

asia info

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Director's report Professor Hugh Whittaker

In the last issue of *asia info* we reported how New Zealand's export growth to Asia was based on primary products, while manufacturing exports to the growing markets of the region were flat at best. The recent New Zealand Institute report 'A goal is not a strategy' further reported that our exports have grown more slowly than the OECD average, 'partly because global trade in commodities (where New Zealand exports are concentrated) has grown more slowly than differentiated goods and services' (Executive Summary, p.2). This report applies Harvard political economist Dani Rodrik's 'diagnostic approach' and concludes that 'over-reliance on economic liberalisation has led to New Zealand committing less effort than other small trading countries to overcome the internationalisation challenge' (p.3) and that a concerted strategy to promote the internationalisation of differentiated goods and services, selectively drawing on strategies of countries like Denmark, would be beneficial.

So where are our differentiated goods and service producers? The recently launched 2010 (Technology Investment Network) TIN100 Industry Analysis report shows that in a difficult year in 2009, TIN100 companies had combined revenues of NZ\$6.7 billion, with exports of NZ\$4.9 billion. These are significant figures – indeed 17 of these

businesses had revenues of NZ\$100 million or more, but revenues for the second 100 technology businesses were less than one tenth the revenues of the top 100.

We don't know how much of the \$4.9 billion exports went to Asia. Very preliminary evidence from the New Zealand Asia Institute's (NZAI's) 'Business engagement with Asia' project suggests that a number of these businesses are creating strong platforms for growing business in Asia, while others instinctively prefer markets with less 'psychological distance', such as Australia, the US and UK, and markets which require relatively little innovation to meet customer needs. The closer the customer to ourselves, the better. Perhaps this is natural, but it points to a second or twin challenge, namely of seeing and understanding Asian customers (or people), on top of internationalisation, if we are to benefit from and be part of the huge growth occurring in the region.

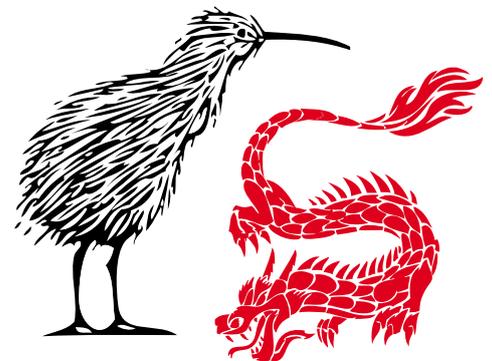
Regarding 'psychological distance', I am reminded of Nicholas Tarling's depiction in his new book (*Imparting Asia*, described on page 8 of *asia info*) of New Zealand's reluctant engagement with Asia after World War II. New Zealand's inclination was, in the words of one official, to be a 'Sleeping Princess, from which the only part of Asia to arouse her, even spasmodically', was the Middle East (p.3). Of course the 'Sleeping Princess' has since been woken, in part by the arrival of a new generation of Asian immigrants following far-reaching changes to the country's immigration policy in 1987. Auckland in particular now has significant Asian communities, but even their presence does not automatically boost our awareness of Asia. Ironically, as *Imparting Asia* describes, it is often the children of the immigrants themselves who populate the Asian Studies majors at The University of Auckland.

The psychological distance is reflected in, and may well be related to, the historical treatment of earlier immigrants, such as Chinese settlers. Professor Manying Ip's recent Inaugural Lecture at the University described how official policy towards



New Zealand Asia Institute Director,
Professor Hugh Whittaker

such settlers was jaundiced, and prompted a belated apology from then Prime Minister Helen Clark in February 2002, particularly over the discriminatory poll tax imposition from 1881 until 1944. The Asian communities are now much bigger, and, Professor Ip suggested, much more mobile, characterised by 'transnational migration'. Such mobility could be a very good thing, helping New Zealand to engage dynamically with Asia, but it could have the opposite effect if it is prompted by disappointment.



In brief, the second or twin challenge, of seeing and understanding Asian people, may well be as significant as the first challenge of forging new strategies to promote internationalisation. Through its research, seminars and related activities, the NZAI continues to address this challenge.

