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Business Interests and Regionalism in East Asia

YOSHIMATSU Hidetaka*

Growing Moves towards Regionalism in East Asia

In East Asia, regionalism has been far less developed than in Europe and North America. Since the late 1990s, however, moves towards regionalism have gained momentum under the ASEAN Plus Three (ASEAN+3) framework. The first summit of the Association of Southeast Asian Nations (ASEAN) members plus China, Japan and South Korea took place in December 1997 to celebrate ASEAN's thirtieth anniversary and to discuss collective responses to the Asian financial crisis. At the second ASEAN+3 summit in 1998, the East Asia Vision Group was established, adopting a proposal by South Korean President Kim Dae-jung. The summit has developed as a comprehensive forum to discuss economic, political, and security issues in the region. The Joint Statement on East Asia Cooperation, issued at the third ASEAN+3 summit in 1999, advocated cooperation to bring together Northeast and Southeast Asia in political-security areas as well as economic and social fields.

The range of areas of cooperation under the ASEAN+3 framework expanded from major policy areas to functional issue-areas. The finance ministers of East Asia held the first ASEAN+3 finance ministers meeting in April 1999. The first meeting of ASEAN+3 economic ministers was held in May 2000, while that of foreign ministers was organized two months later. These were followed successively by the first ministerial meetings in functional issue-areas: for agriculture in October 2001; for tourism in January 2002; for environment in November 2002; for energy in June 2004;

and for telecommunications and information technology in August 2004. Cooperation under the ASEAN+3 framework progressed steadily so that by 2005 it covered seventeen sectors and had in place 49 mechanisms to facilitate and implement cooperative initiatives.

The political will of the leaders and the formation of networks for functional cooperation paved the way for entering into a higher level of cooperation in East Asia. In December 2005, the first East Asia summit was held in Kuala Lumpur. At this historical summit, the leaders of India, Australia and New Zealand as well as ASEAN+3 countries issued a declaration that envisions community-building in the region. The development of substantial integration is a major challenge for regionalism in East Asia and will require the region to overcome reservations to region-based cooperation based on the preservation of domestic interests, and to promote the institutionalisation of various cooperative initiatives.

The Representation of Business Interests in the European Integration Process

In considering the institutionalisation of cooperative initiatives in East Asia, experiences in Europe provide useful signposts. However, it is dangerous to apply the European 'past' to the East Asian 'future'. There are distinctive differences in regional characteristics underpinning the two. While the European states shared valuable common cultural backgrounds, including common linguistic roots, Christianity and the historical legacy of the Roman Empire, East Asian

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nations do not share cultural backgrounds to such a significant extent. The region comprises states with both Buddhist and neo-Confucian traditions as well as the world's most populous Islamic state. In the European integration process, supranational bodies have played a central role. Bodies such as the European Commission and the European Court of Justice were empowered to set up and guarantee the legal systems to enforce decisions binding on member states; the expanding scope of regional affairs has been covered by such systems. However the major states in East Asia have been reluctant to relinquish their power to a supranational body. In general, their vital interest has been the maintenance of domestic cohesion and such relinquishment of sovereignty to a supranational body has been regarded as jeopardising this vital interest. More particularly, the ruling elites of each state who have developed domestic institutions supportive of the status quo were unwilling to cede power to an independent, unpredictable agency.

An interesting fact in the European integration process is that business interests played a critical role in providing momentum for integration. The European economies faced serious problems in the late 1970s and early 1980s. In the aftermath of the recession and oil crises of the 1970s they were plagued by rising inflation, soaring unemployment and declining growth. Moreover, policy attempts to create a unified market were adrift, and internal barriers represented by different technical impediments eroded efficiency and diminished competitiveness. During this period, "Europessimism" or "Euroclerosis" dominated Europe. A major force to revitalise the economies in Europe was provided by the private sector and its efforts to promote the realization of a unified market.

