

# Third High-Level Conference on Building a New Asia: Towards an Asian Economic Community

Taiyuan, P.R. China, September 15-16, 2005

Organized by



**RIS**  
Research and Information System  
for Developing Countries,  
New Delhi, India

Supported by



Sasakawa Peace Foundation, Japan

and

Shanxi Consolidation of  
Social Science, China

Shanxi Foreign Exchange &  
Consulting Center, China

Taiyuan Municipal Government

## Regions of Asia & Its Economic Community: A New Understanding

Chiao-min Hsieh

University of Pittsburgh, Pittsburgh, U.S.A.

asjhsieh@comcast.net

**Abstract:** At the dawn of the 21<sup>st</sup> century, Asia is changing from a rural agricultural society to an urban industrial power. An understanding of Asian Economic Community is necessary, including its migration, urbanization, rural industrialization and internal transportation and their cultures.

India and China are comparable, but competitive. India's population is growing faster than China, in part as a result of China's one-child policy. China is inseparable from the state, while India from its social structure. Both countries are assisted by means of large diasporas. Some speculate on how the outcome of competition between the "tiger" (India) and the "dragon" (China) will affect the "eagle" (U.S.A.). At present the total production of China is not even half that of America, but it is predicted that in thirty years, China will be ahead of the U.S. in this arena.

The effect on global demand for energy, Asia will change world supplies of natural resources of timber, cotton, rice, iron ore, non-ferrous metal, oil and gas, etc. America needs cooperation with India, Japan and especially China to meet many challenges posed by globalization: the spread of nuclear weapons, terrorism, infectious diseases, drugs and global climatic changes.

China can help the U.S. deal with the problem of North Korea's nuclear threat. In the meantime, America should help China to avoid the independence of Taiwan.

The new Asian Economic Community will present us with new opportunities, new challenges and new partners, but we Asians will work harder, run faster and become smarter in understanding our position in today's world.

**Key Words** • Understanding, diaspora, market economy, tiger (India), dragon (China), eagle (U.S.A.)

**1.Introduction: The Importance of Asia** West". In reality, on a rounded world, Asia The continent of Asia is called the "Far East" might just as easily be perceived as the center. by the Europeans. To Americans it is the "Far The Chinese called their country Zhongguo, or

“the Middle Kingdom”. Westerners consider this Oriental world remote, backward, complex, and even mysterious. Today, at the dawn of the twenty-first century, the world is witnessing a new era of change in this Oriental world. Asia is undergoing a profound metamorphosis in its long history, a simultaneous transition from a rural, agricultural society to an urban industrial power.

Its rapid growth rate, emerging market economy, expanding private enterprises, urban construction boom, rural industrialization, internal and external migration, and increasing links to the world economy are all reshaping the landscape of this fascinating realm. The whole world is watching the rapid rise of Asia and wondering about its intentions and aspirations as an economic power.

Asia’s potential influence on world affairs could be comparable to the nations of the United States and Western Europe.

In the last four centuries, there have been two great shifts in global power. The first was the rise of Europe in the 17<sup>th</sup> century. During that time, Europe became the richest and most enterprising part of the world. The second significant shift was the rise of the U.S. in the late 19<sup>th</sup> century, when it became the most powerful country in the world. During this period, the decline of the Ottoman Empire created the modern Middle East.

China’s rise, along with that of India and Japan, represents the third shift in global power: the rise of Asia.

At the height of the industrial revolution Britain was called “the workshop of the world.” This title seems apt for China of

today. That country is now the second largest importer of oil. It manufactures two-thirds of the world’s copiers, microwave ovens, DVD players, and shoes.

## **2.The Regional Characteristics of Asia**

Western economists often argue that climate, natural resources, and geography all play roles in explaining why some countries become industrialized and others fall behind. The key factor is a country’s cultural endowments, including valuing hard work, thrift, honesty, patience, and tenacity, as well as other aspects such as the degree of openness to changing technology, and quality of life for women. The more readily a culture absorbs foreign ideas, taking the best practices and melding those with its own traditions, the greater advantage that culture will have in a small world.

