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A NEW INTERPRETATION OF ASIAN TRADE AND INDUSTRY

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CONTENTS

1.0 THE NICS IN THE WORLD ECONOMY

1.1 Introduction

The emergence of a small group of fast-growing Asian exporters of manufactured goods (AEMs) among the ranks of the developing countries (DCs) has caused considerable interest among development economists and policy-makers. From extremely low levels of income immediately after the second world war, these countries have grown so rapidly as to provide for many of their citizens a standard of living which is increasingly within sight of that attained in the poorer parts of the developed countries. How this has been achieved, what policy framework caused or facilitated it, what constraints may prevent this growth from continuing, and what it has meant for world manufacturing patterns, are topics of great interest which have given rise to several theories and paths of inquiry.

Many aspects of the AEMs have come under scrutiny since their recent period of rapid growth began in the early 1970s. Among the more important are the following:

- The patterns of integration which have evolved, both between the AEMs themselves, and between the AEMs and their main trade and investment partners - Japan and the US particularly. Since the notion of the "Pacific Rim Economy" became popular, there has been a lot of interest in identifying the various linkages which exist among the developed and developing countries in the area. The fact that in 1981 the value of trans-Pacific trade exceeded that of trans-Atlantic trade for the first time has increased interest in the idea of a coherent Pacific Rim economy, which could ultimately assume a dominant role in the world economy in the years to come.

- Students of industrial development have found that certain patterns and trends can be observed across many different countries - for instance, regarding the shifting relative importance of light and heavy industry in the economy as GDP increases. An interesting question here is the extent to which the AEMs' patterns of industrial development are consistent with these cross-sectional trends, and how far they stand out as exceptions.

- Interpreting the impact of public policy on the ways the AEMs have grown and prospered has become a contentious area. Some economists contend that the AEMs are the laissez-faire experiment par excellence; others, pointing to the consistent involvement of various state agencies in at least some of the AEMs, argue that the picture is mixed, and that in consequence the success of the AEMs in industrializing so quickly is testiment to the power, not of the marketplace alone, but of a judicious mixture of planning and market forces. A recent study of the AEMs has referred to their "new model of competition - a mix of neo-mercantilism, state direction and long-term planning... it is 'the new competition'". (Kotler et al, 1985, p.6) Indeed, the weight of evidence does seem increasingly to support this latter point of view; recent examinations of the structure of Korea's 20 large family-owned chaebol, for instance, amply demonstrate the importance of the role played by the state.

- As well as the impact of domestic policy, it is increasingly evident that international policy decisions, notably on trade policy by various governments, and investment policy by various banks and corporations, have played an important role in shaping the opportunities open to policy makers and entrepreneurs within the AEMs. The gradual spread of trade restrictions to cover most of the manufactured goods exported in volume by the AEMs has been having an important impact on resource allocation decisions in the NICs for about ten years now; while the more recent

problems of lending to developing countries outside of Asia has made international bankers increasingly favour Asia on sovereign risk grounds.

- Looking further ahead, it is intruiging to think about the question of the AEMs as a replicable phenomenon. Can, in other words, other groups of DCs reasonably be expected to emulate the recent economic performance of the AEMs, and if so what changes are prerequisites to this? Or are the AEMs, on the other hand, a historical aberration created within a very specific set of circumstances which almost certainly will not recur in the rest of the DCs?

1.2 Outline of the article

The outline of the rest of the material in this article is as follows. First, there is a brief introduction to the countries which will be analyzed. Second, there is a discussion of the various economic theories which have been used to interpret and explain the AEMs' success. Here the objective is not so much to prove or disprove each theory with rigorous testing, but to show how each theory would illustrate some aspect or other of the AEMs. One recent theory, which seriously questions the longevity of the apparent successes of the AEMs, is examined at length since it raises a number of important questions - particularly about industrial structure - which tend to be overlooked by the other theories. Finally, some tentative conclusions are drawn about the degree to which the future of the Asia-Pacific DCs is fully captured in the theories which try to explain them.

The countries covered in this article include all the countries of the Pacific Rim economy to a certain extent, but the analysis focusses on only a few, referred to here as the AEMs. These countries are: Hong Kong, Korea, Singapore and Taiwan. The economies of China, Indonesia, Malaysia, the

Philippines and Thailand are sometimes referred to also, but by virtue of level of per capita income and composition of output they are not considered members of the core group of AEMs. As shown in Table 1.1, which presents basic economic data on these countries, the AEMs' rates of economic growth have been extraordinarily rapid in the last two decades. Apart from that similarity, however, there remain many differences, not only between the four AEMs, but also between the other DCs in Asia. For some, like Malaysia, remain largely raw materials-based economies, while others, like Thailand, are finding their path to development innvolving primary, secondary and tertiary sectors.

Before going on, it is worth noting that, for all the attention paid to them, the AEMs remain relatively minor economies. There is a tendency for the importance of the AEMs as world traders to be exaggerated - in some reporting, grossly. In 1985 the AEMs remained relatively peripheral suppliers of manufactured goods to the world. While companies in the AEMs have built up a significant share of certain DCs' imports of particular goods - for instance, footwear of certain types - they are far from being in the dominant position that their rapid growth of output might imply. The very low base which that growth of output was building upon ensured that even today the AEMs would remain minor suppliers in aggregate. To take the figures in Table 1.2, for instance, it is clear that the four Asian AEMs' combined share of US imports of manufactured goods in 1984 was only 12.8%, as against Japan's 18.4% share of US imports. The total share of the major 12 DC exporters of manufactured goods to the US in 1984 was 26%. Moreover, Korea's exports in 1984, which totalled $28.09 billion, only represented about 1% of the total value of world trade. Furthermore the sixth Korean Five Year Plan for 1987-1991, in which exports are forecast to grow by 9% annually, would still only result in Korea's share of total world trade being about 2% by 1991.

To help put the AEMs in context, it should be noted that they constitute only a small part of the 10 DCs which are the core of the DCs' total manufacturing capacity. For, as Table 1.3 shows, only Korea and Hong Kong figure at all in the top ten ranking.

Table 1.1

Basic Economic Data on Pacific Rim Economies

	Population (mid-1983)	GNP/capita $, 1983	GDP, % Growth/Year 1965-73	GDP, % Growth/Year 1973-83	Manufacturing as % of GDP 1965	Manufacturing as % of GDP 1983	Gross domestic savings, as % of GDP 1965	Gross domestic savings, as % of GDP 1983
Core group of AEMs								
Hong Kong	5.3	6,000	7.9	9.3	24	22	29	25
Korea	40.0	2,010	10.0	7.3	18	27	8	26
Singapore	2.5	6,620	13.0	8.2	15	24	10	42
Taiwan								
Other Asian countries								
China	1,019	300	7.4	6.0	38 (a)	45 (a)	25	31
Indonesia	155.7	560	8.1	7.0	8	13	6	20
Malaysia	14.9	1,860	6.7	7.3	10	19	23	29
Philippines	52.1	760	5.4	5.4	20	25	21	21
Thailand	49.2	820	7.8	6.9	14	19	19	20
Other Pacific Rim								
Japan	119.3	10,120	9.8	4.3	32	30	33	30
US	234.5	14,110	3.2	2.3	29	21	21	15

Source: IBRD, World Development Report, 1985.

(a) Industry.

Table 1.2

Trade Between Asian Countries and US, 1984

	Trade Surplus with US,	Exports to US $ million	% share total US imports
Hong Kong	5,837	8,899	2.7
Korea	4,188	10,027	3.0
Singapore	490	4,121	1.2
Taiwan	11,266	16,088	4.9
Sub-Total:	-	-	12.8
China	377	3,381	1.0
Indonesia	4,674	5,867	1.8
Malaysia	998	2,825	0.9
Philippines	913	2,622	0.8
Thailand	382	1,426	0.4
Japan	37,198	60,371	18.4
Total US Trade:	108,282 (a)	328,597 (b)	

Source: US Dept. of Commerce data, quoted in American Express Amex Bank Review, 4 November 1985.