In 1982, Pehr Gyllenhammar, chief executive officer (CEO) of the Swedish automobile manufacturer Volvo, began to advocate the formation of a cross-sectoral group of leading CEOs. In April 1983, the CEOs of the group called the European Round Table of Industrialists (ERT) held their initial meeting in Paris. The ERT influenced the European integration efforts in various manners and launched several high profile projects for a unified market in Europe. In 1984, two members of the association announced the initiation of the first ERT project - to establish the European Venture Capital Association - followed by the second project - "Missing Links: Upgrading Europe's Transborder Ground Transport Infrastructure". The ERT also functioned as an idea generator and agenda-setter for the integration process. In January 1985, Wisse Dekker, a member of the ERT, unveiled his original plan for integration entitled Europe

1990: An Agenda for Action. This five-year plan laid out precise steps to eliminate trade barriers, harmonise regulation and abolish fiscal frontiers. Moreover, the ERT lobbied the member governments for the early realisation of a single market. In 1986 when member governments were behaving in ways that put the future of the single market program in doubt, the ERT created a special 'watch dog group' to audit the member states' activities regarding the single market program. Thus, the ERT functioned as a provider of ideas and agenda to ensure that political actors make desirable and appropriate policy choices, and as a pressure group that attempts to shape directly the preferences of political actors.



The first East Asia summit in Kuala Lumpur in December 2005

The Aggregation of Business Interests in East Asia

In East Asia, virtual regional integration has been promoted by an expansion of business activities. While regional integration in Europe occurred de jure (a policy-driven integration through institutional frameworks) in East Asia it has occurred de facto as a market-driven integration through the increased flow of trade and investment. During the 1990s, the market-driven integration in East Asia was sustained by intensive business linkages such as Japanese production networks and Chinese merchant networks. With increased business activities, firms and industries operating globally had growing interest in closer market integration due to the critical effect on operations and profits.

In recent years, the institutionalisation of business interests has been promoted. In Southeast Asia, the ASEAN Business Advisory Council (ASEAN-BAC) held its inaugural meeting in April 2003. The council, whose 30 members were nominated by their representative governments, was expected to provide the ASEAN leaders with advice on the future direction of ASEAN's economic integration and industrial competitiveness. The ASEAN-BAC has made known requests and preferences of the private sector to the policy-making process by publishing a report directed to ASEAN leaders as well as by organising the annual ASEAN Business and Investment Summit back-to-back with the ASEAN leaders' summit.

Business Interests and Regionalism in East Asia cont...

In Northeast Asia, the first business forum of China, Japan and South Korea was held in Seoul in 2002, followed by the second in Beijing in 2003 and the third in Tokyo in October 2004. The forum has gradually developed as a major medium for trilateral cooperation. At the third forum, influential businessmen demanded that the three governments instigate investment negotiations and conduct joint research on a free trade agreement within the year 2005. In this process, individual business leaders began to advocate closer cooperation and integration in Northeast Asia.

Yoo Sang-boo, Chairman of POSCO, Korea's leading steel company, forcefully advocated close linkages within the steel industry in Northeast Asia. When the seventh International Exchange Conference of Asia's Future took place in Tokyo in June 2001, Yoo proposed that the steel industry should be a centre of market integration in Northeast Asia in the same manner as cooperation in the coal and steel sectors became a basis of European integration. Yoo also proposed the establishment of the 'Northeast Asian Steel Community' at the China-Korea Economic Forum in March 2002. His proposal led to concrete talks at a trilateral forum. When the first business forum was held in November 2002, some 40 executives of major steel producers from the three countries discussed the possibility of concluding a regional free steel trade pact.

The Implications of Business Interests for Regionalism in East Asia

In East Asia, the particular relationship between the government and business sustained steady industrial development. The states in East Asia have forged an intimate and symbiotic relationship with industrial sectors and business associations. This has facilitated the sharing of information for economic management and sectoral development, and guided the channelling of capital into favoured industries. While this symbiotic relationship created some negative effects, epitomized by the hotbed of corruption, it undoubtedly sustained economic growth by dampening the likelihood of government failure. The relationship is likely to facilitate the information sharing and frank exchange of opinions required in order to identify desirable pathways for regional cooperation in East Asia.

