

China Business in the “Asian Age”
- Notes on Strategic Directions for Japanese Electronics Firms -

Kiyoshi Urakami
Representative, Urakami Asia Management Research
Working Paper, September 2005

Abstract: Electronics products originating either from the U.S.A. or Europe have experienced tremendous shifts to the Asian countries such as Japan, Korea, Taiwan and China. This paper examines the recent development of China’s electronics industry where a significant degree of foreign direct investment has enhanced the industrial accumulation. Based on the survey on the IT industry (personal computer, mobile phone and semiconductor) in China, business status in both Chinese and Japanese companies will be analyzed and future strategic directions for Japanese firms in the “Asian Age” will be discussed.

Key Words: the “Asian Age”, originated from the U.S.A., business models, “Mao, Gong, Ji” method, the Asian talents, multilateral collaboration

1.Introduction

The electronics industry has seen enormous industry shifts to the Asian region during the past thirty years. Many products in the electronics business originating from America or Europe have historically found a passage to Japan, Korea, Taiwan and China. The world electronics industry is entering the “Asian Age” where a higher degree of industrial accumulation is on the fast and outstanding growth curve.

Significant industry developments have been realized in China, particularly after China implemented its FDI (foreign direct investment) policy in December 1978. Multinational enterprises have shifted their production sites to the Chinese Mainland. Some China local companies such as Haier, TCL and Lenovo have recently made a great contribution to China’s electronics industry and become even popular in the global business scene.

This paper is designed to discuss the subject of the electronics business in China and Asia from a general perspective¹. Firstly China’s recent situation in the electronics industry and business developments in Japanese companies² will be examined, and based on this analysis, the paper tries to assess some aspects of business strategies

being sought or followed by Japanese companies³ from a wider context – China business in the “Asian Age”.

2. Japanese direct investment in China

China now attracts people, commodities, money and everything else with a magical magnetism. Foreign direct investment history can be traced back to December 1978 when Deng Xiaoping took the initiative to launch its policy of “Reform and Opening-up”. This was decisively an important move in China’s economic policy as a whole. China business in Japan, therefore, has a history of a little bit more than one-quarter century. During the past years, the areas of focus were centered around factory operations based on joint ventures, and companies in Japan, in fact, learnt business basics from Chinese partners and thus accumulated management experiences.

Foreign companies’ investment underwent substantial changes according to before and after China’s access to the WTO⁴. Foreign companies’ means of investment in Mainland China underwent substantial changes according to this historical event. Before China joined the WTO, most of the foreign-invested enterprises chose to establish a joint venture company and the China government have historically seemed to encourage joint ownership businesses in many industrial segments.

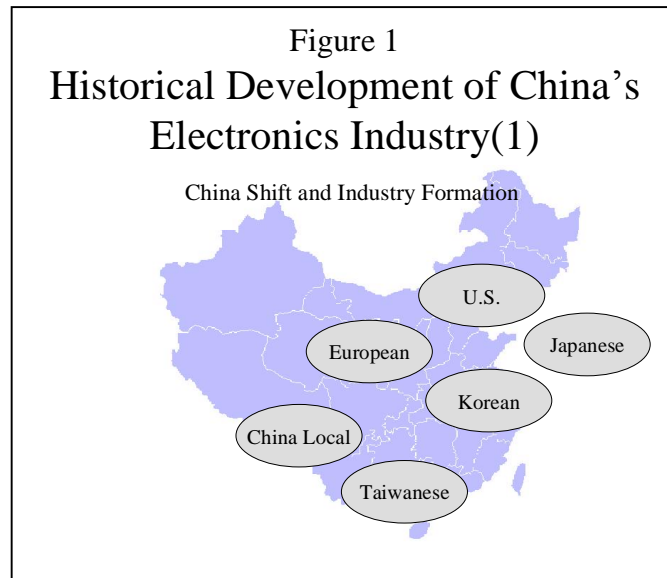
Recently, particularly after China’s access to the WTO, forming a wholly foreign-owned enterprise has increased at an overwhelming rate. One of the reasons why many companies have chosen a full ownership is simply because they wish to do business in their manner of choice. Not a few multinational companies have bought the equity share in their joint venture with China partners to increase their capital ratio or make their companies independent.

Companies operating with a full ownership encounter unexpected obstacles that they do not understand. Therefore, it is extremely important for those firms who establish a company in China to obtain advanced information and consultants’ assistance on the business in China, particularly, on the issue of marketing and sales and human resources management areas.