Table 1.3

The 10 DCs or areas with the largest share of manufacturing value added, 1981

Country	% share MVA
Brazil	22.71
Mexico	13.88
India	8.61
Korea	4.86
Argentina	4.85
Turkey	3.69
Indonesia	2.77
Philippines	2.62
Venezuela	2.46
Hong Kong	2.27
Total	68.72

Note: the total MVA figures refers to 97 DCs.

Source: UNICO, (1985), Table II.3, p.21.

2.0 THEORIES OF INTERNATIONAL TRADE

2.1 Introduction

All mainstream theories of international trade and the location of production start out with an analysis of comparative costs. In the pure theory of comparative advantage, it is argued that the flow of trade reflects from countries' relative efficiencies in production. Trade allows consumers in trading countries to enjoy a higher level of welfare than would otherwise be the case, since the efficiency of other countries' production (which in turn reflect relative factor endowments) allow more goods to be enjoyed at a given income level than in a world without trade. Everybody gains.

Other theories of trade stress a variety of other issues. One variant regards the multinational corporation as the vehicle through which much of the relocation of production implied by a dynamic interpretation of the theory of comparative advantage will take place. Another variant builds on the basic theory by positing that a pyramid of trade relations, consisting of manufactures, assemblers and sub-contractors, will evolve. This vision of "cascading comparative advantage" has been applied particularly in the Asian context, where elaborate offshore processing patterns were first observed. (Apparently a very early version of this theory was developed by Japanese economist Kaname Akamatsu, who referred to it as the "flying geese" pattern of development. In this, the US led the 'V'-shaped formation, Japan followed close behind and the small Asian economies flew behind in the rest of the formation.) Later work has been developing in two directions. On the one hand, some writers are developing theories of international trade which stress the institutional and political forces which help to shape and constrain the changes in production which arise from trade. A recent development in this area is an attempt to use survey data gathered from the CEOs of Fortune 1000

corporations to test theories of corporate interests in trade policy. (Pugel and Walter, 1985.) As expected, the data tended to support the hypothesis that companies facing high and/or fast-rising levels of import penetration in their product lines were not well-disposed towards trade liberalizing policies. On the other hand, other writers are exploring the idea that although many developing countries are being drawn into international trade in manufactured goods, they are unlikely ever to be significant players in the world economy beyond being suppliers of certain low-cost goods and even that role may be temporary. Thus, according to this view, much of what is currently being interpreted as north-south economic integration is in reality merely a phase of subcontracting.

It is of course difficult in practice to "choose" between apparently competing theories. Even in the Asian context, where data on trade and production are unusually good for DCs, there are problems in confronting theory with evidence. Some theories may apply only some of the time; some may be good as a description of current events but incapable of predicting what will happen in future; some may be compelling on logical grounds but only be supported by anecdotal evidence; some theories may overlap and some may require complex, many-faceted hypotheses which by their very nature are difficult to test, and so on. What follows, therefore, is not so much an attempt to create a rigorous test of a series of theories of Asian development, as an effort to use the data currently available to illustrate variants of the main theories.

To sum up, ideally the data would allow one to decide which of the following most aptly describes the economic status of the NICs today:

- NICs as dependents
- NICs as integrated partners
- NICs as outsiders

- NICs as the end of the line in the new international division of labour.

The following sections look at various theories to see to what degree they throw light on the AEMs' recent economic performance.

2.2 Comparative advantage and its variants

Empirical evidence to test the basic or cascading comparative advantage theory would involve investigating patterns of invstment (gross and net) in each of the AEMs, by SIC code, along with patterns of imports, exports and re-exports (goods imported merely for processing and subsequently re-exported). Data at this level of detail is beyond the reach of this study, therefore other pieces of evidence, centering on investment patterns, will be used.

There could be two tests of the cascading comparative advantage theory using data on direct foreign investment. First, the data could be arranged to show that investment inflows to Asian countries have been a function (perhaps lagged by a year or so) of the gap in real wages between various countries. Thus, the gap in real hourly wages between Singapore and, say, Thailand opened up, some flow of extra investment into Thailand and out of Singapore should be detectable. A second test would be tc try to correlate rates of growth of investment inflows, particularly into manufacturing, to income per captia or real earnings over time. Thus, there should be a drift of gross or net investment out of higher-wage locations over time, with the share of the four AEMs' in total Asian DCs' investment inflows falling as real wages in the AEMs rise beyond those pertaining in the other DCs.

Unfortunately, a full test of these hypotheses would require a lot of resources. Since, in practice, investment inflows are a function of many

factors beyond relative wage differentials, the test would require time-series data on many variables to be assembled. Moreover, investment data from all industrial countries should be assembled, and put into consistent formats. Finally, data on involvement beyond investment in physical capacity would need to be assessed - for instance, data on purchasing by retail chains based in the US should be considered too. Such data is, of course, very hard to assemble.

Taking the simple evidence to hand, for the US alone, as in Table 2.1, shows that the AEMs' share of all US private investment in Asian manufacturing remains high, and indeed increased between 1983 and 1984. The two highest-wage economies in Asia, Hong Kong and Singapore, retained 44% of total Asian investment in 1984, up from 40% in 1983. Data on capital outflows from the AEMs in Table 2.2 shows, on the other hand, a trend towards increasing outflows. This could, however, be a result of so many forces (US tax laws, curent and anticipated exchange rate exposure, etc.) that the figures must be interpreted with caution. Next, Table 2.3, showing reinvestment earnings by US firms by country, shows considerable amounts of manufacturing reinvestment, and no slowdown in reinvestment in manufacturing within any of the AEMs (except a very small slowdown in Hong Kong), as against a fall in reinvestment rates in several of the other Asian locations.

Capital spending by US-based corporations in developing Asia and the Pacific between 1978 and 1986 (as forecast by the US Dept. of Commerce) is shown in Exhibit 2.1. There, it appears that although there has been a substantial fall in year-on-year growth in outlays, the absolute value of new outlays has gone on rising, after an interruption in 1982-84. The early years were showing such rapid rates of increase that some deceleration was in any case very likely. As shown in Exhibit 2.2, the share of the developing Asian and Pacific countries in total overseas capital expenditures grew steadily, up

from 9.2% in 1978 to a peak of 29.9% in 1983, before falling back to 23.6% in 1984 and an estimated 21.0% in 1985.

More recent work has investigated the extent to which comparative advantage is most suited to analysis by stage of processing rather than merely in terms of finished goods. Careful study by UNIDO (1985, pp.77-104) has suggested that for some products, such as iron and steel, comparative advantage is uniform for all production stages, whereas in other products, such as textiles and apparel, certain countries (notably the US) enjoys a comparative advantage in some stages and a marked disadvantage in others.

A somewhat different interpretation of the theory of cascading comparative advantage lies in seeing a pyramid of countries, highest-cost at the top, lowest-cost at the bottom, with goods being passed up and down the pyramid for processing at the most appropriate location for cost and quality tradeoffs. Evidence on this too is sparse, but data on trade between the AEMs and the other Asian DCs does show some slight increase in the weight of this trade within the AEMs' total trade (see Table 2.4). The evidence on this is not, however, unambiguous; in the case of Singapore, for instance, the importance of this trade is falling. Looking at these trade flows as a bilateral basis, as in Table 2.5, shows that there has been a fairly healthy growth of exports between the AEMs.

While the foregoing figures are not intended to validate or disprove the theory of comparative advantage in the Asian context, they do tend to undermine what could be called the trong version of the cascading comparative advantage theory. If this indeed predicted that the growth of real wages in the AEMs (which have in fact been considerable, as discussed later) has precipated a redirection of fresh or existing investment resource into lower-wage countries, then data from the US, at least, questions it. There is no slowdown in the AEMs' investment inflows, nor is there any simultaneous or

lagged build-up of manufacturing investment in the non-AEM Asian countries apparent in the figures.

2.3 Multinational corporations in trade

The role of multinational corporations in the growth of exports from DCs was first noted in research in the mid-1970s. the fundamental concerns of these writers were two in number. First, they wished to convey the idea that since multinationals based in the west had, to a large degree, created or initiated much of the new export trade from the DCs, they also had the power to shut it off. Thus, once unit costs, infrastructure and political factors merited it, they might take their work elsewhere. Second, they were interested in the implications for the theory of international trade of the rise of multinationals as traders. In particular, they were concerned with re-examining the various product life cycle theories which had evolved, mostly in the marketing literature, now that there appeared to be both domestic and international cycles of production and sales at work.

