2. Historical processes of incorporation and development
The East Asian path of development

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Introduction

Echoing Andre Gunder Frank’s (1998) calling for a non-Eurocentric analysis and drawing upon the work of Giovanni Arrighi (2007) and Immanuel Wallerstein (2005), this chapter will trace the historical development of East Asia in relation to the transformation of the world-system. It will first examine East Asia as the center of the world before 1800. Then it will examine the de-centering and the re-centering of East Asia over the past two centuries.

East Asia before the capitalist world-economy

Asian studies in China, Japan, and the West have revolved around the history of land-based states. However, Hamashita (2003) argues that we need to study East Asia in terms of the interfaces and exchanges that take place within and among maritime zones in order to grasp the “regionalization” in the world-system.

In particular, Hamashita (2003) proposes a “Tribute/Trade System” framework to study East Asia. This tribute/trade system was centered upon China and sustained by a hierarchical order defined by the Confucian conception of a “rule of virtue.” Like any hegemonic order, it was backed by military force. However, when the system functioned well, principles of reciprocity involving politics and economics permitted long periods of peaceful interactions.

In this China-centered order, tributary states (including Japan, Korea, Ryukyu, Siam, Vietnam, Java, Borneo, the Philippines) sent periodic tribute missions to the Chinese capital. Each time tributary states changed ruler, China dispatched an envoy to officially recognize the new ruler. Tribute relations were not only political but also involved economic and trade relations.

In exchange for the gifts carried to the Chinese court, tribute bearers received silk textiles and other goods from the Chinese emperor. Special licensed traders accompanying the envoy engaged in commercial transactions at designated places in the capital. In addition, more than ten times as many merchants as these special traders exchanged commodities with local merchants at the country’s borders and at the designated ports.

In short, lucrative trade was the lubricant for the tributary system defining East Asian regional political, economic, and cultural intercourse. Not only overseas Chinese merchants but also Indian, Muslim, and European merchants participated in this tribute/trade, linking land and maritime zones in East Asia, Southeast Asia, South Asia, Central Asia, and Europe together. This dense and extensive tribute/trading networks forged the coastal areas of maritime East Asia into a
diverse and well-integrated economic-commercial realm, making it the most advanced economy in the early modern world-system.

As a result of this tribute/trade system, economic growth in East Asia and intra-Asian trade was much faster and on a much larger scale than European trade before 1800. Indeed, Asian trade was a flourishing and on-going enterprise into which the Europeans only entered as relatively minor players.

The core region of the world-system, especially of industrial production, was in China. While China was in overall balance of trade surplus throughout most of the early modern period due to her export of huge quantities of valuable commodities (silk, tea, ceramics) and importing vast quantities of silver, Europe had a chronic balance of payments deficit due to the bullion drain to Asia.

In addition, China was an indubitable advanced country in the world at least until 1500, and was equal in most respects (productivity in industry; agriculture; transportation; competitiveness; share in world population and production) until 1800. Thus Gunder Frank (1998) argues that East Asia was the center of the early modern world-system.

As such, what explains the great reversal of fortune during the nineteenth century when East Asia and Europe swap their places in the world-system?

The fall of East Asia

The fall of East Asia passed through two phases: (1) Before 1800, when East Asia lost its developmental dynamics, became stagnant and failed to develop further into industrial capitalism; (2) After 1800, when East Asia interacted with European imperialism. Let us examine these two phases one by one in the following paragraphs.

Peter Perdue (1999) argues that the literature tends to provide a “fast-food” explanation that attempts to take a short cut through complex empirical and theoretical issues. The explanatory scheme usually focuses on one factor held to be unique to England and lacking in East Asia. For example, Max Weber uses the factor of the Protestant ethic to explain the divergent development of Europe and East Asia.

