

# JOURNAL OF ASIAN BUSINESS

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## ARTICLES

### **Relationship Problems in Australian Business Ventures in Southeast Asia**

ALLAN G. THOMPSON

This paper reports results from a survey which is the first stage of a project to explore the effects of cultural differences on key business relationships between Australian firms and Southeast Asian contacts. Although a high proportion of respondent firms seemed to be satisfied with their Asian ventures, many had problems with their key Asian contacts, which had significant commercial consequences for their ventures (approx. 39 percent of firms), or which impacted upon costs (approx. 58 percent of firms), often in multiple ways. Investor companies suffered more frequently and significantly than exporter companies, particularly those firms to whom the Asian venture was not regarded as having central commercial importance. Nevertheless, investor firms on the whole performed better in their Asian ventures than exporter firms.

### **Mainland Chinese Investment in Hong Kong: How Much, Why, and So What?**

K.C. FUNG

We ask three questions concerning Mainland Chinese investment in Hong Kong: "How much, why and so what?" From various fragmentary sources, the best guess is that it reached US\$25 billion by 1995. More than 90 percent was in non-manufacturing. Using 1992 figures, between 2.65 percent and 4.4 percent was in manufacturing, while between 10 percent and 16.7 percent was in the Hong Kong property market. By 1993, Mainland China was the largest overall cumulative foreign investor in Hong Kong, while it was third among foreign investors in manufacturing. Mainland Chinese investment in Hong Kong is likely to be larger than Hong Kong investment in the Mainland.

There are many reasons why the Mainland Chinese invest in Hong Kong. This includes serving the re-export trade and raising capital through the Hong Kong stock market. Due to moral hazard problems, Chinese state-owned enterprises may likely engage in "excessive" speculation in Hong Kong property and stock markets. The involvement of Mainland Chinese officials and their relatives in the Hong Kong stock market may raise insider trader issues. Lastly, some local Mainland Chinese governments seem to be using the Hong Kong stock market to raise funds to set up more production facilities in China to circumvent the reform process.

### **The Pulp and Paper Industry: Indonesia in an International Context**

HERB THOMPSON AND DEBORAH KENNEDY

Global changes are occurring in the structure of the pulp and paper industry. These changes are both geographic and functional in terms of consumption and production. North American and European producers are experiencing a loss of market share to Asia, and by the turn of the century Indonesia and Brazil are anticipated to become the largest pulp and paper producers in the world. While electronic information flows in developed countries are progressively replacing

some paper products, ASEAN countries and China forecast significant increases in the consumption of paper and paper products. This article examines these changes globally by focusing on a case study of Indonesia. The optimism which permeates the industry in Indonesia has a downside, which is the further loss of natural forests and social dislocation. This provides a challenge familiar to many less-developed nations, increasing economic development without destroying natural assets.

## **RESEARCH REPORT**

### **Distribution of Automobiles in Korea**

TIM SMITH

Restrictions on imports into Korea have provided local manufacturers with the opportunity to earn monopoly profits in their domestic market. These profits are used to finance aggressive product development programs, technical capability improvements, and production capacity increases aimed at enhancing their ability to compete globally.