Research Paper

The Initiatives of Cross Border Cooperation in Automobile Parts Industry between Busan and Fukuoka

Jonghyun Park
Faculty of Economics, Hosei University
4342, Aiharacho Machidashi Tokyo 194-0298
Japan
pakugen69@hosei.ac.jp

Masahiko Fujimura
Hosei University, Graduate School of Project-specific Global and Regional Research Institutes
4342, Aiharacho Machidashi Tokyo 194-0298
Japan
info@thegrri.org

Abstract

The purpose of this study is to discuss how non-capital cities in Asia can overcome lagging behind respective capitals. We took the example of a transboundary cooperation in Asia, the concept of Cross Border Metropolis between Busan and Fukuoka (CBM-BF), more specifically cooperation initiatives in the automobile parts industry. In 2009, both cities decided to encourage cooperation and planned to implement 23 major projects with 4 directions, 9 strategies, including those of the automobile parts industry. The authors have conducted interviews with stakeholders, business and administrative actors. Busan seemed to have been more confident in performance success of collaboration. However, they have increasingly recognized its difficulties with Fukuoka only, so that they demanded cooperation territories to expand to the Kyushu region. Meanwhile, Fukuoka asserted that all projects should be implemented under the concept of CBM-BF, so that both stopped finding manners to cooperate for just one year and shifted them to holding events where opinions were exchanged. Moreover, business and administrative actors had different directions regarding cross border cooperation (CBC). Business actors aspired to obtain cooperation opportunities in Tokyo, Osaka and Seoul where companies are concentrated, unlike the administrative ones’ intent. The failure of implementing initiatives could be derived from the overlooking of stakeholders regarding automobile industry context in Fukuoka and deficiency of benefits of the Fukuoka side obtained from Busan. Both may have overestimated the feasibility of CBC between respective growing and creative industry. However, CBM-BF offered a useful direction for research on CBC that stakeholders should attempt to pursue for long term implementation and sustainability, that key players should realize the need to reformulate their approach, adjusting their counterparts’ situation and demands, and that they should find the necessity of collaboration not with capitals but adjacent city.

Key Terms: Cross border Cooperation (CBC), Automobile parts industry, Busan, Fukuoka
1. Introduction

The final purpose of this study is to discuss how non-capital cities in Asia can eradicate disparities and surmount contexts that they lagged behind respective national primary cities. As an example model of a transboundary economic cooperation in East Asia, the authors focused on the concept of Cross Border Metropolis between Busan and Fukuoka (CBM-BF), since both cities have been implementing major and minor joint cooperation projects in a lot of domains at local administrative level, for the long term. They are geographically and historically close.

Regionalization and globalization in various regions of the world since the 1980s, have encouraged adjacent border regions to seek feasibility and capacity of cross border integration and collaboration projects. Subsequently, policy-makers in central and local governments in Asia have taken the European Union (such as INTERREG A) as well as North America (e.g. Canada-United States and Mexico borders led to expansion of their economic and socio-cultural relations) as models of sub-regional economic cooperation.

Since 1990, various Asian countries have suggested the novel and innovative concept with regards to cross border cooperation (CBC). More specifically, the concept of Malaysia-Singapore Growth Triangle (the IMS-GT) was proposed in 1992 as a model of sub-regional economic co-operation in South-East Asia. Tripartite governments of Indonesia, Malaysia and Singapore officially signed a declaration concerning economic collaboration, allowing and encouraging cross-border economic co-operation between the southernmost state of Johor in Malaysia, Riau Islands in Indonesia and the entire Singapore. The IMS-GT and tripartite agreements have spurred other Asian countries to initiate economic collaboration. As a significant CBC model, eight concepts that are in existence and being formed, have attracted academic interest (Table 1). Globalization has led to the emergence and strengthening of regional and sub-regional economic co-operation as means of promoting economic growth. In East Asia, a new kind of sub-regional economic zone known as a ‘Growth Triangle’ is gaining increasing popularity (Debrah et. al 2000).