Establishing the precise weight of multinationals in the growth of exports from the AEMs is difficult. In the early work of Helleines, for instance, US data was used to calculate the share of total imports accounted for by imports of related parties. (Helleines and Lavergne, 1979.) In the early research, the share of multi-nationals in total imports of manufactured goods was certainly high. As Table 2.6 shows, in many two-digit SITCs the multinationals' share of total imports from the NICs exceeded 50%.

The evidence on the importance of the nine big trading companies based in Japan is that, in contrast with US-based multinationals, they may not be as significant as handlers of DCs' exports. The nine major sogo shosha accounted for about 8% of Japan's international trade in 1982, (Burton and Saelens,

1983), although this figure may understate the true figure if Japanese companies' AEM capacity is used to export directly to the end-market rather than to re-export to Japan. As for Korean-based multinationals, there is no clear evidence on their importance as trade organizers. The characteristic pattern of the Korean multinationals has been to obtain technology from the west, through purchase, license or joint venture, and then transfer it elsewhere to other, lower-cost, locations, in what has been called a "three-tier system for the diffusion of manufacturing technology" (Kumar and Kim, 1984, p.61).

It is hard to quarrel with the US figures. They seem to show convincingly that multinationals are indeed involved in a large portion of the trade between the US and the NICs, although perhaps less so between Japan and the NICs. Later studies have broadly confirmed the importance of intra-firm trade (Grunwald and Flamm, 1985, Chapter 2).

The second concern of those interested in the role of multinationals in the trade of the AEMs lies in its implications for international trade theory. Their basic concern was well expressed by Helleines and Lavergne: "international trade in manufactured goods looks less and less like the trade of basic economic models in which unrelated buyers and sellers interact freely with one another on reasonably competitive markets ... it is increasingly managed by multinationals". (1979, p.307.)

This concern also appears to be entirely valid. Although there is intense competition in many of the end-markets in which the AEMs' output is finally sold (e.g. US department stores), and this has a counter-balancing or at least mitigating impact on their bargaining power vis a vis their suppliers in the AEMs, the basic contention of oligopsony seems to be true. Data do not exist, however, to test the strength and persistence of that oligopsony, and to test whether it is in fact weakening over time.

Multinationals' role in the AEMs' trade is also important for the light it throws on the theory of the product lifecycle. Vernon was among the economists who had contended that products would initially be produced largely in the countries where they were invented, since, being new, they would require modification and thus the presence of scientists and other managers. Moreover, economies of scale would probably require that production be concentrated in a few plants so as to allow unit costs to be reduced and imitations from competitors beaten out. However, as the product becomes "mature", and production standardized, relocation of some parts of the production process may be feasible. Low cost locations could be used for the labour-intensive processes, if the management of this cost-based relocation were careful. In this, the theory draws on the 'experience curve' work being developed in the late 1960s by management consultants (BCG, 1970). Noting the increased use of multinationals in imports from DCs, Vernon developed his earlier framework to contain the idea of a lagged production and trade network, in which exports of DCs would in time be replaced by imports <u>from</u> DCs as relative costs shifted (Vernon, 1979).

Much of Vernon's framework seems to be justified in the case of the AEMs. in particular, what it assists in is seeing production, consumption and trade as intimately linked. And this is the context in which some new theories have evolved - theories which cast serious doubt on the future prospects for the AEMs.

Recent work by some US marketing specialists has explored the ways in which Japanese multinational corporations have penetrated world markets, and have offered some insights which supplement the economists' explanations of trade. Insofar as they implicitly draw on Vernon's notion of a international product - process - consumption matrix being at work, however, it is appropriate to discuss them here.

The basis of this work (of which Kotler et al (1985) is the most complete statement) is that Japanese companies, sometimes orchestrated by MITI, recognized the fundamentals of national factor endowments in their early planning in the 1950s and 1960s. However, within the rubric of what was possible, reflecting Japan's early factor endowment, MITI urged corporations to select and prioritize specific overseas product market ooportunities from within the set of possibilities, on the basis of marketing theory. Specifically, they searched for market segments not well-served by US domestic manufacturers, but which market research indicated could provide a defensible toe-hold in the industry. Referring to this as "opportunity management", Kotler argues that early market entries - in cars, TVs, radios and the like - were made in segments where the least retaliation (on product, price, distribution and promotion) from entrenched competitors was to be expected. This allowed time for experience in sales, product refinement and quality to be gained.

Only after that stage did the strategy shift from targeting "provided opportunities", with little expected resistance, to "created opportunities", where full-scale retaliation was expected because the challenge was more directly on the established competitors' own turf (1985, pp.61-142). Taking this view of market entry as an explanation of why certain markets were pursued before others - what Kotler later refers to as "market sequencing" (1985, p.114) - it is possible to reinterpret the spread of Japanese exports in terms of corporate strategy and product segmentation. Thus, there is a supplement to the largely cost-based analysis which tends to be offered in economists' trade models. Exhibit 2.3 is based upon this argument of Kotler, and indicates how trade flows between Japan, the AEMs, the US and elsewhere could be analyzed in terms of opportunity management and market sequencing. In the case of watches and consumer electronics, for instance, much of the early sale impetus gained by Japanese companies came from identifying where

existing competitors were potentially weak. In case of watches, this lay in the existing distribution system. Watches were typically sold in jewellers, whereas low-priced watches could more effectively be sold through high-traffic low-margin outlets like drug stores. Seeking to keep a balance between product characteristics (low price, low complexity) and distribution characteristics (high traffic, low price, no service) led to a new vision of how to sell watches overseas. In this example, many of the ingredients of what the textbooks call the "marketing mix" (product, price, place, promotion) were involved, not simply price. Thus, there is now a non-price supplement to the purely economic theories of international trade. What this new argument offers is an explanation of choice of industrial output from within the range of feasible output-mixes determined by factor endowment and comparative costs.

These developments therefore show how the basic comparative advantage approach to explaining trade is being enriched by non-price factors and by theories of the firm which look to competitive gaming and strategy to help explain market evolution. The next theory to be examined takes this process a step further by placing an analysis of the AEMs squarely in the centre of a competitive strategy paradigm.

2.4 'Centrist' theories

There is a view, apparently gathering ground, that might be called the 'centrist' view, which dismisses the role of DCs in the international division of labour. It argues that DCs' involvement (particularly in Asia) is increasingly:

- unnecessary, on cost grounds
- undesirable, on the grounds that production must be increasingly closely synchronized with the markets in which final products will be sold
- inefficient, in that there is a secular shift towards economies of scale

being the predominant determinant of costs and thus competition, and thus production must be concentrated in as few sites as possible

- homogenization of tastes in major markets allow for and indeed require concentrated production in a few sites.

According to this view, "the attractiveness of producing goods in developing countries has almost disappeared" (Ohmae, 1985, p.5-6). The author of this particular study goes on to assert that, "this cost factor is why most blue chip Japanese companies no longer seek out the cheaper labour offered initially by Korea, TAiwan and Singapore, and subsequently by Thailand, Malaysia, Indonesia and the Philippines".

The following paragraphs deal with the central tenets of the centrist theory one by one.

It is argued that DCs in ASia are no longer as attractive, on cost grounds, as places to manufacture and/or assemble goods than they were when foreign companies were first tempted by the appeal of off-shore processing. This argument has two components - that transport costs now offset, to a large degree at least, the unit cost advantages obtained by using Asian DCs; and second, that wages have risen so much in the Asian DCs - in the AEMs at least - that they are simply no longer cost-competitive.

It is true that labour costs have risen rapidly in DCs in Asia, but what matters is the degree to which real unit labour costs in the currency of the main importing countries have risen. On this basis, the inflation experienced to date is not so severe as to undermine the Asian DCs' position in world production.