From a world-system perspective, Giovanni Arrighi et al (2003) point to the decline of the trade/tributary system as the critical factor in explaining why East Asia lost the dynamics to develop its economic locomotive further. Up to the end of the Song dynasty in 1276, the flourishing maritime trade and robust market economy of the East Asia coastal regions entered a “commercial revolution” characterized by advances in navigation technology, the consolidation of the “sea silk route,” and the setting up of new port cities (Quanzhou, Guangzhou) as the centers of tributary trade and private trade for overseas Chinese trading networks.

However, this coastal trading dynamic had largely stopped in the Ming dynasty after the Ming emperor banned Zheng He’s voyages in the 1400s. After this, the Ming state turned inwards, strengthened domestic/inland trade, and at times banned foreign trade. To show its determination, the Ming state restricted the number of tributary missions and even banned the building of seagoing ships. After these drastic actions, East Asia maritime trade and commerce lost its dynamic and its economy quickly ran into stagnation. By 1800, East Asia was no longer considered the center of the world-system. In contrast, overseas expansion and colonial conquest had given rise to a new stage of development in Europe, which led to the head-to-head confrontation between Europe and East Asia in the nineteenth century.

Up to 1800, however, China was still a world-empire that dominated the East Asian region. The Chinese empire was economically strong and developed a series of tributary states (Japan, Korea, Vietnam, and Siam) under its control. Thus the Chinese empire should have
been able to defend itself from the conquest of the European states. However, two critical events during the nineteenth century served to change the power balance between the Chinese empire and Europe.

The first event was the vast expansion of the opium trade. In the beginning, the rate of Indian opium importation rose drastically in the early nineteenth century, jumping from 200 chests in 1760 to 20,000 chests in the 1820s and 30,000 chests in the 1830s. As the opium trade expanded, it soon came to provide one-seventh of the annual revenue of the British government in India, and it started the outflow of silver from China to Britain, because China had become the major market for “staple” goods produced in British India.

In short, the triangular trade between Britain, India, and China greatly altered the balance of payments between the two regions. Before the opium trade, China was the ultimate sink of the world’s silver and maintained a vast trade surplus against the European states. However, after the expansion of the opium trade in the nineteenth century, China suddenly experienced a deficit in its trade balances.

The second event was the Opium War. While the opium trade weakened China economically, the Opium War weakened China politically. Great Britain’s political power was greatly enhanced by the resources it obtained in its overseas empire. For example, India’s huge demographic resources buttressed Britain’s global power both militarily and financially. Paid for entirely by Indian tax-payers, troops were organized in a European-style colonial army and used regularly in the endless series of wars through which British opened up Asia and Africa to Western trade, investment and influence.

In contrast, the Chinese empire was weakened considerably by the closing off of the tributary/trade system and by the massive draining of silver in the opium trade. In 1839, the British sent an expedition to open China up for free trade and diplomacy on the grounds that several thousand chests of British property (opium) had been burned by the Chinese state. This was the beginning of the Opium War and the historic attempts to incorporate the Chinese empire (and its East Asian tributary states) into the UK-centered capitalist world-system.

It turned out that China had no answer to the steam-powered warship that in a single day in February 1841 destroyed nine war junks, five forts, two military stations, and one shore battery. After this disastrous war, China was forced to sign the Treaty of Nanking, which resulted in the opening of treaty ports to foreign trade, the ceding of Hong Kong, and the payment of indemnities to the British. The Opium War signals the fall of the Chinese Empire and the displacement of East Asia from the center of the world-system.

During the Opium War, Britain moved its economic base from Canton (in South China) to Shanghai (in Central China). This sudden shift of foreign trade in the 1840s caused the loss of customs revenue and unemployment in South China, leading to the Taiping Rebellion in the 1850s. Facing foreign domination and internal unrest, the Chinese empire began to decline in the mid-nineteenth century.

In contrast, Japan had a different historical experience during her encounters with Western power. When Japan was confronted with the threat of “market incorporation” from Western core states, the Meiji elites quickly centralized the government, promoted dynamic economic transformations and embarked on overseas imperialist ventures. Why was Japan able to escape the fate of peripheralization in the nineteenth century?