The vast majority of those models have equivalent contexts in several aspects: (1) respective models have been driven by central governments and institutions; (2) most Asian countries have aspired to take initiatives for their respective countries in the main industries that would lead to economic growth, so that they initiated economic collaboration in growing and creative industries, such as IT, finance, fashion, design, automobile, etc.

In this regard, it should be noteworthy that adjacent transboundary cities in East Asia, Busan and Fukuoka formalized the CBC in 2009, since both cities are non-capitals and are ranked second and sixth largest cities in Korea and Japan respectively and they formulated cooperation projects without the involvement of central governments. This became known as the concept of Cross Border Metropolis between Busan and Fukuoka (or CBM-BF).

Those contexts prompted this paper to analyze how non-capital cities in Asia, Busan and Fukuoka have encouraged regional sustainable development, by utilizing CBC in the automobile parts industry and to identify whether or not the cooperation initiatives achieved goals and what are their limitations and agendas.

2. Literature Review

There have been a number of issues and literature on CBC in Asia, more specifically, in Southeast Asia such as the IMS-GT, the IMT-GT, and the EAGA, which have been covered. From former studies (e.g., Tang et al, 1994; Phelps, 2004; Sparke et al 2004; Chen 2005; Yang 2006; Dent 2011; Nadalutti 2015), it was uncovered that internal and external spatial structures and
economic, socio-cultural and political domains of respective countries have been transformed by CBC.

In Southeast Asia, the Indonesia–Malaysia–Singapore growth triangle (the IMS-GT) has already received significant academic attention as a mega-urban region, a zone of complementary economic resources and a zone of economic cooperation and economic integration (Yaw et al. 2000; Phelps 2004).

The IMS-GT was attributed to the first embodiment of CBC officially driven by the three governments. It was believed that the IMS-GT can not only stimulate indigenous companies to plug into the majority of foreign direct investment and multinational cooperation, but also encourage foreign companies to establish spontaneous business networks in geographic areas. Academics and corporate globalization gurus soon followed, creating an exuberant literature on the region’s special significance as an illustration of how to grow and prosper in a globalizing world (Ohmae 1995; Ho and So 1997; Azman et al. 1998; Thambipillai 1998; Sparke et al. 2004). The proposal of the IMS-GT was officially made public by Singapore's Deputy Prime Minister Goh Chok Tong in December 1989. Thereafter, it was soon widened to include two other Malaysian states and several other Indonesian provinces to become the Indonesia–Malaysia–Singapore growth triangle (the IMS-GT) (Ahmad 1993; Sparke et al. 2004; Toh 2006). Today, the concept continues to be relevant to the states and firms concerned, although development has stalled somewhat in light of the Asian financial crisis and the global shift in FDI flows towards China (Phelps 2004). However, its origin can be traced back to the proposal of ‘the Singapore Growth Triangle (SGT)’ and SIJORI (Singapore–Johor–Riau).

Despite the wider context of the substantial growth in cross border research in recent years, there has been a dearth of academic empirical research into CBC, more specifically, models that non-capital cities have promoted in East Asia. Thus we focused on how adjacent transboundary cities in East Asia, Busan and Fukuoka have formalized CBC without the involvement of the central governments and what are their limitations and agendas.

3. Research Design and Methodology

Based on former literature, five main research questions and topics arise: (1) why the majority of cooperation projects in Asia have been driven primarily by central governments? ; (2) are there any cases of CBC driven autonomously by non-capitals without the central government’s power and assistance in Asia? ; (3) which industries in non-capital cities or peripheral regions in Asia have been implementing CBC? ; (4) which backgrounds have encouraged non-capital cities to reinforce CBC?; and (5) what are the implications, limitations, and agendas with regard to CBC driven by non-capital cities in Asia?

