tr>
<td>1959</td>
<td>245</td>
</tr>
</tbody>
</table>
In 1967 alone, the United States organized 770,000 tons imported to South Vietnam (CIA Intelligence Report 1967), while the rice that South Vietnam exported from 1955 to 1959 was only 633,000 tons. From 1965 to 1975 South Vietnam imported rather than exported rice between 130,000 and 750,000 ton. The rice sector used to be controlled by the Hokkien, the richest dialect group among the Chinese, but between 1965 and 1968 when South Vietnam imported a large amount of US rice, many Hokkien merchants went bankrupt (Nguyen Van Huy 1993: 357).

Furthermore, successive land reform during this period dramatically changed landownership in the Mekong Delta and created widespread peasant landownership. The vast majority of agricultural producers became middle peasants, who often directly engaged in rice milling and marketing (The 1975: 106). The term ‘rice merchant’ no longer implied ‘Chinese’ in the South. Many landowner-farmers became rice merchants themselves. Sansom reported that by 1967 it was common to encounter relatively large landowner-farmers doubling as rice merchants in the villages where they lived (Sansom 1970: 101). Vietnamese sources of the early 1970s acknowledged this situation. One journal article pointed out that “the Chinese monopoly of rice trade had changed: the army can transport rice quickly; there are many Vietnamese in the rice mills; and the situation is the same with the rice collecting sector.” (Khuong and Quoc An 1970: 6)

Existing scholarship has ignored this profound change and has continued to claim that Chinese dominated the rice sector (Tran Khanh 1993: 47), despite the fact that the decline in rice production and the import of US rice made the profit margin small and often caused losses during the War period. Furthermore, the example of the rice sector shows a fundamental problem of chronology-styled ‘Chinese in Vietnam’ studies (Tran Khanh 1993, Chau 1992). They share a critical weakness in failing to examine

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>281</td>
</tr>
<tr>
<td>1961</td>
<td>140</td>
</tr>
<tr>
<td>1962</td>
<td>47</td>
</tr>
<tr>
<td>1963</td>
<td>296</td>
</tr>
<tr>
<td>1964</td>
<td>42</td>
</tr>
</tbody>
</table>
the Chinese economic position against the background of South Vietnamese society. Vietnam was not just a country in Southeast Asia. It was the focal point of the United States in Southeast Asia for the two decades between 1955 and 1975. More than 100 billion US dollars were spent on South Vietnam in those two decades. The majority of this expenditure and aid came through military and government channels, the very sectors where Chinese were absent. Was it possible that this excluded group still dominated the South Vietnamese economy, when the biggest piece of the economic pie was out of their reach? The following section examines the most profitable parts of this economic pie.

Ethnic Chinese investments in South Vietnam

Contrary to the traditional pattern of foreign trade in southern Vietnam, where rice exports was the leading industry, during the Vietnam War period it was the import rather than the export sector that was profitable. As Dacy points out, the export sector was seriously affected not only because of the War but also because the Vietnamese government’s fixed exchange rate, a policy calculated to maximize US aid. It grossly overvalued the piaster (the local term for money) thus severely curtailed exports, because the prices of Vietnamese products were too high. This policy encouraged imports and discouraged exports, and stifled industrial and agricultural developments (Dacy 1986: 85).

The claim that Chinese controlled 70 per cent of South Vietnam’s foreign trade cannot be sustained, if we note two basic facts. First is the export sector. Between 1956 and 1972 rubber—French owned—rather than rice produced two-thirds of Vietnam’s total value of exports. From 1973 to 1974 wood products and shrimp were the main stay of exports (Dacy 1986: 83). None of the three products was financed by the ethnic Chinese let alone controlled by them. Shrimp export for example was run by a Vietnamese businessman, Nguyen Ngoc Chuong, through his company Tan Nam Hai. In 1972 he was praised as the “most helpful” in South Vietnam’s export (Tuan san kinh te tai chinh, 1973).