An international survey of factory workers' wages carried out in late 1985 by the Conference Board in New York found that the workers in the AEMs had the largest gains of any of the 28 countries analyzed, with 1975-1984

real wage increases of 50% to 112%. In Japan the gain was 8% and in the US a mere 3%. (Business Week, November 1, 1985). Certainly there have been large year-on-year wage increases in the NICs. In Taiwan there have been many years of double-digit wage increases (in 1979, 20.4%; in 1980, 19.5%; in 1981, 19.6%; in 1982, 8.3%; in 1983, 6.8%; in 1984, 15.9% and in 1985 around 10%). Moreover, labour legislation there, such as the Labour Standards Law of mid-1984, has tended, in theory at least, to impose new non-wage costs upon employers. (In practice, however, the government has tended to favour employers in interpreting the law, since 1985 turned out to be a year of depressed demand.) In Korea too wages have increased, as trade unions grow in sophistication in dealing with the big employers like Daewoo, and as labour shortages develop. In mid-1985, for instance, a strike at a Daewoo-GM auto plant near Seoul resulted in the workers ignoring their officially-sanctioned company-based union and bargaining aggressively to obtain a 12% wage increase. Since 1981 Korean earnings have grown by some 6 to 8% per year above prices, giving Korea the highest real labour cost growth of any of the AEMs.

Allied to this undeniable wage cost growth has been the growth of profits taxes in the AEMs. Far from being havens for laissez-faire entrepreneurs, as is discussed earlier, the AEMs have evolved fairly elaborate systems for public sector intervention in their economies. Effective corporate tax rates in the AEMs were estimated in 1985 at 18% in Hong Kong; 45% in Korea; 40% in Singapore and 29% in Taiwan. (Business International, May 24 1985, p.161.) (Hong Kong, Singapore and Taiwan, however, do not tax both profits as they leave a corporation and as they are received by stockholders.)

Evidence that labour costs are of diminishing importance in site location decisions is not yet overwhelming. The few obvious cases of this have arisen in the semiconductor industry, where robotized and automated assembly techniques developed in the US and Japan have tended to erode the share of

labour in total costs. This has occurred in some industries, but in very few of the industries in which the AEMs - or any DCs, for that matter - are heavily involved. Data show that, in the US colour TV industry, for instance, despite a significant increase in sales volume (from 11.02 million units in 1980 to 15.25 million units in 1983), US production fell consistently, from 10.73 million in 1981 to just under 10 million in 1983. (US ITC, 1984). Thus, in that industry at least there was no clear-cut drift of production back to the US.

The weight of this argument appears likely to fall more on integrated circuits and similar devices than on consumer durables. The reason for this is that demand for bulk, mass-produced circuits has been falling for two years in the developed countries, to be replaced increasingly by demand for smaller runs of more specialized items for a narrower range of applications. Given the higher unit value of these circuits (and consequently smaller weighting of labour in total costs) the greater need for mechanized quality control, and the need for synchronized inventory and delivery, there are clearly good reasons for shifting production to sites near the consuming companies. Thus the AEMs' labour cost attraction is being eroded, but only, it would appear so far, in a small range of products. The 'centrist' view may come to be borne out in future, therefore, but so far the evidence for it is not clear.

The argument that physical distance from the main marketplaces must penalize producers in AECs is one which was first cited in the textiles industry. Noting the great importance of fast turnaround, in high-fashion items, from design to retail delivery, it was argued that the DCs would suffer from an innate disadvantage as the fashion cycle shortened. There is merit to this argument, in that an increasingly important determinant of market share in 'mature' industries such as footwear, certain types of apparel, TVs and radios, is immediacy of styling. Companies who cannot offer this will

arguably be at an increasing disadvantage. Recently, indeed, a consortium of US textile and apparel makers has turned to a consulting firm to have the long lead times typical in their industry, currently 66 weeks from obtaining a retailer's order to delivering the finished products into the shops. Up to 40 weeks can in theory be cut from the cycle time; this is expected to cut the US textile industry's $25 billion annual bill for inventory costs and forced markdowns by a large amount. What this approach represents "is a system that attacks the major problem - which isn't labour, but overhead", is how one expert has put it (Wall Street Journal, Dec 17, 1985).

However, none of the problems of location is insuperable for the AEMs. Teleconferencing and satellite data transmission allow for rapid transfer of instructions. Indeed, reliability rises and cost falls, economic distance will contract despite the large physical distances across the Pacific. A more telling point, perhaps, is that as manufacturers in the US and Japan move and more towards the type of low-inventory or just-in-time delivery systems seen in autos already and, as noted, promised for apparel, guaranteed delivery of inputs will become an increasingly important point of distinction among competing suppliers. Thus the trans-Pacific journey may tell against producers when facing domestic US or Japanese competitors. This is likely to be true despite the growth of airfreight capacity on the Pacific routes (Air Nippon began a freight service to match that of Flying Tigers and the passenger airlines in 1985) and the assistance to overseas suppliers from new freight companies such as Skyway Systems, which handles billing, scheduling and delivery of parts <u>into</u> clients' assembly plants rather than <u>out</u> of clients' plants, as is the normal pattern (Forbes, December 17, 1984, p.78). The importance of the location factor can also be undermined by still tigher inventory scheduling, delivery scheduling and ex-factory quality control, but ultimately, there is likely to be a residual benefit for competitors based <u>inside</u> the major markets.

As a generalization, it could be stated that as consumers in the developed countries become more conscious of rapid style changes and less of price, then there may be an increasing advantage to being located within the consuming countries.

Even here, however, the AEMs need not suffer if they can set up representative offices within their main consuming markets to feed them information on the latest needs. Thus Puhang Iron and Steel of Korea is co-investing in a $300 million sheet steel and tin plant with US Steel Corporation in California, partly with an eye to learning more about US steel consumers' needs. (Wall Street Journal, December 17, 1985.)

The foregoing argument, to the degree that it is true at all, would more probably refer to indigenous AE firms than to foreign owned plants within the AEMs, since the transactional and information costs to the latter would be less than to the former. Certainly there is as yet no sign of slowing down in direct investment by US-based corporations, as shown earlier.

The final contention of the centrist view is that even if the AEMs were able to overcome the problems just enumerated, their corporations would still be excluded from the mainstream of the world economy because of the distribution system. The 'triad' countries (US, Japan and Europe) account for an overwhelming proportion of final consumer sales, it is argued, so the AEMs' corporations have to sell the bulk of their output there in order to prosper. Yet to do so requires having access to a distribution system and, in many cases, possessing a brand name so as to obtain a large market share, shelf-space seized from existing producers, and the ability to practice premium pricing (i.e. pricing above comparative goods without a brand name). Since, however, the cost of this is high - establishing a brand name is alleged by Ohmae to cost about $100 million, spread across the triad countries - few if any corporations in the AEMs will be able to choose this option. This in turn

means that their output will largely be relegated to non-branded items, either for final consumption or as inputs to others' products. Either way these corporations will be prey to the great power of the major distribution groups - the Japanese sogoshoshu like C.Itoh, the European chains like Marks & Spencer and the US giants like J.C. Pessney and Sears. These oligopsonists will force the AEMs' firms into intense and price-based competition among one another. Thus will a Korean-based supplier compete to erode the producer's surplus being obtained by a Hong Kong-based supplier.

This is a complex argument, although a relevant one in that it brings to center stage the role of an issue overlooked in many other theories of international trade and production - the power of the wholesale and retail distribution networks.

A full appraisal of the argument would require an analysis of the importance of brand names in pricing; data on the level of retail and wholesale margins over time by product group (for instance, are retail margins largest on the type of goods the AEMs tend to export?); and some case studies of corporations based in AEMs overcoming these problems. Since this is not possible, only the data to hand can be reviewed.

Recent events in the US have tended to confirm the importance of brand names. The takeovers, at very large premiums over asset value, of many brand names, have been interpreted as a sign that brand names, in the US at least, are assets of great value which can offer streams of income to their owners beyond what could be expected from similar resources used to produce non-branded items. Thus, Business Week observed that the companies which bid higher than book value for brand names in stock takeovers during 1985 were doing so because "they are buying an annuity, because brand leadership is sustainable". (October 21, 1985, pp.108-9.) It was also argued in that

article that "buying a well-known brand can be a shortcut to above-average profitability". The basis for these claims was evidence cited that suggests brand names require a $50-100 million per year investment to support, and that sustained market share leadership has been empirically associated with brands. Thus, out of 24 brands identified as market leaders in the US in 1923, 19 of them remained market leaders in 1983.