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2010 NZ-Fudan Roundtable: China's quest for balanced development and New Zealand-China relations

There is an increasing awareness in policy, business and academic circles that opportunity costs and benefits of economic interactions with a country of China's size touch many ordinary people's daily lives. It is therefore crucial for decision makers in the government and private sectors to gauge and secure public support for major policies and moves in a bilateral context involving China. To help create an environment and channels conducive for informed policy, commercial and public deliberations on New Zealand-China bilateral economic and business relations, academics and policy analysts from New Zealand and Fudan University in Shanghai have had regular roundtables on topics including the two economies' respective economic and socio-political cultures, within which strategic and economic goals, policies, and priorities are formulated, key internal concerns that may inspire cooperative initiatives or strike a sensitive nerve in the other country, and issues on which perceived national interests of the two parties may diverge.

The 2010 NZ-Fudan Roundtable was held in Auckland on 3 July. Prominent scholars and policy analysts invited from New Zealand and Shanghai led the discussion on the global financial crisis and East Asian integration, the South Pacific in emerging regionalism, APEC's resource security, and environmental challenges. Professor Shen Dingli from Fudan University talked about China's perceptions of its own role in world economy. According to him, the recent crisis has boosted its confidence. Yet China is not ready to accept or take up G2 responsibilities. It believes that the Japanese economy is still much larger than its own. If the global financial crisis is a turning point for China, it is so only in the sense that the Chinese have begun to realise that their economic development is meant for consumption as well as savings, and that China should spend more on upgrading its 'cheap labour' and raising 'advanced productivity'.

Professor Rob Scollay from Auckland's APEC Studies Centre focused his

discussion on China and East Asian regionalism. In his opinion, the feasibility of the 'ASEAN +' frameworks is seriously challenged by the incompatibility of ASEAN's institutional centrality and Northeast Asia's economic primacy. Any meaningful progress on deeper regional integration in East Asia is thus contingent upon how China, Japan and Korea are to accommodate each other. There are some positive signs on that front as Japan increasingly sees China as a solution to its economic problems; China and Korea have begun to investigate the potential for a bilateral FTA; and the three governments have launched trilateral summit discussions on regional cooperation. Yet it is doubtful that the three major regional players are about to settle issues concerning their mutual distrust and economic protectionism.

On China's involvement in the South Pacific, Professor Pan Rui from Fudan explained the Chinese 'new diplomacy', consisting of economic diplomacy through FTAs, foreign aid, and outbound investment; upkeep of the status quo in the Taiwan Strait; good neighbouring policy; balanced interactions with major powers and developing countries; and pursuit of both bilateralism and multilateralism. China is content with the growth of Sino-South Pacific relations and will continue its focus on aid, trade, and investment. It remains vigilant, however, over its diplomatic conflicts with Taiwan in the island countries.

Professor Steve Hoadley from The University of Auckland's Political Studies Department elaborated on New Zealand's security neighbourhood, featuring five circles of interests, relationships, and obligations. In order of priority, they are New Zealand and its environs, the South Pacific, Australia-New Zealand strategic area, the Asia-Pacific region, and global peace and security. The South Pacific circle, which is from Tonga to Timor-Leste, is New Zealand's immediate neighbourhood and is sometimes portrayed as an 'arc of instability'. Security challenges facing New Zealand there include corruption,



poor governance, public disaffection, civil war, secessionist conflicts, crimes, environmental degradation, water shortage, pandemics, and disruptive involvement by outside powers. State fragility and failure in the region will likely exacerbate these threats and hence further retard the commercial reputation of many island countries and discourage foreign investment. If that happens, New Zealand will suffer from diminished markets for its exporters and loss of domestic public support for its economic aid to the region. As a potential solution, can the South Pacific be drawn into APEC, the East Asia Summit, and/or other ASEAN-based regional frameworks?

In the session on resource security, Professor Zha Daojiong from Peking University argued that if 'food security' is defined as uninterrupted external supply, China is under little threat at the moment, and will stay so, as it is not import dependent in terms of staple grains. Yet China's demand for food will continue to grow, and Beijing will likely stick to its policy of 95 percent self-sufficiency in grains. There then comes the challenge of securing more land, water, fertiliser, mechanised labour, and other key elements of production. In that context, China should be very careful with 'land grabbing' problems, especially in the international arena. Also, Chinese investment in overseas food production ought to be nuanced. For example, particular attention should be attached to local job creation and environmental impact. Regarding the issue of water security, China and most other Mekong countries have largely settled the issue of water through-flow management and regulation, but for the flood season only. For Professor Zha, the complaint about China's draining or diverting water away from India by turning off the latter's Himalayan water tap is an exaggeration of an impossible mission in the first place, and is fuelled by concerns over Sino-Pakistan relations. Yet there are few mechanisms to manage trans-boundary waters for non-irrigation purposes in Asia.

