

Title: “New Golden Triangular Relations under industrial cooperation and competition in East Asia”

For our fifth lecture, we invite Professor Su Hsien-Yang who is the Consultant of the Japan Center Sub-Committee at Chung-Hua Institution for Economic Research and adjunct professor at National Taiwan University. Professor Su’s lecture can be summarized into three points: (1) industrial cooperation and competition relation in East Asia; (2) the benefit of international division of labor; (3) the evolution of “Golden triangular relations.” At the beginning, Professor Su asks students a critical question: think about what status is Taiwan now under the industrial cooperation and competition in East Asia. Do they have suggestions or opinions for Taiwan’s future direction? How does Taiwan walk our own way and overcome the predicament?

Professor Su states that most East Asian countries’ economic growth were resulted from trade. In order to bring the energy of other East Asian countries’ growth into one’s own country and contribute to one’s country’s economic growth, the international division of labor plays very important role. Professor Su introduces “flying geese paradigm” proposed by Japanese scholar Kaname Akamatsu. However, the “flying geese paradigm” in East Asia is in a state of disorder and dramatic changes can be seen in the industrial cooperation and competition relation in East Asia. According to his analysis, Professor Su explains the differences among Taiwanese, Japanese, and Korean industrial structure. Taiwan mainly adopts the strategy of OEM/ODM and the exports focus heavily on high-technology industrial products; thus, Taiwan is more a technology follower and is weaker in technological integration. South Korea adopts brand strategy and the industrial developments diverge into high, medium, and low technology industry; thus, South Korea is more a technology leader and develops complicated products system. Japan adopts technology innovation strategy but this strategy did not go well in the volume zone. Besides, Japan companies’ production, selling, management capabilities are weaker than Taiwanese and Korean companies and hence Japanese economics faces long-term recession. Nevertheless, both Taiwanese and Japanese companies have their own strengthens. For example, Taiwanese companies’ strengthens are cost down, rapid decision-making, efficient production and management skill, test market, gate way, capital capabilities, internationalization, sensitivity toward market. Japanese companies’ strengths are research ability, brand ability, quality assurance, after-sales service, management ability, loyalty to the companies.

The benefit of international division of labor and free trade include assuring resource

did not produce in its own country, creating economies of scale through exports, making production more efficient according to comparative advantage rule, and promoting domestic industry's metabolism function through import products. For example, iPhone's supply chain is the best example of international division of labor. As discussing iPhone's value added, Professor Su said that Japan have biggest profit. Professor Su explains how entering FTA's influence exports with Japan's case.

In regard to the evolution of "Golden triangular relations," through trade complementarity and competitiveness in East Asian region, China's economic growth not only brings economic growth of Asia but also brings the expansion of inter-East Asian trade. Intra-regional trade in East Asia was 52.5% in 1999 but expanded to 56.5% in 2005. First, the intra-industry division of labor in Taiwan-Japan-China in high-technology machines industry expanded in recent year. Second, the division of labor in information industry among Taiwan, Japan, and China has been formed and bilateral trade volume among these three places has grown twice from 1,849 billion US\$ in 2000 to 3,683 billion US\$ in 2005.

Professor Su concluded that we have observed the political and economic changes in East Asia since 2012 including the emergence of Abe economics, economic reform in South Korea, political and economic reform in China, and the execution of ECFA. Moreover, as we can observe from Japan's case, there are structural reform, legal relaxation, promotion of metabolism function, accelerating decision making speed, technology innovation (cooperation between industry and academia).

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