

# **Asia & the New Balance of Power**

## **Introduction**

This work (which will develop into a full-scale book) examines the Asian road to global power.

It has been long since the view that Asia is going to be the main player in world's economy and politics was heralded by few only - mainly Asia watchers. It is now a commonly held opinion, reflected in the Asia Sections of most major newspapers and Television Stations. That the 21st Century will be "The Asian Century" is widely accepted as an absolute Truth. The questions that are asked and the debates held, in this context, are mainly about the magnitude of the Asian power, the division of this power amongst Asian countries and the implications of this reality with regard to the traditionally Western world domination.

It all begins, so it seems, with the developing drives of the Asian countries during the 1980s. Although still based mainly on export-led growth, the Asian economies have not only proved resilient and far from being disarrayed, but what is more important - they have become complementary to each other, in as much as they have created an economic "micro-cosmos": a complete range of developmental degrees.

In this, the Asian dependence on the West has decreased. The developmental process, hitherto dictated solely by Western consumerism and investment trends, has shifted to patterns best termed as regional integration. Japan, Taiwan, Hong Kong, Singapore and more recently also Korea and even Thailand, have become sources of investment, providing capital; China, India, Indonesia, the Philippines, Vietnam, Bangladesh and other countries provided labour; Japan, Taiwan and Hong Kong became suppliers of management. But what might have been the most decisive factor is the evolving of the countries in the region - notably China and India - as markets, not just for capital goods, but for consumer goods. This marks a significant change, as domestic growth shifts away from exports to internal demand.

At the same time, the economic significance of China adds yet another measure to its size and to its historical role in the region. Thus, albeit the problems that may arise from the succession issue in China, Beijing's status as a world superpower and a regional leader has not been undermined. In fact, it seems that China's pivotal position has been rather consolidated and accentuated. The huge overseas Chinese communities - both of the West and (even more so) in Taiwan, Vietnam, Thailand, Indonesia, Malaysia and the Philippines adds yet another angle. These communities constitute an important player in their respective home countries economies. But they are also the vehicle for the "cultural glue" provided by China and Chinese history and culture.

This is the setting for the process by which Asia is rising to prominence. Based on models originated in the West - at least in part - Asian countries seem to have developed their own variations, having found that the Western models do not always serve their interest. This means, of course, that understanding Asia in Western terms may prove misleading. It can be demonstrated by examining the classical "stage" developmental model that identify successive "stages" such as growth from agriculture society to industry, to services and to information

society. This model does not take into consideration such elements as the cultural heritage, the question of legitimacy of the leadership, the source of sovereignty, etc. Even if particles of this model can be applied to Asia, as a whole it would probably be irrelevant to Asia.

The objectives of this book, therefore, are to explain the Asian developmental processes and the economic and political futures based on a new “model” that would take account the internal strengths and potentials, as well as traditions, of the area covered, in terms of “balance of power”. Here we can offer a new dimension to Alvin Tofler’s model of development<sup>1</sup> whereby Tofler’s notion of “information” should be revised and maybe changed to “intelligence”. This is because Eastern cultures are less interested in information than in intelligence to which they ascribe qualities that are normally associated with power. This shift would enable the understanding of the importance to strategic thought and planning which is so dominant in these cultures - even if not called so.

Another point that must be made here is that while the possible relative decline of the West is not a subject discussed by this book, it is assumed to be the case. The attempt made here is to concentrate and focus on the “Region” as an entity, or a system. This is an “open” system but the dynamics of changes within it are increasingly autonomous from outside dependencies. Within the Region distinction must be made between the various relationships and emerging trends which, taken together, signal a developing coherence or structure(s). Thus, the book is much more about examining possible futures than explaining the past.

To do so, one might benefit from examining the Asian political economy. Politics and economy are treated as two interrelated processes. In this sense political economy is not dead. Here, political economy can be viewed as the attempt to satisfy the Asian need for social cohesion (or control) that in turn enable further economic development. The forms and structures of power and wealth are infinitely flexible so long as the political process reproduces social cohesion through modernisation. Some of the best methods of modernisation are, however, based on cultural stability and continuity. This, again, is rather unlike the Western preconception of the East and its inclination to imitate the West.

