

The Developments of Asian Country's Enterprises and the Role of Industrial Policy

Katsuaki Onishi*

Abstract

This research first aims at investigating the common factors responsible for Asian Country's industrial dynamic development. Next, it is important to clarify the changes that are transforming the framework of the Asian Country's industry and enterprise in the 21st Century. Asian Country's industry is facing the landmark changes in the new century. The third aim is to specify the new tasks of Asian industrial policy. This paper seeks to search for the path of establishment of Asian independent industrial structures and the strong international competitiveness of Asian enterprise.

1. Introduction

Among the countries that have a presence in Southeast Asia, there is Japan, which is considered a developed nation, as well as countries that are considered Asian NIEs such as South Korea, Taiwan, and Singapore, followed by China and various members of ASEAN. In the 1970s and the 1980s, Taiwan, Singapore, and Hong Kong were the NIEs in Asia achieving rapid economic growth. Southeast Asia is diverse and complex in terms of politics, the degree of industrialization, and income levels; not only there exists a colorful diversity of countries,

but the intricate political and economic relationships that link them are in a state of constant flux. Against this background, the industries of Asian Countries developed along the process, which was considered to be common among capitalist countries, with maintaining the uniqueness of Asian Countries. Asian Countries to exhibit a late-developed capitalism, and thus, successfully achieve high economic growth, and have come to play an important political and economic role in East Asia.¹⁾

Particularly, Asian Countries have awakened the awe of the world since 1990, by their dynamic economic growth and the level of their capital accumulation. Their economic growth and the resulting GDP per capita have rapidly increased. Asian Countries have been performing spectacularly well with GDP growth rates averaging over 7% since the turn of the century, while the developed world wallowed in the doldrums. Along with a considerable interest in the countries referred to as "BRICs," there is also a particular interest on Asian Countries, which is said to be trailing the BRICs economies. Further more, Southeast Asia is actively dealing with globalization, with membership of the WTO spreading throughout the region, and FTA (Free Trade Agreement)s and EPA (Economic Partnership Agreement)s are being

* Professor, School of Commerce, Senshu University

concluded.

In addition, analysts speculate that factors within ASEAN such as developments in FTAs and EPAs, and tariff cuts, are altering the China-centric focus of major Japanese electrical appliances and electronic parts manufacturers, and are transforming Asian Countries into a second manufacturing hot spot. Thus, another Asian Countries are considered by Japanese firms as a destination of choice for investment. With China—the so-called “factory of the world”—experiencing a rise in the value of the Yuan, wage and rent increases, increase in various expenses, and the changes in foreign direct investment policy with focus on the high-tech, political tensions, and political instabilities, Japanese firms are steering themselves away from overly concentrating their business in China and are looking at another Asian Countries as an alternative “China-plus-one” destination for investment.

Along with maturing of markets in the developed world and the adverse effects of the subprime loan crisis originating in America on the world economy, the trends in emerging markets are the current focus of attention. Although hit by sudden inflation in 2008, at least until very recently, Asian Countries boasted ideal conditions for foreign direct investment. Alongside such landmark events, the Asian Country’s economy has been maintaining sustained high growth.

This research considers the Asian enterprises and the Asian Countries which have achieved the economic growth that came to be known as the after 1990. In relation to Asian Country’s industrial development, this research first aims at investigating the common factors responsible for its rapid economic growth. Asian countries chose the path of industrialization through agricultural development and achieved high economic growth based on the industrial development with the aim of increasing productivity. It is true that Asian Country’s economy and industry have inherent characteristics that have shaped them over the years. But, the roles played by direct inward investment, export of goods, and the policy of transition to a market economy should be re-examined as

the fundamental moments.

Next, it is important to clarify the changes that are transforming the framework of the Asian Country’s economy and industry in the 21st Century. Asian Country’s economy is facing the landmark changes in the new century. I think that the modernization, the international competitiveness and the enlargement of inside market of Asian Country’s economy and industry are playing a crucial role at this stage. The recent developments within the diverse trends of Asian Country’s industry will be examined. The third aim is to investigate the new tasks of Asian Countries and their industrial policies.

2. Industrial Development in Asian Countries

(1) The role of industrial policy

In the 1990s, while the Japanese manufacturing industry was in a recession, the economic growth of Asian Country was remarkable until the Asian Currency Crisis (1997). In the first half of the 1990s, the main Asian Countries (China, South Korea, Vietnam) maintained an economic growth over 6% on average, which became a worldwide topic.

What is notable in the abovementioned process is the role of the government, which displayed leadership and actively implemented a variety of policies. The main Asian Countries promoted rapid industrialization were led by government direction and the export dependency.