The answer lies in the following factors. First, with regard to the countries’ preincorporated legacies, China was a world-empire in the external arena in East Asia, while Japan was not. As a “Middle Kingdom,” China established a Sinocentric world order and extended its Confucian civilization to its tributary states. It was only natural that China’s bureaucrats and landed upper class were reluctant to borrow techniques and values from the “barbarians.” In contrast, Japan had often
been at the receiving end of cultural borrowing, beginning with the Taika Reforms in the seventh century.

With regard to agents of incorporation, China was attacked by Britain, while Japan negotiated with the United States. Britain was a hegemonic superpower in the world-economy; it was attracted to the rich resources and huge market in China. Thus Britain was determined to use force to open China. Conversely, Japan was challenged by a Western power (the United States) that had yet to exercise its military domination in faraway East Asia in the nineteenth century. Moreover, when the European powers were preoccupied with China, they did not find Japan attractive in terms of either its resources or its markets. The result was that Japan experienced relatively less foreign domination and draining of resources than China in the second half of the nineteenth century.

Third, with regard to incorporation responses, the Chinese were confronted with the Taiping Rebellion, while the Japanese achieved the Meiji Restoration. In China, the regional shift of foreign trade from Canton to Shanghai resulted in large-scale peasant uprisings. In Japan, after the young samurai saw what the foreigners had done to China, they quickly evoked national sentiments to promote the Meiji Restoration.

Finally, with regard to resultant state capacity, the Chinese state had relatively weaker capacity for the promotion of semiperipheral ascent than the Japanese state. The Chinese state had been weakened by both foreign domination and peasant rebellions and could therefore only put forward at best a mediocre Self-Strengthening Movement. By contrast, the Japanese state, avoiding both strong foreign domination and large-scale peasant rebellions, and spurred by a feeling of the imminent threat of colonialism and the urgency of national survival, was able to carry out the far-ranging Meiji reforms within a short period. Here the historical irony is that in China, the “weak” Qing state was strong enough to suppress the challenges from the peasant rebellion, thus precluding a fundamental restructuring of state organization and power. Conversely, in Japan, the weak Tokugawa government quickly crumbled in face of the nationalistic movement from the outer feudal domains, allowing a strong Meiji state to emerge and institute a variety of reforms.

Obviously, this different mode of incorporation had great impact on the subsequent development of both Japan and China, as will be explained in the next section.

Japan’s regionalization effort in the first half of the twentieth century

By the 1890s, this nascent semiperipheral state in Japan was beginning to feel the constraints of limited territory: small domestic market and lack of resources. What new policy, then, should the Japanese state adopt in order to sustain its industrialization toward the twentieth century?

Again, this timing is crucial because it helps to explain how world-system dynamics had influenced Japan’s developmental strategy during this period. By the late nineteenth century, the world-economy reached a downward phase, marked by stagnation and contraction of global markets. In addition, Great Britain was no longer a hegemon, as its industrial and military supremacy were increasingly challenged by rival core powers. In order to overcome stagnation, Western core states competed with one another for new colonies and investment rights in the periphery. Therefore, rather than continuing the mid-century mode of “market incorporation,” Western core states practiced territorial annexation and colonialism in East Asia at the end of the nineteenth century. Furthermore, instead of advocating the doctrine of free trade, Western core states preached the ideologies of nationalism and racism as they sought to fulfill a “manifest destiny” and assume a “civilizing mission.”

Influenced by this global trend toward colonialism, the Japanese state developed a regionalization strategy of empire-building in East Asia. China, in this respect, became a necessary component of the Japanese regionalization strategy because of its cheap labor, abundant resources, and huge market
potential. However, as a nascent semiperipheral state and a “late” imperialist, Japanese continental expansion to China was naturally challenged by Western core powers, leading to a new wave of territorial annexation in East Asia at the end of the nineteenth century.

Japan’s strategy of regional dominance was halted during the 1920s. The Western core powers at the Washington Conference induced Japan to accept an inferior war fleet and to engage in international cooperation rather than regional rivalry.

