

DYNAMIC ASIA:  
BUSINESS TRADE  
AND ECONOMIC  
DEVELOPMENT IN  
PACIFIC ASIA

Edited by  
Ian G. Cook  
Marcus A. Doel  
Rex Y.F. Li  
Yongjiang Wang

**The Pacific Rim Research Series**

# **Dynamic Asia: Business, Trade and Economic Development in Pacific Asia**

Edited by

IAN G. COOK

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REX Y.F. LI

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# Preface

This volume is the second of the Pacific Rim Research Series emanating from a series of international research seminars which were initiated and organized by members of the Centre for Pacific Rim Studies, Liverpool John Moores University, between 1993 and 1995. Funded by the Economic and Social Research Council (ESRC), the seminars brought together established and younger scholars from a host of disciplines and academic institutions in Britain and Pacific Rim countries, as well as government officials and representatives of the business community. A wide range of topics were covered by these meetings, including economic development, business challenges and opportunities, sustainable development, security issues, regional integration, transnational organizations, and, Europe and Pacific Asia.

The first volume of the Series, *Fragmented Asia: Regional Integration and National Disintegration in Pacific Asia*, was published in 1996 and focuses on the broader domestic and external challenges to the states in Pacific Asia in the light of the rapid pace of change within these countries and in the international system. The aim of this volume is, however, to examine specifically the challenges as well as opportunities for international business and trade in Pacific Asia, highlighting the dynamics and complexity of the changing economic and business environment of the region.

The chapters in the volume are drawn primarily from the seminars relating to business and trade in Pacific Asia. Once again we wish to thank all the paper presenters, discussants and participants, especially the local organizers at SOAS, University of London, the School of East Asian Studies, University of Sheffield, and the Centre for South-East Asian Studies, University of Hull. Special thanks are due to Professor Anne Booth, Professor Ian Gow, and Dr Mike Parnwell. We are also grateful to the contributors for their great effort in revising and updating the original papers for publication. In addition, we like to thank a number of colleagues at Liverpool John Moores University: Professor David McEvoy, Director of the School of Social Science, for his sustained support and encouragement; members of the University Research Committee for awarding a joint University Research Fellowship to Ian Cook and Rex Li which has enabled them to work on this book, among other projects; Phil Cubbin and Nicky



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Ian Cook, Marcus Doel, Rex Li and Yongjiang Wang  
Liverpool, October 1997

# Abbreviations

ACI	Acer Computer International
AFTA	ASEAN Free Trade Area
AMC	American Motor Company
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
BANI	National Arbitration Board (Indonesia)
BAW	Beijing Automotive Works
BCIC	Bumiputera Commercial and Industrial Community (Malaysia)
BOT	Build, Operate, Transfer Arrangement
BQ	Business Headquarters
CASS	Chinese Academy of Social Sciences
CBO	Cooperative Business Operation (China)
CBU	Completely Built-Up Vehicle Unit
CCP	Chinese Communist Party
CEO	Chief Executive Officer
CFIUS	Committee on Foreign Investment in the United States
CJV	Contractual Joint Venture (China)
CKD	Complete-Knockdown Vehicle Assembly Kit
EANIC	East Asian Newly-Industrializing Country
EDB	Economic Development Board
EIU	Economist Intelligence Unit
EJV	Chinese-Foreign Equity Joint Venture
EOI	Export-Oriented Industrialization
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
FMM	Federation of Malaysian Manufacturers
G7	Group of Seven Industrialized Democracies (Canada, France, Germany, Italy, Japan, UK, US)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product

GR-S	'General Purpose' Synthetic Rubber
ICI	Imperial Chemical Industries
IFDI	Inward Foreign Direct Investment
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
JETRO	Japanese External Trade Organization
KLSE	Kuala Lumpur Stock Exchange
LDP	Liberal Democratic Party (Japan)
LPG	Liquefied Petroleum Gas
MIDA	Malaysian Industrial Development Authority
MITI	Ministry of International Trade and Industry (Japan)
MNE	Multinational Enterprise
MOSS	Market-Oriented Sector Selective
NAFTA	North American Free Trade Agreement
NIC	Newly-Industrializing Country
NIE	Newly Industrializing Economy
NGT	Northern Growth Triangle (Malaysia)
NTT	Nippon Telegraph and Telephone
OECD	Organization for Economic Cooperation and Development
OHQ	Operational Headquarters
OPP2	Second Outline Perspective Plan (Malaysia)
PLA	People's Liberation Army (China)
PRC	People's Republic of China
R&D	Research and Development
RHQ	Regional Headquarters
RO	Regional Office
RW	Ricardian Workfare
SES	Stock Exchange of Singapore
SEZ	Special Economic Zone (China)
SKD	Semi-Knockdown Vehicle Assembly Kit
SME	Small and Medium Enterprise
SW	Schumpeterian Workfare
TNC	Transnational Corporation
TVE	Township and Village Enterprise (China)
UK	United Kingdom
US/USA	United States of America
USTR	United States Trade Representative
VER	Voluntary Export Restraint
VIE	Voluntary Import Expansion

<b>VMC</b>	<b>Vietnam Motors Corporation</b>
<b>WFOE</b>	<b>Wholly Foreign-Owned Enterprise (China)</b>
<b>WTO</b>	<b>World Trade Organization</b>

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# Introduction

IAN G. COOK, MARCUS A. DOEL, REX Y.F. LI and YONGJIANG WANG

It is something of a commonplace to suggest that Pacific Asia is characterized by enormous dynamism and relentless transformation, metamorphoses which touch virtually every domain, from the routine practices that sustain the home to the macro-economic policy of governments. Whilst there is much scholarly debate on the explanations for the economic 'miracle' in the region (Appelbaum and Henderson, eds, 1992; Berger and Hsiao, eds, 1988; Haggard, 1990; Wade, 1990), the experience of Pacific Asian countries is generally looked upon as a model of development for other Third World countries to follow (World Bank, 1993). However, the achievement of rapid growth in Asia is not without its costs — social, economic, and environmental costs which have serious domestic, regional and global implications. Despite the huge economic progress made by many Asian countries over the past few decades, there are severe problems, such as environmental degradation, economic inequality, social instability, political uncertainty, which may threaten the continued growth of the region (Berger and Borer, eds, 1997). More fundamentally, scholars and analysts are beginning to question whether the economic growth in Pacific Asia can be sustained because of substantial institutional and structural constraints (Krugman, 1994; Lingle, 1996; Walton, 1997).