The Asian Country’s industrial policies had a major influence on the development of Asian Countries industry. The Asian Country’s industrial policies have pushed on their industrialization. Many industries emerged under government support. In other words, Asian’s sustained growth can be said to have been supported by the introduction of the market economy, acceptance of foreign direct investment, and expansion of exports. The industrial policy was the catalyst for an experiment in the introduction of the market economy and the opening up of the country, active attraction of foreign investment, and a considerable change in the Asian Countries econ-

omy, which is used to be agriculture-oriented. Their policies for the promotion of main industries including machinery, textiles, ship-building, electronics, and steel were formulated. In particular, the governmental policy of shifting toward a market economy, symbolized by the industrial (innovation) policy, had an epoch-making effect on Asian Country's industries. The full-scale transition to a market economy was realized. The aforementioned systematic reforms such as the opening up of the market, introduction of foreign capital, and enterprise reforms were steadily in progress.

At first, the plans for the modernization of the agricultural industry and the industrialization policy for the regional areas related to agriculture are also taking shape.

In this process, the Asian Countries companies and the heavy and chemical industries managed to strengthen certain international competitiveness. Some countries tried to shakeup of industrial structure and bring up SME (small-and-medium-sized enterprises). With the challenge of promoting computerization, the development of industrial estates for the usage of software industries became reality.

Government funds were poured into these main industry fields, but the government-directed industrialization in Asian Countries of that time was tantamount to the development. In particular, the shortfall in government investment funds and banking finance was picked up by foreign capitals, and Asian Countries government and banks provided payment guarantees on the long-term loans offered by foreign entities, mainly for those companies, facilitating the rapid growth.

The Asian Countries industries, which were based on long-term international loans, a systematically motivated excessive indebtedness, and low salaries, promoted rapid industrialization in the field of heavy and chemical industries, supported by the export-oriented industrialization policies.

While it would be useful to specifically identify current developments in the steadily growing Asian Countries industry, it is important to remember that Asian Country's

entry into the WTO and the world economic crisis of 2008 are likely to have a crucial effect on the future development and direction of its industry.

(2) Introduction of Foreign Direct Investments

A factor that influences trade and has a profound effect on Asian Country's industrialization is direct investment. In a nation whose primary sector output still constitutes nearly 30% of the total and where more than half of the labor force is engaged in this sector, the contribution of foreign capital is vital. Moreover, its industrialization process is dependent on foreign direct investment. The expectation of economic development, which is reliant on direct inward investment, foreign aid, and loans for the construction of connected districts and industrial estates can even be said to be excessive.

Asian Countries have enacted the Foreign Direct Investment Law for the introduction of foreign direct investments. They dealt with the introduction of foreign capital by passing the Foreign Direct Investment Law. First, the system relating to direct investment has been actively reformed to encourage the influx of foreign capital. Asian Countries abandoned the system of market monopolization by state-owned industries to attract further foreign investment. The law, as it was first enacted, allowed 100% foreign investments and relaxed restrictions, applying favorable terms indiscriminately. There are the reverse cases. The laws were subsequently revised at some times. The transfer of enterprises from a joint venture to 100% ownership was permitted for some industry types by some countries. The revision of the Foreign Investment Law further relaxed the principle of unanimity for decision making in joint venture firms, allowing a certain degree of voting rights for joint venture partners with more than 51% share. In addition, corporate acquisitions by foreign firms were legalized, and foreign enterprises were permitted to obtain credit from banks using land-use rights as collateral. Other measures put in place included those to encourage investment and those prohibiting the existence of for-

eigner prices. The law allows for favorable tax rates to be applied, depending on factors such as the size of the capital, technical level, export ratio, level of profit, and geographical conditions. Subsequent revisions of the Foreign Direct Investment Law are characterized in specification of priority issues, further reflecting local political intent; it also approved investment in infrastructure-related projects, in which investors transfer the infrastructural works to the Asian Countries government after a long-term period of investment recovery. The revision of the Foreign Investment Law further clarified the difference between industry sectors or geographical regions, which require foreign capital and those which do not, and implemented policies to attract investment, such as provision of tax breaks. Industry sectors such as infrastructure and export manufacturing projects, agriculture, forestry, aquaculture, food processing, environmental conservation, and R&D, in addition to geographical regions such as mountainous and remote regions as well as other regions considered to be at a socioeconomic disadvantage, were targeted. These measures aimed at introducing foreign capital to regions in difficult situations, which had potential. Also the revision of the Credit Institution Law permitted establishment of financial institutions using 100% foreign capital and allowed acquisition of shares of local financial institutions by foreign financial institutions. Thus, the investment environment has been improved and the system for attracting foreign investment has become more organized.

According to the law, the export free trade zones were set up. It also continued to set up the export manufacturing zones and some industrial estates for the purpose of attracting foreign investment. Foreign direct investment was encouraged and joint ventures embodied the purpose of improving technical capacity. Asian Country actively developed its legislative structure, passing laws such as legislation relating to the transfer of foreign technology and that relating to the protection of industrial property. The government implemented a strategy

of focusing on attracting investment in the high-tech and petrochemical sectors, infrastructure-related sectors, farming villages, and under populated area.

