



ISLAMIC ECONOMIC TEACHINGS AND THE RISE  
AND DECLINE OF *HUI* MERCHANTS IN CHINA: AN  
EXPLORATORY STUDY

BY

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## ABSTRACT

*Hui* merchants have played an important role in the international trade and economic development of historic China. Since the arrival of their ancestors in Tang Dynasty (618-907), during the last 1300 years, *Hui* merchants have experienced rise, decline, and revival in the business history of China. During the Tang (618-907), Song (960-1279), and Yuan (1271-1368) Dynasties, the *Hui* merchants have been very successful and wealthy had almost monopolized the international trade between the China Empire and the rest of the world. After the Ming Dynasty (1368-1644), however, their business empire began to collapse gradually. Now in the 21<sup>st</sup> Century, the fast-paced globalization process has brought about intensified competition to all business across the world. *Hui* merchants in China are no exception. In order to survive and prosper in the non-Muslim country with a predominated secular culture, it is essential for them to learn from their past glories and decays. In our view, *Hui* merchants might be able to revive their glorious past in this new environment by subscribing to fundamental values of Islam. In this study, we first introduce the historical background of *Hui* people and *Hui* merchants. Their cultural practices that are associated with business and economic activities are then discussed. Last but not least, we discuss about the Cyclic Theory of Ibn Khaldun, and how his Cyclic Theory could be applied to explain the rise and decline of the *Hui* merchants. In sum, our study concludes that the adherence to the teachings of Islam is the most important impetus for the historic rise of the *Hui* merchants.

## خلاصة البحث

ان التجار من قومية هوي (Hui) لعبو دوراً مهماً في التجارة العالمية وتطور الاقتصاد في تاريخ الصين . ف منذ وصول اسلافهم في عهد اسرة تانغ (618-907) ، وخلال آخر 1300 عام، فإن تجار هوي (Hui) شهدوا انتشار وانحصر ومنافسات في تاريخ الاعمال التجارية في الصين . خلال عهود اسرة تانغ (618-907) واسرة سونغ (960-1279) واسرة يوان (1271-1368) ، كان تجار هوي (Hui) ناجحين واثرياء حيث اوشكوا على احتكار التجارة العالمية بين الامبراطورية الصينية وبقية العالم . لكن بعد عهد اسرة مينغ (1368-1644) بدأت اعمالهم التجارية تنهوى بشكل تدريجي . الان في القرن الحادي والعشرون، جلبت عملية العولمة السريعة المنافسة الشديدة في جميع الاعمال التجارية حول العالم . ان تجار هوي (Hui) في الصين ليسوا بمعزل عن ذلك . ومن اجل البقاء والازدهار في بلد غير اسلامي والذي تسود فيه الثقافة العلمانية، فإنه من الضروري ان ياخذوا الدروس والعبر من امجادهم واخفاقاتهم الماضية . وفي نظرنا ان تجار هوي (Hui) يمكنهم احياء ماضيهم المجيد في البيئة الراهنة بتبني اصول القيم الاسلامية . في هذه الدراسة، بدأنا بتقديم الخلفية التاريخية لشعب هوي (Hui) وتجار هوي . (Hui) وعاداتهم الثقافية المرتبطة بالاعمال التجارية والنشاطات الاقتصادية . بعد ذلك، نناقش نظرية ابن خلدون لقيام الحضارات وسقوطها، وكيف يمكن تطبيقها لتفسير ازدهار وانحسار تجار هوي . (Hui) وبإختصار فإن الدراسة استنتجت ان الالتزام بتعاليم الاسلام هو اهم دافع للنهوض التاريخي لتجار هوي . (Hui)

## APPROVAL PAGE

I certify that I have read this study and in my opinion and that it conforms to acceptable standards of scholarly presentation and fully adequate, in scope and in quality, as a dissertation for the degree of Master of Arts (Muslim World Issues).

