

Economic Asianization and the Economies of ASEAN: The Position of ASEAN and Kyushu in the New Asian Trading System

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ECONOMIC ASIANIZATION AND THE ECONOMIES OF ASEAN: The position of ASEAN and Kyushu in the new Asian trading system

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1. Trading system in Asian seas, and the revolution in international physical distribution

During the 1980s, and in particular the latter half of the decade, the Asian trading system has been undergoing rapid changes.

The first factor in this is the change in the international freight-transportation routes between Asia, Europe and North America. During the 1960s and 1970s, the cities of Kobe and Yokohama were the entrepots for international trade between Asia, Europe and North America, but today, Singapore, Kaohsiung and Hong Kong have taken their places. In the 1988 fiscal year, Singapore was the world's leading port in terms of container transportation (loading and unloading), and Kobe sank to fifth place after Kaohsiung, Rotterdam and Hong Kong.

Second, a new western Pacific freight transportation system linking Japan, the Asian NIEs, China and ASEAN is taking shape—a long, narrow transportation area in Asian waters that encompasses the East China Sea and the South China Sea. At present, the routes linking the nations and regions of the area (for example, between Singapore and Thailand, Taiwan and the Philippines, Japan and Korea), and also the existing principal sea routes between Asia, Europe and North America, and the associated feeder routes, are expanding, and the lanes linking port to port are congested. However, routes within the ASEAN region, and between ASEAN and Taiwan, and local circular liner routes such as those linking Japan, Korea, Hong Kong, and Taiwan are being enlarged and enhanced. Shipping companies, including shipping companies in Europe and North America, are also planning to open routes in Asian waters linking Japan, Korea, Taiwan, Hong Kong and ASEAN.

Third, there are increasingly active moves, particularly in the ASEAN region, to establish

international procurement offices and central distribution centers. Parts, materials, semifinished goods and finished products manufactured in ASEAN and other Asian countries and regions are being collected in Singapore and then once again distributed among ASEAN and other Asian countries. What this indicates is that an international trading network, within which materials and manufactured goods are moved to mutually complement each other, is being formed in the ASEAN region.

Fourth, not only multinational corporations in manufacturing fields but also marine, land and air-transportation companies, warehousing companies and trading companies are vying to build international just-in-time transportation systems based on a concept of complex integrated international transportation. These systems permit integrated computerized management of cross-border goods transportation between company (factory) and company (factory) in different countries.

Integrated international physical distribution systems have transformed the very fundamentals of the concept of international transportation. That is, there has been a switchover to computer-based information systems that conduct integrated tracking of transportation procedures: the receipt and despatch of orders, the preparation of trade documentation, customs clearance, forwarding of documents and cargo tracking. In consequence, transportation processes also function as inventory-management processes.

The formation of a trading area in Asian waters is, of course, in a somewhat different category from the revolution in international physical distribution in Asia.

Nevertheless, as a new manufacturing and trading system is formed within the Asian region—that is, a new system of economic interchange linking Japan, the NIEs and ASEAN—these two systems are becoming increasingly integrated and moving to center-stage in history.

2. Interdependent structure of the Asian economy—Significance of formation of trading area in home waters

2.1 Japan's investment in Asia

Following the Plaza agreement by the Group of Five in 1985, the effects of the yen's sharp appreciation against the U. S. dollar and the escalation of trade frictions between Japan, Europe and North America spurred the Japanese economy to expand its horizons across national borders, primarily in the form of shifting manufacturing facilities to other Asian countries, and of directly importing Asian goods from overseas operations developed by Japanese companies (See Figure 1 and Table 1).

Intra-Asian trade, which only ten years ago did not amount to much, in recent years has

ECONOMIC ASIANIZATION AND THE ECONOMIES OF ASEAN

grown in volume terms to approximately the same level as the of Asia's trade with the United States. This growth in intra-regional trade has been powered by the industrialization and modernization of Korea, Taiwan, Hong Kong and Singapore, and also of ASEAN and China. Japan's Asian investment and technology transfers are helping to sustain this industrialization.

According to Ministry of International Trade and Industry (MITI) statistics, over the three years from April 1985 to the end of March 1988, the number of cases of Japan's overseas investment in Asia totaled 574, compared with 600 in North America and 315 in Europe. In manufacturing industry alone there were 346 cases of direct investment in Asia, which was well ahead of 230 cases of investment in North America and the 91 in Europe.

According to surveys by JETRO, during the 1988 fiscal year there were 1,301 cases of international manufacturing-related industrial cooperation (including private-sector joint developments and technology transfers and the establishment of joint ventures and subsidiaries) with Asian countries reported in the newspapers and other media. This total was at a similar level to the 1,354 cases of investment in the United States, and nearly double the 793 cases in Europe (see Table 2A, B, and C).