They were also aimed at industries, products, or services, which had a high export ratio or were adaptable to the latest technologies. Asian Countries have the following advantages as a foreign investment destination. They are politically and socially stable, and offer large, high-quality, low-cost labor force.

Local enterprises are attempting to expand their businesses by entering into joint ventures with foreign investors, tying-up as manufacturers, component suppliers, or retailers. Until then, foreign firms were only recognized as joint venture partners of state-owned enterprises in the "state capitalist" sector (minority joint ventures with a state-owned enterprise). The fact that fully foreign-owned enterprises were officially recognized as a part of the multi-sector economy envisaged by Asian Countries is seen as a message to attract foreign firms that contribute to economic development on the funding and technical fronts.

Once more, cooperation with multinational firms was promoted in order to obtain technological and modern business know-how and to swiftly participate in the international market. Joint venture enterprises in Asian Countries are required to have Asian person as the first vice president if the president is a foreign national, and in the past, the board of directors was required to work on the principle of unanimity. The revision removed some sections of this unanimity regulation, thereby relaxing the principle of unanimity required of the board of directors.

There is a shift from joint ventures and domestic market oriented projects to 100% ownership and export manufacturing projects with a focus on expansion in industrial estates and export manufacturing zones. The main reasons for investment include cheap worker wages, cost reduction, following parent enterprises, risk dispersion (to alleviate over-concentration of risks in China), the possibility of liaison with Asian Countries as a component supplier and a sales channel, consolida-

tion or re-organization of a base within ASEAN, improvements in the investment environment and the expansion of Asian Country's domestic markets.

While the trends surrounding foreign direct inward investment to Asian Countries are influenced by the intentions of investing firms, they also reflect the policy intent with a particular focus on attracting heavy and light industries. Foreign direct investment dropped by a half in the aftermath of the 1997 Asian currency crisis, but it bounced back after then. Incoming foreign direct investment has been on a gradual recovery since 2000. Foreign direct investment in heavy chemical industries, which had been on a downturn since 2001, was experiencing sharp growth since 2004.

(3) Export-Oriented Industrialization

Moreover, the trade dependency of Asian Countries was about 30% in exports, 30% in imports, with both imports and exports showing a nearly 30% dependency on other countries.

The government is implementing various export-stimulating policies, such as trade liberalization. The government passed the Tariff Law, which organized customs issues such as tariff rates and handling charges on imported and exported goods, and coordinated them with the Civil, Enterprise, and Foreign Investment Laws. Measures implemented include duty cuts on import of fertilizers and pesticides, as well as export promotion measures such as exemption on export duty and export handling charges, and simplification of business contractual procedures. Other active export promotion policies were implemented, including a drive to expand the scope of preferential "export assistance" credit terms available to firms producing or manufacturing goods for export.

Asian industries were founded on an export-oriented industrialization policy, based on long-term loans and low salaries. The export-oriented industrialization became the objective in Asian Countries, which on the flip side increased the import of production goods and intermediate parts, resulting in stronger dependency on other

countries. Asian industries, on the one hand, are export-oriented, and on the other hand, dependent on the import of production goods and parts.

In particular, Asian industries became increasingly dependent on foreign capital, especially Japanese capital. With respect to trade and technology, Asian industries were heavily dependent on supplies of parts and technological aid from Japan. Therefore, Asian industries, while being export-oriented, are also dependent on the import of production goods and parts. In other words, they have developed a production model where, as exports increase, imports also increase. The growth of export industries did not have a spin-off effect on domestic industries and only resulted in an increased investment of, and dependence on, foreign capitals.

In other words, the inter-industry relationship between the export sector and the sector based on domestic markets was weak and the beneficial effects of the export-oriented industries on domestic industries were few and far between. This framework led to the creation of a dual structure consisting of the export industries, which grew rapidly by introducing modern technologies and raw materials under the aggressive support of the government and the small to medium companies that depend on the domestic markets, lacking funds and technology. The development of Asian industries has accompanied some claim that it was merely an alternative production base for foreign companies, which moved in seeking for cheaper labor.

3. Various Challenges of Asian Industries

(1) Modernization

As previously described, Asian Country's economy and industries are showing signs of major change in the 21st century. In the 21st century, Asian Countries confront with some serious problems that have been raised include the following, although the importance of the issues vary from firm to firm: difficulties in acquiring the components, poor infrastructure, unstable government

policy, a relatively small domestic market, lack of capital and skills of joint venture partners, shortage of technical and middle management staff, projected shortage of labor a few years ahead, anti-dumping measures implemented in export destination countries, and low-tariff imports of finished products from within the region (as a result of AFTA). Some also point out that land, electricity, and transport costs reach the higher level resulting in a higher production cost. The improvements of economic condition and international relations have had a profound effect on the successful expansion of the exports and the introduction of foreign capitals. So, both the domestic and international environments relating to the export of goods continue to develop. Asian Countries have announced the removal of non-tariff barriers from all goods (except some goods) within the AFTA region. Asian Countries accomplished at joining the WTO.

