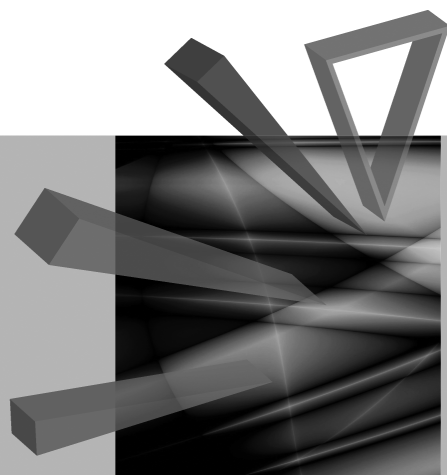


# Faces of Competitiveness in Asia Pacific



edited by  
**Bogusława Skulska**  
**Anna H. Jankowiak**



Publishing House of Wrocław University of Economics  
Wrocław 2011

Senat Publishing Committee

*Zdzisław Pisz (chairman)*

*Andrzej Bąk, Krzysztof Jajuga, Andrzej Matysiak, Waldemar Podgórski,  
Mieczysław Przybyła, Aniela Styś, Stanisław Urban*

Reviewers

*Ewa Oziewicz, Beata Stępień, Maciej Szymczak,  
Katarzyna Żukrowska*

Copy-editing

*Marcin Orszulak*

Layout

*Barbara Łopusiewicz*

Proof-reading

*Agnieszka Flasińska*

Typesetting

*Małgorzata Czupryńska*

Cover design

*Beata Dębska*

All rights reserved. No part of this book may be reproduced in any form  
or in any means without the prior permission in writing of the Publisher

© Copyright by Wrocław University of Economics  
Wrocław 2011

**ISBN 978-83-7695-126-3**

**ISSN 1899-3192**

Printing: Printing House TOTEM

## Contents

Introduction.....	9
-------------------	---

---

### Part 1. Determinants of the competitiveness of regional groupings in the Asia and Pacific region

---

<b>Ewa Oziewicz:</b> Remarks on international competitiveness of ASEAN economies.....	13
<b>Yoshiaki Sato:</b> The drift of East Asian Community. Why promoting freedom of movement now? .....	22
<b>Sebastian Bobowski:</b> Baldwin’s “domino theory” of regionalism – its sources and implications for East Asian states .....	29
<b>Andrzej Cieřlik, Tao Song:</b> Preferential trade liberalization in Southeast Asia. The case of ASEAN countries.....	41
<b>Bartosz Michalski:</b> Linking free trade with fair competition. Case study of ASEAN’s experiences .....	51
<b>Marcin Grabowski:</b> Will Trans-Pacific Strategic Partnership Agreement increase the competitiveness of the Asia-Pacific region? .....	61
<b>Marcin Nowik:</b> The competition in the field of development co-operation – between the Beijing and the Washington Consensus.....	74
<b>Monika Paradowska:</b> Transport as an area of co-operation between integrating countries in Europe and Asia .....	82
<b>Zbigniew Piepiora:</b> The regional co-operation in the field of counteracting the results of natural disasters as the factor of increasing the competitiveness in the Asia-Pacific region .....	91
<b>Marian Źuber:</b> Nuclear-Weapon-Free Zones in the Asia and Pacific region in the context of global security.....	100

---

### Part 2. International competitive potential of the economic actors of the Asia and Pacific region

---

<b>Guenter Heiduk, Agnieszka McCaleb:</b> Competitiveness of Chinese MNEs. Innovation versus imitation, branding versus price, acquiring versus developing? .....	117
<b>Piotr Adam Wiřniewski:</b> Competitiveness of Chinese suppliers of telecommunication technology on international markets.....	128
<b>Sylwia Przytuła:</b> Human capital as a source of competitive advantage of East Asian corporations (Chinese and Japanese) .....	141

<b>Anna Żelezna:</b> Transnational corporations and their influence on the competitiveness of Asian newly industrialized economies .....	150
<b>Sebastian Bobowski, Anna H. Jankowiak, Szymon Mazurek:</b> Business networks and the competitiveness of transnational corporations in East Asia .....	163
<b>Anna H. Jankowiak:</b> Cluster models in Japan on the example of Toyota cluster .....	173
<b>Karolina Łopacińska:</b> <i>Keiretsu</i> as a form of partnership in the Japanese business system .....	182
<b>Agnieszka Piasecka-Głuszak:</b> The main problems in the implementation of Japanese <i>kaizen/lean</i> tools in companies on the Polish market in accordance with the <i>Kaizen</i> Management System – the analysis of research.....	194