Not only has Japan's investment in manufacturing industry in Asia shown rapid growth in recent years, but the following phenomena have also become very noticeable. (1) There has been a rapid expansion in imports by Japan of a wide variety of manufactured goods from Asian countries. (2) Investments in ASEAN by the Asian NIEs have become active. Of particular note

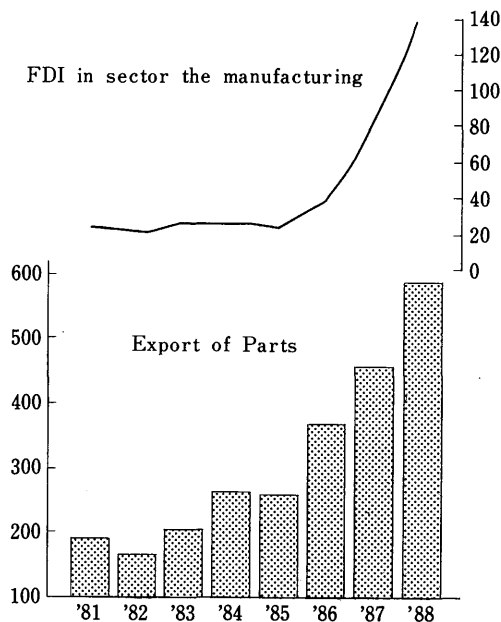


Figure 1 Japan's FDI and Export of Parts (million U.S. dollars)
 Source : Ministry of Finance, Jan. 1, 1989

Table 1 Regional Distribution of Japanese-Oriented Overseas Firms: Industry-by-Industry (At the end of March 1988: Cases)

	North America	Latin America	Asia	Central East	Europe	Oceania	Africa	Total
Agriculture and Fishery	13	25	22	0	5	14	5	84
Mining	46	6	12	4	6	24	3	101
Construction	46	12	109	12	14	9	2	204
Manufacture	588	227	1,432	15	336	64	26	2,688
Food	42	23	56	0	7	6	2	136
Textiles	19	24	110	0	10	3	3	169
Wood & Pulp	20	9	23	0	4	6	0	62
Chemicals	56	23	202	4	31	4	0	320
Iron	34	11	46	2	5	2	5	105
Nonferrous metals	23	8	43	0	4	2	1	81
General machinery	70	24	96	2	56	6	0	254
Electrical machinery	126	52	371	1	110	8	7	675
Transport equipment	91	22	171	2	25	14	5	330
Precision equipment	25	4	46	0	18	3	0	96
Petrochemical	4	2	7	1	0	2	0	16
Others	78	25	261	3	66	8	3	444
Commerced Trade	807	151	537	28	671	138	14	2,346
Services	120	60	119	5	46	19	20	389
Others	290	114	169	4	108	50	100	835
Total	1,910	595	2,400	68	1,186	318	170	6,647

Source: Questionnaire by MITI

is that since 1986, when Japanese investment began to shift from the Asian NIES to ASEAN countries, there has been a marked rise in the volume of investment in ASEAN by three NIEs—Taiwan, Hong Kong and Korea—and by Singapore, itself a member of ASEAN.

2.2 Japan's imports of manufactured goods and ASEAN

Let us first examine the relationship with Asia, and with ASEAN in particular, of movements in imports of manufactured goods by Japan (see Figure 2).

Japan's imports of manufactured goods, not only from Europe and North America but also the Asian NIEs, have grown sharply since 1985. As a result, imports of manufactured goods have increased from approximately one quarter of aggregate imports to about one half, topping US\$100 billion in value terms (estimates as of June 1989). These figures are nearly double those for imports of manufactured goods in 1985.

During 1989, new developments have emerged with regard to imports of manufactured goods from Asia. In the first half of the year (January to June), imports of manufactured goods rose by

Table 2 International Industrial Cooperations (January-December 1988)
A. Co-development and Technology-Transfer

Country & Region	Manufacture																	Finance	Construction & Realstate	Telecommunication & Information	Others	Total
	High-technology								Electronics	Machinery	Auto-mobile	Iron and non- ferrous metals	Chemicals	Textiles	Food	Others	Total					
	Semicon- ductor and IC	Computer	Bio & chemicals	Telecom- munication equipment	New materials	Robot	Others	Sub-total														
U. S. A.	48	80	16	7	10	1	59	221	18	86	28	12	48	12	29	25	479	34	46	61	176	796
Canada				1			1	2	2	6		2	2	1	4	1	20	3	4	1	15	43
Latin America										2	7	2			1		12		1		6	19
Europe	6	20	4	5	7		23	65	12	91	33	8	42	43	16	46	356	21	15	19	125	536
EC	6	20	4	5	7		23	65	12	89	33	8	40	42	16	45	350	21	14	19	124	528
Oceania		2	1				1	4		2	3	1	4			2	16	1	8	1	8	34
Australia		2					1	3		2	3	1	3			2	14	1	6	1	7	29
New Zealand			1					1					1				2		1			3
Asia	5	22	1	5	3	4	13	53	56	92	33	18	25	32	25	35	369	22	20	12	77	500
China		4	1	1	1		2	9	17	29	9	7	10	11	7	11	110	9	5	4	15	143
Taiwan	2	5			1			8	5	9	3	1	1	3	4	7	41	1	1		10	53
Hone Kong										2		1		3		3	9	5	2	3	5	24
S. Korea	2	7				4	9	22	29	35	9	3	9	3	3	6	119	7		1	29	156
ASEAN	1	5		2				8	3	6	8	4	2	7	9	7	54		9	4	17	84
Indonesia		1		1				2	2	2	3	1		3		2	15		4	1	8	28
Thailand		1		1				2		2	3	1	2	3	4	5	22		1		5	28
Philippines	2							2				2		1	1		6		1		1	8
Singapore	1	1						2		2					2		6		1	3	3	13
Malaysia									1		2				2		5		2			7
Othets		1		2	1		2	6	2	11	4	2	3	5	7	1	36		3		1	40
Cental East & Africa		1						1		1	3	1	2		1	1	10		3		1	14
U. S. S. R. & East Eairope		1	1					2		3	3				1		9				7	16
Total	59	126	23	18	20	5	97	348	88	283	110	44	123	88	77	110	1,271	81	97	94	415	1,958