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# CHAPTER ONE

## INTRODUCTION

### 1.1 RESEARCH METHODOLOGY

This work proposes to study the business activities of the Chinese *Hui* (回) community in both past and contemporary times. The term *Hui* (回) is an abbreviation of the term *Huihui* (回回), which is used to refer a unique nationality in China (Baoguang, 1990). The uniqueness of this nationality is that it is neither a locally bred nor a foreign brought one, but rather as a hybrid of both. It is constituted by a group of immigrants from West and Central Asia, who have travelled, stayed, integrated, and eventually coexisted with all the other nationalities in China. According to the 6<sup>th</sup> National Census of China in 2010, the *Hui* is the largest in population among the ten officially identified minority nationalities that embrace the faith of Islam. In particular, the officially reported *Hui* population in 2012 was approximately 10.59 million, which amounted to 45.73% of the total Chinese Muslim population (Z. Ma, 2014). In addition, *Hui* people are also perceived to be one of the most urbanized minority group that mostly reside in the Northwest and Southwest provinces of China, including Ningxia, Qinghai, Gansu, Xinjiang, and Yunnan (Yuting Wang & Yang, 2011).

It is believed that the *Hui* people are the descendants of the Muslim traders who have traveled from Arabia and Persia to China through the Silk Road (Lipman, 1997; pp. 24-31). These Muslims traders have firstly visited and stayed in the Southeast coast of China, particularly in Guangdong and Fujian provinces, and then

penetrated into the Central and Northwestern regions. During the Tang (618-907) and Song (960—1279) Dynasties, these Muslim visitors have stayed in China only temporarily. Rather they have frequently commuted between China and their home countries. Since Yuan Dynasty (1271-1368), these Muslim visitors began settling down in China. They married with local Chinese women, multiplied and then gradually assimilated into the Chinese culture. With the passage of time, a distinctive nationality—*Hui* was formed (Li, 1999).

Being the descendants of the Arab and Persian merchants, the *Hui* people have inherited the business traditions of their ancestors. Impressively, they have almost controlled the international trade of China during the Tang (618-907), Song (960—1279), and Yuan (1271-1368) Dynasties, for nearly 800 years. The *Hui* community slowly flourished under the Song (960-1279) and Yuan (1271-1368) Dynasties with the harmonious integration between the Western and Eastern cultures. They succeeded in fusing the Islamic business culture further during the Ming (1368-1644) and Qing (1644-1912) Dynasties. In this process the *Hui* merchants played a prominent role in introducing the Chinese culture to the rest of the world.

Being a predominant force in international trade of historic China, the *Hui* community which has already experienced in business adopted Islamic teachings and established themselves as successful merchants all over China. It is believed that the *Hui* merchants were one of the most significant private merchant groups in historic China, particularly in terms of its geographic distribution and business diversity.

In the historical process, the rapid development of the business culture in China induced the emergence of various regional business groups, particularly during the Ming (1368-1644) and Qing (1644-1912) Dynasties. These regional merchant groups

are commonly known as “Ten Greatest Merchant Groups”<sup>1</sup>. Despite its historical significance, the existence of Muslim *Hui* merchants has been constantly neglected in both academic and practical worlds for quite a long time. Only recently, the Muslim revivalism process across the world has ignited the renewed interests on the importance of the *Hui* merchants in both historical and current contexts of China.

## 1.2 STATEMENT OF THE PROBLEM

Although the *Hui* merchants have played a remarkable role in promoting the business and economic growth in historic China, particularly in terms of international trade, their role has yet to be widely known today. Most of the available studies on *Hui* merchants can only be found from the Mandarin sources. Therefore it is remained unknown to the rest of the non-Mandarin speaking world. Also, the *Hui* community does not seem to be doing well in business in recent decades. Thus, we propose to examine this declined phenomenon in this study. In the current era of Muslim revivalism, the study on the history of the *Hui* merchants is expected to unearth the importance of the Muslims in the success of historic China. More importantly, the exploration on the determinants of their rise and decline is expected to shed some

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<sup>1</sup> The “Ten Greatest Merchant Groups” are ‘Jin (晋) Merchants’ in Shanxi province, ‘Hui (徽) Merchants’ in Anhui province, ‘Qin (秦) Merchants’ in Shaanxi province, ‘Yue (粤) Merchants’ in Guangdong province, ‘Min (闽) Merchants’ in Fujian province, ‘Gan (赣) Merchants’ in Jiangxi province, ‘Dongting (洞庭) Merchants’ along the Dongting lake, ‘Ningbo (宁波) Merchants’ around Ningbo city, ‘Longyou (龙游) Merchants’ in Longyou country, and ‘Lu (鲁) Merchants’ in Shandong province. Though the alphabetic spellings of The ‘Hui (徽) Merchants’ is same with that of ‘Hui (回) Merchants’, they are referring to two different and unrelated groups of businesspeople. In particular, the former refers to the historic business group located in Anhui province, whereas the latter is meant for the Chinese Muslim businesspeople with the ethnical identity of *Hui* (回).

lights on how Chinese Muslims merchants should prepare themselves to succeed in the current globalized world.