3. Overview of historical development of the electronics industry in China

The electronics industry in China consists of several sub-segments such as consumer & home appliance products, computer & related products, telecommunication products, electronic components, materials and software products. It is important to note that China’s “Reform & Opening-up Policy” clearly triggered a new wave of foreign investment. Multinational enterprises moved to China as shown in Figure 1, and these

foreign-invested enterprises have accelerated management shifts and enhanced the industrial accumulation and development in China. During the FDI driven industry formation, the China local industries were also born and have grown up.



(Source) Author.

Many electronics products such as television sets, personal computers and semiconductors have their origin in the U.S.A. Some telecommunication products such as GSM mobile phones have been originated from Europe. Historically those products originated either from the U.S.A.⁵ or Europe moved industrial steps from the originating countries to Japan, South Korea, Taiwan and China, as shown in Figure 2.



(Source) Author.

In the process of both technology transfers and production site shifts, most of the electronics products eventually moved to the Asian region. It is much important to note that different business models have been built up. Different ways of coping with different situations have generated different types of business models in Asia. The Japanese business models are different from the Korean models, and the Taiwanese models are different from the Chinese business models.

China's electronics industry has a history of a quarter century and the initial stages consist of both infrastructure development and joint venture company formation. Infrastructure set up process includes development of special economic zones. Shenzhen Special Economic Zone was established in 1980, for instance. The first joint venture company was registered in 1981 – Hitachi's color television factory in Fuzhou. The history of both Haier and Lenovo was started in 1984. China got into a phase 2 of its efforts in the market economy building in 1992, a full-fledged phase in its development of "Socialist Market Economy", which triggered a larger scale FDI by both U.S. and European multinational enterprises. IBM's joint venture PC company was established in 1994 and Nokia moved their mobile phone factory from Finland to China in around 1995, for example. Taiwan's PC firms enhanced China shifts in the late 1990's, and this trend was even accelerated in around 2000. China's WTO entry has led us to see an increasingly higher level of management confidence in China business at overseas companies.

4. Recent trends in China's electronics industry

4 – 1. Personal Computers

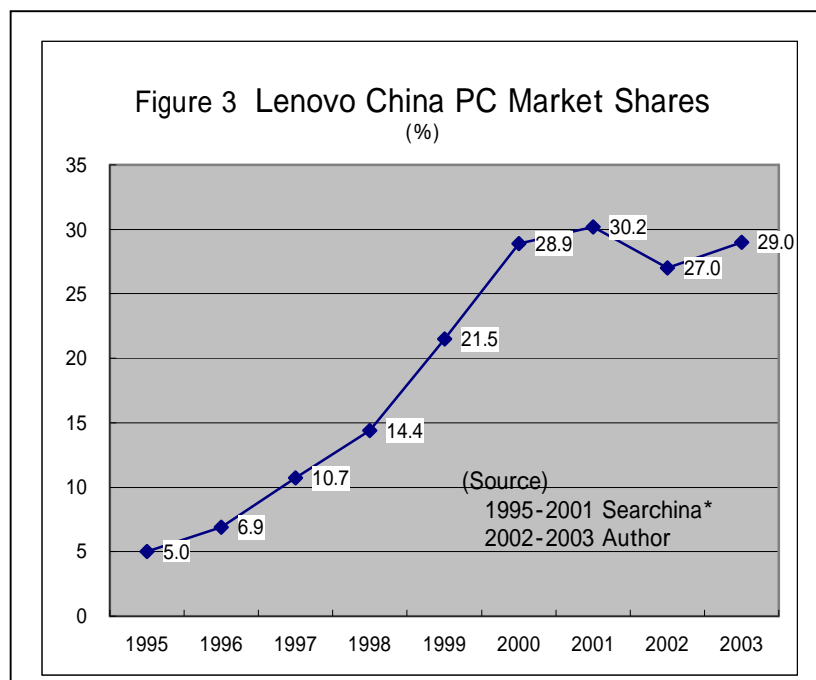
PC industry developments in China

The history of personal computers can be traced back to mid-seventies when Steve Jobs and his friend incorporated the Apple Computer Company in 1976. The term "Personal Computers" first appeared in print in the Byte magazine in the same year. It was 1981 when IBM introduced a new computer, IBM PC with a new operating system from Microsoft, and the new word, "PC" made IBM responsible for popularizing the term. The PC industry was clearly originated from the U.S.A.

The world personal computers shipments were reported to be 189 million sets in 2004, representing an 11.8% growth⁶. The U.S. markets occupied almost one-third of the world, followed by China and Japan. It is important that China PC market surpassed Japan in 2002. Personal computers production in China in 2004 was reportedly around 50 million sets. China's PC production is about 30 per cent of the world production. Thus China has become the world PC factory. Taiwanese PC manufacturers have

continued to shift their production base from Taiwan to China. By the way, we can recognize how big the order of magnitude is in the overall industry shifts if we look at the Taiwanese population in China. Over one million Taiwanese people are reportedly living and working in the Chinese Mainland. Taiwanese PC companies clearly have made a greatest contribution to make China the principal manufacturing base.