Note : *Majority-ownership

Source : JETRO

B. Joint Ventures

Country & Region	Manufacture																Finance	Construction & Realstate	Telecommunication of Information	Others	Total	
	High-technology								Electronics	Machinery	Auto-mobile	Iron and non-ferrous metals	Chemicals	Textiles	Food	Others						Total
	Semiconductor and IC	Computer	Bio & chemicals	Telecommunication equipment	New materials	Robot	Others	Sub-total														
U. S. A	10	16	6	3	15		11	61	13	20	65	16	30	4	11	18	238	15	33	14	88	388
Canada	2							2		1	6	2			1	8	20	1	1	1	4	27
Latin America		1			1			2	2	2				2	1	4	13	1				14
Europe	3	4	2	1	4		14	28	13	14	16	5	22	5	6	8	117	28	8	6	59	218
EC	3	4	2	1	4		14	28	13	14	16	5	22	5	6	8	117	28	8	6	58	217
Oceania		1		1	1		1	4		1	5	3	1	2	4	6	27	2	6		13	48
Australia				1	1		1	3		1	5	3	1	2	4	4	23		6		12	41
New Zealand		1						1			1					1	3	1			1	5
Asia	7	18	2	2	7		12	48	53	85	65	28	55	30	32	89	485	20	24		117	646
China	1	8	1	1			7	18	11	12	3	4	8	10	13	23	102	11	8		33	154
Taiwan	1	1	1		4			7	9	15	14	5	6		4	11	71		4		33	108
Hone Kong		1						1	4	1			2	1	1	3	13	4	3		10	30
S. Korea	2	1			1		5	9	10	24	14	4	13	3	4	8	89	2			6	97
ASEAN	3	7		1	2			13	15	31	31	15	26	16	10	41	198	3	9		35	245
Indonesia		1						1	5	9	2	2	4	1	5	30		4		6	40	
Thailand		3		1				4	12	19	17	9	14	9	8	27	119		5		18	142
Philippines	1	3						4		1	1	1		1	1	1	1	2			1	13
Singapore	1							1	1	3		2	4			1	12				5	17
Malaysia	1				2			3	1	3	4	1	6	2		7	27	1			5	33
Others									4	2	3					3	12					12
Ceutral East & Africa										1	1					1	3	3				6
U. S. S. R. & East Europe											1				3	3	7					7
Total	22	40	10	7	28		38	145	81	124	160	54	108	43	58	137	910	70	72	21	281	1,354

Note : *Majority-ownership

Source : JETRO

C. Direct Investment*

Country & Region	Manufacture																	Finance	Construction & Realstate	Telecommunication of Information	Others	Total
	High-technology								Electronics	Machinery	Auto-mobile	Iron and non-ferrous metals	Chemicals	Textiles	Food	Others	Total					
	Semiconductor and IC	Computer	Bio & chemicals	Telecommunication equipment	New materials	Robbot	Others	Sub-total														
U. S. A	44	56	4	13	10	1	41	169	49	108	138	25	61	5	32	56	642	30	109	28	366	1,226
Canada	1							1		2	5				1	3	12	4	5		11	32
Latin America		1		2			3	6	10	10	8		2	3	2	6	47	4	1		15	67
Europe	10	11	3	6	6		16	52	45	47	28	2	25	6	7	9	221	88	24	4	233	570
EC	10	11	3	6	6		16	52	45	47	28	2	25	6	7	9	221	88	24	4	232	569
Oceania		1		1			1	3		1	3	2			4	4	17	2	30		21	76
Australia		1		1			1	3		1	2	2			4	4	16	2	23		19	60
New Zealand											1						1		4		2	7
Asia	29	17		11	3	1	21	82	112	82	31	10	39	20	14	57	447	34	17	5	155	658
China	1	2		1			1	5	6	11	3			2	1	6	34		1		15	50
Taiwan	4	3		1	1		3	12	14	13	4	2	5	1	1	6	58		1	1	11	71
Hone Kong	1			1			2	4	5	6	1	1	2	9	3	6	37	21	5	2	34	99
S. Korea	4	1					3	8	4	2				1	1	4	20	4	1		14	39
ASEAN	19	11		8	2	1	12	53	83	50	21	7	32	6	8	35	295	9	8	2	80	394
Indonesia									1	4			1	2		2	10	1	1	1	7	20
Thai	5	6		2	1		4	18	29	24	13	4	12	1	4	16	121	2	1		25	149
Philippines		2		3				5	1				4				10				4	14
Singapore	7	2		2	1	1	5	18	23	15	4	1	13		4	9	87	5	4	1	37	134
Malaysia	7	1		1			3	12	29	7	4	2	2	3		8	57	1	2		7	77
Others											2			1			3		1		1	5
Cental East & Africa														1			1	3			8	12
U. S. S. R. & East Europe															1		1					1
Total	84	86	7	13	19	2	87	313	216	250	213	39	127	35	61	135	1,389	215	186	37	809	2,636