Asia, particularly East Asia, is predominantly shaped by mechanisms of social control rather than by market mechanism. This hypothesis might be somewhat contradictory to the Western conviction that the Eastern model is based on entrepreneurship. Moreover, social control is based upon the strength of Culture - whose integrity is founded on continuity and hegemony and on a system of checks and balances that create harmony. True, there is heterogeneity, but the underlying aspect is homogeneity of basic philosophical principles which mean that heterogeneity is always secondary. This may well be the reason why control in Asia is maintained even under conditions that in the West would have been regarded sufficient for changes in the social system. Herein lies also the difference in stress on various issues - maybe even understanding of these - such as Human Rights, as compared with the West. In this, surprising similarities may be found between so called Communist regimes (China, Vietnam) and Market Economies (Taiwan,

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<sup>1</sup> In his *Power Shift* (1990) Tofler suggests three forms of power: force, money and information, with the latter becoming dominant.

Singapore, Korea). It may well be because both systems stem from the same source of political philosophy - the synthesis between Confucianism and *Fa Chia*<sup>2</sup> that marked China in the last two millennia. This is significantly different from the thesis suggested by Tofler. Here, information reality really conveys culture. And examination of the economic realities in the region, only accentuate the cultural dimension of the regional processes.

It has been suggested that the region is predominantly shaped by social control mechanisms rather than by market mechanism. Furthermore, it was argued that this social control is based upon the strength of the culture (which in turn is founded on continuity and homogeneity). Within the region, the first nation to realise these and to put such social controls into practice, was China. This, along with the physical size of China, gave her a special status. In terms of the regional power games, China become thus a target for influence rather than for challenge - with only one exception: Japan. In fact, Japan's economic behaviour in Asia is viewed by many as yet another form of challenge, aimed at the conquest of Asia, which is considered here as the Japanese long standing dream and aspiration.

But apart from Japan, China also has to contend with other Asian forces, even if not in terms of war - or even competition over dominance. These forces are the ASEAN bloc, the Four Tigers, India, and other individual players. What is interesting about it is that these forces become more and more concerned with their relationship with China. So strong is their concern, that the ongoing defence discussions held by Asian countries with the USA are held, in fact, under a perennial shadow cast by the China.

This, as well as the overall global geo-politics, require a new strategic thinking and understanding. The context here must consider the increasing interplay of politics and foreign relations on the one hand, and the international trade on the other. Questions such as the power of the emerging regional trading blocs, the arrangements of the newly formed WTO and its GATT's legacy; the pressures on countries such as Burma and Laos to open up, the development of regional centres such as Subic Bay, etc. indicate that the power agenda is not just a military one. When considering the Asian new "looking out" policy that brings countries in the region to seek new alliances - for example, with Latin American countries, it becomes clear that Asia has become a major player in the global power game.

The position of Asian nations within the framework of the power game is not attained by submission to the American concept of world security - or Asian security for this matter. Rather, it is a position gained - by each of the Asian nations as well as by the region as a whole - through economic realities that these nations present. Unlike Europe with its struggle to embark from recession, or the US with its huge trade deficit, the Asian countries come forward with robust and dynamic economies, with inflation controlled and competitiveness attained by means of calculated monetary policies - hitherto a typical Western trick that seems to have lost its magical powers in the West. Another trick learnt from the West - Free Trade Area - has also been introduced within Asia, with the necessary modifications, of course. Each of the major

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<sup>2</sup> The Chinese Philosophical School associated mainly with Han Fei-tzu and the foundation of the first Post Feudal China by Qin Shi Huangdi and the Qin Dynasty in BC 221.

participants in the Asian arena seems to advocate regional integration. This is why ASEAN is supported by its members, who want to enlarge its scope. But in Asia the individual nations are not expected to give up their national interests and priorities. They stress, therefore, the areas of common interest while attempting to find how these can best suit their own individual interest.

