

not so much the individual authors, have to take most of the blame for the shortcomings of this volume.

HANS C. BLOMQUIST
*Swedish School of Economics and Business
Administration*

Asia in Japan's Embrace: Building a Regional Production Alliance. By Walter Hatch and Kôzô Yamamura. Cambridge, UK: Cambridge University Press, 1996. 281 pp.

The subject of this book is the analysis of Japan's strengthened economic presence in East and Southeast Asia. Although the analysis focuses on the manufacturing sector, the book is of wider importance for a general evaluation of the role of Japan and its companies for Asia, which has once again become a topic of utmost concern due to the ongoing regional economic crisis.

Challenging the neo-classical view that Japanese investments in Asia simply follow the model of comparative advantages and are thus beneficial to all concerned parties, the authors argue that such undertakings primarily reflect the implementation of a strategic deployment of technology. The thesis is proposed that Japan's economic and governmental leaders are clearly co-operating closely to bring Asia into a transnational and exclusive production network under Japanese leadership, that is essentially a geographical broadening of the production system in Japan, as characterized by the system of industrial relations in Japan (*keiretsu*). For the future of Asian nations, this is said to result in lingering technological dependence on Japan and, with this, a shrinking of their developmental potential. Meanwhile, the far-reaching exclusiveness of these production networks will mean that Western enterprises will be severely restricted in their access to Asian markets, just as they are said to be in the case of the Japanese market. For Japanese business, on the other hand, this model will make

possible not only a substantial minimization in costs and risks in the production process, but also the long-term protection of their technological lead and, along with this, their international competitiveness.

With respect to theoretical contribution, this book does not attempt to offer a new theory on foreign investment in general but only a new and different perspective on Japanese foreign investment activities in Asia. The main focus is to challenge the flying geese pattern which is often used to explain and defend the Japanese approach towards Asian countries and the whole region. However, the citing of obvious contradictions between theory and reality fails somehow in helping to build up a new perspective from the theoretical point of view.

The real contribution of the authors lies in their detailed description and elucidation of Japanese involvement in Asia, which continues even today to have a decisive influence on economic development there and which is characterized by intricate interconnections between government and business, and, even more so, between individual corporations. The fact is that the investment model of Japanese enterprises does differ to some extent from that of their Western counterparts. Nevertheless, it corresponds only in stages to the picture of concerted action. Such a view would require the existence of one Japanese master plan for foreign investment activities in Asia, which is obviously not the case.

However, the description of how various networks have been formed all over Asia is impressive, even if these accounts are related almost exclusively to the automobile and electronics industries. Reflecting the ongoing process of trade and investment liberalization within ASEAN, these networks are of special importance for Southeast Asia. The current ASEAN Industrial Cooperation (AICO) Scheme, which was started in November 1996 and which serves as some kind of intermediate mechanism towards the establishment of the ASEAN Free Trade Area (AFTA) in 2003, has so far seen most of the applications coming from Japanese companies within the region. This trend strongly

suggests that the already existing dominance of Japanese companies within the automobile and electronic industry in Southeast Asia might even increase in the future.

Hardly convincing are the final conclusions and recommendations, which simply urge Asian governments to take a more critical stance towards Japanese investors. Western corporations are advised on the one hand to imitate the Japanese model, on the other to show a more co-operative spirit towards Asia.

Despite these limitations, this is a highly readable book, offering a plethora of new insights and information from an interesting and

challenging perspective. It is recommended to all who are interested in Japan's role in the economic development of Asia, especially in these days of a rapid reorganization of industrial relations and economic power in Southeast Asia, Korea and elsewhere in Asia.

Note: A follow-up study by the same authors with the title "A Looming Entry Barrier: Japan's Production Networks in Asia" appeared in *NBR Analysis* 8, no. 1 (1997), a journal of the National Bureau of Asian Research in Seattle, U.S.A.

JOCHEN LEGEWIE

German Institute for Japanese Studies, Tokyo