At the same time, it is necessary for the business sector to assume the function of a pressure group that attempts to shape the political will of policymakers to promote regional integration. Political actors need to take into account demands and preferences of major business groups in order to secure their office - in the case of

politicians - and to maintain and expand their agencies and secure employment after retirement - in the case of bureaucrats. Moreover, the augmentation of economic welfare is heavily dependent on the activities of business actors. Accordingly, the political actors' grasp of, and effective responses to the demands and preferences of firms and industries are crucial for increasing economic welfare.

The input of business interests is also important in terms of industrial competition. A key factor in creating a unified regional market is the harmonisation of regulatory rules and standards adopted by each country and the promotion of mutual recognition. This harmonisation contributes to trade facilitation and the diffusion of new technologies. Business actors, who can increase competitiveness through the realisation of larger economies of scale, have strong incentives to demand the provision of common product standards and common trade rules.

Conclusion

Although Europe has provided a successful model of regionalism for other regions, its integration was achieved after a long process and the unremitting efforts of political and market actors. Given the vast degree of diversity in East Asia in terms of cultural backgrounds and political and economic systems, it is unrealistic to expect that substantial integration and community-building will emerge in a short time span. It is inappropriate to apply experiences in Europe to East Asia in a straightforward manner. However, it is equally important not to dismiss European experiences; East Asia must learn from, evaluate and draw meaningful implications from them.

Business activities in response to globalisation have become increasingly prominent in East Asia and the rapid development of information and communication technology has reduced barriers between nations in the region. The incorporation of business interests in functional cooperation and the linkage of business power and preferences to political will will be the keys to ensuring a steady road to integration in East Asia.

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Symposium on Japan's Local Industrial Promotion Experience and Lessons

■ Symposium on Japan's Local Industrial Promotion Experience and Lessons for Developing Countries

On 20 March 2006, RCAPS and the Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) sponsored a symposium entitled "Japan's Experiences in Local Industrial Development and Lessons for Developing Countries: Review of the One Village One Product Movement". The "One Village One Product Movement" (OVOP), which originated in Oita Prefecture, is widely applied throughout Asia as a model of local revitalization. In 2004, APU began research on this movement by obtaining cooperation from related organizations. In the 2005 academic year, a new research project was established in partnership with IDE-JETRO entitled "Japan's Experiences in Local Industrial Development: Lessons for Developing Countries". IDE-JETRO and APU sponsored this symposium as a venue for the presentation of the outcomes of this research.

Opening the symposium, IDE-JETRO's Mr. MATSUI Kazuhisa and APU Prof. YAMAGAMI Susumu gave a presentation on the goals and current progress of the joint research. This was followed by a Special Lecture entitled "How we understand OVOP and international cooperation", presented by Dr. HIRAMATSU Morihiko, former Governor of Oita Prefecture and also the pioneer of the OVOP movement. Research outcomes were presented in a panel discussion format and divided into two sessions, the first on the theme of "local industrial promotion and OVOP" and the second on "how OVOP was adopted in developing countries". There was also a question and answer section enabling an active exchange of ideas on these topics.

■ Workshop on Strategies for Stimulating the Culture and Tourism of Japan and Korea

On 16 December 2005, RCAPS sponsored a workshop on "Strategies for Stimulating the Culture and Tourism of Japan and Korea". This event was a part of the seventh Seminar of the Culture and Tourism Research Forum of National Assembly of Korea (Leader : Mr. CHAE Su Chan, Member of the National Assembly of the Republic of Korea) .

The workshop began with the keynote speeches of APU Visiting Professor KWON Kyung Sang, and Samsung Economic Research Institute Senior Researcher KANG Shin Kyum. The speeches were simultaneously interpreted from Korean to Japanese and vice-versa by current APU students. APU, together with the city of Beppu, Oita

In closing, APU Prof. IGUSA Kunio talked about the construction of models for regional industrial promotion in Asia, after which he introduced one of the products of the research, a volume entitled "Books and Materials on the Oita One Village One Product Movement". He also made a "call for future research promotion", encouraging further development of this research in the future.



Dr. HIRAMATSU Morihiko

The OVOP movement is very much Japanese, but is also a universal practical model for the vitalization of regional communities. It encompasses various contexts and forms, such as the promotion of local small industries, marketing, community participation and training of local leaders, and human resources development. The success of the movement has been proved and documented and it is now spreading throughout Asia. It is expected that it will increasingly be applied by developing countries as a model for economic social development and international cooperation.