Then there is the import sector. According to early 1970’s statistics from South
Vietnam, ethnic Chinese occupied 45 per cent of the import sector, in rice and food stuff, tea and feathers, plastic and hardware (cited from Khuong Huu Dien and Quoc An 1972: 69), while Vietnamese dominated the importation of livestock (13 out of 14 companies), medicine (66 out of 68), cement, bricks and chinaware (12 out of 13). The last items seemed to suggest that Vietnamese businessmen controlled materials related to construction, a sector important in the War period.

Data from 1970 confirmed the trend about the Chinese and rice milling, and suggested that rice milling as a Chinese-controlled business no longer existed.

Table 4.4 Rice mills in South Vietnam, 1970

<table>
<thead>
<tr>
<th>Region</th>
<th>total no of mills</th>
<th>Ethnic Chinese owned</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>240</td>
<td>26</td>
<td>10.8</td>
</tr>
<tr>
<td>II</td>
<td>121</td>
<td>18</td>
<td>14.8</td>
</tr>
<tr>
<td>III</td>
<td>253</td>
<td>46</td>
<td>18.2</td>
</tr>
<tr>
<td>IV</td>
<td>801</td>
<td>262</td>
<td>32.7</td>
</tr>
<tr>
<td>total</td>
<td>1414</td>
<td>352</td>
<td>24.9</td>
</tr>
</tbody>
</table>


The retail business was similarly shared by Vietnamese and ethnic Chinese. There were 6110 shops in Saigon that belonged to the first category of taxpayers (piaster $7000 tax per month), and 2492 were Chinese (41 per cent) (Huynh Truong Tan 1972: 100). That Vietnamese capital took up more than half of the profitable commercial sectors was an important departure of the economic order from the French period. To what extent was this result of the War? What we certainly see is that along with the remaking of the power structure there was a redistribution of resources and these changes largely re-shaped the lives of both Vietnamese and ethnic Chinese in the society of South Vietnam.

The banking sector shows the merging of interests between ethnic Chinese and Vietnamese. As Suehiro observed, while industrial leaders tended to collaborate with foreign capital, commercial bankers built their businesses through direct connections with political power holders (Suehiro 1989: 67). In 1974, purely Chinese capital in
banking was only nine per cent while 49 per cent was capital of mixed Vietnamese and Chinese origin (Trinh, et al. 1983: 22). This seemed to indicate links between top Chinese businessmen and Viet government and military leaders. Among the 40,000 capitalists in South Vietnam, 10,000 were senior army officers (Dang 2002: 885).

In this *ali-baba* alliance of the Viet and Chinese capital, Vietnamese capital was the dominant partner. One indication of this is that in 1971, Chen Cheng, a leading Teochiu Chinese, was congratulated for taking a position of the manager of the Chinese business desk of a secondary bank, the Meijiang Bank. Unlike contemporary Indonesia, Malaysia, Thailand and the Philippines where Chinese capital played an important role (Twang Peck Yang1998: 21), for most of the three decades covered by this study, South Vietnam did not lack capital, because of United States aid.

The most remarkable change of role for the ethnic Chinese was their move to industry. The experiences of other Southeast Asian countries show that it was at the level of major industries that one finds most clearly displayed the nexus of business, politics and the state. This nexus has been central to the Southeast Asian capitalist upsurge (McVey 1992: 9). To understand the Chinese in South Vietnam this certainly should be an important dimension, as 80 per cent of investment in industry was Chinese capital, which was agreed by all parties: Hanoi and Saigon officials, and the Saigon Chinese. Woodside points out that in the 1970s, Saigon produced most of Southeast Asia’s laundry powder, candy bars, salad oil, and cigarettes (Woodside 1979: 3). A leading Vietnamese economist, Dang Phong, comments that the steadiest investment in industry was by the Chinese. One of the leading Chinese in industry was Ly Long Than (Li Liang Chen in Chinese pinyin). He owned textile factory VINATEXCO, salad oil factory NAKYDACO, and sugar candy factory called LUBICO. The textile factory was founded in 1960, in answer to the South Vietnamese government’s call to develop more industries. Half of the capital, machines and technicians were supported by the Taiwanese government and the other half was raised by the Chinese in South Vietnam.