## Streszczenia

<b>Ewa Oziewicz:</b> Uwagi na temat międzynarodowej konkurencyjności gospodarek ASEAN .....	21
<b>Yoshiaki Sato:</b> Koncepcja Wspólnoty Azji Wschodniej. Dlaczego właśnie teraz powinno się promować Ruch Wolności? .....	28
<b>Sebastian Bobowski:</b> „Teoria domina” regionalizmu Baldwina – jej źródła i implikacje dla państw regionu Azji Wschodniej .....	40
<b>Andrzej Cieślik, Tao Song:</b> Preferencyjna liberalizacja handlu w krajach Azji Południowo-Wschodniej. Przypadek krajów ASEAN.....	50
<b>Bartosz Michalski:</b> Między wolnym handlem a uczciwą konkurencją. Studium przypadku ASEAN .....	60
<b>Marcin Grabowski:</b> Czy Porozumienie o Strategicznym Partnerstwie Transpacyficznym (TPP) podniesie konkurencyjność regionu Azji i Pacyfiku? .....	73
<b>Marcin Nowik:</b> Konkurencja w obszarze pomocy rozwojowej – pomiędzy Konsensem Waszyngtońskim a Pekinśkim.....	81
<b>Monika Paradowska:</b> Transport jako obszar współpracy w integrujących się krajach Europy i Azji .....	90
<b>Zbigniew Piepiora:</b> Współpraca regionalna w zakresie przeciwdziałania skutkom katastrof naturalnych jako czynnik wzrostu konkurencyjności w regionie Azji i Pacyfiku .....	99
<b>Marian Żuber:</b> Strefy bezatomowe w regionie Azji i Pacyfiku w aspekcie bezpieczeństwa globalnego .....	113
<b>Guenter Heiduk, Agnieszka McCaleb:</b> Konkurencyjność chińskich przedsiębiorstw wielonarodowych. Innowacja kontra imitacja, branding kontra cena, przejęcia kontra rozwój organiczny? .....	127
<b>Piotr Adam Wiśniewski:</b> Konkurencyjność chińskich dostawców technologii telekomunikacyjnych na rynkach międzynarodowych.....	140

---

<b>Sylvia Przytuła:</b> Kapitał ludzki jako źródło przewagi konkurencyjnej przedsiębiorstw wschodnioazjatyckich (chińskich, japońskich) .....	149
<b>Anna Żelezna:</b> Korporacje transnarodowe i ich wpływ na konkurencyjność gospodarek nowych krajów przemysłowych Azji .....	162
<b>Sebastian Bobowski, Anna H. Jankowiak, Szymon Mazurek:</b> Połączenia sieciowe a konkurencyjność korporacji transnarodowych z Azji Wschodniej .....	172
<b>Anna H. Jankowiak:</b> Modele klastrów japońskich na przykładzie klastra Toyota .....	181
<b>Karolina Łopacińska:</b> <i>Keiretsu</i> jako forma partnerstwa w japońskim systemie biznesowym .....	193
<b>Agnieszka Piasecka-Głuszak:</b> Główne problemy we wdrażaniu japońskich narzędzi <i>kaizen/lean</i> w przedsiębiorstwach na rynku polskim zgodnie z <i>Kaizen Management System</i> – analiza badań.....	203

**Yoshiaki Sato**

Seikei University in Tokyo/Harvard University

---

## THE DRIFT OF EAST ASIAN COMMUNITY. WHY PROMOTING FREEDOM OF MOVEMENT NOW?

---

**Summary:** The conception of establishing the East Asian Community has gone through ups and downs. Now it seems like a landing. Japan cannot afford sufficient money and time to promote the Community because of the declining economy and the damages caused by the recent earthquake. China seems to wait until the time would ripe for it to take initiative. Until somebody would hold the political leadership, steady efforts to cultivate “we-feeling” of the people in the region should be significant, because the regional identity is a prerequisite for establishing an “imaginary community” as a foundation of the formal Community. One of the useful measures is the promotion of the freedom of movement in the region.