However, it is still difficult to meet demands of MNEs in terms of quality, price, and delivery, and many enterprises are expanding their businesses in sectors such as electricity cables and packaging. For this reason, nurturing of peripheral industries supporting the machinery industry is a challenge faced by Asian companies along with the development of infrastructure.

MNEs that have investments in Asian Countries are pursuing further localization, aiming at reducing costs by local procurement of component parts to a degree beyond that required by local content rules. Although the efforts for modularization and reforms such as in taxation (tariff duty) and FTA are leading to a move toward international specialization within Asia, the need for expansion of production within Asian Countries and local procurement of component parts is on the rise. Now, some Chinese and South Korea companies have the strong international competitiveness. They are active as MNE.

(2) Grow up the international competitiveness

For example, at Vietnam, a number of serious inherent

issues were plaguing state-owned enterprises including the following: (1) shortage of capital, (2) shortage of collateral for securing loans, (3) lack of experience in effective use of capital, (4) a system of production that disregards demand, (5) inefficient bureaucracy, (6) lack of competitiveness in comparison to foreign products, and (7) an outflow of skilled technical experts to other sectors. The some Plans were drawn up with the aims of encouraging enterprises not requiring full government funding into issuing shares, streamlining the state enterprises, establishing conglomerates with state owned corporations as parent companies, expanding state enterprises in key industries and promising sectors, and increased investment for the establishment of new enterprises, among others. State-owned enterprises were defined as economic organizations in the form of state companies, limited companies, or joint-stock companies, in which the state either owns all of the statutory capital or is dominant in owning shares and providing capital, thus clearly redefining state-owned enterprises as a management entity. Many state enterprises proceeded with reorganization.

More specifically, it called for: (1) strengthening of the umbrella corporations in the vertical integration type for transformation into driving forces of industrialization, (2) restructuring of the enterprises under the umbrella corporations, (3) organizing the system, policies, and other conditions for growth of corporations, (4) nurturing human resources, (5) shielding enterprise management from interference by higher organizations, (6) cohesion within each enterprise and consolidation of their own cultural identities. It pushed for widespread understanding of the share-issuing program, encouraged purchase of state enterprise shares, and implemented reorganization of inefficient small-scale state-owned enterprises alongside consolidation of government corporations. In terms of industrial output, the relative contribution of the state sector has dropped, while the relative contributions of the non-state sector and foreign capital are increasing. Issuance of shares was seen

as a system that lead to improved management efficiency, access to savings at home, and reduction in the burden on the national treasury. It was also seen as a system in which the shareholder has a voice and has control over the actions of the management, leading less corruption.

On the other hand, the foreign-owned sector is taking the large share, with the non-state sector also rapidly on the rise. In particular, the rapid growth of the non-state (private) sector is said to be the driving force responsible for economic growth. In other words, not only is reform of state enterprises underway, but so is reform of private enterprises. The Law on Private Enterprises was enacted, leading to a rapid increase in the number of private enterprises. The Law on Private Enterprises was approved, and applied to limited companies, joint-stock companies, partnerships, private enterprises, state owned enterprises, and political organizations, which have changed to limited and joint stock companies, as well as socio-political organizations.

For example, at Vietnam, until then, private enterprises were discriminated against in terms of land use and provision of capital, but the new law stipulated a system whereby private enterprises are able to compete with state-owned enterprises on a level playing field. The Law on Private Enterprises stipulated a relaxation of restrictions on paid-in capital, modernization of the joint-stock company system, and new forms of enterprises such as partnerships and single-investor limited companies. The enactment of the law considerably simplified the process of setting up an enterprise. The amount of paperwork required for permits was reduced, and some enterprise registrations could be carried out at the county and district level instead of at state level. Under the framework described above, much of the expansion in consumer durables production have been driven by the newly created non-state sector.

Meanwhile, the Stock Exchange commenced trading in the 21st century. As the number of companies to be listed increased, so did the level of investment from

abroad, and another stock exchanges were subsequently opened in another cities. The volume of trading in Stock Exchanges grew sufficiently large to attract international attention. Unfortunately, a steep drop in share prices linked to an Asia-wide fall of share prices has been occurring since 2008, with the value of shares dropping to a third of what they were at their highest.

Thus, the number of new private enterprises increased sharply. Continual system and policy shake-ups as well as incentive packages encourage renovations, expansions, and efficiency improvement in group management and creation of an environment conducive to development of privately managed enterprises (which include the self-employed, small business owners and private capitalist enterprises). By setting the competitiveness of domestic enterprises as a policy objective, the government has thus been pushing state-and private-sector enterprise reforms through the above-mentioned legislation. Many new private enterprises were set up then. New enterprises were established in the four years since the enactment of The Law on Private Enterprises.

In other words, the growth of the non-state-owned (private) sector has been remarkable, and the main contributing factor responsible for this growth is the emergence of privatized state-owned enterprises and newly-established SME (small-and-medium-sized enterprises). The remarkable emergence of such SME can be attributed to their ease of establishment and the flexibility of their activities.

