border area and into the South Korean-Japan maritime area. Of these sub-regions "the only one in which local administrations plays a leadership role" is the last mentioned (190). Rozman concludes accurately that “the weight of geo politics hangs heavy over Northeast Asian cross border relations” (190). Indeed North Korean intransigence, the absence of normalized relations between Japan and Russia and China’s growing regional assertiveness all impact upon sub-regional integration even in areas of increasing trade and manufacturing prominence like the Pan-Yellow Sea sub-region. This area is the subject of two chapters by Xiangmen Chen and Chang Liu from the Chinese perspective and by Eun Kyung Kim, who offers a somewhat different Korean perspective. Meanwhile Mitsuhiro Mimura considers the lack of North Korea’s cross-border cooperation and Xiangping Zhu examines Sino-Russian cross border cooperation. These chapters offer a lot of detail but not much analysis of the reasons political cooperation and mechanisms for integration are so limited. In their conclusion, Won Bae Kim and Sang Chuel Choe consider why Northeast Asian regionalism is “stunted” and propose a range of remedies. They conclude that for multilateral cooperation to develop further in Northeast Asia, “the support of national governments is indispensable” (346).

This work, then, offers a comprehensive overview of the problems facing greater Northeast Asian regional integration. Significantly, the work appeared before the Eurozone crisis, the devastating impact of which upon an ever closer regional union has yet to play itself out. Northeast Asian elites should perhaps be careful about what they wish for in terms of ever closer regional cooperation.

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Walter Hatch’s long-awaited book makes the provocative argument that Japan was able to sustain an increasingly uncompetitive model of political economy in the 1990s because of the success of its multinational companies in extending their production networks throughout Asia. Hatch suggests that three common explanations for Japan’s resistance to change in the face of economic stagnation—that the crisis was insufficient to provide the incentives for actors to change their behaviour; that the “dysfunctional” political system privileged actors opposed to change; and that political actors were unable to detach themselves from institutions that they perceived to be culturally unique—are incomplete in failing to consider the external context. For Hatch, the key here was not globalization but regionalization—a process
that Japan, as Asia’s leading economy, was able to shape (a “flying geese” formation, in a corruption of Akamatsu Kaname’s analogy). Regionalization was not just a clear alternative to US-led processes of globalization but also a “shield” that protected domestic actors from the latter.

A puzzle for students of Japan is why its network capitalism that had performed so well in the first three postwar decades delivered such poor outcomes at the end of the century. Japan’s “thickly relational” capitalism rested on cooperation on three key dimensions: between bureaucrats and business leaders; between firms; and between management and labour. While these relations were effective, Hatch argues, in reducing the transactions costs associated with implicit or explicit contracts, they imposed costs in the form of limiting the information that insiders gain from outside their networks, while simultaneously denying outsiders access to resources secured within the networks. The 1990s crisis in Japan’s financial industry illustrated the problems of poor information flow in a sector characterized by opaque and exclusionary networks.

Globalization, Hatch argues, threatened these relationships when increasing pressure—from within because of poor economic performance, and from outside from leading trading partners and international institutions—was placed on the Japanese state to liberalize various dimensions of the country’s trade and investment regimes. Although governments responded with partial liberalization, the pace of regulatory reform was slow—and, in some areas, the state actually extended its regulatory reach. Throughout the 1990s, exceptionally close ties continued to bind regulators and the regulated.

Rather than addressing the increasing problems in the domestic economy by an aggressive policy of liberalization, the principal government response, Hatch asserts, was to become the cheerleader for a process of economic regionalization. Japan would embrace Asia but use its technological leadership to perpetuate a vertical division of labour. Foreign direct investment from Japan’s multinationals was backed up by extensive government support through the provision of overseas development assistance to the region, and by the dispatch of substantial numbers of advisers who played an important role in persuading governments in the region to adopt Japanese industrial standards. Japan’s Ministry of International Trade and Industry, Hatch suggests, was able to coordinate competing economic interests in the region by organizing new industrial federations that served as the regional equivalents of trade associations, and provided the finance for the ASEAN Economic Ministers-MITI Economic and Industrial Cooperation Committee.

Four developments, Hatch argues, combined to end Japan’s dominant role in Asia. The first was the region’s financial crises of 1997-98, which forced Japanese multinationals to curtail production and led to the bankruptcy of many of their suppliers. A second was an “innovation crisis” in Japan’s leading sectors in the 1990s, which caused Japanese companies to restrict
the flow of technology to non-Japanese partners, leading to protests from firms and governments around the region. Third was the rise of China, whose supplies of cheap labour enabled it to leverage access to finance and technology from multiple sources and to emerge as a rival to Japan. The fourth development was a steady erosion in the volume of Japanese ODA (Official Development Assistance) to the region. The relationship between the Japanese and other Asian economies changed dramatically: Japanese companies increasingly engaged in “reverse exports,” importing finished products from their regional subsidiaries into Japan. Other economies in the region were now technological challengers to Japan. The consequence, Hatch argues, was that the foundations of the longstanding patterns of relational capitalism were shaken. The role of the state in the economy, and the seniority principle in employment, were both increasingly challenged. Companies increasingly relied on arms-length contracting rather than on network relations. Genuine change was under way.

This is a scholarly work that is rich with information on changes within the Japanese economy and on the relations between Japan and the Asian region. It repays careful reading and provides an excellent introduction to major debates on the Japanese political economy. Ultimately, however, the book is likely to be judged on its central argument, namely that regionalization enabled Japanese elites to stave off changes to network capitalism in the 1990s. Here, it is less than fully persuasive (in part for reasons, which to his credit, Hatch acknowledges). The first is that the period of Japanese dominance of the region was remarkably short—but a few years after the Plaza Accord of 1985. And even during these years, Hatch’s argument probably overstates the extent of Japanese dominance. Companies from other countries were also building production networks in other parts of the region, and in some sectors doing it more successfully than their Japanese counterparts. The work of Michael Borrus, for instance, argues that subsidiaries of US electronics companies in Southeast Asia took greater advantage of local conditions because their networks were relatively open, a point that Hatch admits. Hatch has remarkably little to say about the growth of technological capacity in Korea and Taiwan during this period; according to the index, Korea receives only six mentions in the entire book. Finally, the question remains of how important Asia was to Japan. Hatch notes that in the immediate post-Plaza period of the second half of the 1980s, fully 60 percent of Japanese foreign direct investment in manufacturing went not to Asia but to the United States. In only a brief period in the mid-1990s did Asia’s share rise above 35 percent.

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