A survey of how Korean companies tried to create and defend market positions overseas indicates that heavy reliance on the foreign buyers in the 1960s gave way to greater awareness of the need to consider all facets of marketing by the 1970s. Thus, by 1976, "half the firms said that own-brand name products accounted for more than three-quarters of their exports". (Rhee et al., 1984, p.64.) There appeared to have been a gradual maturing of approach at work, whereby a sequence of distribution methods was used, running from foreign buyers to Japanese sogo shusha, to Korean general trading companies, to own branches and eventually to own brands. More and more, the general trading companies were the apparatus which gathered information on overseas needs and tastes, and rapidly translated Korean output into overseas sales. In the view of these authors, "as Korean export move up the technological scale, the general trading companies will be at the heart of the effort to have Korean marketing activities p sively supplant foreign marketing activities". (Rhee et al., 1984, p.65.

The cases of Hyundai, the Korean-based conglomerate, and Atlas Industries of Hong Kong, are instructive here. Hyundai's car division (Hyundai Motor Co.) had a great success with its small Pony Excel in Canada, within three years of launching overtaking all Japanese competitors as the biggest-selling import. The car sold on price initially but increasingly also on reliability and styling. For 1988-90 Hyundai is investing $147 million (the biggest single overseas investment by any Korean company to date) in a plant ot

manufacture 100,000 units per year. US sales for 1986 are projected to rise from zero in 1985 to 100,000 per year after 1986. Yet all this has been achieved by building a brand from the bottom up, using word of mouth, selective advertising only, and a judicious public relations effort to interest the public in the idea that Korean is the "next Japan" in car manufacturing. A brand name is clearly being established, but it is not going to cost $100 million in advertising. Nor will it necessarily take five years, as the centrist view contends. To acquire a position as a premium brand may take that long (for instance, it took Honda perhaps from 1974 to 1980 to establish that position), but a workable and profitable niche appears to be obtainable quicker than that.

A converse case is that of Atlas Industries of Hong Kong, which went bankrupt in October 1985. Atlas supplied disk drives from a new plant in Penang and a narrow range of relatively low-value added parts and peripherals to IBM and a few other US microcomputer firms. It thus had a narrow product line, being marketed to a narrow client base, in one country, where final demand for the product has been increasingly volatile, and where cost pressures are forever pushing the US clients to find lower and lower cost sources. It was, to quote the Far East Economic Review, "perhaps an extreme example of the general condition of the Hong Kong electronics industry, ... which sonsists of many small companies, reliant on a handful of finished products and components for sale to a handful of overseas majors". (14 November, 1985, p.84.) Electronics exports accounted for 22% of total Hong Kong exports (excluding re-imports), up from 13% in 1977, and the goods come from factories with an average of 75 employees. Thus there do appear to be grounds for fearing that a significant portion of Hong Kong's exports is subject to volatility by virtue of its being a derived demand.

Clearly, many factors were at work in both the cases just cited, but they

do illustrate the need, as Ohmae has argued, to transcend the unbranded, price-based, low entry barrier type of competition so characterised by the early stages of the AEMs' firms' export effort. The fact is, however, that this switch can be made, and in a few cases has been made. To point out that it is desirable is by no means to prove that for the AEMs it is unattainable.

Whether or not the margins taken by the distributors of goods supplied mostly from the AEMs are greater than those taken by the distributors of good supplied by corporations within the US, Japan or Europe is difficult to establish. Some evidence confirming this view would come from parts of the electronic consumer goods industry, where black and white and colour TV sets made by Samsung or Lucky Goldstar in Korea or Tatung in Taiwan are offered by US retailers at extremely low prices to attract consumers into their stores. As Table 2.7 shows, TVs imported from the AEMs and Japan tend to be sold more heavily through discount stores than US-produced TV sets, and to be less often sold through distributors but instead through 'one-step' channels where only one markup is added prior to retailing. TVs from Asia, therefore, tend to be sold in distribution channels where price is a key ingredient of the marketing mix.

TABLE 2.1

US direct investment in Asia, 1983-1984, $ million

	All industries				Manufacturing			
	1983	%	1984	%	1983	%	1984	%
Hong Kong	3,310	25	3,799	24	540	18	629	17
Korea	650	5	823	5	150	5	211	6
Singapore	1,969	15	2,232	14	655	22	1,013	27
Taiwan	701	5	828	5	382	13	464	12
India	463	3	415	3	335	11	n.a.	n.a.
Indonesia	3,213	24	4,409	27	144	5	152	4
Malaysia	1,121	8	1,153	7	241	8	370	10
Philippines	1,107	8	1,185	7	391	13	443	12
Thailand	730	5	967	6	35	1	n.a.	n.a.
Other	225	2	344	2	52	2	60	2
Total:	13,491	100	16,156	100	2,924	100	3,714	100
Share of NICs in total US Asian investment	6,630	49%	3,682	48%	1,727	59%	2,317	62%

Source: US Dept. of Commerce, Survey of Current Business, August 1985.

Table 2.2

US direct investment abroad:

Capital Outflows, 1983-84, $ million (a)

	All industries		Manufacturing	
	1983	1984	1983	1984
Hong Kong	301	507	41	89
Korea	-181	178	-13	65
Singapore	132	388	80	356
Taiwan	75	117	19	82

(a) Negative figures imply capital inflows.

Source: US Dept. of Commerce, Survey of Current Business

Table 2.3

US direct investment abroad:

Reinvested earnings 1983-84,

AEMs and other Asian DCs, $ million

	All industries		Manufacturing	
	1983	1984	1983	1984
Hong Kong	245	179	46	44
Korea	36	161	38	79
Singapore	361	308	233	272
Taiwan	32	59	31	75
India	15	3	7	-3
Indonesia	162	921	4	5
Malaysia	176	104	68	46
Philippines	-72	42	-68	-13
Thailand	-42	22	22	8
Other Asia	- 9	-37	3	- 7

Source: US Dept. of Commerce, Survey of Current Business

Table 2.4

Intra-trade among the AEMs

(i) % of total exports going to AEMs

	1975	1981	1984
from:			
Hong Kong (b)	13	21	24
Hong Kong (excluding China)	12	12	13 (a)
Korea	8	11	12 (a)
Singapore	17	17	14
Taiwan	40	42	42 (a)

(a) 1983 figure

(b) includes re-exports.

Source: Far Eastern Economic Review, 26 September 1985, p.99.

(ii) % of total manufactured goods exports going to AEMs

Table 2.5

Intra-trade by the AEMs, 1978-1984, $ million

	1978	1979	1980	1981	1982	1983	1984
from Hong Kong							
to Korea	155	205	227	288	319	380	492
Singapore	532	642	863	888	925	926	913
from Korea							
to Hong Kong	51	88	98	201	244	221	487
Singapore	61	166	161	153	185	401	398
from Singapore							
to Hong Kong	177	230	289	293	317	457	382
Korea	719	961	1496	1837	1751	1482	1438
Total trade between NICs	1695	2292	3134	3660	3741	3867	4160

Source: IMF, Direction of Trade Statistics, 1985.

Table 2.6

US related party imports as percentage of total imports, 1977

Exporting Country	SITC Textiles 65	Non-electrical machinery 71	Electrical machinery 72	Clothing 84	Footwear 85	Total trade
Hong Kong	4.9	68.5	43.4	3.4	3.6	18.1
Korea	5.5	64.2	67.3	7.1	2.8	19.7
Singapore	4.3	90.5	97.0	0.5	0	83.3
Taiwan	13.1	19.3	58.1	1.2	3.1	20.5

Source: Helleiner & Lavergne (1979)

Table 2.7

Distribution channels used in US to sell colour TV sets, 1983

	US-produced	Imported
private label	14.6	10.8
discount	3.5	20.0
department stores	4.7	6.8
catalogue	0.7	4.4
full-service dealer	12.3	22.4
buying group	5.9	11.5
wholesale distributor	44.7	12.7
other	13.6	11.3
Total	100.0	100.0

Source: 'Colour Television Receivers from The Republic of Korea and Taiwan', USITC Publication 1514, April 1984, pp.11-13.