### **1.3 OBJECTIVES OF THE STUDY**

Our study attempts to achieve the following objectives:

- (1) To explore the method and nature of business activities of *Hui* merchants in China.
- (2) To identify the Islamic economic doctrines adopted by the *Hui* merchants.
- (3) To explore the key factors driving the rise and decline of the *Hui* merchants.
- (4) To identify the challenges faced by modern *Hui* merchants in the current globalized world, and propose recommendations for their future revival.

### **1.4 RESEARCH QUESTIONS**

This study will try to answer the following questions:

- (1) What is the role of *Hui* merchants in the international trade of historic China?
- (2) Are there any specific Islamic teachings that may have acted as motivating factor among *Hui* in practicing business? Did the teachings of Islam act as the important driving force for *Hui* merchants in the history?
- (3) Did political ideologies play role in the decline of business activities of *Hui* merchants?

- (4) Can *Hui* merchants rely on the teachings of Islam to revive their business in this globalized world?

Due to the dearth of studies on *Hui* merchants among the English scholarships, this study has primarily focused on literature written in Mandarin. In particular, data and information pertaining to the above mentioned research questions have been collected through an extensive literature review among both Mandarin and English scholarships. Since the nature of this research is exploratory, the primary sources such as archives for *Hui* Muslims, books, journal articles, conference papers, magazines, newspapers, and articles are the main focus of this study. In order to retrieve related Mandarin resources, we have primarily relied on the China National Knowledge Infrastructure (CNKI)<sup>2</sup>. In addition, library online databases in International Islamic University Malaysia including Academic Search Premier, Thomas Reuters Web of Knowledge, and ProQuest Dissertations and Theses have been accessed to find the relevant English resources.

### **1.5 SCOPE OF THE STUDY**

This study investigates the historical importance, current state, and future prospects of the *Hui* merchants in China. Although currently there are totally ten officially recognized Muslim nationalities in China, namely *Hui*, Uygur, Kazak, Ozbek, Tajik, Tatar, Kirgiz, Dongxiang, Salar, and Bonan (Z. Ma, 2014), this study will only focus on the *Hui* Muslims. The choice of such specification is mainly due to two

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<sup>2</sup> CNKI includes Chinese Academic Journal Database (CAJ) and Century Journals Project Chinese Academic Journal Database (CJP). The former contains approximately 2424 journals in History, Literature, Philosophy, Education and Social Science since 1994, while the latter contains many of these journals and extends our access from 1913 to 1993.

considerations: first, the *Hui* people amount the largest share of the Muslim population in China (Z. Ma, 2014); second, it is the most geographically scattered Muslim ethnic group in China (Yuting Wang & Yang, 2011). Because of these two distinguished features, the study of the *Hui* merchants is believed to be the best representative for the Muslim merchants in China

## **1.6 SIGNIFICANCE OF THE STUDY**

1. This work will be the first study conducted in English on the subject of Hui merchants.
2. This work is the first study that applies Ibn Khaldun's Cyclic Theory to explain the rise and declines of the Hui merchants.
3. This work enables both Western and Muslim worlds to recognize the contributions of Muslim merchants in historic China.
4. This work reaffirms that the economic teachings of Islam are conducive for the business success.
5. This work expects to develop ideas and recommendations on how Chinese Muslim businessmen could succeed in the current globalized world.

## **1.7 LITERATURE REVIEW**

The Hui people are believed to be the historical descendants of the intermarriages between several waves of migrated Muslim men and the native Chinese women (Yuting Wang & Yang, 2011). The authors further explain that these Arab and Persian migrants have a variety of professions, including merchant, diplomat, scholar, artist, religious leader, soldier, and so on. As per the historic origin of the Hui people, it can

be traced back to Tang (618-907) and Song (960-1279) Dynasties, when both China and the Arab Empires were two giants in the world (Baoguang, 1990).