The Research Report as an outcome of the above research activities is scheduled to be published in May 2006, as part of the IDE-JETRO Research Series.

Prefecture, held the World Students' Tourism Summit in November, which brought much interest from outside the university. A training group of 35 people from Korea and participants from and outside the university actively engaged the panelists in an exchange discussion on the theme of the Training of Human Resources for Tourism.



RCAPS Activities cont...

■ Workshop on Human Resource Development in Asia

On 27 February 2006, RCAPS hosted a Workshop on Human Resource Development in Asia. APU conducted a research project on intelligent human resources in the Asia Pacific region from 2003 to 2005. The researchers involved in this project carried out a survey on demand for and problems in human resource development in Asian companies confronted with rapid globalization and technological innovation.

The workshop comprised two pillars. The first, a series of speeches and reports, commenced with APU Prof. IGUSA Kunio's keynote speech on how to utilize human resources in corporate activities in Asia. This was followed by special reports on individual cases in Taiwan, China and Malaysia. Dr. HONG David S., President of the Taiwan Institute of Economic Research, explained economic development and human resource policy in Taiwan while Prof. JIA Baohua of the University of International Business and Economics in China, accounted for conditions and

problems of human resources in China with special emphasis on the case of Beijing. Mr. HAYASE Koichi, an advisor at JETRO Kuala Lumpur Centre, introduced the state of human resources development in Japanese-affiliated companies in Malaysia. The second part of the program was a panel discussion regarding the development of executive human resources. The five panelists including Mr. HONMA Michihiro, an administrative manager of Oita Canon Inc., held a lively discussion on the nurturing and training of executive-level staff in Asian companies.

At the workshop, the participants discussed critical issues in human resource development in Asia. They confirmed that the understanding of different cultures and the adoption of western-oriented global standards are important for fostering human resources. At the same time, it was argued that the promotion of Asian-style human resource development, which takes into account 'virtue' (toku in Japanese), is also important for organizations in Asia.

■ Workshop on Vitalization of Local Economies through Innovation

On 23 March 2006, APU hosted a workshop on "Vitalization of Local Economies through Innovation". This workshop was jointly sponsored by RCAPS and the Japan Academic Society for Ventures and Entrepreneurs, Innovative Research Department.

The creation of new business and industry is an important priority for regions aiming to revitalize their local economies. It was the aim of this workshop to discuss strategies for creating innovation by combining local technological seeds and the information technology resources of the university, making use of the industrial characteristics and traditional industries of the region as a foundation.

The workshop began with the keynote address entitled "Vitalization of the Local Economy through Innovation" rendered by Prof. YOSHIKAWA Tomomichi from the Graduate School of Asia-Pacific Studies, Waseda University, and Chair of the Japan Academic Society for Ventures and Entrepreneurs, Innovative Research Department. It was then followed by research reports presented by local businesses and APU faculty members. Mr. YAMAGUCHI Yasuhisa, head of the Development Bank of Japan, Oita



Prof. YOSHIKAWA Tomomichi

office, also made a special report entitled "Vitalization of Local Economies through an Innovation Creation Network". The ensuing panel discussion and question and answer portions were lively exchanges of ideas and opinions not only between the speakers and presenters, but also with other attendees. The discussion continued in the get-together afterwards.

Evaluating the technological strengths and competitiveness of local enterprises from the point of view of innovation is an extremely important issue for the economy and industry in Kyushu, including Oita. This workshop was held in recognition of this fact, and provided a meaningful venue for the expansion of human networks amongst stakeholders. The individual reports produced will provide valuable "cases" for application to various regions and industries throughout Asia, not only for this region or Japan.

Visiting Research Fellowship

RCAPS hosts overseas scholars as visiting research fellows in order to enhance the research capabilities of APU and strengthen networks with researchers and research institutes overseas. In this section we introduce some recent visiting research fellows.