**Keywords:** ASEAN Plus Three, East Asian Summit, East Asian Community, imaginary community, freedom of movement.

### 1. Introduction

The conception of establishing the East Asian Community has been suggested by then Prime Minister of Malaysia Mahathir Mohamad in the early 1990s. Then it has gone through ups and downs. The recent “up” can be found in the speeches of the former Prime Minister of Japan, Hatoyama. In 2009, the Liberal Democratic Party, which was in power for about half a century, abruptly stepped down and the Democratic Party took control of the government. Just before the inauguration of Hatoyama in September 2009, an ASEAN Plus Three meeting, namely a meeting of ten states of the Association of South-East Asian Nations, China, Japan, and Korea, and the East Asian Summit, which consists of thirteen states of “ASEAN Plus Three” plus Australia, India, and New Zealand, reached an agreement on finishing track-two research studies and proceeding to intergovernmental negotiations. Then Hatoyama declared that he would promote a policy involving establishment of the East Asian Community. The paper will overview the recent developments that have taken place in the areas of community-building in East Asia, and will examine the measures to be taken for fostering a community in East Asia.

## 2. Change of power balance in East Asia

The integration of Europe has been based on the agreement to reconcile between France and Germany. In East Asia, the Chinese and Korean governments are not yet ready to make peace with Japan in terms of politics, not to mention the formal treaty, and exploit the perception of Japan as evil neighbor in order to draw their nationals together. Therefore, the most important condition for establishing a community or union like the European Union (EU) lacks in East Asia. At the same time, however, the interdependence among East Asian countries has deepened to the extent that the ratio of intra-regional trade reached 55.8% in 2005.<sup>1</sup> The figure exceeds that of the three member states of the North American Free Trade Agreement (NAFTA) (43.0%) and approaches that of the member states of the EU (62.9%). In terms of economics, the conditions for establishing a community in East Asia seem to be satisfied. Hence, main obstacles to realize a community in East Asia rest on the political conditions, especially on political leadership.

Japan has been declining as an economic power in recent twenty years. It lost significant amount of diplomatic power because the Japanese government cannot secure integrity in policy. For example, when the incumbent Prime Minister Kan declared his intention to participate in the Trans-Pacific Strategic Economic Partnership Agreement (TPP), the Minister of Agriculture, Forestry and Fisheries and some other Ministers publicly opposed to open the market of agricultural produce of Japan. Due to the biased layout of electoral district, the people in rural part whose main jobs are farming or fishery are over-represented in the diet, and those in urban part whose main jobs are commerce or industry are under-represented. The Japanese government came to a deadlock by its incompetence in co-ordinating domestic interests so as to secure national interest at large.

Worse than that, it experienced the earthquake and nuclear plant disasters lately. The Japanese government decided to curtail 20% of the Official Development Assistance (ODA) for appropriating the saved money for reconstruction of the devastated towns in the northeastern region of Honshu Island. It is estimated that the total loss might reach at least sixteen trillion yen (approximately USD 17,000,000,000).<sup>2</sup> Japan has fallen on hard times. In 2005, the Japanese government source was reported to say “Japan should shape the future of the region while it is stronger” than China.<sup>3</sup> In other words, as was alarmed in the same year, “the integration of Asia is the order

---

<sup>1</sup> The figure in 2005 was a peak so far. It dropped to 56.1% in 2008, see Asia Regional Integration Center, Asian Development Bank, *Indication Indicators Database*, <http://aric.adb.org/indicator.php>.

<sup>2</sup> Naikaku-Fu [Cabinet Office, Government of Japan], *Tohoku-Chiho-Taiheiyo-Oki-Jishin No MaKuro-Keizai-teki Eikyo No Bunseki* [Macro-Economic Analysis of the Damages Caused by the Earthquake of which hypocenter was Off Northeastern Region], 23 March 2011, <http://www5.cao.go.jp/keizai3/getsurei-s/1103.pdf> [in Japanese].