SME and its staff, which provide huge impetus to Asian industry, have the following roles to play: (1) the provision of employment, (2) ensuring active utilization of the people's assets and capital and opportunities for investment, (3) providing the effective utilization of agricultural products, and (4) the cultivation and provision of human capital/resources. A noticeable point is the creation of employment opportunities. Many peoples were employed by SME.

(3) Enlargement of inside market

The statistics presented below show that Asian new developing country's industrial structure is still based around agriculture. Forestry, agriculture, fishery, and mining account for about 30% of GDP, and about 50% of the workforce in the 21st century are engaged in agriculture, forestry, and fishery. Either way, Asian Countries while remaining centered on agriculture, has been maintaining its growth while gradually transforming its industrial structure with a gradual shift of balance from agriculture to industry and from light industries to heavy and high-tech industries.

While it goes without saying that modernization of agriculture is high on Asian Country's agenda, the country's agricultural policy cannot be said to be going entirely smoothly, with farmer protests. They hope the operation of scientific technologies contributes to industrialization and modernization of agriculture. They tried to switch its policy from encouraging increased production to focusing on improving efficiency and quality, partly as a result of low rice prices in the world market. They promoted to swift implementation of industrialization and modernization of agriculture. Still more they initiate the policies aiming for a shift to high-productivity agriculture through industrialization and modernization of production and distribution processes.

The government pushed for agricultural production through consignment contracts with farmers, encouraging production of high-quality agricultural products and seeking a system whereby exporters and wholesalers can efficiently utilize distribution routes. Asian Countries continue to seek modernization of agriculture in the 21st Century, pursuing measures such as mechanization of agriculture, conversion of agricultural produce to products with high added value, and cultivation of agriculture-related manufacturing industries. The government has been actively implementing export promotion policies such as financial incentives for agricultural exporters. Although the agricultural output is on the rise, the combined output of agriculture, forestry, fishery, and mining as a proportion of GDP sank below as the result

of ongoing industrialization.

Manufacturing output in the 21st Century, formed a larger proportion than the combined output of agriculture, forestry, and fishery; nevertheless, the proportion of GDP in service sector industries, such as commerce, transport, post and tourism, was the largest even back then, and continued to grow.

In the 21st Century, the government adopted a strategy to shift to a knowledge-oriented economy, with a policy of full-scale promotion of the information industry. The Technology and Science Law was amended to specify measures such as promotion of the information industry, introduction of foreign capital to the industry, and protection of intellectual property rights. A software industrial estate was built on the outskirts of Asian city, and support policies such as development of infrastructure and corporate tax incentives were implemented for the information industry.

Furthermore, the participation in AFTA and the bilateral trade agreement takes effect, and reaffirming a policy of expanding the market and obtaining capital, technology, and management knowledge for promoting industrialization and modernization. Multinational corporations are focusing on the progress and developments of the Asian FTAs and EPAs and proceeding with the reorganization of their international business operations and the implementation of their withdrawal from Asian Country.

It called for industrialization and modernization with the aim of becoming an industrialized nation by the 21st Century. It aimed at closing the gap between rich and poor and leveling out regional inequalities, and designated food manufacturing, consumer goods and export manufacturing goods, and electric and information technologies as priority industries for expansion. For example, the Five-Year Development Plan and the ten-Year Development Plan specified the key tasks such as the reform of industrial structure, opening-up of the economy to the outside, development of human capital, and eradication of poverty, and called for industrialization

based on development of a multi-sector economy. Alongside such government policies, the importance of the manufacturing sector is growing relative to agriculture and forestry.

Except China, South Korea, the scope of the manufacturing sector nevertheless is largely limited to textiles, footwear, and motorcycles, and breakthroughs in the basic material sectors such as steel, petroleum refinement, or advanced machinery manufacturing such as automobiles, electrical appliances, and machinery have yet to occur. Asian new developing countries are only in its initial phase of transition from an agricultural nation to an industrial nation. Of course, the establishment of intellectual property rights and focus on the software industry are examples of modernity in the multi staged industrialization currently underway in Asian Country. But unless Asian Country can successfully promote rapid and overall concurrent industrialization, the membership of the WTO will bring little benefit and will not lead to it becoming a wealthy nation. In Vietnam, the high-technology industries are handled by foreign enterprises, whereas local enterprises are actively involved in some mechanical industries such as textile industries and in the manufacture of motorcycles. It is projected that foreign capital will be introduced into Vietnam's iron and steel industry.

In particular, it is said that South Korea was directed toward the assembly-type industrialization. In other words, South Korea's industrialization emerged from a labor-intensive assembly industry, but with regard to facilities, machinery, and parts, they were imported mainly from Japan to be assembled and exported to Europe and the U.S.A. In promoting industrialization, South Korea was blessed with favorable conditions, which enabled their rapid production expansion, given that it was possible for South Korea to secure a technological and financial means of using the latest numerical control machines and so on. In other words, South Korea found a means of survival in the business realm where advanced technology and skills were not a neces-

sity.

