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New Asianism and AU

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Abstract

The Asian financial crisis of 1997 proved to be a watershed in the history of economic development of post-war Asia. During the period of crisis, the so-called Asian Model, which characterized by export-orientation and government-leadership, has been criticized seriously by the mainstream of public opinions around the world, while the Anglo-Saxon-American economic models have been suggested to the Asian people. However, according to the author's study, there is neither causality between Asian model and crisis nor crucial differences between Asian and Euro-American models. All these economic models shared similar theoretic origins. The main reason for the crisis could be attributed to the nature of international economic system and function of the market economy, and for this we can do little. However, to reduce the intensity of crises and imbalances with the rest of the world, Asia must try another way out. The author suggests that the region has, like EU and NAFTA, to establish the Asian Economy and Monetary Union (AEMU) and finally, the Asian Union (AU). This is not a mere imitation, but a renewal idea of a commonwealth of states in the world of Confucius. And, all suggestions and actions relevant to this idea, after the financial crisis of 1997, can be called the New Asianism.

Key words: financial crisis, Asian Model, Asian Economy and Monetary Union (AEMU), Asian Union (AU)

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This conference -Korea and the World Economy, is such a proper meeting opened at a proper time and a proper site.

Today of five years ago, Asia had experienced the most serious financial crisis since the World War Two. In many countries, including the Republic of Korea, the governments, enterprises and innocent peoples suddenly fell into a tremendous catastrophe that they had never thought of before. Today, after five years of recovery, most of the Asian nations, especially Korea, have already stood up once again and they are marching forwards. Therefore, at this crucial moment, the conference hosted by the Korean scholars today is very important for us to look back on the 1997 financial crisis and to forecast future of Asia.

In the following analysis I would like to explain three points of view. The first is that there is no direct relation between the financial crisis and Asian economic model. The second is that inner conflict and contradictions of the present international economic system are basic reasons for the crisis. And, the third is that to protect Asian economic development from the similar crisis in future, we have to provide a new idea, namely the new Asianism, to search a new way out. Asia, like EU and NAFTA, should establish a highly integrated organization, namely, the Asian Economy and Monetary Union (AEMU) as well as the Asian Union (AU) in future.

I, Asian financial crisis and Asian Model

The 1997 Asian financial crisis has an epoch-making significance in the modern economic history of Asia. In the past one hundred years Asia has experienced a number of crises in its finances and industries, but no one was like the 1997 crisis, which happened too suddenly, too seriously and too heartbreaking. This event declared not only an end to the long-lasting speedy economic growth of Asia after the World War Two, but also a beginning of a higher stage of conflicts between region and international economic system.

The financial crisis made the prospect of Japanese economic recovery even remoter, meanwhile, struck the "four tigers" and southeastern Asian countries much more badly. Before the crisis, for example, Korea's per capita GNP was more than 10,000 dollars, but two years later, it dropped to about 8,000 dollars. On the other hand, the number of populations in poverty doubled in Indonesia and the social political upheavals are continuing in the Philippines. According to Malaysian government leaders' estimation, the level of Asian economic development might be backward by five to ten years.

China was, due to its unconvertible currency Renminbi, lucky to have avoided the direct

attack of the crisis at that time. However, its growth rate of exporting industry was only 0.5 percent in 1998, compared with 20 percent of the previous year. In this point, China has, to a large degree, been indirectly attacked by the crisis.

The crisis changed not only Asia but also the world as well. It changed the feelings and attitudes of world people toward Asia as well as that of Asian people toward the rest of the world. In this sense, Asian economies could not follow the previous path but have to search a new direction.

However, to find a new way out, it is necessary to look back on the arguments surrounded the so-called Asian Model during the period of the crisis. Before the crisis, we heard that the Asian model was a main reason for the Asian Miracle. After the crisis, however, we were told that the Asian model was a reason for the crisis. It was clearly a theoretic paradox or enigma of the Asian economy, but only a very few people had seriously thought of it at that time. The critics said that two features of the model, namely export-orientation and government-leadership, were a root of the catastrophe. And to replace the Asian model, they suggested the Anglo-Saxon and American models to the region.

Since then, the Asian economies had, by efforts of the governments and peoples in the region, restored its order, while the export and import industries have regained the usual and expanded even to a larger scale, and the social stability has resumed in the past years. In comparison with economic situations in recent Latin America which is faced with another round of financial crisis, or with Africa where economic development has been stagnant for decades, it seemed that Asia has become one of the bright spots in the world economy once again.