China local enterprises are playing an important role in the personal computers business in China. Lenovo Group increased market shares in the domestic PC market particularly after 1998 and they have dominated the China PC market in the recent years (See Figure 3)⁷. These remarkably high market shares have been realized by their market-oriented efforts, particularly market segmentation approach and direct sales activity.

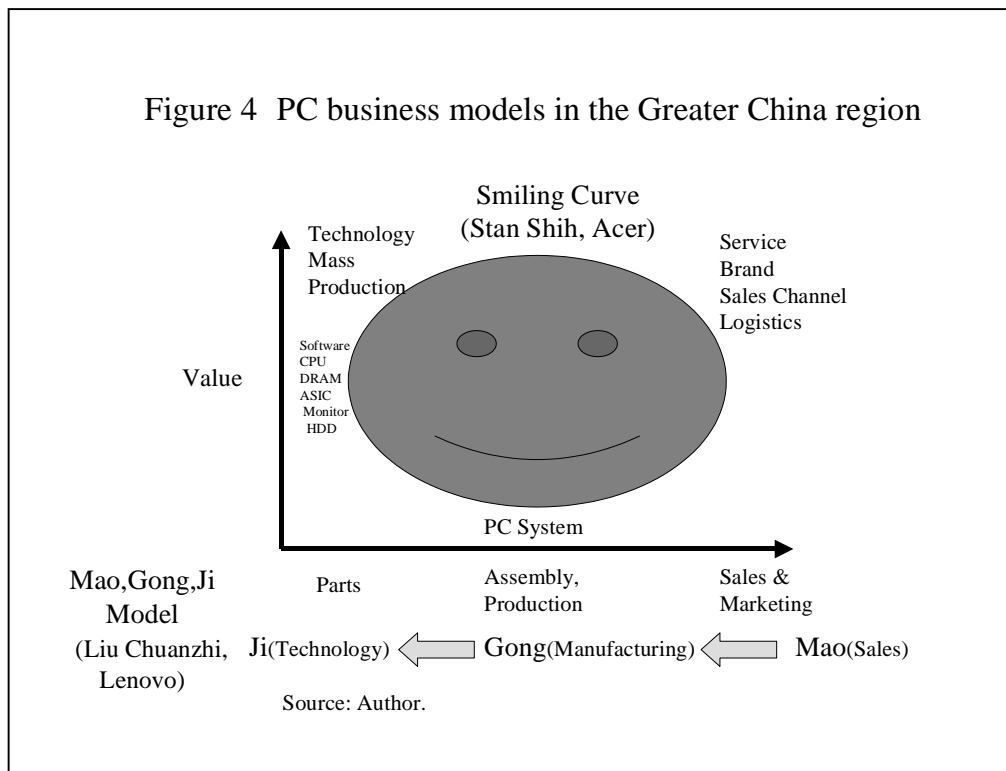


* Searchina, *China IT Movement 2002*.

PC business models in the Greater China region

Different business models have been created during the course of technology transfer and industry shifts to Asia. Turning to the subject of PC business models in the Greater China region, it is pertinent to begin with the Taiwanese business model that is often called OEM/ODM model. The following “Smiling Curve⁸” was created by Stan Shih, the founder of Acer (See Figure 4). Taiwanese companies started PC business from ODM/ODM agreements with U.S. firms. The initial activities were clearly centered around assembly and production of PC machines. In order to enhance their corporate

values, Taiwanese companies have shifted the activity to (1) electronic components and software products business and (2) brand business development



The second business model at issue is the “Mao, Gong, Ji” method⁹ (See Figure 4), a Chinese business model that was developed by Liu Chuanzhi, the founder of Lenovo Group. When Liu and other key members were asked by the China Academy of Science to initiate personal computers business in China, they did not have sufficient capital money, and therefore they had to start from a dealership business with U.S. PC companies. They learnt PC business by selling American personal computers. In this manner, Lenovo, in the earliest stages, started the business from sales and marketing of the imported PC machines. The Chinese word “Mao” means sales and the initial stage of “Mao” was followed by “Gong” which means manufacturing where they build factories and produce PC’s. Most of the China local PC companies have currently stayed in assembly and production stage, and it is still a challenge for them to move to technology development area, which is “Ji” in the Chinese language.