In evaluating the program of Asian Economic Community an understanding of the geography of the Asiatic region may be necessary. The study of the region’s geography brings attention to phenomena critical to understanding the changes happening in Asia. These include migration, urbanization, rural industrialization, and internal transportation. A sense of place, sympathy for synthesis, an emphasis on man-land relations and a comparative viewpoint of different regions and systems all render the geographer well suited to such an important task.

The distinctive characteristics and personality of Asia can be briefly summarized in terms of the land, people, resources, and culture. Asia is big, occupying about one-third of the land surface of the whole Earth, amounting to 18 million square miles. The continent’s

landforms are often seen as being too rugged. Many have assessed the climate as uneven: it is too dry and too wet, too cold and too hot. The soils are dismissed as being too infertile for agriculture. Much of the available land consists of locations that are perceived as too remote for human settlement.

Despite these limitations imposed by the physical environment, this land is inhabited by nearly two-thirds of all mankind, one billion and a third people. There is a population density of about 72 persons per square mile, compared to an average of 40 per square mile for the globe as a whole. The distribution of people, however, has never been even. Asia had many places with few people, and other areas that are densely populated. Hundreds of ethnic groups live here. In India there are over 200 languages, 20 of which are spoken by a million persons each. China is often considered to have a homogenous culture, but in Fukien province there are 108 different dialects.

Asia is endowed with rich resources. It offers many products to the worlds. For the last century, the most famous products of Asia include silk, porcelain, and embroidery from China, gems, rare minerals and spices from India, drugs, ivory, camphor, and teak from Malaysia. Manila produces hemp, the Philippines produce quinine, and Indonesia produces rubber and coconut oil. In modern times, the unique mineral resources of Asia include tin, tungsten, antimony, mica, aluminum, manganese, chromium, mercury, and quartz crystal. These 9 of the 16 essentials are best obtained in Asia. No other part of the world is so essential to industrialization as Asia. Two-thirds of the tonnage for strategic purposes comes from the region of Asia. It is no wonder that Asia

is so important, it's economic community so meaningful.

No other region in the world has so rich a historical heritage as Asia, and China, specifically, has a distinct homogeneity. Dialects may differ from region to region, but the written language is the same. The degree of modernization may vary, but a coherent ideology persists from place to place. The Chinese believed in Confucius and the sage. China is an isolated country, surrounded by formidable land barriers and oceans. Unlike the ancient empire of Europe, China has no Alexandria or Athens to serve as a foundation for its culture. China has developed its own language, customs, philosophies, and values. The doctrine of Confucius has been basis of their beliefs. The Chinese have a peaceful and democratic tradition.

Since the days of the Roman Empire, India was the world's greatest market for precious metals. She has produced 60% of the gold produced in the world, and 40% of the silver. However, for the isolated India, the most important export was not material goods, but a religion: Hinduism.

Hindu life revolves around a humanistic philosophy-man's relation to the universe. Systematic introspection has been practiced in India for thousands of years, and materialism is held in abeyance. The body of literature produced by India is one of the worlds oldest and richest. Their achievements in architecture and arts date back to the third millennium, B.C.

India's culture will contribute to the world the tolerance, and greatness of matured mind, the quiet content of the unacquisitive soul, and the calm of the understanding

spirit.

However, the restriction of language and religion divide the people into isolated cultural communities which make management and business difficult. In social, linguistic, and political structure, the peninsula of India is complex.

Japan has an insular location on a mountainous land, but with a dynamic and ambitious people. The Japanese have been a mixed group, influenced by imported cultures. Unlike self-sufficient China, Japan has been accustomed to cultural borrowing and adaptation. It is doubtful whether any other nation has so transformed its economic life in a short period. Since the opening of Japan in 1850, the country has made enormous strides in its international position between the first and second world wars.

Japan's greatest assets are its large number of skillful and efficient laborers and its nearness to Asiatic consumers. Essential raw materials are scarce, so exports must rely on imports.

As long as Japan can add value to basic raw material through manufacturing, she can command a market. The nation is committed to industrialization and foreign trade. Cotton, wool, petroleum, iron, and machinery are indispensable.