Although the Asian economies are on the way of recovery and development, the paradox or enigma of the Asian model still remains. The exporting industry and government are still the two driving forces in the regional economic development, and the Anglo-Saxon-American models have not replaced the so-called Asian model by now.

In my opinion, this dilemma in the Asian economies was a result of theoretic misunderstandings as follows:

First of all, we must recognize that we know little about the real reason for economic development, or in other words, we cannot see a real “invisible hand” in the market. In other words, if people were able to see what the invisible were, the economic prosperity would continue forever and the crises would never happen again and again. This is an unpleasant, but a simple truth.

Therefore, although we all have tried desperately to find out the reasons behind the event during the period of, and after, the crisis. Unfortunately, we have not been clear what caused the crisis anymore. Many comments attributed the crisis to the corruption of regional governments, over-borrowing of the companies, influence of the Confucianism, weakness of the family-styled management, ignorance of the management system, absence of a prevention mechanism, existence of chaebols, or simply the Asian model, and so on. These reasons were, according to my rough accumulation, totaled more than twenty or thirty. It seemed that every reason was relevant to the crisis, therefore, it means that none of them was the real reason. Because almost all of the reasons have already existed in Asia for more than decades or even centuries, e.g., the Confucianism, but there had been no such serious crisis before 1997.

Taking the so-called Asian model as an example, it has been criticized by the mainstream of journalism in Europe and America as a prime reason of the financial crisis. And based on this conclusion, the western scholars and political leaders provided their Asian counterparts a

suggestion: to abandon the Asian model and instead to accept the Anglo-Saxon and American models during the period of the crisis.

Their motivation was good indeed. However, there were three mistakes in their theories as follows:

(1) It seemed that these people did not pay sufficient attentions to the evolution history of the Asian model. In fact, the Asians had not heard such words as “Asian Model” and “Asian Miracle” before the 1970s. Instead, when comparing development features between Asian and Latin American economies at that time, the European and American economists simply described the former as the “export-oriented” strategy and the latter as the “import-substitution” strategy. Furthermore, each strategy was formulated and conducted respectively by the governments in these regions. It means that regardless of the export-orientation or the import-substitution, both strategies were a result of the government strategies. Only since the mid-1970s, the term such as the “Japanese Model” or the “Japan Inc.,” as some Americans used, had been used in public. And since then this kind of model has been applied in explanation of success stories of Korea and other “tigers” economies, and finally resulted in the Asian model in the 1980s.

On the other hand, the successful economic developments in China and southeastern countries in the 1990s could, as some people have argued, be seen as an extension and representation of the Asian model in a larger extent. Therefore, the Asian model became, for many people, a simple and general theoretic hypothesis to explain the Asian economic miracle. The main contents of the model have been summarized as two principles: export-orientation and government-leadership. Meanwhile, the other elements such as the Confucianism, family-styled management, educational tradition, and the chaebols, which some people regarded as the uniqueness of the region, have gradually been added in the model.

Therefore, when criticism of the model became a fashion in mass media during the crisis period, we have no choice but to doubt: why, when and how such a successful model leading to the economic miracle suddenly became a prime reason of the financial crisis?

The point of the arguments about the Asian model is not that where or what weaknesses exist in the regional economies, but that the criticisms were a narrow-minded, putting focus on the region only, without fully understanding of the international economic system. Therefore, they failed to give convincing reasons for Asian Miracle and Asian crisis.

(2) The second mistake of the criticism is that the people thought of the Asian model as a merely specific product of the regional background, as they have done so in the case of the Asian miracle. They did no notice that prosperity and crisis of the Asian economy are eventually a part of international system or global capitalism. Meanwhile, they failed to notice that their attitude toward the Asian model was like the way the Church of Rome had treated the Protestants in the 16th century, especially when they attacked almost every thing Asian from the political and economical structures to the cultural and educational traditions. This attitude was the outcomes of serious misunderstandings and surprising ignorance of Asia, if not a result of prejudice.