Note : *Majority-ownership

Source : JETRO

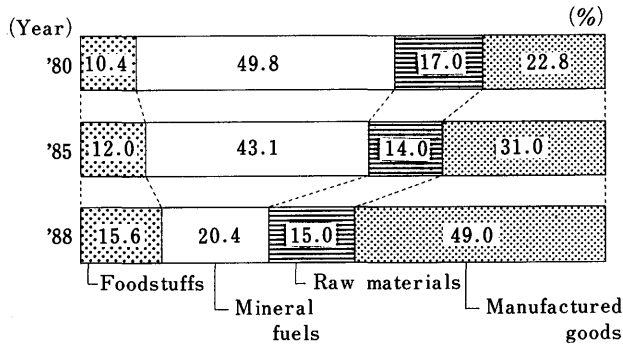


Figure 2 Changes in Japan's Import Structure (million yen)
Source: Ministry of Finance, *Foreign Trade Statistics*

only US\$6.9 billion (imports increased by US\$10.7 billion), accounting for 64.8 per cent of overall imports (compared with 19.9 per cent for foodstuffs, 14.1 per cent for materials and 1.2 per cent for mineral fuels). The Asian NIEs and ASEAN made a major contribution to this increase in imports of manufactures. The ratio of the contribution of Asian NIEs and ASEAN manufactured goods to the overall increase in manufactured goods was 17.4 per cent and 14.8 per cent respectively, totaling a high 32.2 per cent. The addition of China pushes the total up even higher, to 38.8 per cent (see Table 3).

The figures for the first half of 1989 reveal that the Asian NIEs accounted for 17.6 per cent of imports of manufactured goods into Japan, ASEAN accounted for 6.1 per cent, and China for 5.0 per cent, together totaling 30.3 per cent, signifying that Asia was the biggest trading partner for this category of import. The year-on-year rate of increase in imports of manufactured goods from ASEAN was particularly strong, totaling 48.9 per cent, which was considerably higher than the corresponding figures of 15.4 per cent for the Asian NIEs and 21.6 per cent for China.

2.3 Interdependence in manufacturing and the expansion of markets within Asia

As Japanese investment shifted from the Asian NIEs to ASEAN, there was increasingly active investment in ASEAN by Taiwan, Hong Kong and Korea, and by Singapore in other ASEAN countries. The international division of labor within the Asian region is now centering on three axes: Japan and the Asian NIEs, Japan and ASEAN, and the Asian NIEs and ASEAN.

In fiscal 1988, the number of approvals for investment in Thailand issued by the Thai Board of Investment (BOI) totaled 158 for the four NIEs—Taiwan (102 cases), Hong Kong (32 cases), Korea (7 cases) and Singapore (17 cases)—which exceeded the total for Japan (132 cases), the United States (34 cases) and the European Community (51 cases). According to the BOI's list of approvals for period from 1986 to the first half of 1988, Japanese investment in Thailand related to 187 items, centered on the electrical and electronic equipment and components industries. This compared with investments related to 80 items, centered on consumer goods, by Taiwan, which

ECONOMIC ASIANIZATION AND THE ECONOMIES OF ASEAN

Table 3 Changes in Japan's Import of Manufactured Goods: Region-by-Region (on million dollar basis ; %)

Country or region	Year	Total of the manufactured		Chemical products		Machinery products		Other manufactured goods	
		Valus	Rate of Increase (%)	Valus	Rate of Increase (%)	Valus	Rate of Increase (%)	Valus	Rate of Increase (%)
Total of the world	87	65,961	25.0	11,845	21.7	19,123	30.1	34,993	23.4
	88	91,838	39.2	14,830	25.1	26,661	39.4	50,367	43.9
	89.1~6	51,058	15.6	8,391	15.6	15,004	14.5	27,663	16.2
United States	87	17,672	0.2	4,035	13.2	9,075	15.9	4,561	△27.0
	88	23,540	33.2	4,629	14.7	12,472	37.4	6,439	41.2
	89.1~6	13,512	16.1	2,710	18.1	6,838	8.3	3,964	31.2
EC	87	15,145	26.7	3,873	32.7	5,445	48.1	5,823	8.7
	88	20,770	37.1	5,000	29.1	7,138	31.1	4,632	48.1
	89.1~6	11,567	14.4	2,635	7.1	3,927	10.4	5,005	22.3
Asian NIEs	87	12,459	59.7	921	21.4	2,818	67.1	8,719	62.7
	88	18,234	46.4	1,184	28.5	4,424	57.0	12,627	44.8
	89.1~6	9,786	17.5	732	27.8	2,629	32.4	6,424	11.3
ASEAN	87	3,083	47.8	502	18.0	561	40.3	2,020	60.3
	88	4,592	48.9	642	28.0	896	59.7	3,054	51.2
	89.1~6	3,126	48.6	422	41.7	711	83.6	1,994	40.6

Note:(1) Rate of Increase is compared with the previous year.

