

28 October 2006

【4th Session】

The summary of the paper; “ The comparative analyses between European Community and East Asian Community ”

Eiichi Shindo
Professor Emeritus, University of Tsukuba

1 The impact of Information Revolution

I would like to focus on the three questions regarding the coming East Asian Community.

The first question is how and why the current Information Technology Revolution has linked with the advent of regional integration in East Asia. Answering it, I will delineate the end of geography as well as of history in its own way of Asia.

In the wake of the third wave of globalization under the Information Revolution on the one hand, the distance has been such condensed that it has become far easier for goods and money to be transferred from one place to another through the rapid development of telecommunication and transportation system. As the result, we have enjoyed the end of geography. On the other hand, the massive transfer of technology and money in the form either of official development aid (ODA) or of foreign direct investment across the borders has prompted East Asian countries to take off to and further the economic developments of East Asian. As the result, we have witnessed nurturing of civil society, democratization, and political development, which could be called the end of history in its own way of East Asia.

The ends of geography and history have lent themselves to rear not only the common regional interests but also the common civil culture across the borders in East Asia based on the traditional Confucianism and Buddhism regional heritage.

2 The different nature of East Asian community

The second question is how and why the community building processes of East Asia have been different from those of Western Europe. Answering it, I would like to delineate the changing mode of production system and capitalism on the one hand, and to demonstrate the different roles of small powers.

In the wake of the third wave of globalization, the productions of industrial goods as well as agricultural ones have ceased to be made within the national border. Networking division of labors and works rather than either hierarchical or horizontal ones has become very common. Look at the example of automobile which has had produced and processed in more than five countries across the borders maximizing the merits of modularization and the plant exports. The ends of geography and history have prompted to move towards the networking mode of production, base on the knowledge based economy. The free movements of goods (trade), money (investment) and human resources (technology and labor transfers) have been urged as the common mode of regional business transaction. As the results, the FTA and EPA(Economic Partnership Agreement) rather than such customs union with high tariffs of agricultural goods as we had witnessed in the initiating processes of European Economic Community have the common policy imperatives for East Asian nations to make further economic developments. Open regionalism rather than closed regionalism such as one in Western Europe become the common nature of economic integration in East Asia.

Furthermore, these changing natures of integrating processes based on transforming mode of capitalism has asked the small powers to play the different critical roles. In case of Western Europe, Benelux counties had had the stating role to initiate the community building through the formation of Benelux customs union in 1948 followed by Shuman plan in 1950. In case of East Asia, the ASEAN countries have had the lasting roles to complete the community building through the following three vehicles.

First is the one of mediator to alleviate the potential antagonism

among big powers such as Japan, Korea and China. Second is the one of magnet to draw trade and investment into the ASEAN huge market (5.6 hundred million population of ASEAN 10 compared to 17 million of Benelux 3). Third is the one of driver to teach and transplant the political skills of community formation learned through their own history of the three decades.

3 The locus of Japanese diplomacy

The third and last question is why and how Japan should move forwards to creating the regional community in East Asia, instead of to reinforcing both the current alliance system with the United States and the United Nations system.

Needless to say, those traditional foreign policies of post-war Japan have worked well to maximize our national security and economic interests. However, the end of cold war has had transformed the crux of security from traditional to non-traditional one such as terrorism, pirates, currency crisis ,money launderings, drug and weapons trafficking, tsunami, hunger, SARS and bird influenzas. Those could be properly called risks within the regional context rather than threat outside the national borders, while the countermeasure against them would have to be socio-economic one rather than politico-military. As the results, the regional cooperation for development and governance becomes the imperatives for the foreign policy based on the deepening interdependencies among nations in East Asia.

In that sense, while European Community has aimed at creating the common regime for production and control of the regional industrial needs, East Asian case has had to drive for creating the common regime for development of resources and governance in the less-developed areas with the scheme of minimizing the regional socio-economic risks in the region.

As Meiji Japan had opted for the opening door to the Western world with strong army to win the territory game of 19th century, and as Showa Japan after 1945 had have chosen the close alliance with the hegemonic power of the United States with resilient civil society to win the wealth game 20th century, the post cold war

Japan would have to opt for it to the Asian world with the cooperative security regime to win the knowledge-based capitalist game of the 21st century.

In stead of de-Asianism or Asia last, re-Asianism or Asia first is becoming the common national and regional goals after the ends of history and geography. It ensued in the East Asian Community both for Japan and for her outer world including the United States. In these senses, European Community will continue to be the forerunner of history for Asian nations in the coming decades

The second one is

1, Krugman's Fallacy

As most of you know, Princeton famous professor Paul Krugman criticized Asian Miracle theses of World Bank' Report of 1993 in his famous essay of Foreign Affairs, June 1994. He judged the Asian rapid growth as just an illusion without solid foundation.

