

JOURNAL OF ASIAN BUSINESS

Volume 16 · Number 3 · 2000

ARTICLES

Commercialism and Productive Forms of Business Behavior: Rural Entrepreneurs in India, Malaysia, and Indonesia

MARIO RUTTEN

This paper compares the business strategies of rural capitalists in India, Malaysia, and Indonesia. It is based on empirical research among Hindu small-scale industrialists in central Gujarat, Chinese and Malay owners of combine-harvesters in the Muda region, and Muslim owners of small and medium-scale iron foundries in Central Java. While recent studies in Asia tend to stress variability in forms of business strategies, the three case studies presented here point to striking similarities. These findings on rural capitalists in India, Malaysia, and Indonesia correspond with those from studies on the early industrialists in Europe. In view of this evidence, this paper argues that notions of differences in business strategy between small entrepreneurs in Asia, and between Asian and European entrepreneurs, need to be reconsidered.

Subcontracting for Transnationals: Buyer-Supplier Interaction in Singapore's Electronics Cluster

MARTIN PERRY AND TAN BOON HUI

The impact of foreign direct investment varies according to the propensity of foreign investors to form linkages with indigenous suppliers. Recent assessments suggest that there has been a shift toward greater localization of supply and from competitive to collaborative buyer-supplier relations. This paper examines these expectations in the context of the relations between foreign transnational corporations (TNCs) and local supply companies in the Singapore electronics cluster. It draws upon evidence collected in the postal survey responses of 103 suppliers, and follow up interviews with a sample of buyers and participants in the survey. The new supply relations were most evident in increased information exchange between buyers and suppliers, but there was relatively little evidence of direct technical, managerial or financial assistance. Most suppliers report little or no change in their status with buyers. Buyers indicate that for Singapore obtained inputs a preference often remains for multiple sourcing from competing suppliers rather than close links to permanent suppliers. This outcome is explained in the context of the overall supply management strategies of the TNCs and their particular market and technology characteristics.

Characteristics and Performance of Japanese Foreign Direct Investment in China

JANE W. LÜ

Despite the slowdown that occurred worldwide in Japanese foreign direct investment (FDI) in the mid-1990s, Japanese FDI into China increased markedly. By the end of 1996, China was the home to 40 percent of Japan's annual outflows of foreign investment. Given the prominence of China as a host site for Japanese FDI, and the increasingly integrated role that China's economy is taking in the world economy overall, this research explores what form foreign investment,

specifically Japanese, takes in China. The analysis in this research answers questions concerning how Japanese firms have invested in China in terms of the form or mode of entry, and in terms of the sectors in which investments have been made. The analysis also explores the differences in subsidiary characteristics across major sectors, and it links these differences in characteristics to the performance of foreign subsidiaries. This analysis finds that, contrary to Japanese investment in other regions and countries, the choice of entry mode does not have a discernable relationship to performance, while the capital intensity of the investments and the level of Japanese control are negatively correlated with subsidiary performance.

RESEARCH NOTE

Quantifying Indonesian Political Risks for the Singapore Economy

FRIEDRICH WU AND LEE WEE LIAT

The new Wahid-Megawati government in Indonesia does not necessarily guarantee long-term political stability, since the new government must face a myriad of formidable challenges, including a bankrupt economy, rampant corruption, socio-religious conflicts, regional separatist movements, widespread poverty and unemployment, as well as a discredited but still-influential military. Using econometric models, we attempt to quantify the negative contagion effects on Singapore stemming from heightened political tension in Indonesia. We have found that aside from a direct and immediate impact on Singapore's interest rates, currency and stock prices, the island-republic's property prices, bank loans, exports, private consumption and inflation would also be adversely affected, albeit with a time lag, by escalated political turmoil in Indonesia. Singapore's open economy is vulnerable to any negative external shock around the region that is beyond its control. Even though the post-Suharto government in Indonesia commands higher credibility, further upheavals cannot be discounted given the deep-rooted social and economic troubles in Indonesia. In view of the potential adverse direct and indirect impact from its close neighbor, Singapore needs to manage bilateral relations with Indonesia carefully and creatively.