In order to answer these questions and topics, this article is organized as follows; (1) the concept of CBM-BF is chosen as Busan and Fukuoka have attempted CBC projects and it could be the first CBC attempted; (2) the concept of CBM-BF will be introduced; (3) as a case study analysis, CBC initiatives in the automobile parts industry are articulated; (4) it also explored the backgrounds of CBC and why they have attempted cooperation projects in the automobile parts industry; (5) it also investigates how they implemented the initiatives; and (6) their limitations and agendas will be examined.

This paper is based upon extensive field work and a series of face to face interviews that were conducted in Busan and Fukuoka with 23 visits in total since 2015, with administrative, business, and social actors as follows: (1) with the former mayor of Busan and 72 elite stakeholders who have been engaged in CBC projects; (2) 65 Japanese and Korean CEOs who have experienced trading contracts with Japanese and Korean companies. The data was secured in the above mentioned interviews in Busan and Fukuoka, derived from formal and informal meetings, regarding detailed content of CBC programs, progressing cross-border strategies,
perspectives on their long-term vision and goals in the CBC process. Furthermore, a valuable set of qualitative and quantitative information was also obtained through local newspapers and previous literature.

4. Results and Discussion

(1) Results

The background of cooperation initiatives in the automobile parts industry

![Diagram of CBM-BF]

Figure 1. The outlines of 4 directions and 9 strategies of CBM-BF

Source: authors’ own compilation based on interviews with formal and informal materials from Busan and Fukuoka authorities

In 2009, Mayors of Busan Metropolitan and Fukuoka made public a joint declaration on the configuration of cross border metropolis, in order to support and reinforce socio-economic cohesion between both cities. Bilateral agreements have exceedingly been paid attention to in public, as there was no precedent for CBC planning driven by local government autonomously, which constituted the first time for Korea and Japan, in history. After the public issuing of a joint declaration, both cities proposed 4 directions, 9 strategies, and 23 major projects (Figure 1 and Figure 2). Among those projects, in order to pursue the promoted strategy of nurturing of the promising and growing industry, 4 specific projects were set up: fostering systems for nurturing the promising and growing industry together, assisting interactions within the IT industry, promoting interactions between automobile-related industries, and building network systems for environment and energy industries.

Busan has addressed to seek the manners that facilitate economic disparities with Seoul and faced the need to make a breakthrough to foster regional industries that lead to regional growth, positively exploiting the geographical proximity with Fukuoka. Since Fukuoka and its surrounding territories as well as the Kyushu region have attracted the automobile parts industry, potential in Fukuoka was good enough to make Busan aspire to collaborate with Fukuoka.
Figure 2. The outlines of 23 projects of CBM-BF
Source: authors’ own compilation based on interviews with formal and informal materials from Busan and Fukuoka authorities

Kyushu’s initial entry into the automobile industry began with the establishment of a Nissan factory in the Fukuoka prefecture in 1975 (Figure 3). Following Nissan, Honda established its motorcycle factory in Kumamoto. Gradually, other automobile firms followed. In 1992, Toyota established its first factory in Kyushu and Nissan invested heavily to expand the production capacity. In 2004, Daihatsu established its own factory in Kyushu. Toyota launched an engine factory in 2005. The factors that have attracted automobile firms to Kyushu are as follows: the wage level is lower in Kyushu than in other areas in Japan, Kyushu has a number of ports available for exporting, and it has a good internal transportation system. In addition, automobiles are among the most complex products, requiring anywhere from 30,000 to 50,000 parts, and the lead firm does not have the necessary resources to deal with each supplier. In the case of Toyota, there are 205 first-tier suppliers. Currently, there are about 340 local automotive parts firms, mainly in the Fukuoka prefecture (Nabeshima and Yamashita, 2008).