He explained that it was caused by the sheer injection of massive amount of cheap labors (L) as well as of governmental (often foreign) capitals (C) and that it had not been accompanied with real growth of productivity of the nations, taking notes of low productivity of all East Asian nations except Japan. Krugman made this conclusion by analogy with the downfall of the USSR in 1991 whose declining processes had already began as early as in 1960s.

The Asian financial crisis initiated by the sudden drop of Thai baht in July 1997 seemed that his diagnoses of Asian economic fever turned out to be precisely right. As the result he was even praised to be an economist prophet.

However, having overcome the crisis, the Asian nations have regained the economic momentum on their own way to restart another round of growth with the new accompanying mates such as China, India and Vietnam. Political economists have wondered why and how Asian nations have regained their economic strength and resiliency.

Answering to this inquiry, World Bank made the new “revised” report in 2003, re-confirmed their basic original interpretation of Asian growth, and discovered and pointed out the element of innovation (I), as the main factor of growth. It indicated popularization of higher education as the edge of the advancement in science and technology. The report was titled “Innovative Asia”.

Reading the Asian economic development through the lens of the World Bank reports, we could learn Krugman’s critique had the several fallacies, which his contemporaries both of the West and of the East have more or less in common.

2. The Rise of Knowledge-based Capitalism under IT Revolution

First, he underestimated with his contemporaries the factor of technological innovation as the basic conditions for economic growth, and could not properly evaluate the role of knowledge and education which is to nurture the sustainable economy in contemporary Asia.

Needless to say, not only Japan but also other Asian dragons such as South Korea, Taiwan, Hong Kong and Singapore had had been called as the “non-resource-states”. Their economic potentialities had been rather under-valued up till their economic upsurge towards 1980s.

It goes without saying that they have neither such colonies nor semi-colonies, as the Soviet Union and the United States of

America. Nevertheless, Asian dragons have succeeded in attaining sustainable growth in 1980s. Why could they get their successes without their own natural resources? In other words, how could they win the race for international market?

The answer lies in the fact that the Asian dragons has succeeded in getting their own capacities to catch up with and adjust to the changing nature of the race; the changing mode of capitalism.

The Information Technology Revolution initiated in the late twenty century has changed the nature of capitalism from industrial capitalism to knowledge –based capitalism, and transformed the mode of industry from the labor-and-resource intensive into the technology-and-capital intensive one.

Therefore, the potential winner has to invest money and energy into the R&D activities, diffuse education and learning in both natural and social sciences, and command technological and socio-political capacities.

“Innovative Asia”, World Bank report of 2003, has shown us how successfully these dragons followed by other Asian countries from China to Malaysia, to Vietnam have attained their command of technology innovation through diffusion and development of higher education, both at the second and at third level.

The national statistics of the numbers of patents granted in the United States shows us that the shares of the Asian nations increased dramatically from 1.47 in 1965, to 4.09 in 1970 and to 25.31 in 2000. It means that one forth of all the patents in the US comes from the Asians countries . They certainly have gotten the indigenous technological capacities, which led to their economic upsurge in the global market.

In essence, Asian dragons has nurtured and got acquired the capacities to ride out the changing mode of capitalism posed by Information Technology Revolution of the twenty-first century.

3. The Impacts of Globalization on Asian Economy

Second, Krugman and his contemporaries did not seem to

have correctly assessed the mode of impacts of globalization on international political economy. It has been brought about by IT Revolution as well. They have still tended to locate the mode of capitalism and international political economy in the traditional framework of nation-state system embedded in the nineteenth century.

However, globalization has changed the meaning of distance and geography. It condensed distance overwhelmingly through rapid advance of telecommunication and transportation system from E-mail, mobile phone, car-navigation system, to air-bus and huge tanker and vessels.

It might be named as the end of geography, which made it possible for goods and moneys to move quickly and easily beyond national borders. Direct foreign investment becomes the indispensable part of production system while free trade is becoming the common mode of international commerce and businesses.

As the results, many single items of industrial goods from automobiles to PC have come to be made and produced across the national borders, so as to maximize the merits of the division of labors.

The common mode of division of labor ceased to be vertical between the rich advanced and the poor advancing country as it was in the 19th century. It has ceased to be horizontal between advanced countries themselves as it was in the 20th century. The production mode has been changed into the one of networking among several countries across the national borders, because of rather easy access to money and technology.

In the past, these new ways of investment and trade have tended to be understood to even detrimental to the advancing countries, becoming the momentum of their heavy dependency to the rich first world countries, according either to the traditional theory of political economy.

On the contrary, the changing mode of production system has made it possible for the advancing countries both in the third and the second world to block off the way to dependencies to the

rich advanced first world countries. They could work to push for catching up to the potential development of the advancing late-comers under the following three conditions.