Exhibit 2.1

Capital expenditures by majority-owned foreign affiliates of US companies, 1978 - 1986 (forecast)

Developing Asia and Pacific

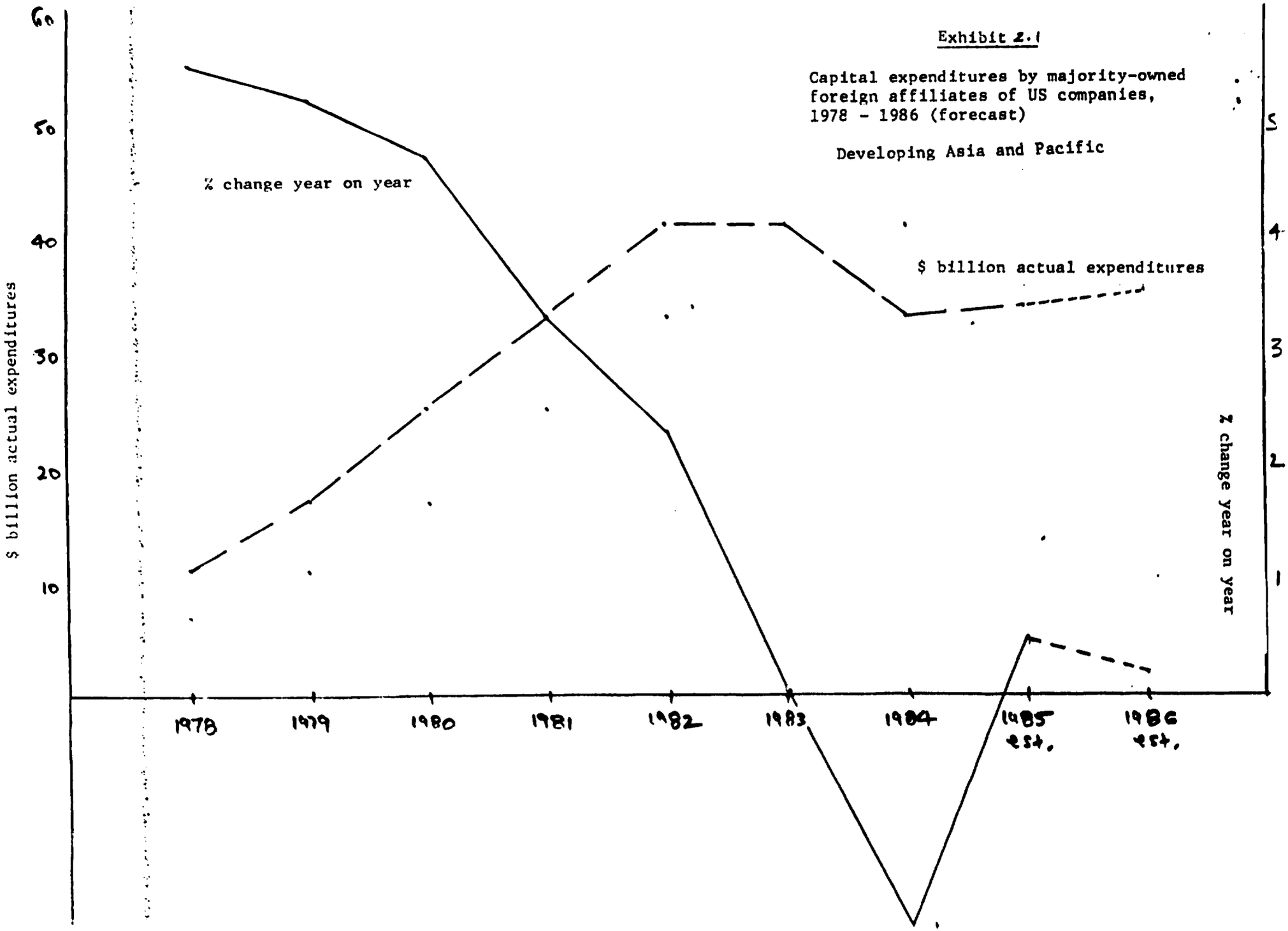


Exhibit 2.2

Share of Developing Asia and Pacific in total US majority-owned foreign affiliates' capital expenditures, 1978-1986, %.

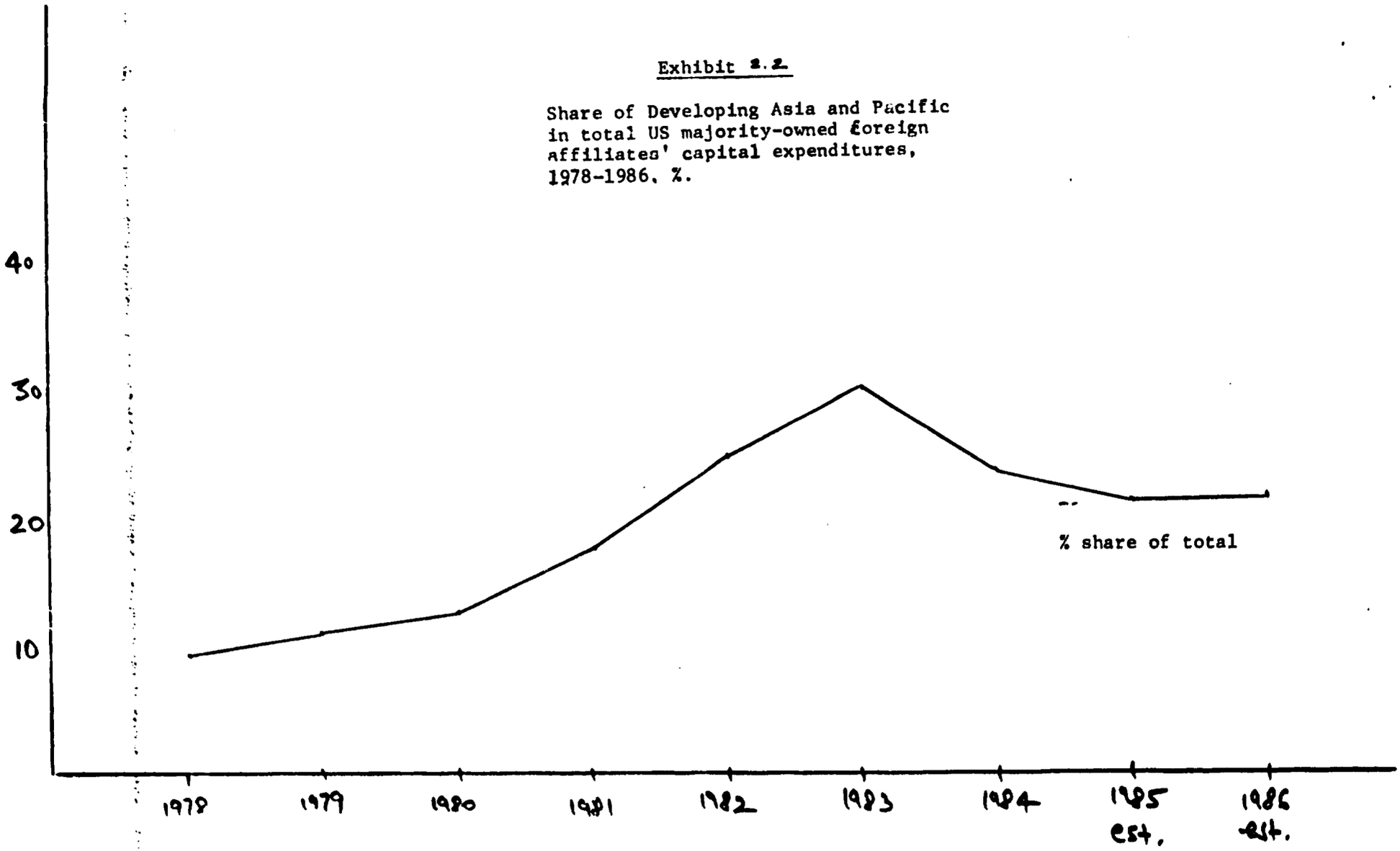


Exhibit 2.3

International Trade Flows:

Opportunity Management and Market Sequencing

Global Expansion Path	Examples	Economic and Competitive Rationale
I. Japan → AEMs → AICs	Watches Steel	Costs were cut via experience curve effect by initial sales in AEMs and DCs. Early AIC penetration was in terms of provided opportunities, e.g. using new sales networks for watches; then product proliferation, surrounding existing suppliers' output with many types of offering. AICs' export effort in AEMs weak in 1960s, so easy victory for Japan.
II. Japan → AEMs → NICs	Computer peripherals	AEMs and DCs offer too small a market. Australia first overseas test-market. US entry based on price and distribution as technology inferior to US products.
III. AICs → Japan → AEMs	VCRs Sewing machines	Color TV insufficently developed in Japan to low large sales so US the only option. Zig-zag sewing machines popular in US 5 to 10 years before popular in Japan.