Examination of the performance of the Asian economies will show clearly that the path of development chosen by each country follow specific patterns and courses dictated by each country's special cultural and political set-ups. And yet, there are some significant indicators that suggest resembleness, if not similarities, amongst Asian economies. It has to do with the regional effect - the common features that make Asia a "Region" and not just a collection of nations located next to each other. This may also underline the attempt to produce some future picture of the region - not only in itself, but what might be even more interesting, in global context.

## Introduction: What Is Really Happening in Asia?



The Asian region has long since captured the imagination of the west. Already Napoleon is said to have observed that China should be left alone as a dormant giant lest it woke up and shook the entire world. But if this statement represents a sense of caution, mostly the notion of Asia - and East Asia in particular - was one associated with riches that might be easy to obtain. This way of looking at Asia characterised the Western approach to the region since ancient times, probably as a result of the stories that came from the Silk Road - on which Western (mainly Middle Eastern) merchants travelled, peddling silk and gold and telling of the wonders they have either seen in “the East” or at least heard about. Little was really known of the cultures of the East, or even of the real power that Asian nations possessed.

Most likely, this way of looking at “the East” resulted from the rather natural sense of centrality of almost every people throughout history. If we are here, people thought, then here is the Centre. This is how they made London Longitude “0”, the countries on the eastern coasts of the Mediterranean - into the “Near” or “Middle” East and the vast area from India to Japan - the “Far East”. The expansionist character of the Western cultures, enhanced by the religious zeal to convert others to the True Faith and supplemented by the view that those uncaring for god or religion are but “heathen” and not really worthy of the term “cultured”, shaped the attitude of Westerners to Asia and brought it to what could be described as ignorant compassion mixed with sheer greed. Maybe this is what caused good and many in the West to be amazed by Asia’s economic “miracle” - an attitude that ignores thousands of years when Asian technology and culture were far more advanced (in Western terms) than the Western equivalents.

Indeed, for many centuries Asia was a real Centre. When in the site known as Trafalgar Square there was just a marsh land, and in the place known as Manhattan pigs were grazing freely, Chinese strolled in beautifully arranged gardens clad in silk, reading from printed books and discussing philosophically the social order. But most Asian nations kept to themselves. They did

neither need to look outward, nor did they fear that much a possible invasion by hostile powers. In China, for example, they also knew that even if they fell prey to invaders, these intruders would soon become Chinese.<sup>3</sup> This is not to say that Asian nations did not fight. They certainly did. But on the whole, Asian nations were much more interested in looking inward and in consolidating their own national systems.

Moreover, Asian nations, save for India, were true nations long before nationhood became a term. They were bound by a common culture, common ethnic origins, common language and means of communications and commonly adhered to social and moral codes that laid down the main parameters for communal life.

Because of these characteristics, as well as because of the way the Asian languages developed, Asians people were much more interested in questions such as “how things work” rather than in questions like “why things work”. This is why Asian cultures did not proceed to invent a god who was the ultimate sovereign, nor did they pursue scientific research. They were very practical, technologically oriented people, who accepted life for what it was and who did not bother in seeking legitimacy of the social order; they used things without attempting to develop theories as to the origin or ultimate goals of such use; they had not separated between past and future and treated time as a continuous experience in which each person is held responsible to whatever they do, rather than placing destiny in the hands of some non-human godly entity.

This was their strength, but also their weakness. They thus failed to transform technology so as to produce defensive weapons, and they thus fell prey to the inquisitive, exploration-oriented West.

It took Asia some hundred-odd years to recover; to get organised and to learn to play the new games. The Asians learnt that Western tools are more effective when dealing with the West but they did not copy them. They have incorporated them while modifying these tools so they can use them in an Asian way. And while so doing, they have worked their way through the norms created by the West. This is how the Asian nations built themselves and became powers that can no longer be ignored. This is what really stands behind the so called “Asian Miracle”.