Dr Marc Lanteigne from Victoria University in Wellington briefed the participants on China's resource diplomacy. In his opinion, China's high economic growth and consumption contribute significantly to rising commodity prices and, in turn, the economies which supply it with base and precious metals, construction materials, wood and foodstuffs and other raw materials. The drawback of the Chinese magnet, though, is that these countries are also susceptible to potential slowdowns of China's production. Mechanisms such as the NZ-China FTA may help both the Asian giant and its trading partners minimise often politicised commercial conflicts, adverse shocks and economic crisis.

Professor Du Youkang from Fudan painted a daunting picture of China's environmental challenges. For example, five of the world top ten most polluted cities are in China; the majority of Chinese rivers and lakes are labelled most contaminated; underground water in many parts of the country is unwholesome; one-third of the farmland deteriorated; and desertification and sandification take up 59 percent of the land. Professor Du then presented a comprehensive list of China's responses to the close-to-crisis situation such as adopting national energy efficiency and conservation strategies, enforcing environmental legislation and regulations, institutionalising central and local environmental governance, engaging NGOs and civil society organisations in environmental decisions and education, and seeking international policy and technological input. While upholding an optimistic outlook, he voiced explicit concerns over the effective execution of these measures.

The observations of Professor Gary Brierley from Auckland's School of Environment indicate that New Zealand and China work on environmental issues in markedly different contexts. Yet they have similar interests and aspirations in ensuring healthy environs for their own peoples and the extended international community. He cautioned the participants against the temptation to think that only China has got it wrong about the environment and other countries are in the clear. In fact, the Mississippi, the Danube, the Rhine, and the Murray-Darling, for example, have all had their fair shares of contamination crises. He professed that the 'clean and green' New Zealand was not planned but accidental and that severe damage to the environment such as forest clearing occurred in New Zealand also. A good grip of history may help New Zealanders move beyond the 'clean and green' complacency and view their environment through the eyes of future generations. Environmental issues boil down to human relations with their natural surroundings. Clean river systems, for example, are products of healthy societies. Environmental protection thus calls for the collaboration of policy, research, business, technology and society. He was happy about the progress of the 'Three Brother' joint research venture on highland ecology in China's Qinghai Province carried out by his school, Tsinghua University in Beijing, and Qinghai University on the Qinghai-Tibetan Plateau.

The NZAI gratefully acknowledges the invaluable and generous support of the Ministry of Foreign Affairs and Trade of New Zealand in making this forum possible and successful.

MSA Charitable Trust PhD scholar examines NZ business engagement with Asia



Manjo Oyson, MSA Charitable Trust scholar

Research into New Zealand business engagement with Asia, including New Zealand firms' internationalisation processes and strategies for entering and competing in Asian markets, has received a significant boost through the recent award of the MSA Charitable Trust PhD Scholarship. The recipient is Manjo Oyson, a PhD student in the Business School's Department of Management and International Business.

His research on international entrepreneurship is timely. While New Zealand is reported by the Global Entrepreneurship Monitor (GEM) to be one of the world's most entrepreneurial countries in terms of startup activity, its export activities have not fared well compared to other OECD nations. In fact, only 2.5 percent of all New Zealand's potentially-exporting SMEs are engaged in exporting, with just 33 firms accounting for 80 percent of all export earnings in New

Zealand. Greater involvement of New Zealand firms in international markets, particularly in Asia, will be a key to growth for New Zealand firms. Manjo's particular interest is in how the subjective dimensions of entrepreneurship are combined with firm capabilities to create new, international, opportunities.

The scholarship means Manjo is now participating in the NZAI's interviews with the CEOs and key managers of New Zealand internationalising firms. The MSA Charitable Trust PhD Scholarship was established to fund outstanding PhD students who have been admitted or are seeking admission to the Business School's PhD programme. Their research must be on a topic that has the potential to impact on New Zealand business or business development in a globalising world.

FTAs in East Asia: Where are they taking us and impact on business

The NZAI and the APEC Studies Centre jointly hosted a public lecture on 19 April by Dr Ganeshan Wignaraja from the Asian Development Bank. Dr Wignaraja echoed the commonly-held opinion that market-driven expansion of trade helped create supply chains in East Asia and form a regional hub of global production networks. The necessity of securing smooth flows between nodes and links in the supply and production networks also led to the proliferation of free trade agreements (FTAs) in the region.