It seemed that there were very few academic discussions. When some critics compared the Asian capitalism with the fascism, and they asked, if not forced, Asia to abandon the Asian model and to adopt the Anglo-Saxon-American models, the discussions became an ideological controversy. Fortunately, such extreme opinions have not been heard and been required right now. However, when the above critics were in the mainstream of journalism of the world at that time, the people ignored inner problems and necessary reforms of the international system.

Of course, I have no intention to minimize the weaknesses and problems of the Asian economies. Meanwhile, as an ultimate stage, I agree with the above suggestion and I believe that Asian economies could reach or approach the level where the Western Europe and America have already attained today. But it needs time. Except Japan and the four tigers, Asia as a whole could not jump from the earth to the heaven over night.

On the other hand, the shift of Asian social and economic structure to the high level of Europe and America needs another condition, which has been ignored by the critics. That is there is an identical, or at least, similar nature in Asian model and Anglo-Saxon American models. And by this, the Asian model would be able to reach to the level of the latter. If their natures were quite different, as some critics have argued, these models are beyond comparison and conversion.

Having studied the documents of economics, it proved clearly that the so-called Asian model has the same origins as the Anglo-Saxon-American models. In theory, if we can say that the Anglo-Saxon-American models are outcomes of the Mercantilism of the 15th century, Classical Economics of the 18th century and Keynesian economics of the 20th century, then we can say confidently that the Asian model has the same roots.

The mercantilism advocated the roles of industry and foreign trade, while Adam Smith emphasized division of labor and growth of national wealth, and Keynesian economics urged necessary intervention by the state in case of the market failure. All these theories could find their places in the so-called Asian economic model: the export-orientation is an application of mercantilism, the government-leadership means a general acceptance of the Keynesian economics, and the free competitive market economy, in which the Asian development has been performed, coincides with the basic theory of Classical economics.

Therefore, the so-called Asian economic model is, in fact, not a monopolistic model created by the Asians and limited to the Asian area. Contrarily, it is a reproduction of Anglo-Saxon-American economic models. Of course, in the current advanced models, there are no higher protective duties, preferential policy to special domestic industries, and family-styled management, in general. However, they had been existing in the early stages of development several decades or centuries ago.

In other words, what we found in Asia today, are what we have seen in Europe and America yesterday. Europeans and Americans can see their yesterday in the Asians, and the Asians can see their tomorrow in Europeans and Americans today. The differences between them are not essential, but only superficial. On the other hand, the modern business practices, including rules, laws, as well as technologies and productions in Asia are almost all introduced from Europe and America.

Therefore, if the Asians were too proud of having such a good model or, if the Westerns were too modest of not having such a bad model, then, I must say that, for the purpose of protecting the intellectual property right, the patent of the Asian Model should give to the Westerns. To be more specific, the Asian model is not a particular invention of the Asian people but only an imitation of the economic models in the early stage of capitalism of Europe and America. However, as Asia's imitation was so successful, some people added the local characteristics such as the Asian values or Confucianism in the model, and as the Western countries have already give up their original model for centuries, the blood relationship or family roots between the two models became thin. By this, many experts, not to say the ordinary people, fall into the theoretic maze.

(3) Finally, this prejudice against the Asian model led to the third mistake: they believe unreasonably that the Anglo-Saxon-American models would never cause financial crisis. In

other words, if Asians accepted this model instead of their own, there would have not been the financial crisis occurring in 1997.

In my opinion, however, it is only an illusion. As long as a country or area adopts the market economy, the market economy is in existence, or the international economic system is still working, we cannot avoid financial or economic crisis, regardless of whatever model to be accepted. Looking back on the history, we found that Britain has experienced many times of economic cycles, and each composed of prosperity and crisis within a roughly ten-year period since the industrial revolution in the 18th century. In the case of American economy, the breakdown of the Wall Street Stock Market and the forthcoming Great Depression of the 1930s, which affected the whole world, exposed the failure of the American model. From the experience of the 1997 Asian financial crisis, we found that the regions such as the South Asia, South Africa, Russia and Latin America, which have never been seen as practitioners of the Asian model, were attacked by the crisis, too.

Moreover, recently a number of serious financial crises occurred in some biggest American companies, and the Enron has even become a synonymous word of business trick. Acknowledging the serious situation, the U.S. President George W. Bush has launched a campaign against the crisis. This newest case just showed us that, even in the most matured market economy like America, with a considerably long history and much advanced management and supervision system, it is impossible to root up all illegal practice or misconduct of company. Then, why should we be surprised at the problems of management and supervision in the Asian economy? By the way, recently some Latin American countries evolved financial crisis once more, although they did not conduct the so-called Asian model.