(2) Asian NIEs include Korea, Taiwan, Hong Kong, and Singapore, ASEAN are four countries excluding Burnei.

Source : JETRO Sensor, September 1989.

was the second largest investor, and 10 items in the case of Korea. This illustrates how the increasing diversity of the items in which production foreign capital is being invested (Report on recent developments in investment in Thailand, JETRO Bangkok Center, 1989(see Table)).

Investment in ASEAN by Japan and the Asian NIEs has fostered the creation of an international division of labor within the Asian region. This international division of labor is creating a reciprocal demand mechanism for machinery, parts, semifinished goods and finished goods, and is creating markets. In parallel with this, the industrialization of Asian countries is being accompanied by increasing employment and rising incomes, thereby expanding the degree of absorption within the region.

The countries and regions of Asia are strengthening their mutually complementary relationships in industrial production, while Japan in particular is absorbing Asian-made products. In this way, the formation of a new Asian trading system reflects the existence and deepening of interdependence of production and consumption in the economies of Asian countries and regions.

Table 4 Investment Fields of Japan, Taiwan, U. S. A. and South Korea in Thailand

Industries	Japan			Taiwan			U. S. A			S. Korea			Total		
	86~7	88	Sub-total	86~7	88	Sub-total	86~7	88	Sub-total	86~7	88	Sub-total	86~7	88	Sub-total
1. Agriculture and Food Processing	14	6	20	8	7	15	9	4	13	0	1	1	31	18	49
2. Textiles	16	3	19	8	1	9	2	0	2	0	0	0	28	5	33
3. Wood, Pulp and Paper	7	5	12	11	4	15	3	1	4	0	1	1	19	10	29
4. Chemicals	13	13	26	5	2	7	1	3	4	0	0	0	19	18	37
5. Rubber	4	2	6	3	15	18	1	7	8	0	0	0	8	24	32
6. Iron and Nonferrous Metals	21	17	38	6	3	9	5	0	5	2	0	2	32	20	52
7. Electronic Equipment	33	64	97	9	15	24	3	9	12	1	4	5	46	92	138
8. Transport Equipment	19	2	21	1	3	4	0	0	0	0	0	0	20	5	25
9. Precision Machinery	0	7	7	1	1	2	3	0	3	0	0	0	4	8	12
10. Other Machinery	7	4	11	1	0	1	2	0	2	0	0	0	10	4	14
11. Consumer Goods	18	15	33	59	43	102	8	6	14	2	4	6	87	68	155
Total	152	138	290	112	94	206	37	30	67	4	10	14	305	272	577

Note: The year 1988 means only the half of the year

Source: JETRO Bangkok Center

3. The increasingly borderless Japanese economy, and export-oriented investment

—Significance of the revolution in physical distribution in Asia

3.1 Revolution in physical distribution in Asia

Not only in North America and Europe, but also in the Asian region, there is a marked increase in moves, centered on ASEAN, toward regional unification and the management of production, physical distribution, and capital.

Japanese companies are establishing operational headquarters in Singapore and actively establishing international procurement centers and central distribution centers linking Japan, the Asian NIEs and ASEAN. In addition, land transportation, warehousing, marine transportation and other companies engaged in physical distribution and related activities are also building comprehensive physical distribution networks in Asia, centered on Singapore, which are designed to link with global networks encompassing Japan, Asia, Europe and North America. All of these help to form comprehensive international distribution systems, and are designed as measures to make possible the centralized management of multipolar (multinational) production and produc-

tion processes.

Behind this revolution in Asian distribution is the increasing tendency of the Japanese economy to transcend national borders and to orient itself increasingly toward Asia.

3.2 The increasing Asian orientation of the Japanese economy

Japanese companies invest in the Asian NIEs and ASEAN in order to counter trade frictions and rises in currency values. Investment in Asia has been pushed up rapidly as a result of corporate strategies aimed at establishing international production facilities targeting the markets of Europe and North America and reverse imports to Japan.

The transfer of production facilities to other parts of Asia is making Japanese production systems increasingly borderless. Since 1986 in particular, as investment in ASEAN has become increasingly brisk, Japan's traditional production and trading systems have been undergoing radical changes. For example, see Table 5, which is an example of the electronic industry.

The Japanese economy has long been described as being led by the processing trade or by exports. Related industries were concentrated together in major domestic industrial areas, and production processes were systematized through interdependent structures embracing domestically based industries. But the appreciation of the yen and trade frictions have changed these systems. Since the beginning of the 1980s, international production facilities targeted at the North American, European and Japanese markets have been established in the Asian NIEs and the nations of ASEAN, and thus the systems—also encompassing divisions producing parts and materials—have grown increasingly multinational in character. The appreciation of the yen, the comparative advantage of the price of labor and other factors of production, and measures taken by recipient countries to encourage investment have led facilities for manufacturing parts, materials and manufactured goods to spread from Japan to the Asian NIEs and then from the Asian NIEs to ASEAN. Thus production systems have become increasingly Asia oriented.