Source: adapted from Kotler (1985), pp.173-196.

3.0 AN ECLECTIC THEORY OF PRODUCTION, CONSUMPTION AND TRADE

Despite there being many contentious elements to the centrist view of development, it unquestionably does have the merit of forcing attention to the larger picture of how, exactly, companies based in the AEMs will fare in future. Translating the thrust of the centrist critique of conventional development policy into the realm of competitive strategy analysis proves to be quite instructive. The intent of that analysis is to investigate how well a defensible long-run position in an industry can be established. Factors which shape that position include conditions of entry and exit to the industry, the behaviour of costs, the degree to which markets can be segmented and served, the degree of pressure expected from consumers, the behaviour of the distribution channels used, and so on. Taking this approach to an archetypal flow of production and distribution tasks, such as is faced by a company based in the AEMs, looks like Exhibit 3.1. The sequence of tasks which needs to be performed stretches from design through to after-sales service.

Another theorist, Kogut (1985), has in fact superimposed upon a model of vertically disaggregated corporate activities a theory of comparative advantage. Kogut contends the best definition of corporate strategy is:

> "the attempt to create a competitive advantage by investing in the link that generates the product attribute most strongly desired by consumers and which corresponds to the firm's distinctive competence relative to its competitors". (1985, p.17.)

In an international context, it is crucial to understand how a corporation assesses and trades off the location-specific competitive features it faces in its country of origin (giving rise to comparative advantage), against the firm-specific competitive features it can muster. It is the outcome of these

two sets of factors, in Kogut's view, which yield the break-points, or points where offshore work is used, in otherwise domestic and integrated production processes. Exhibit 3.2 shows this, expressed in terms of isocost lines and isoquants, with developed, developing and NICs as the three isocost lines. This indicates how certain stages of the production process many be allocated between countries as their comparative advantage shifts over time.

What is apparent about the stages in the system where the AEMs are already heavily invested is that these are the places where building a sustainable competitive advantage is hardest. Assembly, manufacture of selected components, and sub-assembly are relatively easy activities to enter, competition tends to be price-based, so that margins are continually under threat, and loyalty from the client - frequently, the overseas retail chain or assembler - is low. Under these circumstances, rent or super-normal profit are unlikely to last long. On the other hand, the activities where rents can be enjoyed and defensible positions established in the market to reflect styling, innovation or other distinctive characteristics are as yet closed to the majority of entrepreneurs in the AEMs. The implication of all this is that the quality of the growth in the AEMs' industrial output needs to be considered as well as its quantity. Enough of a share in many of the world's significant new product markets has been captured by the AEMs for the tactic of building more market share to be of relatively low importance, and long-term utility, - than efforts to deepen and intensify the relationships already forged and, where possible, to integrate forwards and backwards into adjacent activities.

Sceptics argue, however, that many of the prerequisites for entering the design end of, say, the electronics business are absent from the AEMs. "Frankly, Singapore as a Silicon Valley of the Far East is out of the question" is a Wall Street Journal quote from v.s. manager. Given the lack of

enough skilled labour, entrepreneurial technicians and, arguably, the relaxed attitudes that characterize California, most of the people quoted in the article were sceptical. Singapore is keeping up its efforts to attract companies that offer the range of processes needed to build an advanced industry. But most industry analysts say Singapore ultimately will have to settle for a role as a high-quality manufacturing output and regional service centre and distributor, the article concluded.

Singapore's nascent computer hardware and software industry is an example of a government sponsored effort at anticipating the problems cited by Ohmae and enhancing the position of the economy beyond mere assembly and processing. In the late 1970s the national computerization plan was launched, emphasising software development. The ultimate objective of the relevant agency, the National Computer Board, is to have firms in Singapore service "all the data-intensive sectors of Asian economic and social life". (Datamation, October 15, 1984, p.156.) This should be achieved by indigenous hardware and software development (for instance, in developing systems to support the type of industries in which Singapore-based staff and companies already have experience, such as hotels and banks), and by offering Asia-wide servicing for foreign suppliers.

Considerable progress has been made to date. The value of software and services produced in Singapore rose form $2 million in 1977 to $72.6 million in 1982 and to $99.6 million in 1983 (National Computer Board, 1984, p.12) with exports accounting for $16 million of the 1983 total. Hardware sales have grown much faster, up from $5,980 million in 1982 to $10,800 million in 1983 for microcomputers and from $390 million in 1982 to $490 million in 1983 for minis and mainframes.

How well-grounded are the suspicions of the Ohmae school that the NICs are in fact structurally constrained in this manner, and how well is this risk

being confronted by policy makers within the NICs themselves?

In their own manner, each of the governments of the AEMs is working, implicitly or explicitly, on the problems raised by those who argue that their growth outlook is constrained. In Singapore, the prime minister's son is reviewing the country's long-run strategy, in the light of the 61% rise in nominal wages recorded over 1980-84, and the resulting loss of competitiveness experienced. (South, November 1985, p.122.) The Monetary Authority in of Singapore, often in conflict with the banks which ostensibly should help make Singapore into the premier banking centre of the region, is likely to adopt a more accommodating posture. Also, the authorities responsible for the oil refining and chemicals sector, which in 1984 accounted for 36% of MVA, are keen to see the severe loss of dynamism implied by the stagnation of the sector mitigated.

In korea, the Ministry of Finance is continuing its plan to cut red tape for foreign investors, and has a 1985 foreign investment target of $450 million and a 1988 target of $1 billion. The country's sixth five year plan, for 1987-91, envisage merchandise exports rising by 9% annually, to reach %56 billion by 1990. First-half 1985 foreign investment approvals in Korea totalled $132 million, of which 57% were Japanese and almost all the rest American. Clearly, there is a continuing and restless search in Korean government circles for new ways to attract investment (particularly from companies which would otherwise choose Taiwan as their site), to simplify tax and legal affairs, and to devise new ways in which government policy can support the search for competitiveness.

In Taiwan a similar search is underway, with the Economic Reform Council contemplating a variety of policies - reportedly even including having the whole country turned into a form of tax-free zone. Such initiatives as the

Hsinchu Park for R&D, where indigenous scientists and entrepreneurs are encouraged to start businesses (although where, in 1985, 60% of the companies are based overseas), illustrate the trend of thinking.

Hong Kong has the least intensive public policy intervention of any of the AEMs, and its appeal to overseas investors continues to reflect that fact. An illustration of the role policymakers hope that Hong Kong can continue to play is the investment by Colgate-Palmolive in 1985 in a share of Hawley and Hazel. This will increase C-P's ability to serve its fast-growing Asian markets, although choosing any one or two AEMs as the base from which to serve all Asia will naturally collide with the virtually universal existence o tariff and non-tariff barriers.