■ Current Visiting Research Fellow

Dr. SHANMUGANATHAN Subana

(JSPS Postdoctoral Fellow and RCAPS Visiting Research Fellow)

Original affiliation:

Auckland University of Technology, New Zealand

Fellowship period:

21 June 2005 - 20 June 2007
(24 months)

Field of specialization:

Artificial neural network applications in biological and environment process modeling and medical data analysis

Research theme:

Collaborative research to investigate formal and contemporary neural network (NN) techniques for modeling environment impact data using innovative software. Software investigated for this purpose include, commercial packages (Viscovery) and shareware developed by academics for academics, such as Knowledge Engineering and Discovery Research Institute's (KEDRI) 'NeuCom', University of Finland's SOM tool box, and RICBIS, a java applet developed by the University of Otago.

Host researcher:

Monte CASSIM (President, APU)



Comments by Dr. SHANMUGANATHAN:

It has been a wonderful experience so far at APU and I look forward to conducting further research with the faculty staff as well as students here. Indeed, I am happy to chat with any individual interested in knowing how modern science and technology could be applied to the betterment of human well being without damaging the environment.

In conjunction with Dr. SHANMUGANATHAN's fellowship, RCAPS began the "RCAPS Visiting Research Fellow Seminar Series" in 2005. So far Dr. SHANMUGANATHAN has given the three seminars. More seminars are planned for 2006.

Please refer to "RCAPS Seminars" on the next page for the seminar schedule.



■ Past RCAPS Visiting Research Fellows

Mr. CHAWLA, Ashok Kumar (Japan Foundation Fellow)

Original affiliation:

National Institute of Science Communication and Information Resources, India

Fellowship period:

26 November 2004 - 25 March 2005 (4 months)

Field of research:

Comparative Study of Japanese-Hindu compound words in the field of management and relationship between their constituting elements.

Host researcher:

TAKAMOTO Akihiro (Professor, College of Asia Pacific Management, APU).

Mr. SCHULZ, Neils B.

Original affiliation:

Postdoctoral Research Fellow, Institute of Advanced Studies, United Nations University

Fellowship period:

10 December 2004 - 31 July 2005 (8 months)

Field of research:

Contributions of Material and Energy Flow Accounting to Urban Ecosystem Analysis - Case Study Singapore

Host researcher:

EADES, Jeremy S. (Professor, College of Asia Pacific Studies, APU).

RCAPS Seminars

■ Fall 2005 RCAPS Seminars

Contemporary Asia Pacific Seminar Series

Date	Title	Speaker	Affiliation	Language
October 5	The East Asian Community	Mr. KOHARA Masahiro	Deputy Consul-General of Japan in Los Angeles	English
January 25	Modelling the uncertainty in Monthly International Tourist Arrivals to the Maldives	Prof. MCALEER, Michael	School of Economics and Commerce , University of Western Australia	English

Current Research Seminar Series

Date	Title	Speaker	Affiliation	Language
November 2	Amended Commercial Law in Vietnam and Its Influence on FDI Business	Prof. SUZUKI Koji	APM, APU	English
January 11	CSR in the Philippines : A Case Study Relation Activities	Associate Prof. KONDO Mari	APM, APU	English

RCAPS - GSA Open Seminar Series

Date	Title	Speaker	Affiliation	Language
December 16	Eco-tourism and Ecology of the Tropics	Prof. YAMADA Isamu	Professor, Center for Southeast Asian Studies , Kyoto University	English
January 16	Three Historiographies of Early Southeast Asia, and the Fourth?	Prof. MOMOKI Shiro	Professor, Graduate School of Letters, Osaka University	English
January 19	Why are some countries poor and some countries rich?	Prof. YOSHIHARA Kunio	Professor, Faculty of Environmental Engineering, the University of Kitakyushu	English

■ RCAPS Visiting Research Fellow Seminar Series - 2005

Date	Title	Speaker	Affiliation	Language
July 1	Artificial neural networks (ANNs) and their applications	Dr. SHANMUGANATHAN Subana	RCAPS Visiting Research Fellow / Japan Society for the Promotion of Science (JSPS) Postdoctoral Fellow	English
July 15	Self-organising maps: An application perspective	Dr. SHANMUGANATHAN Subana With Ms. MURATA Kyoko, PhD candidate, Ritsumeikan University	RCAPS Visiting Research Fellow / Japan Society for the Promotion of Science (JSPS) Postdoctoral Fellow	English
July 19	Self-organising maps in ecosystem modelling	Dr. SHANMUGANATHAN Subana	RCAPS Visiting Research Fellow / Japan Society for the Promotion of Science (JSPS) Postdoctoral Fellow	English

APU Publications

APU researchers have conducted intensive research in various academic fields. The following is a list of books and articles appearing in refereed journals published between October 2004 and March 2006. (The list does not include chapters in books nor non-refereed journal articles.)