Major tasks in Japanese PC companies

Japanese enterprises in the PC business have used China as a factory in the past years. For this purpose they have either built own factories or developed OEM business

with Taiwanese firms in China. The enormous amount of “Consignment Processing” trades have also been developed in the Pearl River Delta, and the Southern China business model has been established there. In this way, many Japanese companies have basically used China as an export base.

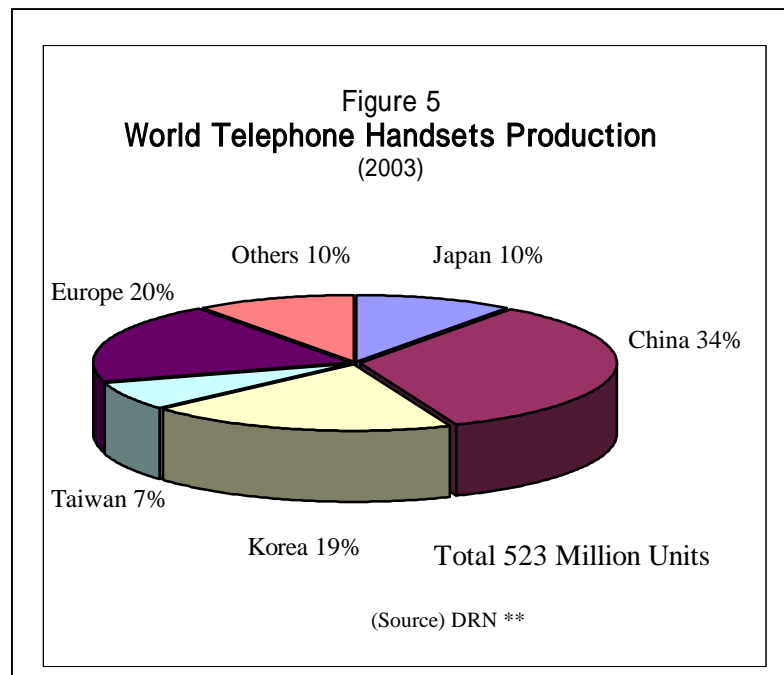
As for the sales and marketing in the domestic market, Japanese firms have not yet been successful except for some limited cases like Toshiba’s notebook PC’s. One of the challenging tasks is, therefore, the development of sales activity in China. Some of the important management programs will include sales organization and sales channel building. It is crucial for any PC companies to establish the management mechanism to receive and use those feedbacks from customers in the various market segments. To what extent the feedbacks from the market are woven into a new product definition can be one of the keys to success in the PC sales in China. Another factor will be after-service enhancement. Here how to set up service networks is a challenging task.

Taiwanese companies have so far established a wider range of supporting industries particularly in the Yangtze River Delta. It is essentially critical for Japanese PC related firms in China to be equipped with the capability to source some materials and components for their manufacturing activity from those Taiwan-based companies in the region. Some Japanese companies in China have joint venture business operations with Taiwanese firms where complimentary relationships are pursued. Japan side makes a contribution in technology field and the Taiwanese partner takes an initiative in actual factory management in China. Multilateral approach (Japanese technology, Taiwanese management, Chinese factory) can lead us to see a possible development of a new China business.

4 – 2. Mobile Phones

Mobile phones production in Asia

Historically Europe made a decisive contribution to mobile communications industry by establishing the service platform, Global System for Mobilecommunications. GSM services have prevailed in Asia as well as in Europe. The Asian region has also seen a production site transfer since well-known European mobile communications firms moved their factory to Asia, particularly to China. Japan started her own services that were originally developed by NTT and South Korea developed CDMA based services. In this way, the Asian region has become a world mobile phones production center and China is clearly the world factory as is shown in Figure 5.



