

Paper proposal for the 2015 Historical Network Research Conference
Lisbon, 15-18 September 2015

The evolution of Japanese business networks in ASEAN countries since the 1960s

Keywords (3): Japanese overseas subsidiaries, *keiretsu*, ethnic Chinese

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Abstract (500 words)

Our study relies on micro-data obtained from the *Toyo Keizai* (TKZ) annual survey for analyzing the characteristics and evolution of network structures among Japanese manufacturing overseas subsidiaries since the 1960s. We focus on five ASEAN countries -- Indonesia, Malaysia, the Philippines, Singapore, and Thailand -- that have been among the main recipients of Japanese foreign direct investment since the 1960s, along with Hong Kong, Taiwan, and the United States (and China from the 1980s).

The aim of our study is to assess to what extent the Japanese business network structures in ASEAN countries replicated network structures existing in Japan in the same period, and evolved in the same manner. The TKZ database reports micro-data for several thousands Japanese overseas subsidiaries, either wholly owned companies or joint ventures with local partners. Available information enables identifying Japanese and non-Japanese shareholders, and the percentage of paid-up capital owned by each firm. Local partner companies were almost exclusively owned and operated by ethnic Chinese family-based networks (see for instance Suehiro (1992) on postwar Thailand). Ethnic Chinese business networks, initially specialized in trade, finance, and commodity processing, diversified their activities in the postwar period and played a major role in the development of the manufacturing sector in these ASEAN countries since the 1960s. The Chinese diaspora in ASEAN countries mainly originates from late 19th and early 20th century migrations from Guangdong and Fujian provinces. Therefore, we do not expect possible differences in the role of local partners of Japanese networks to be influenced by local cultural values but rather by local conditions, in particular ethnic tensions, political unrest, and sub-optimal institutions; and, in the case of the Philippines, national policies discouraging Japanese investment (Bassino and Williamson 2015).

The motivation for comparing Japanese networks in ASEAN countries and in Japan is related to one of the most hotly disputed issues in postwar Japan business history, namely the strength of postwar linkages between companies that belonged to one of the prewar conglomerates owned by kinship networks (i.e. *zaibatsu* such as Mitsui, Mitsubishi, Sumitomo, and Yasuda, dissolved in 1946 upon request of the U.S. occupation authorities). The major part of the academic community in the fields of management and industrial organization considers that the links between former *zaibatsu* companies remain strong in Japan during the postwar period and can be identified through information on main-bank, cross-ownership, and transactions (e.g. Gerlach 1992; Aoki and Saxonhouse 2000). This stream of literature also argues that the reconstitution of *zaibatsu* as so-called “horizontal *keiretsu*” (literally, *keiretsu* means “economic line-ups”) in the 1950s and their persistence in the following decades relied on strong non-kinship interpersonal relationships among managers of the companies. Miwa and Ramseyer (Miwa and Ramseyer 2002; Ramseyer 2006) challenge this claim that they describe as an ideological construct devised by Japanese Marxists in the 1950s, later adopted by the Dodwell, a marketing company, and finally by non-Marxist scholars. They argue that the empirical evidence supporting the *keiretsu* hypothesis is weak. Our study tests the *keiretsu* hypothesis using data for ASEAN countries.

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