Pang (1990) explains that there were close interactions and communications between China and Arab Empires during Tang and Song Dynasties (7th century to mid-13th century). The interactions have been mainly focused on three fields, including economic, political, and military one. In terms of the economic cooperation, the two empires had close trade links through the “Maritime Silk Road”, which is also known as the “Spice Routes”. In terms of culture, there had been extensive cultural exchanges between the two empires along the trade routes. For instance, the Chinese invented paper-making techniques were transferred to Samarkand after the Tang army was defeated by Abbasid troops in the Battle of Talas in 751 and the Chinese paper-making workmen were brought into Samarkand (Pillsbury, 1981). Last but not least, they have occasionally helped each other to defend the threats of the foreign invaders. For instance, on the request of Emperor Suzhong, in year 757, Arab troops were sent by Caliph Abu-Jafar to help Tang government to quell the rebellion organized by An Lushan (Pillsbury, 1981). As the result of these close interactions a large of number of Arab migrants swarmed into China, and subsequently many of them decided to settle down, get married, and multiply locally.

Lai (1988) identifies the Tang dynasty (618-907) as the period of infancy for the Hui people in China. More specifically, he explained that, being the earliest ancestors of this nationality, the Arab and Persian merchants who have resided and operated their business in Tang became the prelude of the Hui merchants. These merchants have travelled to China through two major routes: first, the “Spice Routes”, also known as the “Maritime Silk Road”, which started from the Red Sea, then passed

through the Persian Gulf, Indian and Malaya Peninsula, and eventually reached to the southeastern coastal cities of China; second, the “Silk Route”, which began from Chang’an in China, and connected to the Central, Western, and Southern Asia through Xinjiang (Gao, 1994).

The sprout of Hui people have continued in the Song Dynasty (960-1279). During this period, thanks to the advancement of China’s agriculture and handicraft industries, the trading activities between China and the rest of the world have expanded significantly. In addition, the emergence of the Liao (辽), Jin (金), XiXia (西夏) Empires in the northern parts of China have forced the Song government to pay more emphasis on the maritime trade. Due to the two prior mentioned conditions, a large number of Arab and Persian merchants have migrated to Song through the “Spice Route” (Lai, 1988).

Similar like in the Tang dynasty (618-907), the Arab and Persian merchants in Song dynasty (960-1279) have predominately stayed in the coastal cities in the Southeastern parts of the empire (Lai, 1988 & Gao, 2001). In addition, the authors added that the business activities of the Muslim merchants during these two periods have focused on tributary and civil trades, and the majority of their merchandises were luxury goods, such as spices, herbs, jewellery, ivory to China, and silk, porcelain and so on to be exported to their own countries. The importance of the Arab and Persian merchants during the Song dynasty (960-1279) can be evidenced from their contributions to the government tax revenues. In his book titled “Conspectus of Islamic History in China”, Bai (1946) states that among the 10 million annual government tax revenues denominated in the local currency at that time,

approximately 20 percent of which have been contributed by the Arab and Persian merchants.

At the end of the Southern Song dynasty (1127-1279), which was concurrent with the early Yuan Dynasty (1271-1368), the Mongolian army has conquered many empires in both Europe and Asia. Afterwards a large number of soldiers, scholars, technicians, and merchants have been recruited from the conquered territories and brought into China. These migrants include Arabs and Persians, who have different nationalities but share the same belief of Islam. Thus, such batch of migrants is believed to be the major source of foreign Muslim settlements in historic China. These foreign Muslims become the progenitors of the Hui people. In addition, because of the shared similarities between Arabs and Persians in the culture, experiences, and life styles, it was natural for them to integrate with each other after they have settled down in China. In such a way that a new community, which shares a common belief of Islam but has different nationalities, began to emerge in historic China (Baoguang, 1990).

Similarly, Wang (2000) postulates that because the number of the foreign migrants during the Tang and Song dynasties was still small-scaled and at the same time remained upholding the foreign nationalities, the Hui nationality is considered yet to be formed at that time. Besides the large number of Arabs and Persians brought into China by the Mongolian army during the Yuan dynasty, the permission and encouragement of the Yuan Empire on the intermarriages between the migrants and the native Chinese has laid foundation for the establishment of a new nationality, Hui.

