

Preface

This collection of papers is the outcome of the research project “Competition and Cooperation among Asian Enterprises in China” (originally “Asian Capitals' Competition and Cooperation in China”) organized by the Institute of Developing Economies. The project ran from May 2006 to March 2007. We wish to express our special thanks for the kindness of the many people who helped us with support and advice during the course of our research.

When we began the project, we did so in the context of the following conceptual framework:

The Asian economy has experienced tremendous changes since the late 1980s. The most important of these have been the serious stagnation of Japanese economy, the leapfrogging development of many non-Japanese Asian firms, particularly in Taiwan and South Korea, and the rapid emergence of China as an important actor.

The first and second changes indicate that there has been a narrowing of the gap between Japanese firms on the one hand, and Taiwanese and Korean firms on the other, a trend that has caused the three countries concerned to reconstruct their relationships. Before the mid-1980s, because of their supremacy in resources and capacities, Japanese firms built up typically vertical relationships with Taiwanese and Korean companies. However, Taiwanese and Korean firms became increasingly independent, so that by the late 1980s, some of them were beginning to challenge Japanese hegemony. As a result, during the last two decades, the relationship between firms in Taiwan and Korea and those in Japan has often changed to a more horizontal one of competition and / or cooperation.

The third change, the emergence of China, has further accelerated and complicated this process of transformation. Of the various impacts that China has exerted on neighboring countries, this collection of papers pays much attention to the competition among foreign and domestic firms for a share of the large China

market and for abundant Chinese resources such as cheap labor. The recent emergence in China of an accessible market and of valuable resources has provided an important opportunity for latecomers such as Taiwanese and Korean firms. It must also be borne in mind that Taiwanese firms have a peculiar advantage in China, namely their command of the Chinese language.

The first objective of this project has been to outline the main characteristics of the changing relationship between Japanese and Taiwanese and Korean firms, focusing on the competition and cooperation among them in China. Second, we examine the mechanism of their relationships. In particular, we have tried to highlight those factors that have made companies either cooperate or compete with other firms.

We hope that papers in this project will carry theoretical, empirical, and policy-related implications. For instance, our view of the changing relationships between Japan and the other East Asian countries may well modify and deepen the understanding of international economic relationships in this region, and may cause a reappraisal of existing approaches such as the “flying geese” model. We also hope to show that latecomers like Taiwan and Korea must be prepared to pay substantial costs when they assume developed-country status because they will find it increasingly difficult to take advantage of the resources of Japan and of other advanced countries that they have used in the past to speed up their growth.

This conceptual framework brings to the fore three questions that we have had in mind throughout the duration of the project. First, who are actors? Second, are they competing or cooperating with one another, and in what ways and why? Third, which area, and in particular which industries, comprise the field of their activities? With these questions in mind, I will attempt to summarize our five papers.

In his paper on Japanese-Taiwanese joint ventures in China, Ito discusses the Japanese and Taiwanese firms involved, and shows that the field of their operations embraces multiple sectors in China. The paper focuses on the cooperation between firms, and also refers to the competition between Japan-Taiwan joint ventures and other types of company. Ito identifies and closely examines the reasons for the stability of cooperation among firms, and shows that the peculiar resources of Taiwanese firms and the mutual trust among companies are factors that strengthen inter-corporate cooperation.

Sato's paper on Seven-Eleven's and FamilyMart's establishment of convenience stores in China features four actors, namely Seven-Eleven Japan, FamilyMart, including Taiwan subsidiary, the President Group, and the Tin Hsin International Group, also of Taiwan. The stage for the activities of these actors is China's convenience store chain business. The President Group did not participate in Seven-Eleven (Beijing) and Seven-Eleven Japan manages its Chinese subsidiary on its own, in contrast with the FamilyMart Group and the Tin Hsin Group which have established a joint venture in Shanghai. There is also competition over the most appropriate business model between Seven-Eleven Japan and FamilyMart. The paper illustrates the two groups' choice of strategies, and shows how the team management strategy, and the managing-alone strategy, stemmed from the different experiences of the two groups.

The actors in Cheng's study of the Taiwanese motor manufacturers and their involvement in China are four car makers, namely Taiwan's Yulon, the China Motor Corporation of Taiwan, and the two Japanese companies Nissan and Mitsubishi Motors. Their geographical fields of investment include both Taiwan and mainland China. Cheng argues that there exist two sets of cooperative relationships, Yulon/Nissan and China Motor/Mitsubishi within a global auto industry that is otherwise strongly competitive. He demonstrates that the autonomy of Taiwan's automakers has been deeply dependent on the changing circumstances of their Japanese counterparts which have enjoyed leadership in technology.

The main actors in Kawakami's analysis of the Taiwanese notebook PC manufacturers are the Taiwanese manufacturers, and their American and Japanese customers, the customers being major companies in the notebook PC industry. While an ODM transaction by definition involves cooperation between a manufacturer and a customer, the transaction also involves multiple forms of competition, including competition among customer/manufacturer teams, competition among manufacturers for customers, and competition among customers for better manufacturers. Kawakami shows that an ODM transaction includes an exchange of knowledge between a customer and a manufacturer and that a manufacturer can acquire more knowledge through carrying out transactions with many customers rather than with a single customer.

Huang's study of South Korean firms in the Chinese market focuses on

Korean firms in markets such as automobiles and mobile phone sets. He examines the competition between Korean firms and technologically advanced foreign multinationals which have already set up business operations in China, and shows that despite their latecomer status, Korean firms have won substantial shares in some markets through the strategic investment of marketing resources.

We hope to further refine these papers and publish them in due course in a more formal style, and to this end, we would very much welcome advice and comments from our readers.

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