<sup>3</sup> M. Obe, Japan downplays U.S. concern about East Asian Community, *Jiji Press Ticker Service*, 24 June 2005.

of the day. If Japan does not join, it will give way to Chinese leadership”.<sup>4</sup> Despite these alerts, the Japanese government did not take any initiative for starting a serious talk on the community-building, especially such a measure as currency basket called ACU (Asia Currency Unit). The chance has missed. At least a decade, until China itself would decline because of the aging society, it becomes harder and harder for Japan to construct a community in accordance with its vision.

China (The People’s Republic of China) has potential for seizing the leadership to promote regional integration. In twentieth century, China seemed to have world-wide strategy and bilateral strategies, but had little strategy for establishing a regional order in East Asia. However, China has definitely put regional integration as a most important geopolitical strategy and very active in constructing regional forums. For example, in 2001, China institutionalized the Shanghai Five, i.e. China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan into the Shanghai Co-operation Organization. In the next year, China concluded with ASEAN the Framework Agreement in Comprehensive Economic Co-operation. China suggested the transformation of Six Party Talk on Nuclear Problem in Korean Peninsula, whose members are China, Japan, North and South Korea, Russia and the United States into a North-eastern Asian Security Mechanism. China proceeds Greater Mekong Sub-region (GMS) development plan with Cambodia, Laos, Myanmar (Burma) and Thailand, and Tonkin Gulf Economic Forum with Vietnam. The concept of the East Asian Community might be an extension of these movements.

However, China has a good reason to wait until the time when Japan falls at the point that Japan cannot compete with China in terms of political as well as economic power. China would keep the regional integration being held hostage to the deadlock of the Chinese-Japanese bilateral relation. China might insist that the reason for objecting measures to deepen regional co-operation suggested by Japan should be attributed to the insufficient reflection of the Japanese government over the Asia Pacific War of half a century ago. As far as the time has not ripened, China may get more benefit from bilateral relations with each country in the region, except with ASEAN member states that have decided to make economic policy collectively.

Korea now concentrates on establishing global network of bilateral Free Trade Agreements (FTAs). For example, different from China and Japan, it concluded FTA with the United States and EU. It also agreed FTA with India and keeps negotiating FTA with, for instance, Gulf Co-operation Council (GCC). It adopts the policy to apply Article 24 of the General Agreement on Tariffs and Trade (GATT), which requires the high level of liberalization. Except in the age of President Kim Dae Jung, who proposed to request East Asian Vision Group (EAVG), a track-two group composed not only of governmental officials but also business-people and scholars, and East Asian Study Group (EASG), an inter-governmental body to examine the way to establish a community. It seems to keep distance from the East Asian regional integration.

---

<sup>4</sup> M. Ishida, Key to a common currency, *Japan Times*, 31 January 2005.



ASEAN might be interested in balancing China with other countries, especially Japan and Korea, to prevent either their fight against each other or their co-operation without ASEAN. The Gross National Product (GDP) of the ASEAN is one tenth of the total GDP of China, Japan, and Korea. ASEAN always sits in the driving seat in the various regional forums, including Asia-Pacific Economic Cooperation (APEC) and ASEAN Regional Forum (ARF). After the East Asian financial crisis of 1997-1998, ASEAN emphasized the East-Asian regional integration rather than Asia-Pacific co-operation. In 1997, ASEAN invited "Plus Three" countries and held the first meeting of ASEAN Plus Three Summit. However, ASEAN does not seem to be very active to pursuit a certain kind of regional institution. Rather, it puts its priority to establish ASEAN itself by reducing ASEAN divide by reaping the benefit of competition between China and Japan.

A main difference on the Community among relevant countries rests on the membership. The positions of countries reflect their perceptions of power balance in the region. Japan, as well as Indonesia and Singapore, prefers the East Asian Summit as a predecessor of the Community. Japan expects Australia and New Zealand, as well as India,<sup>5</sup> to co-operate to strengthen the democratic value and market economy in the region. In addition, through Australia and New Zealand, because those states have close ties with the United States, Japan desires to maintain the influence of the United States as a counterbalance to China. In short Japan aims at both engaging China, not to say containing it, and keeping influence of the United States. To the contrary, China with Malaysia insist on limiting the member states and suggest that the ASEAN Plus Three might be preferable. China treats the ASEAN Plus Three Summit as the predecessor to the Community. China wants to maximize its power in the Community and pursue a hegemonic control over the region by excluding Australia, India, and New Zealand and minimizing the influence of the United States.