Books

Suzuki, Yasushi, *Financial Institutions, Monitoring and Transition Failure: An Institutional Approach to*

Understanding Japan's Prolonged Financial Slump (Tokyo: Yugaku Shobo, 2005).

APU Publications cont...

Refereed Journal Articles

- Cooper, Malcolm, Nagasaki, "A Tourism Destination", *War and Tourism: A Special Issue of the International Journal of Tourism Research* 7 (March, 2006).
 Prideaux and Eric Laws, (December, 2005), pp. 119-133.
- Cooper, Malcolm and Flehr, Michael, "Government Intervention in Tourism Development: The Case of Japan and South Australia", *Tourism and Land Development: A Special Issue of Current Issues in Tourism* 9 (March, 2006).
 Cooper, Malcolm, and MacNeil, Neil, "Virtual Reality Mapping: IT Tools for the Divide between Knowledge and Action in Tourism", *Tourism Recreation Research* 30: 3, (November, 2005), pp. 61-69.
- Cooper, Malcolm, Ogata, Masakatsu and Eades, Jeremy. S., "Heritage Tourism in Japan - A Synthesis and Comment", *APJTR* 11, (March, 2006).
 Yoshimatsu, Hidetaka, "From Distrust to Mutual Interests? Emerging Cooperation in Northeast Asia", *East Asia: An International Quarterly* 22: 4 (December, 2005), pp.18-38.
- Cooper, Malcolm, "Japanese Outbound Tourism and the SARS Epidemic of 2003", *Crisis Management: A Special Issue of the Journal of Travel and Tourism Management* 19: 2/3, Guest Editors, Bruce Yoshimatsu, Hidetaka, "Material Interests and Social Norms: Regional Integration in Southeast Asia", *International Studies Review* 6: 2 (October, 2005), pp.65-84.

Awards Received by APU Faculty Members

2006 MBAA International McGraw-Hill / Irwin Distinguished Paper Awards

The following paper written by Professors Ronald J. PATTEN and KUHARA Masaharu (College of Asia Pacific Management, APU) was selected as a 2006 MBAA International McGraw-Hill / Irwin Distinguished Paper in the category of 'Society for Case Research'.

Pattern, Ronald J. and Kuhara Masaharu, "Knowledge Creation Through the Use of the Case Method with Diverse Groups of Students from the Asia Pacific Region"

CHOICE's Outstanding Books of 2005

The following book edited by Professor EADES J. S. (College of Asia Pacific Studies, APU) was selected as an outstanding book in a review by CHOICE, September 2005.

Shinji Yamashita, Bosco, Joseph, and Eades J. S. (eds) *The Making of Anthropology in East and Southeast Asia* (Oxford and New York: Berghahn Books, 2004).

The forces of globalization are said to be de-centering the world and knowledge of the world and its peoples. This book is itself an artifact of the effect of contemporary processes of globalization on the production of knowledge--in this case, anthropological knowledge about East and Southeast Asia. The volume provides necessary insight into the shifting of the anthropological gaze from the

old centers in the West to multiple vantage points within what the Western academic perspective once reified as a regional area of study. The essays tackle tried-and-true anthropological topics, but the main focus is on "Asian anthropologies" in the "global community of anthropologists." A majority of the essays document the emergence of Japanese anthropology. This is in and of itself a major contribution, given the language barriers that exist for the dissemination of Japanese scholarship worldwide. The book is a must-have for any library with a serious anthropology collection, and its contents will certainly appeal to Asianists and scholars interested in the continuing history of anthropological thought and practice in these globalizing times. Summing Up: Essential. Most levels/libraries. -- **S. Ferzacca, University of Lethbridge.**