With Asia hit hard by the recent trade crash in the US and Europe, one may assume that more Asian firms would avail themselves of the benefits derived from concluded FTAs for wider market access in the region and beyond. Survey response data collected by Dr Wignaraja in China, Japan, the Philippines, Singapore and Thailand, indeed, indicate greater awareness of FTA provisions and higher utilisation rates

than previous hypothetical studies suggested. Yet companies taking advantage of FTAs are generally large in size, long-established, or foreign owned. Most East Asian firms still shy away from using FTAs because of small preference margins, delays and costs associated with administrative procedures, and nontariff measures imposed by FTA partners.

The spread of FTAs is also problematic as discriminatory trade liberalisation often results in different tariffs and rules of origin for the same commodity. This complicates the international trading system for SMEs. It also adds to the challenge of forming a comprehensive coverage of agricultural goods trade in Asia. There is thus the potential of tariff preferences disrupting domestic agricultural markets without delivering on export promises.

An obvious solution is to form a region-wide FTA. Yet consolidation attempts run into serious barriers of their own. These include the

uneven trade-enabling environment in Asia and competing visions for integration – an East Asian FTA among the ASEAN+3 economies (EAFTA), or a Comprehensive Economic Partnership among the ASEAN+6 countries (CEPEA). At a more fundamental level, political rivalries over the leadership of a consolidated FTA, contending security calculi about US involvement, and competing national agendas for increased access to European markets, may all hinder the progress of the Asian economic integration.

Given the circumstances, the sequenced-liberalisation approach, from EAFTA to CEPEA, may serve Asia the best, it was suggested. Being a member of the East Asia Summit, New Zealand may help expedite the development towards a single-undertaking trade agreement by enhancing the quality and comprehensiveness of its FTAs with Asian countries and promoting the creation of a WTO advisory service centre on FTAs.

Extending integration to India and South Asia: Opportunities for New Zealand

The emergence of India as a potential economic powerhouse in the twenty first century has spurred interest in the prospect of extending the scope of East Asian economic integration to include South Asia. In response to requests from Auckland's academic and business sectors and the general public, the NZAI and the APEC Studies Centre held a joint seminar on 19 April on important features of South Asian trade patterns and New Zealand's opportunities and objectives in the FTA with India. The event featured guest presentations of three renowned experts: Dr Ganeshan Wignaraja from the Asian Development Bank, Julian Ludbrook, New Zealand's Lead Negotiator for an FTA with India, and Professor Rob Scollay, Director of the APEC Studies Centre.

The speakers had no doubt that East Asia's economic dynamism offered spill-over for South Asia's prosperity. The South Asian Free Trade Area (SAFTA), however, seemed still just a concept. The speakers attributed the slow implementation to the fact that most state governments in the region remained dependent

on tariff revenues, that services, investment and many other sectors stayed excluded from the Special and Differential Treatment (S&DT) in effect since 2006, that India prioritised closer economic relations with East Asia over those with its immediate neighbours, and that Pakistan was yet to reciprocate the most-favoured nation (MFN) status to India.

The speakers spoke well of India's pursuit of a 'Look East' policy since 1991 and leading the sub-region in its quest for closer integration with ASEAN and other East Asian countries. Yet they also acknowledged that neither India, nor its South Asian neighbours, had coherent plans for entering FTAs. This, they maintained, indicated a necessity for the region to embed its trade liberalisation efforts in a wider programme of economic reforms.

India is one of New Zealand's fastest growing trading partners. All three speakers agreed that a bilateral FTA would bring about win-win deals and opportunities to both parties. New Zealand would benefit from tariff reductions for many of its

products which were thus far either excluded from the Indian market or met with high tariff charges. India could profit from New Zealand's high quality agricultural products for its niche markets, vital intermediate goods for its production processes, innovative and cost competitive services sectors for its professional efficiency enhancement, and investment and technological input in its infrastructural capacity building.



Asia-Pacific regional economic integration and architecture

In recent decades, economic integration has been on everybody's lips when talking about the Asia-Pacific region rising as the global centre for economic activity. Not surprisingly, perceptions and perspectives vary widely about this immense and diverse region coming together. Yet they often seem to lead to the same conclusion that the existing regional institutions and mechanisms do not measure up to the expectation of their facilitating economic integration of the region.