Being different from Tang and Song dynasties, during the Yuan dynasty (1271-1368), the geographical spread of the Arab and Persian merchants have become even

scattered, and their merchandises have diversified into a wider range that include both luxury ones that serve the desires of the nobles, and the daily necessities that fulfill the needs of the normal citizens. In addition, thanks to the close relationship between the Arab and Persian merchants and the Yuan government and the enormous contributions of these merchants to the government tax revenue, social state of the foreign Muslim merchants have been elevated to the historical height (Gao, 2011).

In fact, in his book named “The History of Chinese Hui”, Qiu (1996) described that during the Yuan Dynasty (1271-1368), the trading activities of Arab and Persian merchants from the coastal cities to the Northern bordering regions promoted the development of the local economy. In addition, the prosperity of their international trading activities in China has induced the establishment of the proper regulatory framework to govern the international activities between China and the rest of the world. Having noticed the importance of Arab and Persian merchants during the Yuan Dynast, Lai (1988) has regarded this period as the important period for the development and popularization of Arab and Persian business activities in China, as well as the establishment of the Hui commerce.

It is in the Ming Dynasty (1368-1644), the Hui nationality was formally formed. During the Ming Dynasty, the decedents of the Arab and Persian migrants were born in China with local nationality. In addition, strict intermarriage policy between Arab and Persian settlers and the native Chinese has been imposed in the beginning of the Ming Dynasty. After their marriage with native Chinese, most of them have opted to use Chinese names, and even started learning and communicating with others using Chinese language. It is believed that the usage of Chinese as their

common language is an important sign for the establishment of the Hui nationality in China (Yun Wang, 2000).

In terms of their business in Ming Dynasty, it is found that business activities have become a common practice among the Hui people and the geographical spread of these merchants have become even scattered, but the social state of these people have started declining gradually (Lai, 1988). Similarly, Qiu (1996) stated that, after the establishment of the Ming dynasty, the social privileges enjoyed by Hui during the earlier dynasties have disappeared. The primary reason for the declined social state of the Hui people during that time was the concern of the Han (汉) elites in the Ming Dynasty.

In order to strengthen the Han regime, the Ming emperors and the Han elites have advocated for the installation of Confucianism in the society and state government. As for the minority nationality in general, and Hui people in particular, the Ming government has employed appeasing policies to restrain and enforce them to submit to the Han regime gradually (Ma & Ma, 2008). In terms of their business scope, the business focus of the Hui merchants during Ming dynasty has shifted away from the luxury goods to the daily needs of the people, for instance, tea, horses, cattle, sheep, salt, rice, local handicrafts, and so on (Lai, 1988).

The declined social and economic importance of Hui has been intensified in both Qing dynasty (1644-1912) and the Republic of China (1912-1949) period, where almost all the business activities of the Hui merchants are associated with the daily necessities of the Hui people (Gao, 1994). However, being different from the Qing dynasty (1644-1912), the semi-feudal and semi-colonial nature of the country after the

Opium War has not only prompted the growth of commodity economy but also the establishment of the national industries. Interestingly, the Hui businessman in the Republic of China (1912-1949) period have ventured into several industries that are unrelated with their daily life, for instance, the cotton mill factory, pharmaceutical factory, soap factory, and so on (Lai, 1988). However, the social state of Hui has declined significantly during this period. According to Qiu (1996), during the Republic of China (1912-1949) period, Hui was not an officially recognized nationality in China.

In terms of the historic significant of the Hui merchants, Wu (2003) explained through three aspects. First, the commercial activities of the Hui merchants helped to balance the agricultural-based traditional economic structure of historic China. Second, it has fostered the economic and cultural ties between Central and Frontier regions of China. Last but not least, their commerce activities laid foundation for the spatial distribution of the Hui people in China. In another study, Ding (2008) upheld that the Hui merchants have been an effective and critical force in China's social and economic development. In addition, their business culture is believed to be one of the most pioneering and hard-working spirits among all the commerce groups in historic China.