This is particularly true for East Asia, that is, for what lies east to India. The reason for this demarcation is that India is somewhat different. As opposed to the rest of the countries in the region, India is really an artificial entity that was invented by the British so as to ease their control over the area. It was never a true nation and some say that it is still undecided whether it even wants to become one.

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<sup>3</sup> Two good examples are the Mongols and the Manchu, who took over China and yet left hardly any trace of their indigenous cultures. Thus, while Genghis Khan, the first of the Mongol Emperors was a rough nomad who rode horses, ate raw meat, dressed in animal skins and had no written language, his grandson - the great Kublai Khan, had become a refined Chinese, clad in silk and enjoying the Chinese cuisin, surrounded by scholars and looking at horses as subjects for royal paintings. In the same way, the Manchu "barbarians" who conquered China and established their Qing Dynasty, had only manage to bring into the Chinese culture the famous plait that became so closely associated with the old Chinese Mandarins and was abolished with the 1911 Revolution which put an end to the Qing.

## 1. East Asia as a Region<sup>4</sup>

The “Asian Miracle” is not at all miraculous, if considered within its own framework. In fact, more than anything else, it is a term - used by Westerners - that describes the different experience of the region, as compared by the West. It may even suggest a weakness of the West and the Western economic patterns when compared with the realities of East Asia. Indeed, the introduction of this term “miracle” coincides with the intensification of the economic (and social) recession experienced by the West. Under these circumstances, it is no wonder that the economic achievements of Asian countries stood out thus leading the West to term them in this fashion.

What might be of even greater interest, is that the comparison between the West and the Asian countries in economic terms, has brought about a new way of looking at the countries of East Asia by the West. These countries have become, in the minds of many Westerners, a region.

To look at East Asia as a region was a rather new concept. Until not long ago, the West measured Asian countries by their bloc - or political - orientation. There was the camp or group of countries allied with the U.S. and the West, and there was the another camp - of the countries identified as “communist”. Thus, countries like Japan, Taiwan, the Philippines, South Korea and Thailand were one group, along with Hong Kong and Singapore. China, Vietnam, Laos, Cambodia, Burma and to a considerable extent also India were grouped together as yet another group. Indonesia and Malaysia were somewhat unclear to place, as their identification with either one of the “camps” was not always really clear.

It was only after the Asian countries began to make a difference economically that the Western outlook has regrouped them. In fact, it was only during the 1980s that reference to these countries as a region began to develop. Gradually, people in the West changed their way of looking, beginning to view such long standing allies or client states as Japan or Korea as Asian entities with interests that might be conflicting with their own, rather than countries upholding the Western interest as theirs - and putting them before their Asian nexus. Japan became a sharp adversary of the U.S. exactly as China was, South Korea was no longer as dependent on the U.S. as it had been in the 1960s and 1970s. Even the Philippines, formerly a colonial estate of America, ended up by kicking the American forces out of their naval and air bases albeit the loss of income that this evacuation caused to its national treasury. Coupled with the growing interest of the nations of the region in one another, the eventuality of the return of Hong Kong to Chinese sovereignty, the massive investment of Japan, Taiwan, Hong Kong and Singapore in the countries

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<sup>4</sup> It is necessary to clarify that the use of the term "East Asia" is rather a loose one. Here it mainly means the areas east of the Indian sub continent - from Thailand, through Indochina and the islands states of Indonesia and the Philippines, north to China and Korea and east to Japan. There are two reasons for this use. Firstly, this is the area which covers the countries that constitute the best performing economies of Asia. But also, this region is marked by the influence of China and its culture, particularly as applied to the economy. It is within this context that the Chinese business presence - in fact, dominance - should be regarded as a decisive factor in the developmental processes within the area. Hence the "wrapping" of rather distinct cultures and systems under the "terminological" umbrella of "East Asia".

next door and the political arrangements that began to take place in the region, all these gave way to this new Western outlook at Asia as a region.