Economic interactions in the Asia-Pacific region have been commonly portrayed as 'noodle bowls' of uncoordinated and often overlapping institutional fora and trade agreements that involve more than 20 nations. This analogy illustrates a shared frustration over the status quo characterised by multiple impulses to integration, but no single vision for realising it. The current global financial and economic crisis has provoked still louder cries for reorganising economic groupings among the Asia-Pacific countries. Yet is the region ready to break free from the conceptual confines of the Asia-only versus the Asia-Pacific dichotomy, which has arguably helped create the 'noodle bowl' effect in the first place?

On 25 March, the New Zealand Asia Institute, in association with the New Zealand Ministry of Foreign Affairs and Trade and the New Zealand Committee of the Pacific Economic Cooperation Council, organised an international conference on competing ideas on, and proposals for, the still evolving regional architecture. Guest speakers included Dr Fred Bergsten from the Peterson Institute for International Economics, Professor Fukunari Kimura from Keio University, Professor Ann Capling from the University of Melbourne, Professor Sung-Hoon Park from Korea University, Dr Long Guoqiang from the Development Research Centre of the State Council of China, Ambassador Muhammad Noor from the APEC Secretariat, Ambassador-at-Large Ong Keng Yong from Singapore, Mr Tony Nowell from the New Zealand APEC Business Advisory Council, Professor Rob Scollay from The University of Auckland and Professor David Capie from Victoria University in Wellington.

The presentations and discussions at the conference remind the audience yet again of the reality that bilateral and multilateral economic arrangements in the extended Asia-Pacific region have been driven more by geo-political motives than merely commercial purposes. The opinions expressed and arguments employed highlight, in particular, the fact that despite the ever deepening economic interdependence in the region, national interest

calculations and inter-state strategic rivalries continue to sway member countries' judgements, preferences, policies and initiatives on regional cooperation and convergence.

Those championing a trans-Pacific economic integration at the conference, for example, made little attempt to hide their concerns over the possibility that an East Asian trading bloc would exclude extra-regional stakeholders from the agenda- and norm-setting process towards a regional architecture in Asia. The alarm bells rang even louder over the perceived risk of East Asian economic integration spilling over to politics, security, and other areas of strategic importance, and particularly of China taking control of the whole situation.

On the other hand, those who were not concerned about the potential of Asia-Pacific splitting down the middle maintained that East Asia might best support a worldwide rebound from the current recession through redefining sources of the region's own growth beyond its export focus. An East Asian community, or a strong sense of it, could create a conducive environment for the transformative endeavour. The real worry for these participants was that while regional economic integration was gaining appreciation in East Asia as a concept, it remained difficult to advance substantial negotiation because of concerns of political risks and competitive disadvantage in trade, particularly in natural resource-based products. Two fundamental stumbling blocks to an East Asia-centred regional architecture were the absence of a China-Japan-Korea agreement in and the exclusion of Taiwan and Hong Kong from the ASEAN+3 framework.

This rather sombre picture of the prospect for East Asian integration was, however, readily downplayed by participants confident about ASEAN's capability to balance competing interests in the region. They argued that even if new schemes or mechanisms were required, the 'Asia-Pacific Community' would

not be the right choice. For as relevant as it might sound, this newly proposed 'Community' was vaguely defined and did not fit comfortably in any existing regional architectures in Asia. Worse, the concept of an 'Asia-Pacific Community' implied a two-tier approach of creating a group of great regional powers to sit above existing structures. These participants were certain that such a proposal would not fare well in Southeast Asia and therefore should not be expected to better serve the Asia-Pacific region than the ASEAN + processes.

New Zealand relies heavily on trade with Asia for its development. It is a member state of the APEC forum, the East Asian Summit (EAS), and the Trans-Pacific Partnership (TPP). The New Zealand participants at the conference exhibited a sympathetic understanding of the complex nature of the 'Asia' community-building attempts. Yet they also stressed the urgency and importance of a regional architecture that could effectively reduce variances between ports and secure 'leak-proof' borders. While they preferred to see APEC leading the development of a Free Trade Area of the Asia-Pacific region (FTAAP), they did not believe that economic integration was an 'all-or-nothing' choice. Some suggested viewing it, instead, as a process consisting of interconnected 'layers' pursued by different organisations. The notion of layering, they noted, might provide for a broader basis for the co-existence of both an East Asia identity and trans-Pacific integration.