Apart from rising domestic challenges, East Asian elites have to come to terms with the impact of the potent forces of globalization on their culture, society and polity (Kofman and Youngs, eds, 1996; Robertson, 1992; Scholte, 1993; Rosenau and Czempiel, 1992). As Asian economies become more integrated into the world economy, they are increasingly influenced by the movement of global capital and the fluctuation of the stock markets (Agnew and Corbridge, 1995; Wolf, 1997). The recent financial crisis across Southeast Asia is but one example indicating the degree of vulnerability Pacific Asia faces in a globalized market (Cumming-Bruce, 1997). East Asian growth is also menaced by political change, regional tension and security uncertainty following the end of the Cold War and the

collapse of the bipolar international system. There is considerable concern over the strategic intentions of such regional powers as China and Japan. The post-Cold War arms build-up in the region, combined with many unresolved territorial disputes among Asian states, could also destabilize the region, thus having an undesirable effect on the investment environment in Pacific Asia (Li, 1998). For example, some observers are worried that democracy, civil liberties and the rule of law in Hong Kong cannot be maintained after its return to China (Szulc, 1997; Tsang, 1996), which will jeopardize the economic prosperity of the territory and of Pacific Asia more generally. As yet there has been no sign of political upheaval nor economic stagnation in Hong Kong since the Chinese takeover in July 1997. Nevertheless, the future of Hong Kong hinges ultimately upon the domestic situation in post-Deng China which is far from certain.

This is, however, not to suggest that Pacific Asia is about to decline and that the human and economic potential of the region has reached its limit. In fact, most East Asian governments are not unaware of the problems that they are facing and are prepared to find a solution to them if they can. At a regional level, there exist many institutions and channels such as the Asia-Pacific Economic Cooperation forum through which economic cooperation is pursued. Moreover, the enhancement of regional peace and security are being facilitated by numerous bilateral and multilateral security dialogues and mechanisms of which the ASEAN Regional Forum is the most prominent one. Essentially, what we are arguing here is that the prospects for further growth and business opportunities in Pacific Asia must be considered within the broader context of the rapid change taking place within individual countries and the region, as well as in the global system. Indeed, in the first volume of the Pacific Rim Research Series, we have analyzed the parallel trends in Pacific Asia of economic integration and security cooperation on the one hand, and growing pressure for decentralization and even disintegration in certain states on the other (Cook, Doel and Li, eds, 1996).

Pacific Asia is no doubt a dynamic area full of vitality and opportunities, but it is also a highly complex and diverse region which is not easy to comprehend. One major problem with Western perception of Pacific Asia, and indeed of other parts of the globe, is the failure to contextualize the nature of transformation in non-Western societies. Such an ethnocentric view of Pacific Asia has given rise to simplistic interpretations of events there, resulting in either excessive optimism of business and trade opportunities for foreign investors (Naisbitt, 1996) or extreme pessimism



which sees the rise of East Asia as a formidable challenge and threat to Western economy, security, and even civilization (Huntington, 1996). Those who have been fascinated by the spectacular economic performance of Pacific Asia often fall into the trap of logocentrism. They tend to ascribe the East Asian 'miracle' to the subliminal, powerful influence of some Asian philosophies or cultural traditions (e.g. Confucianism). It is assumed that if one were to master the theory and practice of 'Asian values', one should be able to demystify oriental thinking and vastly excel other business competitors in the Asian market. However, the economic success of East Asia is a result of a unique combination of cultural, historical, political, social and economic factors. In any case, Asia's continued growth is not pre-determined and it is certainly not dependent upon something as vague and ill-defined as 'Asian values' (Robison, 1996; Rodan, 1996). East Asia has its distinct traditions and cultures but they are penetrated and challenged by external forces as the process of globalization evolves. Without integration with the global economy through which Western technology, investment and market become accessible, Pacific Asia would not have been so successful in its economic development. Thus, the changing business environment in Pacific Asia is so complex that it requires a careful reconsideration of many traditional assumptions and an in-depth analysis of the business institutions and actors within proper historical, social, economic and political contexts. As with the previous one, this volume is the product of multidisciplinary and multicultural collaboration which, we believe, is the most fruitful way of enhancing our understanding of the complexity of Pacific Asia in an increasingly globalized world. Thus, the authors in the book are drawn from Britain as well as Pacific Asian countries, and from various academic disciplines including business studies, history, human geography, political economy, political science and international relations.

Our first chapter is contributed by Nicholas White who focuses on the experience of some of the most significant and well-established British commercial firms operating in Southeast Asia — the so-called Agency Houses — as they struggle to disengage themselves from their locational and functional specificity as key agents of colonial capitalism and thereby transform themselves into fully-fledged transnational corporations operating efficiently within the Pacific Rim as a whole. White's detailed historical narrative is not only important because it attempts to take seriously issues of complexity and heterogeneity, but also because it is embedded within two interrelated contexts, whose lingering pertinence is frequently overlooked in many other accounts. The first of these two contexts is decolonization in