Foreword

The History of Japan's International Business Relations with Asian Countries

IN AN EARLIER ISSUE (vol. 11), the journal took up the history of Japan's international business relations with Western countries. It is only natural that most Japanese business historians had turned their attention first to Europe and America, for, to achieve industrialization, Japan had been keen to introduce technology and institutions originating in those parts of the world. As a result of rapid growth in trade relations with Japan, however, the history of Asian countries came to attract the serious attention of Japanese business historians after the 1980s. In fact, the annual conference in the Kantō area of the Business History Society of Japan held in July 1997 had as its theme "The Economic Development in Asia and the Problems of Business History It Raises." The fact that a large number of Society members took part in the conference shows the increased interest in Asian matters. The Executive Committee of the Society decided to reorganize the management of the International Conference on Business History (the "Fuji Conference") in order more fully to cover the business history of Asian countries.

The year 1997 became one that Asian countries like Thailand, Malaysia, the Philippines, Indonesia, and South Korea would never forget. During the previous decade these countries had successfully achieved high economic growth and seemed to have firmly captured a fair share of the world trade. Yet the favorable tide turned against them. Southeast Asian countries gradually lost their competitive power in world markets and as a result their trade deficits with advanced countries grew. Their governments aimed at encouraging inward investments from abroad by pegging their cur-

rencies to the U.S. dollar in order to avoid the risk of foreign exchange fluctuations, which foreign investors had finally to accept. In Thailand these funds run mainly into the property sector, and the economic “bubbles” suddenly burst. Nevertheless, these governments hesitated to move immediately from the currency pegging system to a relatively free floating of their currencies. They were afraid that their currencies would fall heavily against the U.S. dollar because of the considerable amount of their foreign borrowings. In these circumstances, speculators targeted the Thai baht and then shifted their attention to other Southeast Asian currencies: the Malaysian ringgit, the Indonesian rupiah, and the Philippine peso. Mahathir Mohomada, Malaysia’s prime minister, strongly criticized this attack by “foreign funds” being orchestrated by financiers in the international financial centers. The state of Southeast Asia’s shaken economies caused their share prices to fall sharply as well.

The economic debacle in Southeast Asia also hit South Korea’s export-oriented economy. Huge *chaebol* were founded on large amounts of debt, and their family founders (owners) financed excessive production capacity and reckless expansion into new businesses that did not always return large profits. Because of keen competition from Japan and other Asian countries, it seems that *chaebol* cannot put a great reliance upon export demand. Although Japan enjoyed a buoyant “bubble economy” in the late 1980s, it is suffering a severe slump in consumer demand. Many Japanese have their doubts about the validity of the existing financial and corporate system (which had worked well in the period of economic reconstruction after the Second World War), and they recognize an urgent need for economic reforms. Fears are rising that the Asian currency turmoil and debt crises could affect Japan’s economy because Asian countries, as well as the United States, are the country’s predominant export market.

Paul Krugman of MIT once pointed out “the myth of Asia’s miracle”; many Asian countries imported much capital and technology from Western countries and rapidly industrialized their rural economies without raising labor productivity. It is imperative for them to establish capital-incentive industries that can produce high-value-added goods. Now is the time when the economic

advantage of the Asian model (including the Japanese one), in which the central government plays a significant role in enhancing the market, should be reconsidered in historical perspective.

Business historians come to emphasize the aspect of international business relations and comparability. In the process of the globalization of the economy, activities of enterprises can no longer be analyzed within the old-fashioned framework of national economies. It is clear that a new framework of international business history is needed. Surely this would make it possible to describe the history of Japanese business activities abroad, but so far very limited attempts have been made in this direction.

From the viewpoint of international business relations with Asian countries, some business historians, considering the possibility of market integration into an economic community in the future, began to tackle the topic of the formation of Japanese multinationals, as well as the topic of technology transfer of the "Japanese management system" to enterprises in a number of countries in Asia. We can safely predict that the business history of Asian countries will provide a promising and fruitful subject for academic research.

The feature articles included in this volume deal mainly with the history of Japan's international business relations with Asian countries. Tamio Hattori sets out to compare the characteristics of a *chaebol* in South Korea with those of a *zaibatsu* in Japan. Also using *zaibatsu* as a point of comparison, Akira Suehiro analyzes family businesses in Thailand. Fumikatsu Kubo discusses the development of Japanese state-policy corporations in prewar Taiwan. Finally, Chunli Lee provides a detailed account of the process of transferring the Toyota Production System into China. We sincerely hope that this set of pioneering articles will be able to lay open for our readers this new subject of interest in business history circles in Japan, and in so doing provide new insights into the study of Japan's international business relations.

Toshio Suzuki, Editor
Chūkyō University