Japan's trade problem is thus the necessity of securing markets. This has required skill, as well as income from shipping, tourists' dividends, and other foreign services.

Emigration is unpopular, industry is insecure, and foreign trade is unpredictable. Territorial expansion is thus sought as a

panacea.

Japan's island population, like that of England, gives her advantages of accessibility and maritime interests, but unlike England, she is poor in coal, iron, and tin, and lacks the necessary head start in world market.

One of the specific cultural features of Japan is the unique place of the Emperor, who is the direct descendant of the sun Goddess, and hence embodies the messianic aspect of Shintoism. Asia's history and culture have unique characteristics: China's mature and practical civilization, India's philosophy and religion, and Japan's surprising virility. However, the west knows very little of these qualities. The Caucasians may study Shakespeare, but they know little of Confucius. They understand Christianity, but not Buddhism or Shintoism.

### **3. India and China: A Rivalry between Comparable Nations**

It may be useful to compare the regional resemblances. For example, India and China are in some respects comparable. They are the two most populous countries, yet both have low per capita incomes. Both are rich in cultural history, yet both are tardy in the development of modern technology. Both are potential leaders in the Orient, but both, in the past, have been exploited by the west. While India has adopted the democratic system of the west, China has followed the totalitarian socialist form of government adopted by the former Soviet Union.

China and India, two of the global economy's giants, are transforming the politics and economics of the entire world.

Combined, these two countries comprise almost forty percent of the world's population. They are changing the international markets, foreign capital, fuel, power, water, and commodities of agricultural products and manufactured goods. They are already changing global transportation, as well as finance and banking. No parts of the global economy remain untouched by these rapidly changing events.

Economists and geopoliticians have even speculated as to what will be the outcome of competition between "the tiger" (India) and "the dragon" (China), and how this relationship will effect "the eagle" (the United States).

The effect on global demand for energy will likely be that both countries will change world supplies of natural resources of timber, cotton, rice, iron ore, non-ferrous metals, oil, and gas.

The expansion of their domestic and export markets introduced the foreign investment inflow to China and India. Thus, it has led to an accumulation of foreign currency reserve.

In the rivalry between China and India in the Asian Economic Community, China currently outrides India on most economic indices. In terms of infrastructure and domestic investment, China is ahead of India. During the past two decades, China has made impressive progress in many realms: building airports, harbors, highways, railroads, handling facilities for intermodal transportation, and power and communications supplies. China also has a domestic savings rate of 43 percent of GDP, which will provide it with great economic

strength. India's savings rate, by comparison, is only half that (around 24 percent). However, some believe that India will surge ahead within the next two decades based on the social situation especially the demographic reflect.

The fall of the Soviet Empire and the shift of China and India from socialism to market liberalization marked a turning point for the world economy. But China and India cannot be assessed as if they were one. They differ in many ways: in their politics, ideological and societal dynamics, and their divergent development policies.

The most important factor which will influence the economic development is their demographic structure. India's population is growing faster than China's, in large part as a result of China's one-child policy. India's annual growth rate is 1.15 percent, while China's is only 0.87 percent per year. In 1980, India's population stood at about 687 million people, which was 300 million fewer than China's population. Living standards in the two countries, measured by per capita purchasing power, were comparable.

By 2002, however, while India's population had nearly caught up with China's: it now had 1.05 billion people, compared to China's 1.28 billion. China's national per capita income had risen to nearly double India's. China's GNP per capita was \$890, compared to India's \$450 per person.

Because of huge wealth disparities and long period of capital accumulation, the middle and upper classes in India are considerably better off than the middle and upper classes in China. At the same time, the poor in India are notably poorer. In China, 5 percent of

the population lives below the national poverty line, compared to nearly 25 percent poverty in India.

Moreover, between 1992 and 2002, the number of undernourished people decreased by 52 million in China, but only by 5 million in India. 47 percent of those under 5 years of age are underweight in India, compared with only 10 percent in China.