But as it were, East Asia is a region. In fact, it has been a region since the dawn of history, except it has never bothered to call itself that. And as a region, it has always been intimately related to a distinct centre: China.

China was what we can refer to, in modern terms, as a “nation state” even long before Qin Xi Huangdi brought about the first unification of the land back in 221 BC while sweeping away the old Zhou feudal system. Its original inhabitants came from the vast Mongolian plains and - through a long process of moulding and readjustment - made themselves a people. They have tilled the earth and produced not only food, but also social order and philosophical basis upon which a complex culture developed. Sometime in the third or second millennium BC they were already a well established nation with common cultural, social, political and ethnic features.

Gradually, since these times, they also wandered and inhabited the more Southern regions, bringing with them their culture and social heritage. Most likely, they found, on their way, many other groups of people, also of Mongol origin, with whom they mixed. But maybe because of their number, or their long standing and well organised culture, it was them who came out with the upper hand. The Chinese culture had become thus part and parcel of the local cultures, influencing these cultures and shaping them - to an extent, at least - into something closely associated with China. There is little doubt also that China's being the main power in the region and its occasional presence as an occupying force, enabled Chinese domination in the region to develop almost unhindered.

It is true that East Asian region encompasses several sub-regional areas. These can be defined by geographical or by ethnic demarcations. It only stands to reason that the islands would differ from mountainous or desert areas if only because the physical conditions are different. Diets, as well as rituals and other elements that make people to a social organisation are influenced by the actual physical conditions of living. However, the socio-cultural and political mechanisms that shaped the behavioural patterns of these peoples were apparently good enough to prove successful and thus they were accepted throughout the region with only relatively minor changes that were necessary to accommodate them to particularities of each area within the region.

Thus, when the Vietnamese people created their national organisation, some 2,000 years ago, they adopted rather easily the Confucian codes and at a later stage, when Buddhism was introduced to Vietnam, they incorporated it to their brand of Confucianism. The same happened to Korea too. But it happened not only to these close neighbours of China. Even remote Indonesia with its combination of Malay and island cultures took many of its basic values from the Confucian codes and retained these codes even after it became Muslim, a few hundreds years ago. The same can be said of the Philippines, which lost many of its Malay island cultural features with the introduction of Christianity by the Spaniards, or of Thailand which was exposed - more than other nations in the area - to Indian Buddhism. Chinese migration to all of these countries may have been not that massive in terms of quantities in the early stages of the development of these countries. But it was the inner strength of the Chinese groups that enabled them to become influential and to take up

leading roles in each society to which they came. Their success made it easier for the Chinese culture to exercise influence and to gain dominance.

The main features that were introduced by the Chinese when they moved to new places were two. Firstly, it was the notion of family, with the special role of the elders and the filial piety and mutual responsibility. This was intimately related to the second feature - that of social order, with a closely defined area of responsibility laid out for each member of society. Combined together within a framework of pre-determined relationships<sup>5</sup> which were considered important, these two features made it possible for the Chinese to be successful in their economic performance as well as in terms of social cohesion. And this gave the Chinese power and influence.

The East Asian region, thus, must be measured first and foremost, in terms of culture. Culture in its wider sense, that determines social order and economic priorities, political arrangements and attitudes towards a wide spectrum of subjects and issues - from life & death to wealth, health and behavioural patterns.

And it also has to be considered in historical terms. The region is characterised by a deep sense of history which is significantly different from the Western concept of history. Whereas in the West history is a separate entity from day-to-day life, serving only as a instrument for learning (at best) or as a means for drawing legitimacy for political action (e.g., war), the Asian concept of history differ greatly. Here, history is just another part of the present. there is no distinction between past, present and future;<sup>6</sup> they are all but one continuous chain of event bound together by the social responsibility of each individual who, in turn, is but a link and a component of the social network with no absolute value or sanctity attached to his or her being "an individual".