The first condition is that the advancing late-comers are to nurture their own civic capacities through the development and diffusion of public higher education system and their citizens' substantial participation in the public affairs at large.

The second one is that the political leaderships of advancing countries are to be more sensitive to minimizing the deepening income divides within the countries by way of their social and financial policies. We could give the successful examples to Malaysia under Mahathir since 1980s, Communist China since 1990s after Mao, contemporary India since late 1990s, and possibly Kazakhstan under Nazarbayev.

And finally, we will have to talk about the third condition for the regional coalition and cooperation among nations concerned in the developing area.

5. The Rising Asian Regionalism and the East Asian Community

Traditionally, we the Japanese have swung back and forth between the East and the West, between Asia-first and Asia-last.

Since Meiji Restoration, Japan had followed basically the latter road; Asia-last called de-Asianism. She has had close alliances with Western powers, the Great Britain in 1902, the Nazis Germany in 1936, plus fascist Italy in 1940, and the United States of America in 1951 through now.

Owing to the socio-economic assistance of the United States, and to our pacifist way of developmental policies under the post-war Constitution, as well as to our democratic policies nurturing the civic capacities among people, we had been recovered from our defeat in the last Pacific War in 1945. We were even praised as "Japan No.1" in the 1980s.

However, since the late 1980s, shortly after the Plaza Accord in 1985, we began to have the bubble burst and the deep depression, and have had extremely hard time. It was called the "lost decade"

in 1990s.

The lost decade was actually ignited with Plaza Accord for rapid revaluation of Japanese yen by more than 60 % within three years up till 1988; from 230 yen to 130 yen per one dollar. In order to keep and protect our comparative advantages in the new trade environment, the Japanese corporations from Toyota to Sony and to Panasonic moved their main industrial plants to East and Southeast Asian countries to seek cheap skill labors. This could be called the diplomatic trap posed by the United States.

As the results of this massive move of capital to the Asian advancing nations, we had been forced to have hollowing of domestic industry and shrinking of local markets at large.

You could say that we the Japanese had the second great defeat in the war with the United States. The contemporary war was the money war, which differed from the last war; military war.

And because of our defeat, and because of hollowing of our domestic markets, East Asian countries were able to raise their own indigenous industries and technologies. Our defeat, in other words, has brought about the industrialization, the basis of economic independencies in the age of interdependencies.

As our first defeat in last Pacific War with the US brought about the independence; political independence of Asian countries, our second defeat in the latest war with the US has brought about the independence, this time economic one..

Our historical comparisons between two the defeats in the different wars with same country will extend to the comparison of the same pattern of recovery from the war. As we recovered from the first defeat through the emerging markets in the East and Southeast Asia after their political independencies, we have recovered from our second defeat through the maturing markets in East Asia after their socio-economic independencies.

We have got reemerged slow and steady from the ten years' depression under the leadership of Primer Koizumi and under the new politico-economic international environment, particularly in the rising East Asian market from Asian NEAS to

ASEAN, to China and India.

During the “lost decades”, we invested a lot of money either in the form of foreign direct investment or in the form of Official Development Aid to Asian developing countries.

The changing mode of production system and its division of labor has lended itself to facilitate increasing the foreign direct investments as well as transferring the governmental funds to make up the infrastructures in Asia.

Thus, our past positive socio-economic activities in Asia has finally rewarded to us. Thanks to the economic development of Asian advancing countries, and its political ramifications, the advent of civil societies in each part of the area, we could have now a huge amount of Asian market.

We finally came to understand the significance of Asia in our further development, peace and prosperity, and the need of creating the East Asian community.

5, Towards the New Relations between Central Asia and Japan

Since Asian financial crisis, we came to understand that the regional cooperative system would be a must for our further development. Without the solid systematization of regional interdependencies in terms of regional cooperation, our economic prosperity and even national security would be jeopardized by the rampant acts of the hegemonic power called American globalization under the so-called casino capitalism in terms both of money and of military affairs.

In 1988, one year after the Asian financial crisis, we got to understand the desperate needs to establish the Asian Monetary Fund independent from IMF and Washington. It necessitates the closer cooperation of China. It would assist those Asian countries that lack the financial funds in order to further the recovering processes after the crises.

The ASEAN countries has taking the initiative to create the East Asian Community, and begun to sit at its driver’s seat. ASEAN has played the pivotal role in creating the regional

community in East Asia. Their long year's experiences for regional cooperation have lent itself to cement to further the cooperation between among regional powers, and to alleviate the mutual antagonism between the big powers in the region.

Small powers could promote their sustainable development and security through regional cooperation epitomized by ASEAN, which would help to create more enduring cooperative organization at large. It is Asian community or AU, Asian version of EU.

Now it is time for your turn in crafting the Central Asian regional cooperative association; the Association of Central Asian Countries (ACAC).

As I understand, your President