** Dataline Research Network Report¹⁰

Mobile phones industry trends in China

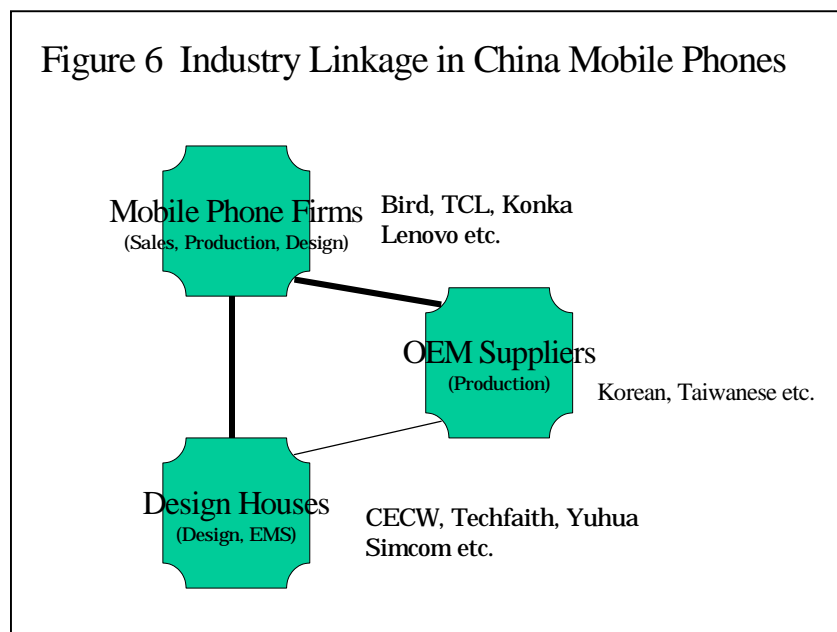
The production of mobile phone handsets in China reportedly exceeded 200 million units in 2004. Around 65 million units were reported to be sold in the domestic market. The year-end inventory was reportedly about 20 million sets, which represents the excess inventory situation in China. The heavy inventory situation in China badly affected the South Korean companies who participate in mobile phones handsets business through OEM/ODM activity.

The mobile phones market in China was originally developed by foreign participants such as Nokia, Motorola and Siemens. Local suppliers such as Bird and TCL joined the race in 2000 or after. Chinese enterprises continued to increase their market shares based on their marketing and sales capability in the lower end models until 2003. It was 2004 when China's local suppliers lost market shares for the first time. Foreign suppliers, particularly Nokia, Motorola and Samsung gained shares in China in 2004. One of the reasons why the China local firms lost market shares can be explained perhaps by the changing taste of Chinese mobile phone users. Recently users' taste has been moved from lower end handsets to the mid end or higher end models, and Nokia, Motorola and Samsung reportedly increased their sales volume in the 1,500 – 2,000 RMB (or above) market segment, while the China local companies have not been able to supply as they were not equipped with right products. It is quite interesting that those

companies who try to respond to the changing needs of the market can improve sales results also in China. A “Demand-pulled” process may result in a possible business success also in the Chinese mainland.

Roles of independent design houses

Chinese mobile phones companies, from the “Mao, Gong, Ji” model point of view, are now staying in both “Mao” and “Gong” phases. Challenging nature of the business surrounds mobile phone handsets. Frequent model changes occur in many different models. Therefore it is extremely difficult for Chinese suppliers to catch up with R & D activities. Recently independent design houses (IDH) have continued to increase importance as a design solution partner for the GSM mobile phone suppliers. These design houses propose design plans and basic platforms to the mobile phone companies and play a key role in the industry linkage or the entire value chains (Figure 6).



(Source) Author.

Major tasks in Japanese mobile phone companies

Japanese mobile phone firms have manufacturing plants in China. In the past, use of China as a factory has been the management focus. The mobile phones industry has a broad value chain that includes various types of electronic components, software and solution services. Japanese mobile phones sales have rather been low profiled since it has been tough for them to develop China market. Consumers’ taste, however, has been changed from a low end to a mid and even higher end orientation, which will be a

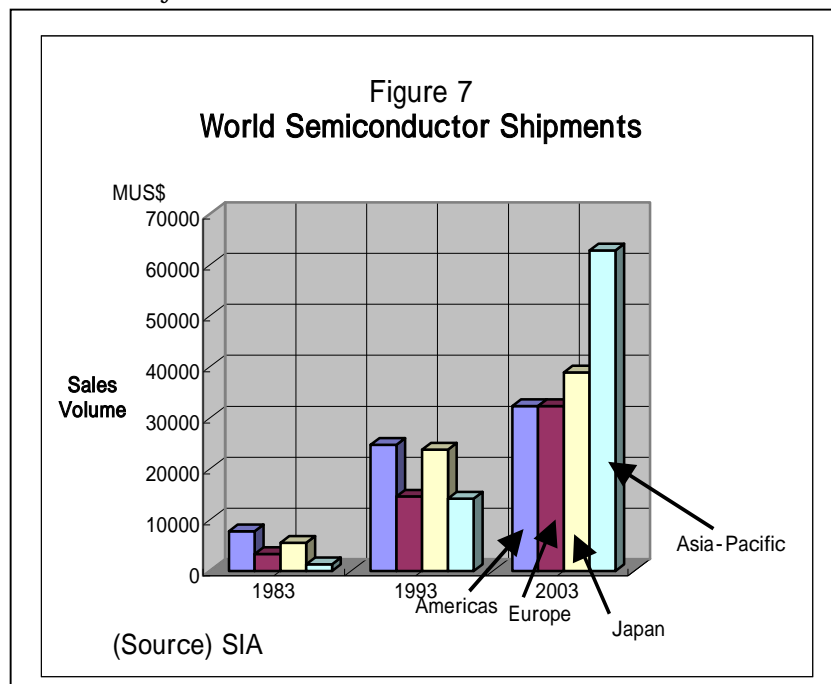
positive factor for foreign suppliers. The recent market environment seems to encourage them to seek for marketing solutions and gain some marketing power in China.