3.3 Export-oriented investment, and the revolution in Asian distribution

The energy powering the spread of production and manufacturing processes throughout Asia also exists in the recipient countries. Amid the active efforts by ASEAN countries to attract export-oriented investment, Japanese companies and companies in the Asian NIEs are today dispersing production facilities throughout Asia.

Moves to form networks in Japan, the Asian NIEs and ASEAN that are based on an international division of labor that provides for mutual complementation in respect of parts and materials, and moves to establish facilities in ASEAN countries for product assembly and manufacture, are inconsistent with the continuity and consistency of manufacturing processes. In other words, if these is a multinational spread—based on technological superiority and comparative advantage in the prices of factors of production—in the production of parts and materials and

ECONOMIC ASIANIZATION AND THE ECONOMIES OF ASEAN

in procerring, then the more disjointed and unravelled the production and processing processes become, the more the multipolarization of production processes will accelerate. Production processes spread haphazardly throughout Asia must, as a matter of course, once again be unified into a system.

Comprehensive physical distribution systems managed by computers have the power to unify widely spread production systems. The formation of integrated sea and land (air and land) transportation and cargo-tracking systems within the framework of trade in Asian home waters is transforming transportation processes into inventory-management systems. It is also the desire of the business community that production systems with an Asia-wide spread be managed in an integrated manner in ways such as this. In this lies the foundation of the revolution in Asian distribution.

Figure 3 and 4 show Asia-wide integrated information network in the cases of Sony and Mitsui-Soko.

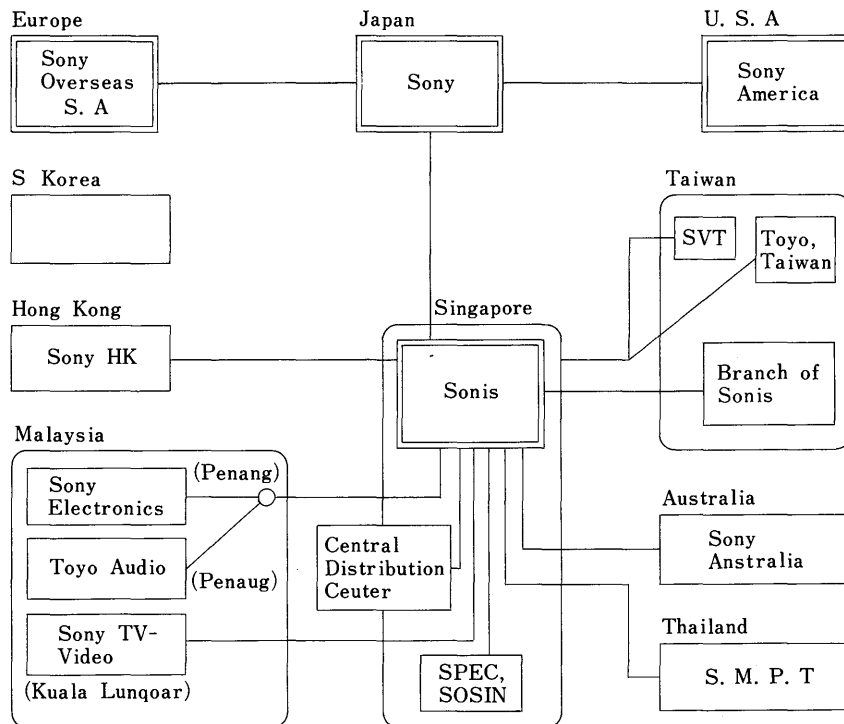


Figure 3 Song Integrated Information Network (including the Planning Lines)
 Source: *Nikkei Computer*, May 22, 1989

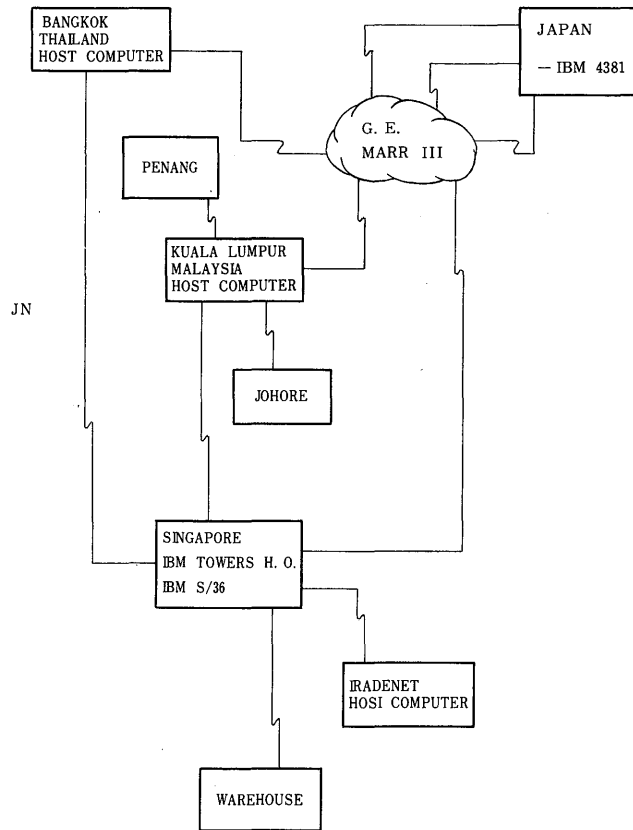


Figure 4 The Asian Network of Mitsui-Soko Co.
Source : Mitsui-Soko Co.