Little consensus was reached on the trajectory of regional integration in the Asia-Pacific region. Yet it was commonly agreed that while there was a need to challenge the existence of many regional institutions, expectations should focus on gradual changes and evolution, rather than a sudden, dramatic change. Meanwhile, New Zealand should stay proactively engaged in this process and push for a comprehensive agenda with each step forward.



Don't write off Japan just yet: Roundtable with NZ Ambassador Ian Kennedy

The New Zealand Ambassador to Japan, Mr Ian Kennedy, held a roundtable at the Institute with interested scholars and students in Auckland in April. Updating the audience on New Zealand-Japan relations, he noted that in 2009 Japan slipped for the first time in many years from New Zealand's third largest trading partner to fourth. He attributed this to the sharp rise in New Zealand's trade with China after the two countries signed the FTA in 2008, and to Japan continuously lagging behind China in economic growth. Yet the Ambassador cautioned against the discourse and sentiment shift, from the 1980s 'Japan bashing' through the 1990s 'Japan passing' to the 2000s 'Japan nothing'. He stressed that Japan remained an important source of growth for the New Zealand economy. The statistics from Air New Zealand, for example, indicate that its flights to and from Japan are still the most profitable among its international routes to Asia even though the number of Japanese tourists annually has shrunk from 170,000 to 80,000. Also, Japan remains among the highest-ranking sources of overseas corporate sponsorships for New Zealand sports, including the New Zealand America's Cup team, the All Blacks and the 2011 Rugby World Cup tournament to be held in New Zealand.

On the question of how New Zealand-Japan relations might be advanced, the Ambassador noted that being an 'introduction' society, the Japanese business environment was built on human networks. To help interested Kiwi and Japanese companies better network with each other, a Japan New Zealand Partnership Forum was established in 2008. At its regular meetings, senior

government, business and community leaders from both countries explored immediate possibilities of, and long-term potentials for, increasing the level of bilateral trade and investment.

The Ambassador reported that efforts were also being devoted to promoting a New Zealand-Japan FTA agreement. He acknowledged the challenge facing New Zealand in convincing Japan that an FTA would produce a win-win outcome for both nations, especially when it came to agriculture, Japan's most sensitive sector in trade liberalisation. Yet the two countries could indeed complement each other in many areas of their economies. For example, an FTA could help synergise New Zealand's manufacturing capability with Japan's technology, and Japan's knowledge of Asian markets with New Zealand's familiarity with those of Latin America. Kennedy said although 40 percent of New Zealand trade was in agricultural products, the two countries, produced different products for different market demands and pose little threat to each other. They could even join forces in producing seasonal produce for exporting to China. More importantly,

an FTA with New Zealand would offer Japan a direction to liberalising and improving the efficiency of its agriculture.

On Japan's politics, Mr Kennedy said the Democratic Party's honeymoon seemed short-lived as the government approval ratings dropped from 75 percent to 20 percent. The Japanese public dread a leadership vacuum, as there have been 14 prime ministers in the past 20 years. Ambassador Kennedy urged the participants at the roundtable to view the situation in perspective and emphasised that while Japan's economic power might have declined, its political importance would continue to grow. Bilateral relations with Japan are imperative for New Zealand as it shares many common values. He concluded that while an FTA with New Zealand would be less challenging for Japan than an FTA with other countries, it might still get in the way of other more strategic relations. Both sides should therefore continue to push for a broader rapport including trade, economic, strategic and people-to-people contacts.



Outdoing cool Japan: What can we do with culture in the age of brand nationalism?

During his visit to Auckland in late July, Professor Koichi Iwabuchi from Waseda University spoke at an NZAI seminar on Japanese public policies towards international media markets. His comments indicate that the worldwide spread of Japanese media culture has been domestically and internationally acclaimed as a testimony of Japan's increasing soft power. Accompanying the euphoria of 'cool Japan' is the rise of interest in developing policies for further promoting Japan's cultural exports, and of 'brand nationalism', an emerging discourse on using media culture to advance national economic and political interests in the inter-national arena. This rather opportunistic focus, however, overlooks the fact that cultural export has been occurring in the uneven globalisation process. One consequence of the negligence is that transnational, multicultural and postcolonial issues are disconnected from the public discussion of 'culture' and its utilisation for the common good.