The automation of sophisticated machinery and the permeation of digitization facilitated the substitution with domestically made machinery after the economic crisis in 1997, and were accompanied by a trend of reduced imports of machinery. However, the Korean industries, with the exception of a few, continued to struggle along with assembly-type industrialization, importing production machinery and functional parts and survived without increasing the self-supply of machinery. With the liberalization of international financial conditions and governmental aid, automated and digitized equipment and machinery were developed at a fast pace and used, and under the environment where funds for investment could be easily secured, mass production, cost reduction, and export expansion were realized. Today, the shift from assembly-type technology to processing-type technology, the fostering of a processed-type parts industry and the establishment of technical and accumulative industry fields as well as the creation of new technology are serious challenges.

However, even by looking at the trends of the Korean electrical machinery industry since the start of the 21st century, it is clear that there are still issues with regard to the improvement of productivity. Raw materials import-induced exports involved the importing of active parts and important machines, and faced problem in terms of originality and self-development. Therefore, the rapid expansion of production and the increase in exports actually invited a dependency on imports of facilities and parts, and therefore, actually increased the negative trade balance, which Korea has with Japan. In spite of the rapid growth of exports, South Korea is experiencing a trade deficit.

4. The New Tasks of Asian Countries

(1) The Seek of New Framework

With the subprime mortgage crisis in the United States that has resulted in global economic recession

and increasing cost fuel, materials, wages etc., the framework and structures in place that has been supporting Asian industrial development are already showing signs of shakiness. With different parts of the world simultaneously facing a recession, the framework and structure supporting high economic growth, which is dependant on foreign capital and exports, are unstable. In particular, the withdrawal of a portion of direct investments because of inflation, the increase in wages, the high frequency of strikes, and the withdrawal of investment capital from Asian new developing country has been occurring.

Although it is necessary to establish a new mechanism for industrial development, the international environment that Asian Countries are currently exposed to is something that is severe and which Asian Countries have not had to face before. Asian Country's economy is also experiencing a slowdown that is beyond its control.

In addition, within Northeast Asia, between Japan, China, and Korea, in contrast with the 21st century in particular has seen the establishment of a system/framework that provided for the international collaboration between Japan, China, and Korea in high-technology industries. The amount of exports and imports between the three countries in machinery and electrical appliances is the largest and holds the most weight. Expansion in trade between the three parties is not just limited to expansion in quantity. As a result of the rapid industrialization of Korea and China, the interdependence in the area of machinery is present. In other words, there is a trade surplus from Japan to Korea, from Korea to China, and from China to Japan. In addition, Japan is responsible for the industries in the advanced technical field while Korea is more adept at industries involving a larger-scale manufacture of products. China has acknowledged that it is more inclined toward dealing with labor-intensive industries. With the three countries expanding their complementary relationships while each country leverages on its advantages, a system

whereby there is strengthening of the mutual collaborative relationships with one another is being established. This is the strengthening of the high-tech linkage existing between Japan, China, and Korea.

The problem lies in the export of the concept of such a framework pertaining to the division of a company's international business operations geographically and the export of first-order products, the receipt of direct investment in the industrial field, and the relationship with the globalization of Asian Countries, which is the force behind its industrialization. On one hand, Japan is proceeding with the collaboration between Japan, China, and Korea on the high-tech international division of business operations.

In the case of MNE (multinational enterprise), they are not only developing a high-level international business division system in a more straightforward manner, they are also taking an anticipatory approach with regards to dealing with the aspects of standardization and intellectual property rights. Asian new developing country's economy and enterprises are facing exactly this situation. It is only a matter of time before Asian's industries are forced to undergo the reorganization into something better. It goes without saying that during such an event, the advantages to be gained by the newcomers will be manifested, and skills will become obsolete at a faster rate; a portion of the enterprises will explore further areas of activity on the international stage. There are another problems. These include problems such as (1) limitations on the extent of investment owing to the small scale of the enterprise and resources, (2) the usage of outdated machinery and competitive disadvantages, (3) the large amount of unskilled labor with low levels of technical abilities, (4) a crude/primitive business management system, (5) insufficient international experience, (6) difficulty in obtaining resources/capital, particularly long-term resources/capital.

However, despite the severe situation, this does not necessarily mean that the possibility of industrial development does not exist. Asian country's entrepreneurial

strategy and the benefits experienced by newcomers, the expiration of patents, the existence of second-hand machinery, and the development of the government's policy are points that cannot be ignored. Furthermore, with the education system being reinforced, there are many workers in Asian country with passion and drive. In addition, with the cooperation within ASEAN and its geopolitical location as a node in the Asian belt, the possibilities of it playing an active role are plenty. It is necessary for Asian Country to shift its focus from reliance on foreign capital and exports to the aspects of domestic demand and independent development while establishing a framework that will make it possible for industrial development to be sustained long-term. For Asian Country, it is crucial that it manages to improve the caliber of its industrialization.²⁾

Based on these facts alone, the role of the government's industrial policy has become more important. Up until now, the government has embarked on various industrial policies such as strengthening the competitiveness of state-owned enterprises, pursuing improvements in their management efficiencies, etc. The basic framework of such measures is also mentioned in this paper.