All these cases tell us that the financial crisis has no relations with the economic models, or with the Asian model. What we have heard during the period of crisis in 1997, which mainly focused on inner failures of financial and economic structure in a country and region were actually not convincing, and even wrong in many cases. Only probing from the root cause of international economy system, can we grasp the nature of the crisis of 1997.

Beyond the mistakes of individual country and region, when we put a focus on the international economic system, the reasons for the crisis would be changed. More frankly speaking, financial crisis is inherent nature in the present world system. And, the questions and answers on which country or region will encounter the crisis, what kind of crisis will happen, and how intensity of the crisis will be, become accidental. In this sense, I may say that the Asian countries did not cause the crisis intentionally, but the crisis chose Asia intentionally.

Another issue relevant to the arguments on the Asian financial crisis was usage of the term—the “Asian Capitalism” or “Crony Capitalism.” And these terms seemed more suitable than the word “Asian model,” when we try to describe and summarize, from a grand vision, the characteristics of Asian economic development. However, in this case we should also be careful to avoid such a common mistake in comparing the model. Namely, there is no fundamental difference between Asian capitalism and Anglo-Saxon-American capitalism.

It is well known that the bud of capitalism was emerged in the western Europe as early as five hundred years ago, then matured in England about two hundred years ago, and finally transplanted into the Eastern Asian nations one and a half century ago. Therefore, we can substantially confirm that the capitalism replaced the long-lasting feudalism and came into the central stage of the East Asia, when China lost the Opium War with Britain in 1840, Japan started the Meiji Restoration in 1868, and Korea became a colony in 1905.

This very brief history line demonstrated that without invasions of capitalism, the Asian

nations could not be able to automatically generate the capitalism, if only depending on its own culture and social economic institutions at that time. Therefore, it should be very fair to see the Asian capitalism as an Asian variation of European capitalism and a part of the global capitalist economic system.

As a dependent component of the world system, the Asian capitalism did not get its driving force from inside but from outside. Before the World War Two, development of the Asian capitalism has depended on the development of the Anglo-Saxon-American capitalism for a long time. Even the “Asian Miracle” in the post-war period could not be explained correctly by the regional uniqueness. Instead, it could only be understood according to the changes in the relations between Asia and international system or, a part and the whole. In this sense, the Asians themselves did not and, could not make any “miracles.”

Unfortunately, many western critics as mentioned above have almost completely forgotten such well-known facts during the period of financial crisis in 1997. They exaggerated the particularities and weaknesses of the regional economy, and reached such a conclusion that Asian capitalism was the most dangerous threat to the world. Some ridiculous articles published in Europe and America went even further, claiming that the Asian capitalism side by side with fascism and communism should be overthrown without hesitation.

It was clear that in these unjust opinions about the Asian financial crisis, there was a dangerous trend: namely, in the eyes of some ideological theorists, the Asian capitalism has become a crucial enemy to the international economic system; and Asia must, as a part, be sacrificed for the purpose of protecting the reputation and healthiness of the entire system. This is an extreme and crazy opinion, which was only seen in the oil crisis in the 1970s.

II, Reconsideration of the international economic system

Although the above opinions occupied the mainstream opinions during the period of the Asian financial crisis, they were not a merely negative case. They provide us with a chance to consider the relations between Asian crisis and international economic system, which had been ignored before 1997.

Just as the emergence of Asian capitalism was a result of evolution process of the international capitalism, the Asian Miracle in the post-war period should also be attributed to this system, instead of to the uniqueness of the region. Along this line, we should not see the Asian financial crisis in 1997 as a mere Asian, or financial, crisis, but would rather say that it was in fact an international, systematic, crisis. In this sense, Asian peoples and governments should not take all responsibility for the crisis, instead, they should be partially blamed for their mistakes, especially their misfortune. The main respondents for the crisis were not others but only the current international economic system.