As for the business doctrines of the Hui merchants, Ma (2008) revealed that they are in accordance with the market mechanisms and consumer psychology. In addition, these doctrines are believed to be the tactics and strategies manifested through the process of business transactions. It is believed that, the glorious success of the Hui merchants in historic China can be largely credited to these business doctrines. In another study, Ding (2008) elaborated that these business doctrines are the by-

products of the Hui merchant culture. Such culture is believed to be a hybrid type, which harmoniously fused the Islamic and Chinese cultural ingredients. On one hand, it inherited the teachings of Islam that emphasizes on the two-dimensional success in both this world and hereafter. Thus, Hui merchants have to endeavour in this world to success in their own professions. At the same time, their practices of commerce have to be just, fair, honest, and social responsible so that they will be pleased by Allah (SWT) so that they could success in the hereafter. On the other hand, the Hui merchants have also inherited the ethical teachings from the Chinese culture, particularly with the influences of the Confucianism, which advocates the business practices to be reputable, fair, pragmatic, persistent, hardworking, helpful to the society, and so on.

With regards to the rise and declines of the Hui merchants, Ma (2009) upheld that the blossom of the Hui merchants can be mainly attributed to three factors. First, the pro-business value system based on the teachings of Islam. Second, the equal emphasis on both agricultural and business activities in the livelihood pattern of Hui merchants reduces their dependence on the agriculture outputs. Such reduced dependence in turn induced the sense of urgency among the Hui merchants so that they are motivated to endeavour in their business activities. Last but not least, the close coalition with the elite class of the empire and royal family enabled the Hui merchants to enjoy economic and political privileges so that they could flourish in both Yuan (1271-1368) and Ming (1368-1644) dynasty. As for their historic decline, Feng (1981) believed that the political oppression of the empire in both Qing dynasty (1644-1912) (1644-1912) and Republic of China (1912-1949) have largely responsible for the stagnation of the *Hui* merchants.

In a more recent study, Ma (2010) believed that similar to the other business groups, for instance the Zhe and Jin merchants, the *Hui* merchants have a deep cultural orientation. However, being different from other business groups, the *Hui* merchants have been influenced by a number of unique social and economic factors. In particular, the business and management style of the *Hui* merchants are more conservative and traditional oriented than the other commerce groups. Thus, the author suggested that it is important for *Hui* merchant to adopt the innovative management and business approaches in order to be better competitive in the current globalized world.

The structure of this study can be broken down into five major sections. First, we introduced the background of this research topic, its problem statement, and its research objectives. Then, we moved to discuss about the historical background of Islam in China, as well as Hui merchants. In particular, the focus of the section is on the history of Hui, the historic rise and falls of the Hui merchants, as well as the nature of their business. In the third chapter, we discussed about the cultural aspects of Islam, particularly in terms of the Islamic teachings pertaining to the business ethics and norms. Then, we discussed about the Cyclic Theory of Ibn Khaldun and explained the cyclic development of *Hui* merchants in historic China based on this theory. After that we investigated the factors that contributed to the historic rise and declines of the *Hui* merchants from the past literature. Based on the findings from the preceding chapters, in the last chapter, we have provided recommendations for the *Hui* merchants in hope to improve their competency in this ever competitive business environment.

## CHAPTER TWO

### THE HISTORICAL BACKGROUND OF HUI AND HUI MERCHANTS

In this chapter, we have mainly discussed about the historical background of *Hui* and *Hui* merchants. In particular, it covers the formation of *Hui* nationality, the historic rise and decline of the *Hui* merchants, as well as the nature of their business from Tang dynasty (618-907) to the Republic of China (1912-1949) period.

#### 2.1 TANG DYNASTY (618-907)

The Tang dynasty can be considered as the infancy period for the formation of the *Hui* nationality. During this period, being the ancestors of this nationality, the foreign Muslim merchants from Persia and Arabia traveled to China through the Maritime Silk Road. From the historic records written by Jianzhen, an eminent monk in the Tang dynasty, Ma (1996) found the supportive evidences on such historical event. According to Jianzhen's note, many trade ships from Persia anchored in the Pearl River, during the Tianbao era (742-756) of the Tang dynasty. These ships have been loaded with the mountain-high spices and treasures.

After their arrival in the Southeast coastal cities, namely Guangzhou, Hangzhou, Quanzhou, Yangzhou, and so on, they settled there and commuted between China and their home countries frequently. As Wang (2000) states that, most of these Arab and Persian merchants have travelled to China during the spring season,