### 3. From *de facto* integration to institutionalization?

The common features of the concept of the East Asian Community are open-regionalism and hesitation in establishing supra-national institution in addition to consultative conferences. In this respect, it is hardly realistic for East Asian countries to follow the EU model in the near future. It is quite possible that the East Asian countries would not like to duplicate already enough forums any more. The ASEAN Plus Three and East Asian Summit and other forums go side by side. ASEAN Plus Three can develop financial co-operation such as Chiang Mai Initiative. East Asian Summit can strengthen the co-operation in dealing with terrorism or infectious

---

<sup>5</sup> India itself has a vision for Asian Economic Community, which consists of so-called JACIK; Japan, ASEAN, China, India, and South Korea. India, *inter alia*, suggests that its vast pool of trained work force might make up for the shortages of working-age manpower in Japan and Korea, which are facing demographic transition.

diseases. APEC can promote harmonization of various internal standards on technologies. The relevant states would not adopt a wholistic approach and retain a selective one. For example, Japan might secure foreign direct investment, while deny the acceptance of a crowd of migrant workers or a flow of agricultural products. The Community, even if established, would be loose in terms of obligations, and operate as a kind of intermediate communities of restricted area of co-operation in the multi-layered structure of regional and trans-regional co-operation.

The states in East Asia vary a lot in terms of political regime, economic system, social custom, culture, religion, and so on. Just an example may teach clearly. The tradition of Confucius has taken root in China and Korea, Buddhism in Japan and Islam in Indonesia. In contrast, as the preamble of the Treaty on the European Union, the member states of the EU share an “inheritance of Europe, from which have developed the universal values of ... the rule of law”. Different from the European tradition of Roman law and canon law, East Asian countries have little inheritance of the rule of law. In such a region, a rule-based approach to regional integration would not fit in. Even ASEAN itself, although the member states concluded the ASEAN Charter and declared to establish the ASEAN Economic Community by 2020, the concessions of part of the sovereignty of these states towards ASEAN would not come into reality in the near future. Without rules, it is not important to prepare the institutions for enforcement and international officials working for the institution. Therefore, it is crucial for a while for the in the region to ferment a *de facto* community.

#### **4. Promotion of freedom of movement as a step for the establishment of a community**

As long as the political leadership is absent, some long-term measures may be possible for creating a region-wide community in East Asia. One of the key agenda for establishing a community is the cultivation of the community-identity. As Benedict Anderson from Cornell University pointed out, a nation can be created by nurturing an “imaginary community”. For creating “imaginary community,” some mechanisms should be functioned including a region-wide career path of workers.<sup>6</sup> In this respect, freedom of movement of workers and their families is an important agenda for creating a community in the region. In fact, a Draft Charter of the East Asian Community, which has been suggested as a fruit of an international research project hosted by the Institute of Social Science at the University of Tokyo, includes Article 19, Paragraph 1 which reads “[t]he member States shall reduce barriers to the free movement of nationals of the Member States who are carrying out trade in service within the Community”.<sup>7</sup>

<sup>6</sup> B. Anderson, *Imagined Communities*, Verso, London 2006.

<sup>7</sup> Paragraph 2 of the same article reads “[t]he Member States shall promote the free movement of tourists, students and other short-term visitors within the Community and shall cooperate to deal with

Under the framework of APEC, businesspeople in the region can obtain APEC Business Visa for entering other member States smoothly. ASEAN Plus Three or East Asian Summit may adopt other means to promote trans-boundary movement of workers. For example, on the one hand, Japan needs foreign workers who are willing to get into the so-called 3-d (dangerous, dirty, demanding) work-place. On the other hand, China has internal structural problem that the population in the rural part is pulled into the urban one. The pressure of the movement of people needs the international co-operation to accept these people. If Japan accepts a number of Chinese workers and give them opportunities for occupational training, the relevant states and workers might find themselves in win-win situation. Internal system such as the Technical Internship Program of Japan may be expanded for a region-wide system.<sup>8</sup>