4. Economic Asianization and the ASEAN national economies

4.1 Economic Asianization and self-reliant economic construction

Economic 'Asianization' is the process in which, coincident with the multipolarization (multinationalization) of production and production processes, national economies deepen their interdependence and develop their own economies. As in the case of the formation of a trading area in Asian home waters, the revolution in physical distribution in Asia is a concrete manifestation of economic Asianization.

At present, economic Asianization is smoothly blending together and positively developing the increasingly supranational spread of the economies of Japan and of the Asian NIEs on one hand, and measures by ASEAN countries to encourage export-oriented investment on the other. However, the supranational economic spread by industrialized countries does not necessarily agree conceptually with the self-reliance of national economies. To be more specific, both historically and conceptually the increasing spread of the economic activity of industrialized

countries in disregard of national boundaries is contradictory to the developing countries' efforts in pursuit economic self-reliance.

This problem is a very difficult one. For Japan and the Asian NIEs, so-called economic Asianization is a process of pushing existing national production systems across national borders. For the countries of ASEAN, however, the increasing supranational character of economic activity must at the same time constitute a process for the construction of their own economies. The conflicting factors within Asian economies are the deep contradictions that at present exist, which are problems that inevitably arise in the process of furthering economic Asianization. This has distinctively Asian characteristics and differs from the supranational economic activity in the European Community and North America.

The basic strength to resolve the aforementioned inconsistencies inherent in economic Asianization will be derived from the establishment of bargaining power by the nations that recipients of overseas investment, as these nations build their economies. While accepting the supranational economic activities of industrialized countries, ASEAN countries will have the strength to structure diverse production systems, and Japan should foster effective economy cooperation to assist them in this.

Economic Asianization is the supranational spread of the economies of Japan and the Asian NIEs. However, this process of supranationalization is not simply a manifestation of the economic superiority of the more advanced countries—it may in fact reveal the relative inferiority of more advanced economies.

For example, let us consider a situation in which Japan and the Asian NIEs pursue international competitiveness in the absence of supranational economic activity. Within their limited land areas, these countries would have to attract large numbers of people from the ASEAN countries and China, in order to produce goods domestically. This is conducted in various distinct fields, but, given the present state of the Asian economy, this would be unrealistic. In addition, this type of international movement of labor would not be conducive to the building of the ASEAN economies. ASEAN countries' selectivity towards investment and encouragement of investment strike against this weak point inherent in the more advanced economies. Lying behind economic Asianization is not only the superiority of the industrialized countries, but also the relative superiority of ASEAN countries.

Japan, in particular, is cognizant of its weak points, and must foster the supranational spread of its national economy.

Amid the advance of economic Asianization, the supranational advance of the economies of industrialized countries and the quest for self-reliance by the ASEAN economies must coexist. Accordingly, Japan and the Asian NIEs must promote economic Asianization, looking ahead to

the self-reliant development of the ASEAN economies. If it is necessary for Japan, the Asian NIEs and ASEAN countries to create a mutual system for economic adjustment and cooperation in the Asian region, this would be a system that fosters increasing self-reliance by the ASEAN economies. This is because the increasing supranational spread of the industrialized economies is at present proceeding with a natural momentum, and the ASEAN countries are on the defensive.

4.2 Export-oriented economies and problems of technology transfers

What types of economic cooperation should Japan extend to ASEAN countries in the immediate future? The most important issues to address are technology transfers and the expansion and improvement of infrastructure that will nurture the growth of a variety of industries.

A matter of urgent necessity for the ASEAN countries is the nontransfer of advanced technologies. This is the downside of the increasing supranational spread by the industrialized countries and the export-orientation of the economies of the ASEAN countries. If the ASEAN countries introduce export-oriented investment, targeting exports to Europe and North America and reverse imports by Japan, they must also introduce leading-edge technologies such as those used in Japan. In order to absorb these technologies, it is essential for these countries to expand higher education systems and to establish research and development systems that foster the diversified industrial development.

To build the strength that will enable these education and R & D systems to be created, the management of Japanese companies must be localized, including local stock-exchange listings, and must respond to the demands by the governments of the host countries for greater local content, for the dispersal of factories to regional areas and for greater diversity in the types of industrial field in which they set up operations.

5. Economic Asianization and Kyushu's new role

5.1 The Asianization of the Kyushu economy

Economic Asianization is exerting a strong influence on the economy of Kyushu, whose output is almost equivalent to double the GNP of Korea.

Against the backdrop of the yen's appreciation and trade frictions, since 1985 there has been rapid growth in the launch of operations in other parts of Asia by manufacturing industry in the Kyushu region, and in the import of Asian goods produced by operations developed overseas by the wholesale and retail trades. According to a 1988 survey of overseas launches by manufacturing industry in the Kyushu region (sixty-two companies responded), the results of which were

released at the end of 1988 by the Fukuoka Chamber of Commerce and Industry, three quarters of respondents had launched operations overseas since 1980, two-thirds of which were since 1985. In addition, half of the companies surveyed named Asia as the region in which they had launched. In addition, nearly 40 per cent of small and medium-sized companies surveyed in Kitakyushu—Kyushu's leading center of manufacturing industry—stated an interest in launching overseas, and a remarkably large number of companies had plans to launch into Asia.