China has a rapidly aging society with large security burdens. By contrast, India's population is young. About half are younger than 35, and by 2020, only 11 percent of the population in India will be over 60, compared with 16 percent in China.

The two countries have progressed rapidly both by exploiting the opportunities created by their huge, hard-working and relatively low-cost labor pools, and by exploiting the productive gap that exists between them and the world's leading economies.

China's civilization is inseparable from the state, while India's is inseparable from the social structure in that country. This distinction raises important issues for the relative sustainability of the two systems, and of the two giant's regional and geopolitical roles.

China is larger, richer, and has more military might than India. Despite being a nuclear power, India laments its relative military weakness.

India's government allows the potential inherent in the private sector to flourish. As a result, India has a well-developed indigenous private sector and strong tradition of entrepreneurship.

Both China and India are assisted in their rapid growth in their economies by means of large diaspora. The Chinese diaspora numbers 55 million people and consists largely of entrepreneurs, which has helped it to achieve the status of "the world's factory". The Indian diaspora, about 20 million people strong, consists mainly of professionals. This has helped India to become "the world's technology laboratory".

Literacy, education, and English language skill also have economic impact. China has a high adult literacy rate for the whole country. China's education priorities include technology and the natural sciences, but do not yet sufficiently emphasize independent thought or creativity, or management skills. India's literacy is substantially under-distributed, a matter which needs urgent attention. India are at global advantage, however, on account of their English language skills. India's freedom of press and information policy will also place it in relatively good stead for long-term development.

By the middle of this century, the combined economic output of India and China could well be greater than combined G.D.P. of today's top six industrialized nations: the United States, Japan, Germany, Italy, the United Kingdom, and Canada.

#### **4. Relations between China and the U.S.**

Historically, global struggle has always been propelled by the power countries. There will be no exception in the 21<sup>st</sup> century: the international domestic power structure will be based upon the relation between the dominant power of the United

States and the rapidly rising power of China.

At present, the total production of China is not even half that of America, but it is predicted that in thirty years China will be ahead of the United States in this arena. At the moment, the budget for military in China ranked the third in the world, next to only America and Russia.

Recently, the relationship between China and the U.S. has been strong and continues to be developed. The only real remaining problem is the issue of Taiwan: should Taiwan be united with the mainland or remain divided as an individual state? For Beijing, the unification of territory in any country is their holy mission. China is no exception. The Taiwanese are part of the Chinese family; their ancestors come from the mainland and their interests are the interests of all Chinese people. It is extremely important for America to understand China's feelings and attitude toward Taiwan. In the meantime, the U.S. needs China to help solve North Korea's nuclear weapon problem.

Traditionally, China usually describes its relationship with North Korea as being close as "lips and teeth". China supplies both energy and food to North Korea. These two countries are geographically close, maintain long traditions throughout history, and are more economically intimate than the other neighboring countries. Hence, China can play an important, constructive role in resolving the nuclear issue. A Chinese proverb says, "near fire cannot be distinguished by far away water". China will be an ideal facilitator, or host, for the negotiations. The U.S. should get China actively involved. America's strategy

towards North Korea cannot succeed unless they have a comprehensive understanding and the full support of the three allies (Russia, Japan, and South Korea) in the region, especially China.

For the last 20 years, China has become an increasingly economically developed country. It enjoys large population numbers, talented personnel, a large market, and good opportunity in investments. Therefore, many countries in the world will invest their capital in China, engage in cooperative production, and increase trade.

America needs cooperation with India, Japan, and especially China, which has introduced into the global system. China can help the U.S. deal with the problem of North Korea's nuclear threat. In the meantime, America should help China to avoid the independence of Taiwan.

China's exports to the U.S. have grown by 16,000 percent over the past fifteen years, and U.S. exports from China have grown by 415 percent. Wal-Mart is America's—and the world's – largest corporation, a fact which guarantees that they will provide the lowest possible price for their customers. Recently, Wal-Mart imported \$18 billion worth of goods from China. Wal-Mart has around 6,000 suppliers, and a significant percent are in China, not in the U.S.