These common features of East Asian societies do not suggest that there are no distinctions between them. In fact, each one of the East Asian nations has its own unique characteristics, history and particular path of social, political and economic development. These are different from one another, at times conflicting and even sharply opposed to each other. But beyond these differences, there is also the common cultural features that bring these countries under a certain regional "umbrella". This makes these East Asian nations a region, with some mutually shared features that single them out as a region in a global view. Indeed, these common features might

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<sup>5</sup> The Confucian classics indicate five sets of relationships that must be strictly maintained in order to achieve harmony. These include the relationships between father (or parent) and son, husband and wife, ruler and subject, elder and younger brother and neighbours. These relationships set the pattern for all other possible relationships in the world and - according to the Confucian codes - it is only a strict adherence to maintaining these relationship promptly can social harmony be achieved and with it: political order and economic prosperity. Each role within each of these relationships carries certain obligations and responsibilities. No "right" or privilege is associated with any of the roles. This is also one of the reasons why all the Western rhetoric about human rights or "legitimacy" make little or no sense at all in Asia, where the term "right" has hardly any philosophical meaning.

<sup>6</sup> This is well reflected also in the languages of the region. Whereas in Western languages there is a sharp distinction between the tenses - example for which is the conjugation of verbs to indicate their placement in the time sequence, this is not the case with East Asian languages. In Chinese - as well as in other East Asian languages - there are no verb conjugations and the time of an event is inferred and determined contextually while the verb remains the same at all times.

have been the most decisive factor when measuring the economic performance of the countries in the region as compared to other regions in the world, such as the West, Latin America or Africa.

## **2. Asian Political Economy**

The term “Political Economy” is normally associated with Marx and the so-called socialist economies. Another commonly used term, “Market Economy”, is understood to be the other side of the coin and diametrically opposed to it. It is in this context that many economists herald the death of the political economy.

But this issue is not that simple. Firstly, because all economies - market economy included - are in effect political. Moreover, not only even command economies differ from one another, but even the so-called “socialist economies” are not similar. Chinese and Soviet economies, for instance, were never the same, even if in both certain institutions were called by the same name. Thus, whereas both featured, for example, planning organs, the planning processes of the two countries were markedly different. Equally, the notions of profit, incentives and consumer choice have been of different meaning and practice.

In the same way, the socialist economies of India, Vietnam and China have been different, exactly as the capitalist market economies of South Korea, Japan, Taiwan and Singapore differed significantly from the market economies of the West.

As a matter of fact, in many ways it can be said that such Asian market economies, like these of Japan or Taiwan, have more in common with the command socialist economy of China than they may have with the American or British "market" economies. Indeed, these similarities and resembling features result from a certain political economy which is inherent within the socio-political systems of Asia, the characteristics of which are not of the nature of the economies of the West.

Customarily, politics and economics are treated in the West as two distinct spheres of the human activities. In Asia, they are viewed more like two interrelated processes. In this sense, political economy is far from being dead. The Asian approach stems from the importance given to social control and cohesion, less emphasised in the West. Unlike the West, therefore, Asians do not regard economic strength and wealth as the sole determinants of political power, nor do they think that political power must serve only as a vehicle to protect accumulated wealth. In Asia, the forms and structures of power and wealth are therefore infinitely flexible as long as the political process can reproduce social cohesion. Thus also modernisation is more of a political issue rather than economic one, the economy being an instrument to enhance modernisation while maintaining the desired social cohesion. As some of the better methods of modernisation are based on cultural stability and continuity, the role of the political process - as the watch-dog of these - becomes even more significant in shaping the economy and using it as a means for progress and modernisation. This concept is not at all equivalent to the Western perceptions.

The Western view of Asia ascribes to the region such attributes as entrepreneurship and its like and suggests that this is the basic feature of the Eastern model of development. This is highly simplistic attitude. Indeed, the region is predominantly shaped by mechanisms of social controls rather than by market mechanisms. Social control is, of course, based upon the strength of culture - a culture whose integrity is founded on continuity and homogeneity.