One of the basic characteristics of this system is an endless cycle of prosperity and crises. It seemed that if everything was carried out smoothly in the period of prosperity, and if this prosperous period could be maintained as long as possible, for example for twenty years, the economic features of a country or a region would be changed dramatically, and then everyone would call it “miracle.” Meanwhile, the economists, both within and outside the country or region, would eagerly find out from every aspect whatever behind the speedy development. Furthermore, the theorists would never stop before finding a general principle resulted from pieces of individual facts and truths. And this was what had happened in the economy of

Japan, Korea and the “tigers” before financial crisis in 1997.

But, supported by the unbalanced development, the prosperity was a result of guidance or intervention of the government. Specified industries and companies received careful planned protection, preferential measures in finances, duties and exports. Therefore, the contradictions resulted from unbalanced strategy have existed from the very beginning: some industries and companies went too promptly than the rest of the others, and sometime they became monopoly in domestic markets. Meanwhile, the fast exporting extensions in the foreign markets often caused conflicts with host countries. When imbalances, conflicts and competitions attained an intolerable level between Asia and the rest of the world, the crisis will occur. The attitude of international system, which has usually been tolerant and patient like an elderly person, finally became unfriendly and hysterical, because the previous order and rules have been threatened or destroyed by the newer comers. Therefore, we should see such things like financial crisis, economic crisis, or social and political crisis as a message of the SOS or a reasonable reaction to the situations. This was my point of view on the Asian financial crisis in 1997.

In this sense, I would rather say that without the regional crisis the whole system would go bankrupt, than to say that the regional crisis was likely to lead to a bankruptcy of the entire system, because the former statement was more correct than the latter. That is to say, the financial crisis is actually a necessary self-protection and self-adjustment taken by the international economic system itself. Maybe we would have to applaud the Asian crisis because it confirmed that the whole system is still functioning normally. No crisis is real crisis; only crisis can cease the crisis. Namely, the normal can only be guaranteed by the abnormal; the abnormal can be seen as the normal. The health of entire system cannot be separated from both regional prosperity and crisis: if there were only prosperity the international system would go bankrupt; however, if there were only crises the system would go bankrupt, too. Survival and safety of the system require endless repetitive occurrence of prosperity and crisis one by one.

For this reason, the Asian financial crisis in 1997 is neither the first nor the last one of its kinds. It was an end of the last prosperity and may, if lucky enough, be a premonition of the next prosperity.

As to another prominent characteristic of the world system, it is well known that there are balanced relations between cooperation and competition, between advanced economies and developing countries in the world, and between industries, exports and investments in the domestic markets as well. Such patterns of the relationships emerged in the early stage of development in European capitalism five hundred years ago, primarily formulated after England's Industrial Revolution, and finally become prevalent since the World War Two.

In this system, speed and scale of economic development and foreign trade in individual countries are affecting and being affected each other through the world market mechanism and exchanges. Therefore, in comparison with others, if one country or region, if one industry or company in a country or region grows too fast, or, if its trade expands too fast, for some reasons and for a long time, it is no doubt that this first runner will affect the others. The others have to reject or adapt to the changed situations. Otherwise, previous domestic and international economic orders and balances would be seriously interrupted or even be destroyed. Crisis would, in various forms, come up when these distorted relations reach a certain degree.

In theory, people believe in that, by the function of a market mechanism, the unbalanced situation in each industry, country or region would be adjusted automatically without

government's intervention. In fact, however, usually this process needs much more time. Meanwhile, there are differences in opinions and actions between government officials and business leaders, because such an adjustment and adaptation would often be late or be less effective than what they had expected. And this would lead to a more serious unbalanced situation and, even a crisis, in the end.

Of course, Japan, Korea and other "tigers" in East Asia belong to the advanced economies, but the Asian area, as a whole, is still weak and passive in the international economic system. The secret of Asian miracles was mainly dependent on the technology, capital and market of Europe and America. And export expansion was a result of a large number of labor-intensive industries in Asian area, which took full advantage of industrial upgrades in Europe and America in the post-war period. It is fair to say, in this sense, that the Asian miracles were, to a large extent, outcomes of a borrowed and dependent development of the later comers.

However, even before the Asian miracle was recognized by the world, the previous balanced relations between Asia and others have been challenged and distorted gradually. A huge amount of foreign capital flowed in the region for pursuing higher profits, and resulted in more economic prosperity - meanwhile, more imbalances and risks - in the world system. When an occasional accident suddenly occurred for some reasons, those frightened foreign investors promptly withdrew and caused a financial crisis in the region. Therefore, unlike many people's imagination, the Asian economies have still been weak: it was unable to create neither the miracle nor the crisis at previous and current development stages because the international economic system has been more powerful than Asia.