Further more, the possible step into the 3rd generation business would generate more opportunities for some Japanese mobile communications companies as they are well positioned in the new segment. In this area, China government in fact needs enhanced level of support from overseas enterprises, and therefore how the Chinese government plans and manages the FDI control in the telecommunication services can be one of the most critical issues now.

4 – 3. Semiconductor and IC's

Market shift to Asia - Pacific

The semiconductor industry began in 1947 with the invention of the transistor at the Bell Laboratories. The Semiconductor industry that was originated from America moved to some other countries in Europe and to Japan. In the 1980's, the semiconductor products, with its contribution to the electronics industry, were called the rice for the industry in Japan. Figure 7 illustrates how various regions in the world have consumed the rice for the industry¹¹.



Japan continued to catch up with the U.S.A. particularly in the 80's and the new century has seen the Asia-Pacific region becoming the biggest semiconductor market. In 2003, the Asia-Pacific region occupied almost 40% of the world semiconductor

consumption, which means that this part of the world has become a factory of the electronics industry.

China semiconductor market

The world semiconductor market by geographic region is summarized in Table 1. The Chinese market figures, which are estimates by the author, have shown a tremendous growth in recent years, and in 2004, China is in the third place after Japan and the U.S.A. It is forecasted that China will become the number 2 market after Japan in 2005. The day will soon come when China becomes the biggest semiconductor consumer in the world electronics industry.

	2002	2003	2004	2005
Americas	31,275	32,331	39,064	38,528
Europe	27,788	32,310	39,424	41,461
Japan	30,494	38,942	45,757	47,261
Asia-Pacific	51,156	62,843	88,781	99,284
Total	140,713	166,426	213,026	226,534
China	20,000	26,000	37,000	46,000

(Source) 2002-2004: SIA, Global Billings Report History
 2005: WSTS Forecast (May 2005)
 China figures: Author

Why in fact the China semiconductor market is increasing? What are some of the propulsion powers behind the enormous growth? The primary reason is the FDI driven industry shifts. The world electronics industry has seen a tremendous shift to Mainland China. Secondly, during the course of localization of manufacturing plants in China, a local purchasing activity is increased along with the production capability enhancement. The more China factories intensify procurement capability, the more they buy semiconductor products, which accelerates semiconductor consumption in China.

In China most of the key components are imported. The TOP 10 suppliers account for almost 40 per cent of the total shipments and this simply means that the level of dependence on key foreign firms is extremely high. It will take even more years for China to develop initial works in the front-end semiconductor field.

Major tasks in Japanese semiconductor companies

At this stage, the foreign direct investment in the semiconductor area is centered on manufacturing, and China factories are used as an export base. In this sense, one of the primary management tasks is a manufacturing enhancement. We have to note that Taiwanese companies who play an important role in the silicon foundry business have made a significant investment particularly in Shanghai area. Japanese investment in the semiconductor business in China has been relatively small compared with those Taiwanese.

Recently, Japanese semiconductor companies in China have increasingly placed an operational emphasis on local design activity, and we can see sizable design works have been shifted from Japan to China.

As for the marketing and sales in China, most of the overseas companies' activity has still been focused on multinational customer support. Japanese semiconductor companies tend to attach their management priority to support Japanese customers who have shifted a manufacturing plant to China. In order to develop sales activity at multinational customers, it is highly critical to establish an internal mechanism whereby customers can receive a globally coordinated support. Design-in activity at R & D organization in the customer's headquarters location is the key. Field application engineers need to call on those places even though they know that the business is going to be materialized in China and not in the headquarters country.

When it comes to sales support to Chinese local customers, the overseas semiconductor suppliers seem to have taken a selective approach where they choose key customers to support. Some of the important criteria will be design capability, financial health and management status of the customer. The major concerns in this context are clearly customers' business potential and technical capability.

5. Strategic business tasks in the "Asian Age"

China business and organization

As "Structure follows strategy" (Alfred D. Chandler, Jr.), strategy has to come first before organizational structure. One of the important strategies in China business is coming from a wider geographic region, which is "Greater China¹²". The regional concept "Greater China", which includes China, Hong Kong and Taiwan, has been adopted by some of the American firms when they organize their business in Asia. The biggest reason why the "Greater China" region is utilized is that one can make use of corporate resources more efficiently in this broader approach. Taiwanese factory operation capability and Hong Kong people's marketing and general management

capability, for instance, are some of the key assets here. Human resources management can be much enhanced with the “Greater China” concept, and this will also diminish the uncertainties surrounding China business.