Exhibit 3.1

Problems with a manufactured goods export strategy

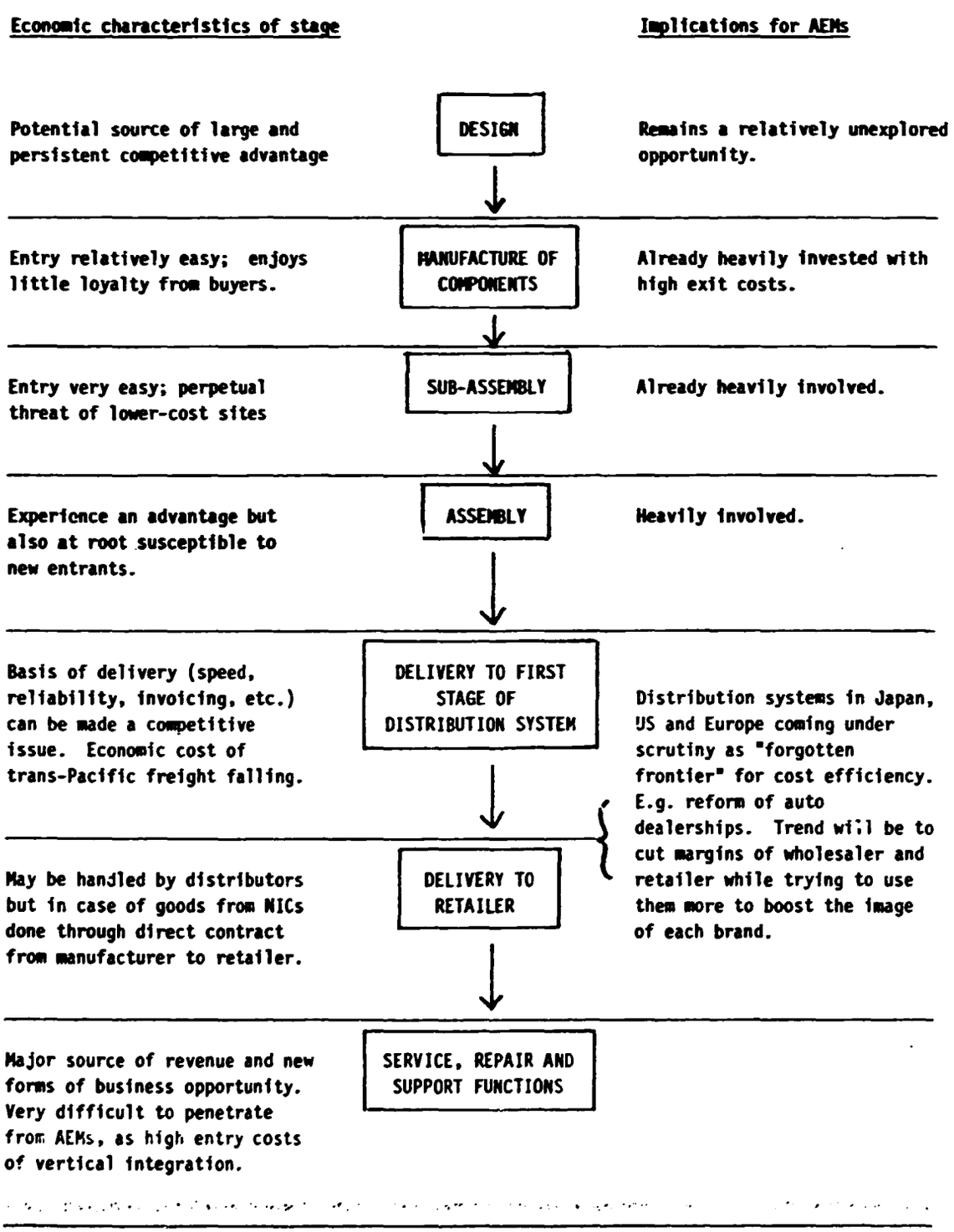
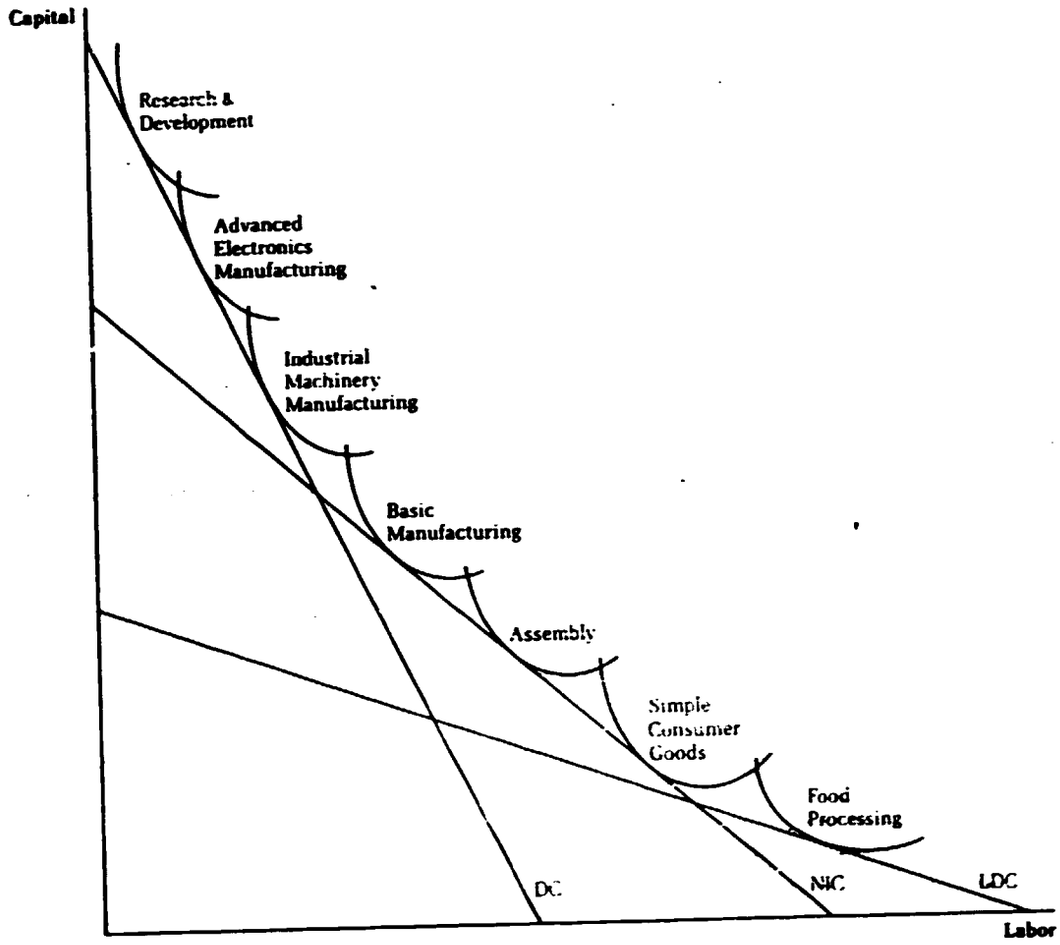


Figure 3 **Changes in the Value-Added Chain of Comparative Advantage**



4.0 CONCLUSIONS

The extraordinary growth achieved by the AEMs in the last twenty years or so has attracted a great deal of attention. While some observers have tried to characterise the success of the AEMs as a something which can be replicated widely and which can persist indefinately, others have seen the AEMs' high-growth era of roughly 1965 to 1983 as a historical aberation and a geographical anomoly. There will be no more AEMs, according to the latter view, and in the AEMs themselves there will be a lot difficulty ahead. The early 1985 growth figures certainly add some empirical basis to the latter view; export growth is expected to be negative for Korea and Taiwan, and Singapore may record its first ever year of negative GNP change.

Much of the concern of the pessimists results from their adopting a theoretical vision which draws on many types of analysis. Such an approach really brings the debate outside the normal gambit of international trade theory and into the realms of marketing and competitive strategy. This is not an inappropriate move, of course, since earlier research by Vernon and others had sought to link international production, consumption and trade patterns together. The argument that the AEMs' growth prospects turn on such factors as new entry (from lower-cost countries), pressure from suppliers (such as US-based high technology firms), pressure from customers (such as US-based retail stores) and threats of technological innovation (such as might undermine the AEMs' remaining advantages) could in fact be drawn straight from the analysis of industries offered by Porter in his book Competitive Strategy (1981) Moreover, in arguing that such factors as conditions of entry and exit can be assessed at each stage of industries such as footwear, whose prospects are being examined, reflects the concerns of Competitive Advantage (1985), in which Porter analyses the so-called value added chain.

There would appear to be the insights that will do most to inform policy and sharpen analysis of the AEMs' prospects in the coming years. Since it is international demand and supply which will determine international investment patterns and generate trade flows, it would certainly appear to be appropriate to begin an assessment of the AEMs' future outlook using economic theories centrally concerned with sales and production rather than merely trade.

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