## 5. Conclusion

For establishing a community worthy of its name, a kind of rules and institutions should be agreed, even if the effectiveness of the execution would be very restricted.<sup>9</sup> For reaching such an agreement, political leadership is necessary. When political leaders make a decision, it must be accepted by peoples of each state. It is often pointed out that one of the main obstacles for establishing the East Asian Community is “a trust deficit” among China, Japan, and Korea.<sup>10</sup> Therefore, until the time is ripe for agreeing the legal framework of the Community, to discuss about the East Asian Community is not just discussing about the designs its final structure but also about concrete measures of each area. One of the significant measures is the education of the peoples gradually to understand the necessity of the Community. The promotion of the freedom of movement will contribute a lot to the integration in East Asia.

## References

Anderson B., *Imagined Communities*, Verso, London 2006.

Asia Regional Integration Center, Asian Development Bank, *Indication Indicators Database*, <http://aric.adb.org/indicator.php>.

Ishida M., Key to a common currency, *Japan Times*, 31 January 2005.

illegal visitors in the Member States”. See T. Nakamura *et al.*, A Draft Charter of the East Asian Community, [in:] T. Nakamura (ed.), *East Asian Regionalism from a Legal Perspective*, Routledge, London, 2009. p. 263.

<sup>8</sup> Y. Sato, Immigration law and policy of Japan in the age of East Asian Community-Building, *Journal of East Asia and International Law* 2010, Vol. 3, No. 2.

<sup>9</sup> Y. Sato, “Open regionalism”: creating multi-layered orders in world governance, [in:] T. Nakamura (ed.), *East Asian Regionalism from a Legal Perspective*, Routledge, London 2009.

<sup>10</sup> A. Khalik, Indonesia “Must Focus on ASEAN Community Instead of East Asia”, *Jakarta Post*, 27 April 2006.

- Khalik A., Indonesia “Must Focus on ASEAN Community Instead of E Asia”, *Jakarta Post*, 27 April 2006.
- Naikaku-Fu [Cabinet Office, Government of Japan], *Tohoku-Chiho-Taiheiyo-Oki-Jishin No MaKuro-Keizai-teki Eikyo No Bunseki* [Macro-Economic Analysis of the Damages Caused by the Earthquake of which hypocenter was Off Northeastern Region], 23 March 2011, <http://www5.cao.go.jp/keizai3/getsurei-s/1103.pdf> [in Japanese].
- Nakamura T. *et al.*, A Draft Charter of the East Asian Community, [in:] T. Nakamura (ed.), *East Asian Regionalism from a Legal Perspective*, Routledge, London 2009.
- Obe M., Japan downplays U.S. concern about East Asian Community, *Jiji Press Ticker Service*, 24 June 2005.
- Sato Y., The industrial training program and the technical internship program of Japan: A means for transferring technology or a disguised guest worker program?, *Seikei Law Review* 2008, No. 68.
- Sato Y., “Open regionalism”: creating multi-layered orders in world governance, [in:] T. Nakamura (ed.), *East Asian Regionalism from a Legal Perspective*, Routledge, London 2009.
- Sato, Y., Immigration law and policy of Japan in the age of East Asian community-building, *Journal of East Asia and International Law* 2010, Vol. 3, No. 2, 2010.

## KONCEPCJA WSPÓLNOTY AZJI WSCHODNIEJ. DLACZEGO WŁAŚNIE TERAZ POWINNO SIĘ PROMOWAĆ RUCH WOLNOŚCI?

**Streszczenie:** Koncepcja utworzenia Wspólnoty Azji Wschodniej przeżyła wiele wznoszeń i upadków. Aktualnie stoi w ciągle tym samym miejscu. Przyczyn takiej sytuacji jest wiele. Japonia nie może przeznaczać odpowiednich funduszy i czasu na rzecz Wspólnoty ze względu na podupadającą gospodarkę i szkody spowodowane przez trzęsienia ziemi. Chiny wydają się czekać na lepszy czas, by podjąć inicjatywę. Stagnacja potrwa do momentu, w którym ktoś obejmie polityczne przywództwo i będzie podtrzymywał tożsamość regionalną, która jest warunkiem wstępnym do ustanowienia Wspólnoty. Jednym z przydatnych środków jest również wspieranie swobodnego przepływu w regionie.