Organizational approach in Japan has not yet adopted this regional concept except for a couple of large firms such as Hitachi and Matsushita. It appears that the Japanese situation is somewhat more than several years behind the U.S. multinationals.

China regional headquarters

Regional headquarters play a key role in China because of China’s political, social and economic environment. Since China accessed the WTO in December 2001, the government has been on a continuous reform path where tremendous amount of government rules, regulations and laws have been revised and created. It is necessary to counteract to these business surroundings effectively and this requires regional strategies.

In the past, the foreign direct investment in China resulted in an enormous number of individual companies. Most of them are joint ownership operations with the Chinese partners. Since China’s accession to the WTO, organizational structures of the multinational companies in China have been under the strategic review. The corporate strategy building is surely one of the key roles that regional headquarters will have to play.

The headquarters function involves the following business activities: 1) regional representation, 2) brand management and corporate communications, 3) legal and intellectual property management, 4) human resources management, 5) finance and taxation management, 6) IT system management, 7) business development and 8) research and development.

Now it is getting more important for companies to be equipped with strategy planning capability in the Chinese Mainland. It is essential to make the better use of the Chinese talents when establishing the business strategies. In the light of the importance of “Guanxi¹³”(Guanxi literally means interpersonal connections) in China business, some extra efforts are perhaps necessary as this management area has not really been any serious focus yet at Japan based multinationals. “Guanxi” building process will include relationship buildings with governments, research laboratories, universities and enterprises in China. U.S. multinationals’ Chinese head offices often have corporate communications group who drives “Guanxi” initiatives. The American Chamber of Commerce in China also acts as a “Guanxi” builder who negotiates with the

governments on various company management issues¹⁴. This area remains a challenge for Japanese industry.

Companies who enter into a foreign country need to make a social and economic contribution to the country in which they develop business. Corporate social responsibility also has a “Guanxi” aspect as well.

Full ownership business

Foreign enterprises have shifted the investment emphasis from a joint ownership business to a wholly foreign-owned business, which is forming a major trend after China’s accession to the WTO. Business with a full ownership basically supports “standardization” strategy of the company who operates in China. Standardization or globalization strategy, which is applicable to manufacturing, design and the overall management control area, quite efficiently works under the wholly foreign-owned business concept, while “adaptation” strategy that involves sales and human resources management finds challenging tasks in the full ownership business. As previously discussed, many overseas firms have accelerated their efforts to develop marketing and sales activity in China, and this particular area needs adaptation strategy. One has to increase his/her understandings of the local markets, customers’ needs and sales networks.

Longer-term cooperation among partners contributes to competitive advantage. How to enhance an inter-company collaboration is a challenging subject under the full ownership business. It is an exciting work for us to seek for a new business by making the better use of complimentary relationships of each business model – Japan’s basic technology and China’s manufacturing and marketing power, for instance.

New business development

Japanese electronics companies, as a whole, have developed international business by focusing on the mass production and the sales of standardized products, establishing themselves as the world-class firms with preeminent technologies. The high technology, volume products have seen a tremendous progress of international business and management. Regional headquarters of Japanese electronics industry have also built up an efficient marketing and sales platform for high tech products.

From now on, some of the strategic subjects will be the new development of both infrastructure related and solution related businesses. GE China has recently placed strategic emphasis on electric power, transportation and medical diagnosis areas. IBM has attached a huge importance to information solution and service businesses. These

areas are, in a sense, regional businesses where one has to get key professionals from an outside company involved in the local environment. How far it is possible to make the best use of the Asian and the Chinese talents remains a challenging task here.

Asian region orientation in the “Asian Age”

During the course of technology transfer and manufacturing capability formation, Japan’s electronics industry has accumulated business skills and thus the Japanese business models have been built up. The major assets and capabilities demonstrated in the Japanese business models are (1) strength in R & D, and; (2) preeminent world-class manufacturing. The weaker side of the Japanese business models remains in (1) management speed, and; (2) home-region oriented approach particularly in human resources. We can also argue that the Japanese business models are somewhat home-region oriented or advanced markets oriented. Perhaps it is fair to say that the higher the technology segment becomes, the bigger the advanced market orientation is.