Of course, the statement that the system is more powerful than the region's is a relative truth. The world system itself is very weak, too, because it consists of a lot of various unbalanced relationships. The weaknesses of the system are mainly twofold. The first is that if there were no regional crises repeatedly happening, the system could not restore its inner balance and the whole system would collapse. The second is that if the regional crisis lasted too long or its degree was too serious, the system would also collapse. Such cases have been seen in the period between the World Wars. Therefore, strength and weakness of the international system are actually only a slight difference.

My opinion that the financial crisis would not be attributed to Asian governments and peoples is not an excuse to cover problems of the social and economic institutions in the region. In fact, if there were no economic prosperity in a region, there would not be prosperity in the world system; on the other hand, if there were no crisis in a region, there would not be prosperity in the system, too. The regional economic safety and stability are very important, and in some cases are crucial, to the international system.

Therefore, when the IMF provided the Asian economies with reform programs after the 1997, it should do so in the international system as well. Unfortunately, the IMF, a main leader in the international economic system, only put forwards some radical reform programs for the former, instead of any for the latter. Under this situation, our Asian nations have to take our own initiative and positive measures, in order to make contribution to maintaining stability in regional and international economy.

The meaning of this point of view is: although the reforms made by IMF and Asian governments since 1997 should be highly appreciated, the results of these programs were not satisfied. Because, neither regional institutions nor international system has changed the situation to the extent that they have promised and expected. Therefore, the next financial crisis is, if it would occur, not to be avoided. To prevent the tragedy from happening again in the region, we have to carry out necessary reforms.

III, To build AEMU and AU in Asia

It cannot be denied that the Asian model has inherent defects, although there were no direct relations between the model and the financial crisis of 1997. These weaknesses are also outcomes of two noticeable characteristics of the model: the government-leadership often leads to an over-protection for the big businesses instead of the small and medium enterprises, and the export-orientation causes an overemphasis on the foreign market instead of the local people's needs.

But, besides these weaknesses, the most serious failure of the model is that it is actually not a model for the purpose of entire regional development from the very beginning. It is merely an imitation of the Japanese experience in the 1950s by Korea, the Atigers,@ China, Thailand, Vietnam and other southeastern nations, one after another. In other words, Asia has been lacking in a regional development strategy in general. Important issues of development of each country have never been discussed, argued, or suggested within the framework of the entire region. If one country's development or export coincided with the others' interest in the region, it was a mere chance. On the other hand, more and more fierce export competitions among the regional members in European and American markets have caused not only trade conflicts with the host countries but also the contradictions among the Asian economies.

The Asian model, as an individual country's economic strategy, is suitable for a lower stage of development. It is a premature self-consciousness of Asia at that time.

However, after Asian development in the past fifty years, especial in the past years of the financial crisis in 1997, the situations of both Asia and the world have changed dramatically. Establishment of European Union (EU) and North American Free Trade Area (NAFTA) declared a renewal of the regionalism. Meanwhile, the self-respect and self-consciousness of Asia are emerging from the financial crisis, when every country in the region suddenly found out that they all were on the same boat: a successful voyage could benefit every passenger on board and a shipwreck would bring damage to everyone. If they did not help each neighbor, they could not save themselves. The momentum of making closer cooperation and building regional economic organization has become clearer and clearer since the 1997 crisis. I have named it "New Asianism" in an article published in a Korean newspaper last year.

The contents of the so-called New Asianism can be summarized as the ideas, opinions, suggestions or activities of closer cooperation in the Asian area, which have been put forward since the 1997 crisis. In my opinion, this new doctrine would have three targets in medium and long terms as follows:

- (1) To establish an Asian Economy and Monetary Union (AEMU), just like the previous EMU in Europe;
- (2) Then, to establish a constant policymaking organization like the European Committee; and,
- (3) Finally, to establish an Asian Union (AU), like the EU, with a single central bank, single currency, e.g., Aro, and a single border.