Auckland and Senshu scholars share opinions on 'Social Capital'

Academics from the NZAI and Auckland's Development Studies and Mira Szász Research Centre held a roundtable discussion, on 5 March, with Professors Naoko Sajima, Satoshi Kambara and Yuichi Marumo from the Centre for Social Capital Studies at Senshu University in Japan. Explaining the background of their Centre and its research, the Japanese scholars observed that in the post-World War II occupation era, Japan focused on economic development arguably at a cost of creating many social problems. The situation worsened after the introduction of economic reforms in 2000. Often-cited issues include loneliness and social isolation of old people, decreasing birth rate but increasing child abuse cases, middle-age suicide epidemic, and disillusionment with the job market among the young. This prompted much research and public discussion in Japan on revitalising neighbourhood-based communities and society. The spontaneous,

timely and effective community rescue efforts displayed during the 1995 Great Hanshin and the 2004 Chūetsu earthquakes further accelerated the studies on 'social capital' in not only disaster management, but also the reweaving of the torn economic and social fabric.

Yet can the term 'social capital' capture the idea, integrity and process of social networks and knowledge? Reservations were expressed at the roundtable. Specifically, while 'social capital' calls on neighbourhood resources and the voluntary community, the concept and purpose may become blurred as the label 'capital' conveys economic and financial connotations. Alternative expressions like 'social infrastructure' and 'generosity' used in Japan and 'resources' in New Zealand may be better choices as they can help shift the attention from market measurements to other types of values.

China-ASEAN energy concerns: Trigger for conflicts in the South China Sea?

During his visit to Auckland on 14 June, Dr Zhao Hong from the East Asian Institute at the National University of Singapore gave a seminar at the NZAI on the energy situation of China and ASEAN.

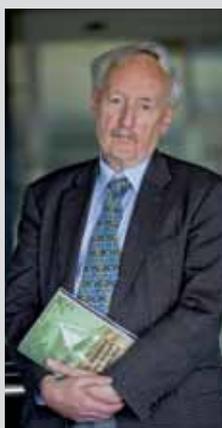
In his opinion, the era of growing demand for oil and other fossil fuels in the industrialised world is over, and most of the future growth in demand will come from emerging economies. Among the latter, China and ASEAN countries have been going through profound socio-economic transformations in recent years and are likely to continue their high growth and rapid urbanisation. Their concerns over

potential energy shortage, falling sources, and sea-lane security have resulted in the South China Sea being repeatedly placed under national, regional and international political spotlight. China has become more assertive in the South China Sea, which is widely speculated to have vast natural gas deposits. Its state-owned energy companies have also begun to look into the region as a potential supplement to their declining onshore production. Vietnam and some other South-East Asian countries have their eyes on the hypothetical energy resources in the area as well, and have even signed exploration contracts with multiple foreign firms.

To further complicate regional energy relations, China takes the matter of overlapping claims in the area as an issue of sovereignty, national security, and territorial integrity. Other Asian energy consuming giants such as Japan and India may side with China's South-East Asian challengers and hence politicise even more the energy competition in this region. China may, of course, help ease tensions in the area by increasing its investment in South-East Asia, which will likely contribute to mutual confidence building and lay the ground for energy cooperation and stability in East Asia.

Britain, the Cold War, and ASEAN

Professor Nicholas Tarling, Fellow at the NZAI, gave a public lecture on 9 June about Britain's policies towards South-East Asia in the Cold War era. Based on his research into relevant archives, he concludes that in the Cold War, the British welcomed the presence of the Americans in South-East Asia, but were often concerned about the policies they pursued. Their own preference for the region was for the emergence of nation-states, and they were to welcome the creation of ASEAN and the concept of ZOPFAN. By the 1970s, indeed, they no longer had a strategic interest in the region and their political role had diminished.



Professor Nicholas Tarling

New Zealand Financial Adviser Act: Changes and opportunities

In line with the current global drive for financial reform and regulatory tightening, the New Zealand Government is also updating its Financial Advisers Code. To help local Chinese professionals in the financial services industry come to grips with the revised rules, the NZAI and the Institute of Commercial Education New Zealand jointly organised a seminar on 2 July about the Financial Adviser Act, financial advisers' conduct obligations, credential requirements for becoming a financial adviser, and authorised training providers. The participants appreciated the NZAI's community outreach efforts and appealed for more such educational forums tailored to meet the needs of local Asian communities.