The correlation with foreign capital and resources, which should not be limited to just the provision of low wages, should be pursued. By embarking on such a route, it is necessary to present in greater clarity Asian country's new industrial development mechanism as well as its developmental process that will implement such plans. In addition, at the current point in time, the exploration of the construction of a new framework that will make industrial development possible will continue. The government will be expected to play a more active role in the 21st century. First and foremost, the approach of strengthening economic collaboration on a global scale is being tested in relation to the dependence on value-added and processed trade arising from foreign capital and investment.

Asian Country has been embarking on a globalization drive, concluding various agreements, such as FTAs

and EPAs with other countries ; its EPA with Japan is also taking shape. Asian Country is reinforcing its international framework and its international collaborative relationships. In light of FTA requirements and the lowering of tariff barriers, the government is pressurizing state enterprises to boost competitiveness and management efficiency, but state enterprises even go as far as advocating protectionism on the grounds that the country is ill-prepared for change in a competitive environment.

(2) Improvement of the Industrial Structure

At new stage, it is perhaps necessary that the objectives of increasing domestic demand as well as progress in the industrialization process should be pursued. It is already clear that there is the objective for Asian country to break into the league of industrialized nations.

The foreign enterprises that have made inroads into Asian country are also working hard to procure high-quality components locally. Similar to its per capita GDP, Asian Country's industries are currently stuck at a low level and it is not equipped with the competitive prowess to take on the rest of the world.

In particular, in the area of machinery industries, the dependence on second-hand machinery acquired from Japan is high, and the challenge lies in the improvement of technical skills with regard to casting and fundamental technology pertaining to dies/moulds. There is still a long way to go toward the establishment of a holistic, independent framework for the development of technical skills for machine processing.

In terms of future directions to take, Asian country's industries and enterprises cannot solely depend on the introduction of foreign capital and resources and on exports. They have to shift their focus toward the domestic demand as well as independent development. Despite the tough conditions, in order to work toward entry into the league of industrialized nations, Asian Country has to orientate itself toward the development of an

independent and stable industrial system. In short, the challenge is in creating an independent industrial system for the future, taking into account the creation of a new international environment, and revolving around domestic demand and independent development. This is not an easy challenge to meet, and while maintaining economic growth, it is also necessary to carry out and push through the realization of independence of the industries at every possible opportunity.

Although Asian Country's industries have entered the 21st century, they have maintained high growth rates. In this study, observations were made on recent developments in Asian Country's industry. The key trends with regards to factors that have sustained this growth such as trade, direct investment, the opening up of the market economy, and entrepreneurial reforms have been observed. With these observations, it is ascertained that Asian Country is working toward the goal of entering the league of industrialized nations, and is targeting the industrialization of its agricultural sector, as well as targeting the computerization of its industries and the development of high-tech industry. In particular, with the fear arising from the terrorist attacks on the United States, Asian Country's largest export destination, there have been grave consequences for Asian Country's industries. Based on the tempo and form that has been employed up till now, exports to the United States and Japan are unlikely to be sustained, and the mechanism that has supported the development of industries is seemingly reaching a dysfunctional state. Still, the collaboration of foreign enterprises and the standard of industrialization are approaching a dimension that is different from that experienced by Asian Country until now.

BRICs have been maintaining sustained growth and expanding its domestic market under a mechanism of industrialization based on increased production of primary sector goods, expansion of exports, and reliance on imports and inward investment in terms of industrial fields and manufactured products.

(3) Some Successful Cases

The objectives are to procure fund, achieve international competitiveness, technological innovation, and management efficiency; however, it cannot be said that every umbrella corporation is fully exploiting its economies of scale to achieve high business performance. However, it is a fact that a few Asian enterprises have been embarking on efforts to make its industries more sophisticated in terms of their development and manufacturing capabilities and to reinforce their competitiveness in the global arena.

There are a few types of enterprises that embark on such initiatives to strengthen their competitiveness. It is possible to ascertain that the types of such enterprises are those ranging from the superior state-owned enterprises that are understood to have been selected from the pool of state-owned enterprises in the country and the derivative enterprises that hold a superior advantage over the state-owned enterprises, those involving collaboration with foreign entities and with foreign capital, and those that are understood to have been selected from the pool of private-sector enterprises. They all maintain a high market share, and they are establishing an integrated public corporation and a financial capital-like framework with the plan of making advances into the international market.