Of course, in the above targets, EU and NAFTA are clearly important references in my mind. And as a later comer, Asia can learn more experience and lessons from these forerunners. However, what I want to add is that the idea of economic union is never a particular invention

by Europeans and Americans anyhow. In fact, when Asia comes into the above third step, our Asian nations will become not only the biggest economic union but also the most populous family in the world. It has been said that the Asian peoples respect family, or they like the family-styled management of company, or Confucius emphasized the family value, and so on. It was true, but only partly true. In Confucius thought, the family value has been emphasized many times, however, there were two kinds of family according to the Chinese ancient thinker of more than two thousand years ago. One was the individual family or a small social unit based on blood relations, and another is the entire world or earth containing all human beings. And the fundamental purpose or ultimate pursuit of Confucius was not only harmony of small family but also the Shi Jie Da Tong, namely a commonwealth of states in the world. And only the latter sense made Confucius one of the greatest ancient thinkers in the world.

As to the idea of Asian Union itself, it is not a mere imitation of the EU, either. As early as about 100 years ago, Dr. Sun Yet-sen, the father of modern Chinese revolution, put forward the idea of Asian Union. However, Dr. Sun's dream could not be realized because China, Japan and Korea were under feudalism, imperialism, and colonialism, respectively, at that time. After that, the original idea of Asian Union was distorted by the Japanese invasions in the region during the period of the wars. And the idea has not been discussed in the post-war period because the Korean War, Vietnam War and tensions across the Taiwan Strait had caused separations and suspicions among the regional nations. Only after the Cold War ended, especially after an outbreak of financial crisis, has the idea of Asian Union been renewed.

I think that Asia may need to study Confucianism once again when it enters the 21st century. We have to make efforts to establish AMEU and AU in the region. Only by such organizations, can the Asian peoples correct the weakness of their model, reduce the trade conflicts with others, shift emphases from the self-interests of each country to the regional common interests, and play a more active role in the international system. In doing so, the characteristics of Asian model will be changed and upgraded.

There is no doubt that AEMU and AU will not be exclusively local but friendly toward foreign countries; it will not be closed but open. At the starting point, however, it will mainly be an organization consisting of China, Japan, Korea and other Atigers@ in the Southeast Asia. After a necessary period of enhancement and adjustment, the organization will be gradually extending to the rest parts of Southeast Asia, South Asia and Central Asia. And at this stage, it will become the Asian Union, and which will become one of three poles standing with EU and NAFTA in the world system.

According to the experience of EU, I guess it will take longer time, maybe the time of several generations, to establish AMEU and AU in the region. Meanwhile, Asia needs sufficient understanding and sympathy from peoples within the region and the rest of the world in order to overcome various political, economic, cultural and psychological problems in this process, which have never been seriously resolved before. There might be stagnation or even recession in some periods or stages. However, whatever the problems the Asian people may face, they can acknowledge that the 1997 financial crisis has sounded a loud alarm to all Asian nations, urging every country to unite in order to resist the next possible economic attack.

The necessity of cooperation and organization among Asian nations is not only a requirement for the self-interest of a region but also for the purpose of maintaining the safety and stability of international system. The Asian miracles have been backed by the continuous expansion of exporting commodities made in Japan, Korea and other "tigers," resulting in some serious conflicts with Europe and America and posing threats to the international economic order in the past decades. The western writers have even named the Japanese the "economic animals." In recent years, however, China in the place of Japan and Korea has been labeled "threat" by

the advanced countries. Even if it were not China today, it would be Malaysia, Thailand, Vietnam, Indonesia, and India and so on, tomorrow, because any Asian countries that have adopted or will adopt the export-orientation model would become threats someday in the future.

Of course, there are no any Asian people, whether the Japanese, Koreans, Chinese, Vietnamese, Malaysian, or Indonesian would like to be, or like to be called, the “threat” to the rest of the world. Our Asian peoples are not, and will not be, threats, now and forever. Therefore, the establishment of AEMU and AU will be the best way to reduce the exports to markets of the rest of the world, to expand multilateral trade within the region, and improve the Asian people’s living standards. Otherwise, there is no way to reduce or erase the so-called Asian threat in the minds of peoples in the rest of the world.

There is a long way even before Asia reaches the first goal. However, Asia has no choice but to welcome the challenges and chances as usual. I believe that a new Asia will, based on a common idea, goal and interest, become such a region with higher prosperity, dignity and civilization, like EU and America, in the world. Asia should, and could, make more contribution to the world. And these are lessons and inspirations we have learnt from the financial crisis in 1997.

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