In the process of modernization of the society, the “Western style” has generally been regarded as a “model” by which one can explain the “gap” between Western and Japanese environment. Modernization and perhaps industrialization seem to mean, “catching up with” the more modernized pattern of industry and business in the Western industrial societies. These types of general, social and economic background, combined with the first class technologies, have accelerated an advanced market orientation in Japanese firms.

We are now entering the “Asian Age” in the electronics industry where the most of the important industry linkage is concluded within Asia, and this leads to the following key questions:

1. How far is it possible for Japan’s electronics industry to perceive recent changes?
In other words, what does the “Asian Age” mean to Japanese companies in the electronics world?
2. Could the “Home and advanced region orientation” be less stronger or altered?
3. What are some of the key assets by which one can generate “Regional orientation”?
4. To what extent Japan’s electronics multinationals move to regional business?
And how can the local capability be formed?

In order to generate what we call “Asian region oriented business”, it is essential to make the best use of the Asian talents, which can be one of the most important management tasks in the electronics firms in Japan.

6. Conclusion – Multilateral collaboration –

Electronic products invented and developed in the advanced countries such as the United States of America have historically experienced a technology and production site transfer. Different types of business models have been built up in different countries such as Japan, Korea, Taiwan and China. Japan established herself as a high technology industry state. Taiwan has become the number one producer of personal computers. China is growing rapidly in the recent years by making the best use of the marketing power. Each business model has advantages and disadvantages. Again, it is important to look at the business model situation from a new perspective – a complementary relationship.

As we enter the global era where the world is deeply interconnected and is getting more competitive, innovation can occur in a different way or manner¹⁵. The Asian region has increasingly played a key role in the electronics industry, and one has to consider how to use the industry linkage and the business models that have been developed in Asia. Pursuit of line of this thought may lead us to see a possible emergence of a new business, which can have an Asian origination in the future.

We need a platform for technical and business communications so that the cross-country collaboration can be started.

¹ This manuscript is based on the transcription from tape-recording of the lecture delivered by the author at Development Policy Seminar co-organized by Ministry of Finance & Japan Center for International Finance on February 21, 2005. The Author edited the transcription and rewrote the manuscript.

² The interview survey was conducted by Japan - China Economic Association in December 2004 and the author joined the study.

³ The author worked as Managing Director of Hitachi's sales company that is headquartered in Hong Kong and responsible for Hong Kong, China and South Korea business for about six and a half years from November 1995 through March 2002.

⁴ The survey team visited Institute of Foreign Economy, National Development and Reform Commission of the People's Republic of China in December 2004 and exchanged views on FDI in China.

⁵ Raymond Vernon once discussed the shifts in international investment from the product cycle point of view. Raymond Vernon, "International investment and international trade in the product cycle", *Quarterly Journal of Economics*, Vol.80 (1966): pp.190 – 207.

⁶ Gartner Japan Ltd. News Release, <http://www.gartner.co.jp/press/pr20050120-01.pdf>.

⁷ 1995 – 2001 figures are based on JMA Research Institute Inc. and Searchina Co. Ltd. Chugoku IT Hakusho (China IT Movement 2002) (Tokyo: 2002). 2002 – 2003 figures are author's estimates.

⁸ Z. R Shih, *iO lian wang zu zhi - Zhi shi jing ji de jing ying zhi dao* [iO Network Organization - Management in the Knowledge Economy], (Taipei: 2000) p.52. The "Smiling Curve" is the curved line between both ears and jaw, and it is author who inserted the smiling face cartoon in the figure.

⁹ Kiyoshi Urakami, "Nitchu bijinesu araiansu wo kanageru shiten to kadai"[Japan – China Business Partnerships: Viewpoints and Tasks], *J+ C Economic Journal*, (July 2004): pp.4 –9.

¹⁰ Dataline Research Network Corp, *Denshikiki gyokai no seisandoko to kongo 2004* [Electronics industry trends and forecast 2004], (Tokyo: 2004).

¹¹ Statistical data comes from The Semiconductor Industry Association, *Global Billings Report History*, via sia-online, <http://www.sia-online.org/home.cfm>.

¹² The term Greater China often appeared in the American journal such as *The China Business Review* and *China Quarterly* in 1992 and 1993.

¹³ "Guanxi" has been one of the key concepts in management studies in the U.S.A., Europe and some of the Asian regions such as Hong Kong and Taiwan. Many studies and literatures exist. In Japan, however, "Guanxi" has not been a focus concept in business studies.

¹⁴ The American Chamber of Commerce - PRC & The American Chamber of Commerce in Shanghai, *2003 White Paper* (Beijing: 2003).

¹⁵ The Council on Competitiveness, *Innovate America* (Washington D.C.: 2005) summarizes and presents national innovation agenda and programs.