The world depression and the dislocations in the economy in the 1930s, however, led to the emergence of ultranationalism and militarism in Japan. The depression testified to the vulnerability of Japan in the world-economy and accentuated Japan’s desire for regional integration, and the country stepped up its continental expansion to China and Southeast Asia. The idea of a “Great East Asian Co-Prosperity Sphere” was raised to rationalize Japan’s empire-building efforts. When the United States cut off the supply of military-related exports (most notably oil) to Japan, the latter could see no alternative but to fight for a high level of integration with the resources-rich Southeast Asia by eliminating the American presence in the region.

By the time of its defeat by the United States in 1945, Japan had lost three million lives and its economy was in ruin. Nevertheless, the conditions for sustaining post-war economic growth were already sprouting among those ruins. For instance, the wartime munitions industry provided the prototype for the chemical and heavy industrial sector. Links between big factories and small business that developed in the munitions industry also became the basis for the post-war subcontracting system. Administrative guidance by government ministries—a fundamental characteristic of the post-war developmental state—was also a legacy of the wartime controls.

Sino-Japanese wars and the communist revolution in China

Due to geopolitical dynamics in the East Asia region, the historical development of China was closely intertwined with that of Japan from the turn of the twentieth century through the end of the Pacific War.

Japan won the first Sino-Japanese War in 1894 and her economy received a boost from the huge indemnities received from China. Japan recovered tariff autonomy, began to stand on equal footing with Western powers, and started to engage in the regional domination of East Asia. In contrast, China lost the war in 1894. This led to a scramble for concessions, the weakening of the Chinese economy, and finally, the collapse of the Qing dynasty.

However, the second Sino-Japanese War between 1937 and 1945, again altered the paths of development for Japan and China. During the 1930s depression, Japan was prompted by ultranationalism and militarism to invade Manchuria and mainland China in order to build a “Greater East Asia Co-prosperity Sphere.” This time Japan lost the war, which resulted in the American Occupation and Japan’s forsaking militarism. The second Sino-Japanese War aggravated the Chinese peasant problem, provided more political space for the communist party to operate, and enhanced the “nationalist” calling of the communists. Without the Sino-Japanese War, the Communist Revolution may well still have taken place because of the deep-rooted peasant problem and the active intervention of the communists. However, the Revolution would certainly not have happened so quickly in 1949, and nor would it have been so radical. In this respect, the second Sino-Japanese War set the timing for and acted as a powerful catalyst in speeding up the revolutionary process.

After the second Sino-Japanese War, the development of China and Japan went separate ways. In the 1950s, the nascent Chinese communist regime was forced to withdraw from the capitalist world-economy, while the defeated Japanese government was designated as the junior partner of the American hegemon in Asia. These new paths of Chinese and Japanese development have
The resurgence of East Asia

The landscape of East Asia in the late twentieth century contrasted dramatically with that in the early twentieth century. Before World War II, mainland China was on the brink of becoming a periphery; Korea, Taiwan, and Hong Kong were colonies; and Japan was merely a semiperiphery. By the 1970s, however, Japan quickly emerged as a core state; mainland China and North Korea became socialist semiperipheries; and Hong Kong, South Korea, and Taiwan moved up to capitalist semiperipheries. By the 1990s, researchers like Gunder Frank began to talk about “ReOrient,” the shifting of the center of the world-system from the West back to East Asia.

What then explains the general pattern of ascent in East Asia from 1945 to the mid-1970s? Why did the East Asian states exhibit not one, but three different paths (capitalist core, socialist semiperiphery, and capitalist semiperiphery) of ascent? Can the dynamics of economic growth in East Asia continue?