There are certain trades that indicate closer relations between the ethnic Chinese and Vietnamese power holders. For example, scrap metal contracts during the War. Ly
Long Than was able to receive most of these contracts and these scrap iron and steel formed the raw material of his steel factory the VICASA (Dang 2002: 886). Import businesses engaged in farm machinery may also need some attention. Because the widespread use of farm machinery in South Vietnam in the early 1970s, this import item was profitable and thus may have required closer relations with the regime. There was one Teochiu company carrying out business in this sector (Ou Qinghe 1979:109). It would be also interesting to see how many tenders for military logistics were Chinese.

It seemed that at least between the late 1960s and 1975 (or the Second Republic period) many Chinese felt inclined towards integration into the surrounding society. Chinese were running for local seats in parliament and campaigning for their Vietnamese associates. It was increasingly difficult to tell the ethnic ownership of companies by their directors, a result of frequent ethnic intertwined relationships built between the two. Advertisements for night schools teaching the Vietnamese language filled the pages of Chinese newspapers. All this suggests ethnic Chinese had taken initiatives in their integration (shared language, intermarriage, joint businesses and some political alliances) into South Vietnamese society.

Chinese Vietnamese constituted the majority of those who fled to Hong Kong in the late 1970s. Largely gone with them was the history of the Chinese in the war period and upon the broken pieces many myths have been constructed. This chapter represents a preliminary search into this lost history.
Notes

1. A notable exception is the work of Thomas Engelbert (2008) on the economic role of the Chinese during the first Indochina conflict up to 1954. As Christopher Goscha has argued, there is a need for research to take a regional perspective if we are to ‘liberate’ studies of the war from ‘their fiercely nationalist strait-jacket’ (Goscha 2000: 1018).

2. Cải lương opera is an example. Although it is described as a Vietnamese national theatrical form influenced by Vietnamese Tuong opera and French modern drama (see the official website of Ho Chi Minh City Council www.hochiminhcity.gov.vn), Chinese influence was clear, and the most well known Cải lương actor was a Minh Huong named Phuong Hao, whose father was from Heshan, Guangdong. It was believed that General Nguyen Khanh, the prime minister of South Vietnam in 1964 was Phuong Hao’s son (Feng Feng: 319).

3. Out of which 100,000 tons were from Thailand, 20,000 from Taiwan and the rest from the United States.

4. A leading bank, Ky Thuong Ngan Hang was reportedly to be established by Ma Hy, a Teochiu rice merchant, together with President Nguyen Van Thieu’s wife.
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for East Asian Cultural Studies.


Vietnam National Archives (1956) no. 2, file 07. 10119 PTTDI.


In 1945, the leaders of the Nationalist and Communist parties, Chiang Kai-shek and Mao Zedong, met for a series of talks on the formation of a post-war government. Both agreed on the importance of democracy, a unified military, and equality for all Chinese political parties. The truce was tenuous, however, and, in spite of repeated efforts by U.S. General George Marshall to broker an agreement, by 1946 the two sides were fighting an all-out civil war. Years of mistrust between the two sides thwarted efforts to form a coalition government. As the civil war gained strength from 1947 to 1949, the Chinese ruled northern Vietnam for more than 1,000 years and Chinese civilization had a great impact on the Vietnamese. However in South Vietnam there was Indian influence. From the 1st century to the 6th century AD the southernmost part of Vietnam was part of a state called Funan. In the middle of Vietnam, an Indian influenced state called Champa arose in the 2nd century AD. In North Vietnam, the people resented Chinese rule and in 40 AD the Trung sisters led a rebellion. They formed an independent state. However, in 43 AD the Chinese crushed the rebellion and the sisters killed themselves.

Vietnam: The History of an Unwinnable War, 1945-1975 University of Kansas Press ISBN: 978-0-7006-1634-3 665 pp. - $34.95. CIA involvement in South Vietnamese elections goes beyond what has been previously disclosed, and matches the scope of the agency’s controversial 1960s political action program in Chile [Document 2, pp. 51-58]. In the later period of the war, according to the CIA’s own historian, Saigon leader Nguyen Van Thieu's mistrust of the United States increasingly focused on the CIA [Document 2, p. 87].