SEA CHANGE

PACIFIC ASIA AS THE NEW WORLD INDUSTRIAL CENTER



James C. Abegglen



THE FREE PRESS A Division of Macmillan, Inc. NEW YORK Maxwell Macmillan Canada TORONTO Maxwell Macmillan International NEW YORK OXFORD SINGAPORE SYDNEY

CONTENTS

Acknowledgments xiii

Chapter 1 • Sea Change 1

Potential for Continued Success 2 Keys to Growth: Investment in Infrastructure 7 Keys to Growth: Savings 8 Keys to Growth: Recycling Japan's Surpluses 9 Keys to Growth: Foreign Investment and Aid 12 Keys to Growth: Export Promotion 13 East Asia Independent from Western Economies 15 Urban Centers as Key Economic Centers 17 Japan's Role in East Asia 19 New Regional Economic Zones 20

Chapter 2 • Ensuring Competitive Success: Corporate Strategies in East Asia 23

Is Failure in Japan to Be Repeated in the Rest of East Asia? 24 East Asia as a Production Platform 25 26 Nike Mabuchi Motors 28 Uniden Corp. 29 **Targeting East Asian Sales** 30 East Asia's Auto Markets 32 Where Are the Americans? 33

vii

•

East Asian Dominance in Electronics Production 36 Japanese Companies' Offshore Bases 38 American Electronics Producers 40 IBM—An Early Player in Japan 40 Apple's Pacific Sales Growing 41 Texas Instruments' Comeback in Asia 42 AT&T-A Newcomer 43 Japan as the Springboard into East Asia 44 **Opportunities in Chemicals** 46 Kodak's Issues in East Asia 47 Western Strategies for East Asia 48 Meeting the Challenges of the East Asian Market 51

Chapter 3 • Japan in Asia 57

Japan Transfers Industries to East Asia 60 Shifting Balances of Power 62 Japan's Focus on East Asian Investment Opportunities 64 Foreign Aid Patterns 66 Political Shift Toward Asia 68 Japan's Image in East Asia 69 Economic Success, the Key to Power 73 The U.S. as a Balance to Japan 75 Japan as an International Leader 77 Stability, a Japanese Priority 79

Chapter 4 • Asia's New Economies: The China Factor 81

Hong Kong Absorbs Guangdong84Manufacturing Moves into Guangdong85Deng's Reforms87The Fujian-Taiwan Link88KMT Reluctance to Trade89A Massive South China Economy?91

Economics First, Politics After 94 Ties Between Japan and Liaoning 96 The Growth Triangle as a Singapore Solution 98 The Back of the Beyond 99 China's Realistic Prospects 100 Foreign Investment Essential 103 Trade and Continued Reform 104 The Case Against Optimism 106 Positioning the Western Company in China •107

Chapter 5 • Taiwan and Korea: New Dimensions, New Directions 109

Historical Patterns of Development 111
Activist Governments 113
Divergent Economic Structures 114
Taiwanese Outward Investment 116
"China Fever" 117
Dramatic Postwar Growth in Korea 120
The <i>Chaebol</i> as Engines of Growth 122
Brakes on Development 124
Northeast Asia as an Economic Center 127

Chapter 6 • The Challenge of Southeast Asia 131

The Move to a Regional Economic Group 133 Growth, a Recent Phenomenon 136 Factors in Growth: Trade 137 Factors in Growth: Foreign Investment 138 Factors in Growth: Savings 140 Singapore: The Entrepôt 142 The Philipines: The Poor Man in Asia 145 Industrial Newcomers: Malaysia and Thailand 146 Malaysia Incorporated 148 Thailand's Noninterventionist Government 151 Breaking Down Trade Barriers 153

•

Chapter 7 • Indonesia and Vietnam: Southeast Asia's Frontiers 155

Indonesia at the Starting Gate 157 Initial Social and Economic Successes 158 The Primary Sector Gives Way to Manufacturing 159 A New Nation, Politically Vulnerable 161 Overseas Chinese and Sons of the Soil 163 Japan, An Essential Partner in Indonesia's Growth 165 Foreign Direct Investment 167 Western Apathy Ignores Opportunities 169 **Destabilizing Factors** 170 **Rebuilding Vietnam** 171 Lessons from History 173 Vietnam's Assets 175 Infrastructure and Government Bottlenecks 177 North versus South 178 Foreign Investment on the Increase 180

Chapter 8 • Networks, Groups, and Growth 185

The Economic Strength of the Overseas Chinese187The Traveling Families: Why Are They Successful?191Evolution from Family-Held Businesses194Political Vulnerability and Assimilation199The Overseas Chinese as Partners200Groups in Japan and Korea203A Stage in Economic Development204

Chapter 9 • Japan's Kaisha in East Asia 209

The Effects of Yen Revaluation210Investment Patterns in East Asia212The Textile and Clothing Industry214Toray215Asahi Chemical Industry Co.216The Auto Industry217

CONTENTS

Honda 218 The Electronics Industry 220 Matsushita Electric Industries 221 NEC 223 Hitachi 224 Consumables 225 Services 227 Financial Services 228 Retailing 229 **Trading Companies** 231 Performance and Prospects 233

Chapter 10 • After the Sea Change 241

A World of Regional Trading Blocs245Political Risks for East Asia246Military Building as a Hazard248Potential for Even Greater Growth249Japan as a Regional Player250Implications for the United States252U.S.-Japan Cooperation in the Region253

Appendix	257
Notes	267
Index	278