The city of Fukuoka, which accounts for nearly half of all wholesale sales in Kyushu, is the base for a majority of the prefecture's trade-related wholesale and retail companies and is the pivot of Kyushu's import business. Since 1985, overseas launches by the city's wholesale and retail companies engaged in trade has become increasingly active, and half of these have either initiated or are planning the development of overseas operations, centered on Asia, from which to import goods into Japan.

Kyushu, which was formerly a pillar of domestic production and a major market for domestically produced goods, is today seeking to create a new Asia-oriented production and consumption structure. However, this Asianization of the economy of Kyushu is passive.

5.2 Trading system in Asian waters, and the status of Kyushu

As traditional "smokestack" industries decline, and the import of agricultural produce is liberalized, the economy of Kyushu is deepening its relationship with the rest of Asia. In addition, the formation of an Asian trading system in long-narrow area encompassing the East and South China Seas—as described above—is causing the economy of Kyushu to enter a new phase of internationalization.

The backbone of transportation in home waters is formed by small container vessels with fast turnaround times, and thus there is a tendency to shun ocean-going vessels for entrepot trade. Also, as it can handle the transportation of parts, materials and manufactured goods regularly and smoothly, this trading system has also begun to function as an integrated international physical distribution system able to boost the efficiency of manufacturing and distribution.

Amid the Asianization of production and production processes, and the international spread of just-in-time systems, Kyushu's potential as a center for physical distribution in Asia is emerging. With the formation of an intra-Asia production and trading system linked by small trading vessels plying the East China Sea and the South China Sea, we are seeing a decline in the value of Kobe's entrepot facilities for international trade between Asia, Europe and North America. Conversely, attention is being focused on integrated physical distribution systems oriented toward just-in-time transportation, and efficiency and promptness are being emphasized. If Kyushu develops into a distribution center linking Asia and the domestic Japanese market, the efficiency of international container transportation within the Asian region would be greatly

enhanced, and domestic transportation within Japan could become quicker and more convenient through the use of a variety of means of transportation, including trucks, railways and domestic airfreight. Kobe and Yokohama, whose entrepot facilities for transportation between Asia and Europe and North America are disappearing, cannot indefinitely preserve their absolute superiority in trading in Asian home waters.

5.3 Economic Asianization and Kyushu's Response

Today's computer-based integrated distribution systems are not concerned solely with goods. They must be used as information systems that blend trade and financial information with the flow of goods, for example the international receipt and despatch of orders, the preparation of trade documentation, customs-clearance procedures, forwarding of documents, cargo tracking and electronic settlements. They must act as communications, financial and commercial bases able to unify this information with settlements and distribution.

Fukuoka, Kyushu's foremost urban center and the pivot of its commercial, financial, information and communications systems, is improving and expanding its container terminals, which are essential for integrated international transportation. As such, it is positioning itself to act as Kyushu's key base for Asian trade. Additional backing for this role is coming from the opening of a ferry route linking Fukuoka and Korea, and the shift to the city of facilities for marine transportation, warehousing, trading and other distribution-related activities.

To infuse vigor into the economy of Kyushu, it is not sufficient only to improve and expand its role as a base for goods-distribution in Asia. Kitakyushu, Oita, Kumamoto, Nagasaki and Miyazaki, which have strong records of industrial development, should be reorganized and expanded as bases for Asia-oriented manufacturing and R & D. In addition, it is necessary to use communications and transportation networks to link all flows of information and goods in Kyushu with locations in Asia and elsewhere in Japan. At that time, Kyushu's distribution bases will provide both the trigger for the renaissance of the economy of Kyushu and be springboards for Japan's Asian trade.

The more the Asianization of the Japanese economy progresses in both production and consumption, the more the importance of Kyushu as a key base for physical distribution and production in the Asian region grows.

6. Conclusion : ASEAN and Kyushu

ASEAN and Kyushu in many ways constitute a microcosm of the Asia of today.

ASEAN contains a heterogeneous mix of economic structures, and at the same time symbolizes the rich cultural political, social, religious and cultural diversity of Asia. In addition to

ECONOMIC ASIANIZATION AND THE ECONOMIES OF ASEAN

diversity economically, politically, culturally and in many other respects, the ASEAN countries are feeling their way along the path to economic self-reliance and unity. The new economic developments in Kyushu give expression—in the form of economic Asianization—to the supranational spread of the Japanese economy, which is proceeding at a remarkable pace amid the reorganization of its traditional advanced industrialized economy.

Nevertheless, the relationship between ASEAN and Kyushu is not merely symbolic. Two differing economic areas have the potential to be organically linked as part of an Asian production and trading area spanning the East China Sea and the South China Sea. Viewed from a different perspective, the interdependent and cooperative relationship that is being formed between ASEAN and Kyushu also constitutes a new economic relationship for ASEAN, the Asian NIEs, China and other countries linked with ASEAN.