In order to understand the pattern of ascent in East Asia, it is necessary to bring the changing world-system dynamics in the mid-twentieth century back into the analysis. After World War II, the United States emerged as the new hegemonic power in the capitalist world-economy. As Cumings (1993: 31) points out, this American hegemony can be called an “open-door empire.” On the one hand, it was like an empire “policied by a far-flung naval and military basing system and by penetration of allied defense organizations.” On the other hand, the American hegemon advocated “free investment” for transnational corporations. In addition, the United States promoted such new ideologies as democracy and modernization in order to decolonize the third world nations from the European core states. Under American leadership, the post-war world-economy thus became much more liberal, multilateral, and interdependent. This new world order under US hegemony led to an unprecedented expansion of the capitalist world-economy. From 1950 to the mid-1980s, world merchandise exports increased by approximately nine times in volume.

So and Chiu (1995) argue that the main concern of the United States toward East Asia in the late 1940s was how to prevent the further spread of communism from mainland China to other parts of the region. The American strategy of containment called for a polarized East Asian region, divided between the socialist camp of mainland China and North Korea and the capitalist camp of Japan, Taiwan, South Korea, and Hong Kong.

At first, China, after building up a strong Leninist party-state, pursued a mercantilist strategy of heavy industrialization. However, China shifted to a strategy of revolutionary socialism after the Sino-Soviet dispute. At the height of the Cultural Revolution, the ideology of Maoism called for self-reliance, mass mobilization, and absolute egalitarianism.

The communist revolution had a profound impact on the capitalist development of other East Asian states. In order to contain the spread of communism, the United States not only reversed its post-war occupation policies in Japan but also started to build Japan up as its junior partner in East Asia. The US’s special concessions to Japan—such as procurement during the Korean War, massive aid, access to US markets, and the relief of the burden of defense—were instrumental in promoting Japan’s economic success. Japan’s developmental state and capitalist class seized this opportunity, as well as the favorable post-war upward turn of the world-economy, to promote state industrial and financial policies, incorporate labor into enterprise unionism, and engage in transborder expansion.

This transborder expansion of Japan, together with special US concessions and the influx of refugee capital and labor from mainland China laid the foundation for the semiperipheral ascent of Hong Kong, South Korea, and Taiwan (Newly Industrialized Economies [NIEs]).
The economic success of Japan and the NIEs, in turn, lured mainland China back to pursue a reintegration strategy in the late 1970s in order to achieve upward mobility in the world-economy. By the mid-1970s, the golden era of post-war economic expansion came to an end and the United States became a declining hegemon. It was during this period that the East Asian region was turned into a new epicenter of capital accumulation in the world-economy.

This can be seen from the fact that Japan had grown from a regional to a global economic power, challenging the hegemony of the United States. Technologically, Japan’s high-tech sectors were closing their gaps with the United States, while Japanese manufacturers have outsold their American competitors. In the 1980s, Japan accumulated a sizable trade surplus and became the largest creditor in the world. Japan also started to play a leadership role in global affairs, and its “flying geese” model of development began to attract followers from the peripheries. In response, the United States imposed protectionist measures against Japanese imports, sought to open up the Japanese market for US imports, and forced the Japanese yen to appreciate, while the US mass media started “Japan-bashing.”

The Chinese national unification project was another significant event. Economic integration among the three Chinese semiperipheries proceeded rapidly in the 1980s as mainland China, Taiwan, and Hong Kong faced bottlenecks in their economic growth. The massive relocation of labor-intensive industries from Taiwan and Hong Kong to mainland China led to changing industrial structures and new ethnic/national identities. Should this national unification succeed, the Chinese triangle of mainland China–Taiwan–Hong Kong may further speed up the centrality of East Asia in global capital accumulation.

What, then, is the future of the East Asian region? Will the present trends of economic growth and regionalization continue? Will East Asia become a center of capital accumulation in the world-system in the twenty-first century?

East Asia in the twenty-first century

In the early 1990s, there were indicators that the strong economic growth of East Asia may come to an end. First, the pace of economic growth had slackened in the NIEs. The maturity of these NIEs economies would make it impossible to duplicate or better the high-speed growth of the previous decades. Second, Japan experienced its longest recession after World War II. The burst of the “bubble economy” in the late 1980s caused a major crisis in the Japanese financial system and a slump in domestic demand. Third, the surge of protectionism in the West, the consolidation of the European Community as an economic bloc, and the formation of North American Free Trade Agreement (NAFTA) spelled trouble for the East Asian region because trade with the West still contributed significantly to their economic growth. Finally, the 1997 Asian financial crisis may have signaled the end of the dynamics of the East Asian economy, as they experienced a slowdown in economic growth in the late 1990s.