Busan recognized Fukuoka, which is the largest city in the Kyushu region, as a major center of automobile industry in Japan and embarked on finding ways to facilitate the collaboration projects with Fukuoka. Busan was filled with the anticipation that the implementation of cooperation initiatives was the only practicable alternative to foster the automobile parts industry as a major growing industry in Busan, under the concept of CBM-BF.
The cooperation initiatives in automobile related industries

As initiatives in the automobile parts industry, as of 2009, Busan planned to promote marketing projects to facilitate contracts between them for 4 years (2010-2014), through supporting consultation meetings and participation in overseas exhibitions, proposing opportunities of business talks with Japanese companies to indigenous firms, and encouraging the regional institution, the Busan Techno Park to seek manners of specific cooperation. First, steering and promoting organization, the Busan-Fukuoka Automobile Parts Industry Council (the BFAPIC) was organized to facilitate CBC. Busan was eager to accomplish technology exchange between research development centers in both cities and to expand target territories from Fukuoka to the Kyushu region.

Both cities launched the BFAPIC on January 2010 and held the first practical meeting in February 2010 and the second as a subsidiary event of the Busan International Motor Show in March 2010. Stakeholders sought cooperation feasibility between automobile parts industry and exchanged opinions. In the third, thirty stakeholders were invited to find possibilities for cooperation. The BFAPIC has proposed the direction and sought opportunities to shape a
specific plan. Experts reported the manners and current context of automobile related industries in both cities and stressed that it should be expanded to North Kyushu and Southeast regions to achieve performance. Busan anticipated that the cooperation projects must have the potential to transform economic development into a sustainable one and to offer specific opportunities to foster and invigorate regional economic growth, by expanding cooperation target territories to Kyushu and Southeast regions. The BFAPIC also planned to support CBC projects between Busan and Fukuoka, more specifically both cities anticipated the feasibility of integrating both machine parts materials industry in Busan and electronic and electricity industries in Fukuoka.

Afterwards, The Busan Techno Park also held the fourth BFAPIC on 2 December 2011, with topics regarding cooperation manners of the automobile parts industry. Four stakeholders reported how both cities are able to cooperate and integrate between automobile parts industries.

However, through several meetings and seminars, stakeholders in Busan have recognized its difficulties with Fukuoka only. Annual meetings of CBM-BF have been held in Busan and Fukuoka since 2009. Consequently, Busan has shown an ambitious goal for cooperation initiatives in the automobile parts industry, confronted to the renunciation of cooperation within the automobile industry and changed cooperation plans. In 2009, the steering committee in Busan stated that cooperation projects would be implement in 22 major domains. During the following year, the steering committee meeting held in August 8 2010, chose top 13 priority projects, eliminating the automobile parts industry among projects.

(2) Discussion

Busan was eager to seek the feasibility of CBC in the automobile industry rather than Fukuoka. Busan planned to support and encourage indigenous companies to expand their business opportunities in Japan (e.g. branches, subsidiaries, FDI etc.), through the Council. However, Busan failed to persuade its counterparts’ firms to understand why those in Fukuoka should promote CBC and how they can benefit from it.

Busan has just stressed the complementarities that were combined by the influx of Fukuoka’s technology and knowledge as a state-of-the-art function and that of Busan’s production as a manufacturing function. Albeit indigenous companies in Busan did not enjoy a comparative advantage in terms of price competitiveness, the complementarities have just been interpreted under the rhetoric of political slogans with win-win strategies.

Moreover, stakeholders in Busan failed to obtain an improved understanding regarding the automobile parts industry in Kyushu including Fukuoka. With only a superficial glitter of accumulation of the automobile parts industry in Kyushu and vague possibility of employment effect through cooperation, stakeholders overlooked the reality of Kyushu and Fukuoka.