That said, the internal manufacturing process for certain components of agricultural machinery and motorcycles for some of the enterprises is already a possibility. I try to set four successful cases³⁾. For example, Case-A company, which manufactures agricultural machinery, previously collaborated with the foreign company. Although it has continued with the foreign company's design, it has increased its own percentage of internal manufacture of its components; while it is engaged in fierce competition with Chinese-made products, more than a half of its finished products are exported to neighboring countries.

Case-B, a textile and apparel manufacturer, has undertaken development globally as a corporate group and

has achieved good business results, together with a number of its subsidiary companies. Needless to say, it has established a number of different brands. It also collaborates with the foreign company, and shares with them the tasks of joint development and consignment production. In this way, some of Asian's state-owned enterprises, using technical aid and foreign capital as their foundations, are undertaking the tasks of developing new manufactured products and establishing their own in-house brands.

Case-C of enterprises comprises enterprises that collaborate with foreign entities and use foreign capital. An example would be Case-C that produces plastic components for the foreign company. Asian Country has been constructing numerous export processing zones and industrial estates in order to attract foreign enterprises. There are, of course, industrial estates that have been developed with predominantly Japanese enterprises. In the case of machinery industries, the greatest concern for local enterprises is whether they would be able to deliver satisfactorily to foreign enterprises entering these industrial estates. However, such foreign enterprises have high technical levels and are conscious of high standards of quality and about differences. That being the case, it is difficult for the local enterprises to satisfy such requirements. Even if both foreign company and local one share the name of industry but are two companies, they are not regarded as competitors living in the same category, and the competition cannot be imagined to be happened. However, with the low prices resulting from the requested localized content and labor costs, it has resulted in the push for the procurement of parts to be done locally. With this, the resolution of technical problems is on track with the guidance of the foreign enterprises and through the hard work put in by the local enterprises. Case-C company has undertaken the difficult molding processes for motorcycle and bicycle components as well as the manufacturing of high quality plastics, and it is increasing its delivery of components to Japanese enterprises. There is an increasing

amount of deliveries of high value-added manufactured products from the local enterprises to the foreign enterprises. The delivery of these manufactured products does not just stop at packaging materials and electrical wire. There are also varied initiatives to plug the gaps not filled by the entities arising from the merger of foreign and local enterprises, as well as collaboration with these entities. The emergence of such enterprises involved in collaboration with foreign entities and with foreign capital is remarkable.

There is another Case-D company that started off with the design and manufacture of hats and subsequently expanded its reach into the EU. The high academic qualifications and business management abilities of the entrepreneurs, together with the standardization, the fixing up, and the standardization of electronic machinery and modularization has provided Asian Country's enterprises with a new foundation for their activities. In Asian Country, the focus placed on the software industry came about because of the reasons mentioned above. There exist benefits for newcomers into the scene as well as new possibilities and some of these enterprises, are able to avail of such possibilities.

Therefore, SME (small-and-medium-sized enterprises) in their switch from focusing on quantity to quality are undertaking active measures in their efforts to modernize. In tangible terms, this means the following: (1) obtaining capital/resources from foreign countries such as the United States and Germany, (2) securing experts in the aspects of a) nurturing/cultivation and retention of human capital equipped with management capabilities; b) nurturing/cultivation and retention of experts responsible for marketing, finance, etc.; and c) nurturing/cultivation and retention of technical and skilled personnel; (3) the performance of manufacturing, not through obsolete machinery, but by the introduction of new and advanced machinery; and (4) facilitating and promoting trade.

In order to further promote Asian Country's enterprises, there is a need to develop a strategy for such

Asian Country's enterprises that will be superior to that of the rest of the Asian region and that will contribute to the construction of Asian Country. With the entry into the WTO, the issues of preparation of systems to facilitate the entry and involvement in international markets, and the facilitation and promotion of IT systems are becoming the main challenges.

5. Conclusion

Asian economic development was supported by the strong leadership of the government. This paper has reviewed the changes in the international economic environment and Asian Country's industrial dynamic development. If the aforementioned conditions that allowed growth so far are maintained and existing mechanisms function effectively, with a relatively small GDP, then we can expect the future growth optimistically. However, the future of the current system and the future effects of export expansion and inward direct investment

are unclear, albeit of crucial interest. Asian Country is again faced with a new problem as the expansion of employment in actuality. Asian Country aims at its industrialization and the strong competitiveness of their enterprises. Asian Country's industrial policy must fulfill its mission; reorganization of the industrial structure, activity innovation, and efficiency improvement of production system. It is necessary for Asian enterprise to develop the new stage by the industrial policy.

NOTES

- 1) Katsuaki Onishi; The development of industries and the remarkable progress of the electronic machinery industry in Korea, SME and industrial development in Asian Countries, Senshu University. 2009. p.44.
- 2) Katsuaki Onishi; The restructuring of Japanese semiconductor industry, Senshu Shougaku Ronshu No.84, 2007. p.131.
- 3) Katsuaki Onishi; Vietnamese industry in the 21st century and the task of enterprise reform SME and industrial development in Asian Countries, Senshu University. 2009. pp.91 ~93.