China is already the world's fastest-growing large economy and second largest holder of foreign exchange reserves, mainly dollars. It is a powerful new force on the global scene. Their rise is no longer a prediction, it is a fact. China's growth has obvious benefits for the world, and in particular for America. China has saved American consumers more than \$600 billion in the past decade. They

have saved manufacturers even more.

Another point worth considering is that the science and technology research facilities in the U.S. are dominated by foreign students and scholars, especially the Chinese and Indians. Without these foreign students and scholars, America will find itself unable to fill the leading position in the field of science and technology, which is closely tied with industry.

Examining the situation between Mexico and United States may prove illuminating in trying to understand the relationship between China and the United States. Mexico was right next door to the biggest, most powerful economy in the world. It was poised to be a springboard to Latin America and it had a valuable natural resource in oil. China, by contrast, has replaced Mexico as the second largest exporter of goods to the United States. Even though China is thousands of miles away from America, it is growing closer to China economically, while Mexico, right on America's border, is becoming thousands of miles away.

Another of these entangles things in how much your culture prizes education. India and China both have a long tradition of education. India and China each have more than fifty thousand students studying in the United States today. They come from about twelve time zones away. Mexico, right next door, has only about ten thousand. It was about China's advantage in education, privatization, infrastructure, quality control, mid-level management, and the introduction of new technology.

China has become the number one consumed country, including cereal, meat, coal, and steel, that except the U.S. Also, oil

and energy consumption are second to the United States. China has become a formidable trade power, next only to the U.S. and Germany. If Hong Kong is included, then China will be the second.

U.S. could not prevent China's rise. America needs a strong China to meet many challenges posed by globalization: the spread of nuclear weapons, terrorism, infectious diseases, drugs, and global climate changes. Working with Japan, India, and others, our goal should be to integrate China into the international system. Especially, the U.S. needs cooperation with China in dealing with North Korea. What the U.S. wants to avoid is having trade become a source of friction rather than integration. The rise of Chinese nationalism needs the U.S. to have accommodation. A U.S.-China war would be costly, dangerous, and distracting. Both countries need each other, and it is so important in the 21<sup>st</sup> century.

Americans are disturbed by the growing economic status of China. They accuse China of stealing U.S. jobs, of keeping the yuan undervalued by pegging it to the dollar, of exporting deflation by selling its products abroad at unfair prices, of violating the rights of its workers to keep labor costs low. Most of these charges have been caused by misunderstandings. China is not stealing U.S. jobs or engaging in unfair trade practices. In fact, about 60 percent of Chinese exports to the U.S. are produced by firms owned by foreign countries, especially American.

It is not wise to isolate China, for China has never to be the military imperialism for conquering the world. Not like the former U.S.S.R., who was inherited from the

Russian imperialists and maintained by force. For about two thousand years, China depends on her cultural inheritance by the Confucianist doctrine, which is always against military force, but for peace. The present Chinese leaders have understood that power was not originated from guns, as Chairman Mao Tze-Tung believed, but from the cooperation of the international enterprises.

Do not underestimate the strength and innovation that could explode from our community in the creation of new products, opportunities, and profits. We can flourish in our Asian community, but it does take the

right imagination, the right motivation, the generation of strategic optimists, the generation with more dreams than memories.

The new Asian economic community will present us with new opportunity, new challenges and new partners, but we have to understand this situation in today's world. Surely, the economic competition in this world will be more intense. We Asians will have to work harder, run faster, and become smarter in understanding our position in today's world. Good luck to Asians in the 21<sup>st</sup> century.

#### References

- [1] Chiao-min Hsieh, chief editor and contributing author, Changing China – A Geographical Appraisal, Westview Press, 2004.
- [2] Wolfgang Schurer, "A Geopolitical and geoeconomic overview: on the rise of China and India as two Asian giants," The Fletcher Forum of World Affairs, the Fletcher School, 2005.
- [3] Neil C. Hughes, "A Trade War With China?" Foreign Affairs, July/August 2005.
- [4] Thomas L. Freedman, The World Is Flat: A Brief History of the 21<sup>st</sup> Century, Farrar, Strouss and Giroux, 2005.