Strategic evolution of Samsung Electronics

In the view of a Korea University Business School academic who visited the NZAI and the Department of Management and International Business (MIB), from February to June of this year, the success of electronic giant, Samsung Electronics, in the competitive global IT industry is built on its good strategies in technology, production, brand, marketing and management.



Dr Mannsoo Shin's visit to the School was hosted jointly by the NZAI and MIB. In addition to teaching, Professor Shin in June gave a seminar about the Samsung Group.

Samsung's technology capacity building is supported by its research and development (R&D) strategy. The company has 17 global R&D centres with 18 percent of its total staff complement. For research and development results to become innovative products, Samsung has worked out an effective production strategy, featuring continuous massive capital investment, a synchronised R&D and production process, a flexible global production system, a tightly knit global sourcing system, low inventory in manufacturing, and reduced production time in a price declining environment. To turn all this into a commercial success, Samsung has adopted the 'one/master brand' strategy and complimented the iconic-making effort with

a global marketing strategy. This has enabled Samsung to focus on high end channels, flagship products, and simultaneous market expansion in target countries.

The implementation of these strategies necessitates efficient management and devoted employees. Samsung openly acclaims that it has a cohort of young (99 percent under the age of 50), energetic, well educated, and highly innovative employees, all of whom go through strict annual performance reviews to make sure that they are prepared for challenges. In a sense, Samsung has managed to combine key elements of Japanese technology management and US people management. The strategic dynamics of Samsung Electronics helps explain the success of leading Asian multinational corporations and provides implications for firms in need strong brand power and technological capabilities.

Corporate governance and managerial reform in Japan

Hugh Whittaker and Simon Deakin (eds.) Oxford University Press, 2009 304 pp

Japanese corporate governance and managerial practice has been under considerable pressure. After the 'lost decade' of the 1990s voices mounted for Japan to move to a shareholder-value driven, 'Anglo-American' system of corporate governance, and to abandon the 'Japanese model' constructed in the postwar era. Despite significant changes in legislation and the regulatory environment, however, subsequent developments may be seen as an adjustment and renewal of the post-war model, rather than its

abandonment. In adapting to 'global' corporate governance standards, Japanese managers have also reshaped them according to their own agenda of reform and restructuring decision-making. This publication is based on detailed and intensive field work in large Japanese companies and interviews with investors, civil servants, and policy makers in the period following the adoption of significant corporate law reforms in the early 2000s, up to the months just before the global financial crisis of 2008.



The English language and the Asian student

Fred E Anderson, Ma Yingxin and Nicholas Tarling (eds.) Jinan, China: Shandong University Press, 2009, 319 pp

This edited volume presents the research findings of the New Zealand Asia Institute's research project, English in Asia. One of the challenges facing language schools is how to help Asian students, within a limited time, attain the required test scores and prepare them for ensuing degree studies. Likewise, a challenge facing universities is to continue the 'relay' to help these students, who often still have insufficient language and/or 'cultural capital', assume confidence through the academic disciplines and to

meet the expectations of their respective academic programmes. This publication draws together issues and activities related to the English language in the context of Asian students' attempted degree studies.

To purchase this book visit:

http://www.bookschina.com/book_find/goodsfind.aspx. Free copies for book reviews are available at the New Zealand Asia Institute.

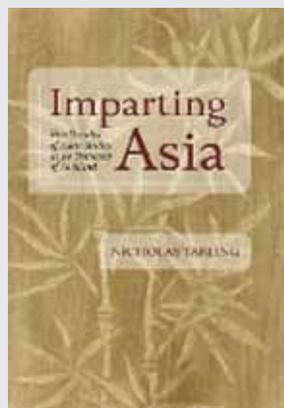


Book Launch

Professor Nicholas Tarling's new publication, *Imparting Asia: Five Decades of Asian Studies at The University of Auckland* (Pindar NZ, 2010), was launched on 18 June.

The study of Asia was introduced into the curriculum of The University of Auckland nearly 50 years ago. This book describes the objectives, achievements and endeavours of those who sought to develop Asian Studies, and places to places them in a larger context. The issues raised indeed extend well beyond the university world. During this period New Zealand's

relationships with Asia have been transformed, but the interest in studying it has not expanded to the same extent. What is now the way forward? This book has been written in the belief that knowing more about the past may help in influencing the future.



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