However, there were also signs of revitalization of the East Asian economy as the region moved toward the twenty-first century. First, the NIEs began to relocate their labor-intensive industries outward, hoping to capitalize on lower production costs abroad. Subsequently, NIEs economic structures were upgraded to high-tech and capital-intensive industries. Domestic demand also played a more significant role in promoting economic growth, especially in the larger economies of Japan, Taiwan, and South Korea. The tertiary service and financial sectors also figured more prominently in the distribution of national products.

Second, there was the emergence of China as the leader of the East Asian economic renaissance. The aggregate size of the Chinese economy in 2002 was more than eight times the size it was in 1978. In 25 years China’s per capita income rose by more than 600 percent, from $151 in...
1978 to $1,097 in 2003. China’s domestic consumer demand burgeoned as its exports continued to grow. China, with its 1 billion strong populations and a fledgling middle class enjoyed the potential for keeping Japan and the NIEs’ exports soaring to higher levels. Furthermore, China was admitted to the WTO (World Trade Organization), signifying the accelerated integration of the Chinese economy into the capitalist world-economy. Watching China becoming the locus of economic dynamism in the East Asian region, Arrighi (2007: xi) optimistically predicted that the epicenter of the global political economy will be shifted from North America to East Asia in the twenty-first century. USA Today (August 17, 2010: 3B) also reports that China is on track to overtake Japan as the second-largest economy behind the United States in 2010, cementing its status as one of the world’s most formidable superpowers.

Third, while the United States and Europe experienced the deepest financial crisis at the end of the 2000s, China and East Asia became the only bright spots that could possibly pull the world-economy out of the slump.

Nevertheless, the prospects for moving East Asia into a new phase of dominance are not non-problematic because of the historical legacy of the Japanese empire. Memories from World War II make it difficult for other East Asian countries to accept Japan’s dominance. Mainland China and South Korea, for instance, remains highly skeptical of the revision of Japanese textbooks on the subject of World War II history; the rise of China and the sub-regional integration among mainland China, Taiwan, and Hong Kong competes with Japan for regional dominance. Moreover, the Association of Southeast Asian Nations (ASEAN) states are reluctant to join any Asian regional organization that calls for sole Japanese or Chinese leadership.

In addition, the United States continues to try to suppress the rise of China. Despite China and Japan’s strong economic presence in Asia, the region is still under the dual economic domination of the United States, and is still held by a unilateral American security network. The United States formed the APEC (Asia-Pacific Economic Cooperation) as a means of retaining its leadership role in the East Asia region; this explains why the Japanese and Chinese governments have been, so far, reluctant to support APEC wholeheartedly. Furthermore, the United States will continue to resort to trade and financial measures to slow down China’s hegemonic advance. For example, the United States might want to appreciate the Chinese dollar still further and to install more “fair trade” measures in China; the United States frequently uses the WTO to harass China on its violation of trade practices; and the United States has declared a “national interest” in preserving freedoms of navigation through the South China sea and strengthening its military alliance with Japan and South Korea to contain the influence of North Korea and China in the Korean Peninsula.

However, due to significant US-Japan cross-investment in high-tech industries and the significant US-China cross-investment in manufacturing industries and geopolitical alliance, US/Japan will continue to be political allies and US/China will continue to be uneasy political partners in the midst of severe economic competition.

As such, East Asia is unlikely to overtake the United States as the next hegemon in the world-economy in the near future. What seems more likely to happen is the continuation of the present trend toward inter-regional economic integration between Japan, mainland China, and the Southeast Asian states. In the twenty-first century, therefore, researchers should be able to speak of a “Greater East Asia” region which links East and Southeast Asian states together economically.

References