In Kyushu, the capacity of streamline production is more than 1,500,000 cars by major manufacturers and their related companies. However, many of them are still second- and third-tier suppliers. Although the location of Kyushu is an advantage from the perspective of assemblers, it is a disadvantage from the point of view of local automotive parts firms that are trying to move up the value chain to become first-tier suppliers. First-tier suppliers, although some are located in Kyushu, focus their activities on production and do not have any research and development activities in Kyushu. Furthermore, the number of parts produced within Kyushu is low, relative to other major automobile clusters in Japan and manufacturing functions in Kyushu are dominated by the subsidiaries and branches of major firms with headquarters elsewhere. Local companies play a role as subcontractors for these subsidiaries and branches of major firms. The decision making functions are still concentrated in headquarters in Tokyo and Osaka and production is carried out in Kyushu. Those situations are referred to as a branch
Despite those contexts, Busan overestimated the likelihood of collaboration with Fukuoka and to be confident in the success of the performances of collaboration, just stressing geographical proximity. Moreover, they anticipated cooperation with Fukuoka to bring about employment effect. Albeit automobile part industry appears to accumulate in Kyushu, branch economy in local cities confronted the limit and restriction regarding decision making function with suppliers, more specifically in the contraction of overseas trading.

Furthermore, stakeholders in Busan have persistently requested target territories to expand to the Kyushu region, recognizing the fact of geographical proximity between Fukuoka and Kitakyushu. Meanwhile, Fukuoka asserted that all cooperation projects should be implemented under CBM-BF and has frowned upon a demand of Busan to expanding cooperation territories, since administration in Japan always tends to thoroughly divide their jurisdiction and strictly pursue responsibility. Practically, manufacturing activities of the automobile parts industry in Kyushu, are not concentrated in Fukuoka but in Kitakyushu. Even though the two cities, just 69km away from each other, belonged to the Fukuoka Prefecture, Kitakyushu has been considered the most competitive with Fukuoka, so that Fukuoka were reluctant to expand target regions to Kyushu.

Both business and administrative actors had different directions on CBC. Business actors aspired to seek international cooperation opportunities in Tokyo, Osaka, and Seoul where companies are concentrated. According to face to face interviews, most indigenous companies in both cities underlined their aspiration to shift their business territories to Tokyo, Osaka, and Seoul, after getting business networks based in Fukuoka and Busan.

After all, it was the first attempt to seek CBC feasibility driven by non-capitals, both authorities were forced to be satisfied to hold several friendship meetings regarding new system. Both cities stopped finding initiatives to foster contracts between indigenous firms for one year and shifted them to holding events where respective opinions are exchanged such as symposium and seminars, rather than attempting to seek possible cooperation.

The failure of implementing initiatives could be derived from overlooking of stakeholders regarding the automobile parts industry context in Fukuoka and deficiency of benefits of Fukuoka obtained from Busan. Both cities may have overestimated the feasibility of CBC between respective growing and creative industries.

5. Conclusion

The purpose of this study is to discuss how non-capital cities in Asia can overcome lagging behind respective capitals. Despite the wider context of the substantial growth in cross border research in recent years, there has been a dearth of academic empirical research into CBC, more specifically model non-capital cities that have promoted in East Asia. Thus we focused on how adjacent transboundary cities in East Asia, Busan and Fukuoka have formalized CBC without the involvement of the central governments and what are the limitations and agendas in the automobile parts industry as a growing and creative industry. We have conducted interviews with stakeholders, business and administrative actors.

In 2009, both cities decided to encourage cooperation and planned to implement 23 major projects with 4 directions and 9 strategies, including those of the automobile parts industry. There were disparities of recognitions concerning manners and directions of cooperation initiatives, between Busan and Fukuoka authorities as well as between business and administrative actors. Busan has just stressed complementarities that were combined by the influx of Fukuoka’s technology and knowledge as a state-of-the-art function and that of Busan’s
production as its manufacturing function. The complementarities have just been interpreted under the rhetoric of political slogans with win-win strategies.

However, the initiatives of CBM-BF offered a useful direction for research on CBC that stakeholders should attempt to pursue for long term implementation and sustainability, that key players should realize the need to reformulate their approach, adjusting their counterparts’ situation and demands, and that they should find the necessity of collaboration not with capitals but adjacent cities.

Reference


