# Asia's Reemergence

By Steven Radelet and Jeffrey Sachs

From *Foreign Affairs*, November/ December 1997

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Summary: The West accounts for a disproportionate share of world income because it has already passed through capitalist development. Now that Asia is becoming capitalist, it will return to the center of the world economy, where it was in the early nineteenth century. Current currency crises are only blips on the screen. Asia's miracle transpired not because of shrewd industrial policy or great leaps forward but because countries attracted foreign investment and moved up the development ladder one rung at a time. But ahead lies the challenge, particularly for India and China, of establishing modern governments.

*Steven Radelet is an Institute Associate at the Harvard Institute for International Development. Jeffrey Sachs is the Director of HIID and Galen L. Stone Professor of International Trade at Harvard University.*

CAPITALISM LEAVES ITS WESTERN ENCLAVE

Beginning in the early 1500s, for more than four centuries now, the West has been ascendant in the world economy. With but 14 percent of the world's population in 1820, Western Europe and four colonial offshoots of Great Britain (Australia, Canada, New Zealand, and the United States) had already achieved around 25 percent of world income. By 1950, after a century and a half of Western industrialization, their income share had soared to 56 percent, while their population share hovered around 17 percent. Asia, with 66 percent of the world's population, had a meager 19 percent of world income, compared with 58 percent in 1820. In 1950, however, one of the great changes of modern history began, with the rapid growth of many Asian economies. By 1992, fueled by high growth rates, Asia's share of world income had risen to 33 percent. This tidal shift is likely to continue, with Asia reemerging by the early 21st century as the world's center of economic activity.

Asia's sudden ascent has become something of a Rorschach test for the economics profession and the foreign policy community. For some, Asia's rapid growth is an economic miracle that calls for a reevaluation of Western economic strategies. For others, such as the MIT economist Paul Krugman, writing in the November/December 1994 Foreign Affairs, the rapid growth has looked hollow. Not only has there been no miracle, but there was reason to believe that Asian growth might display weaknesses similar to those of the period of rapid Soviet growth in the 1950s and 1960s. These doubts seemed to find support in the sudden, sharp currency crises that gripped several high-flying Southeast Asian economies (especially Indonesia, Malaysia, the Philippines, and Thailand) in mid-1997. Even money managers formerly enamored of the region decried underlying institutional weaknesses, including corruption, nepotism, populist policies, and insufficient banking regulation.

The Southeast Asian currency crises of 1997 are not a sign of the end of Asian growth but rather a recurring -- if difficult to predict -- pattern of financial instability that often accompanies rapid economic growth. Just as Indonesia, Malaysia, and Korea rapidly recovered from financial crises in the 1970s and 1980s, so the Asian economies are likely to resume rapid growth within two to three years. In the long term, growth will continue because most of Asia has adopted capitalism as the organizing basis of economic life and become deeply integrated into the global economy. This has been true for more than a century in Japan, since the Meiji Restoration of 1868. Korea and Taiwan adopted essentially capitalist development strategies in the 1960s, while most of Southeast Asia made similar choices in the 1970s. Even China in recent years can be considered to have adopted an essentially capitalist development model, despite continued Communist Party rule and a state sector that still employs around 18 percent of the labor force. India began turning away from a milder version of socialism in the early 1990s, though Indian domestic politics still contains strong doses of anticapitalist rhetoric.

If there is anything to the "Asian miracle," it is that several governments, benefiting from Japan's early experience and from each other's experiences since the 1960s, have been able to create an economic environment for profitable, private investment -- almost always with important foreign partners -- despite serious shortcomings in overall political and economic conditions. They did so, in most cases, by creating in the midst of weaker economic institutions a capitalist enclave that has gradually spread throughout the economy. Put another way, Asia's challenge, so far accomplished, has been to create a virtuous circle, in which a modern economic sector originally confined to an enclave has not only expanded through new investments but has fueled a much broader modernization of political and economic institutions. Addressing governmental weaknesses is the largest hurdle facing Asian countries, particularly the region's two colossi that constitute around two-thirds of Asia's population and around 38 percent of the world's population -- China and India. Corruption is rife, judicial systems are weak, and local governments often lack authority and adequate finances. But global capitalism stirs powerful forces for economic growth even in the face of serious limitations in law, economic structure, and politics.

The West currently has a disproportionate share of world income, but its share will diminish as capitalism pervades Asia. By 2025, Asia will likely reassume its place at the center of the world economy. Asia may account for 55 to 60 percent of world income in the year 2025, with the West's share falling from around 45 percent today to between 20 and 30 percent. Standards of living will still be much higher in the West, but average per capita income in Asia will probably increase to around one-third of the U.S. level, compared with a meager 13 percent today.

## CURRENCY CRISES

These long-term projections might seem heedlessly optimistic in the face of the economic shocks buffeting Asia. Recently the darlings of the international investment community, Southeast Asian economies have taken a beating at the hands of money managers inside and outside their countries. Equity markets fell by around 50 percent (in dollar terms) in Thailand between January and September 1997, while declines in other Asian markets have been in the range of 40 percent. Has the bubble of East Asian growth burst, the years of rapid growth already a thing of the past?

The currency upheavals probably reflect short-run financial considerations rather than a long-term crisis of regional growth. The simplest part of the explanation is that the Southeast Asian countries increasingly pegged their currencies to the U.S. dollar during the 1990s, even though the region's trade depends not just on the United States but on the European and Asian markets (with Japan playing an important role). After mid-1995 the U.S. dollar began to appreciate sharply vis-à-vis the yen and the major continental European currencies such as the deutsche mark, French franc, and Spanish peseta. As a result, the Southeast Asian currencies also appreciated sharply against the yen, European currencies, and other national currencies, such as the Chinese yuan, that also depreciated vis-à-vis the dollar. It took 3.5 yen to buy one Thai baht in May 1995; by May 1997, on the eve of the currency crisis, it took 4.6 yen, a rise of 31 percent. In effect, the Southeast Asian exporters were pricing themselves out of the European and Japanese markets. They were also facing stiff competition from China, which had devalued the yuan in January 1994. Naturally, exchange rates came under pressure.

There is a second, related aspect of the financial crisis. The Southeast Asian countries all attracted considerable foreign capital investments in the 1990s. Many of these investments enhanced export potential and thereby contributed to the main engine of long-term growth. In the mid-1990s, however, a rising share of foreign flows appears to have headed for speculative investments in the real estate markets. Following financial market deregulation in many countries, commercial banks got into the act by borrowing dollars from abroad and lending the funds domestically to real estate developers. When they made these loans in local currency, the banks exposed themselves to the risk of currency depreciation, since the value of such loans would fall relative to the value of their dollar borrowing. Even when the domestic real estate loans were in dollars, however, the banks were at risk, since domestic property developers would be unable to repay the dollar- denominated loans in the event of a weakening of the domestic currency. The pegged exchange rate regimes gave (misplaced) confidence to the financiers to accept such risks. Thus when property markets weakened in 1996 and the currencies depreciated in 1997, the banks were hit by a double whammy of non-performing loans, and many faced insolvency. The banking crisis was exacerbated,

especially in Thailand, by inadequate levels of bank capital and poor supervision.

The currency crises will likely have continuing effects for two or three years on the overall health of the banking system and on the construction sector, so that growth during 1997 and 1998 will be slower than in previous years. The crises also underscore better regulation and supervision of the financial markets as a condition for more stable growth in the future. These are serious challenges. Nonetheless, looking forward more than a couple of years, the currency crises (appropriately dealt with) do not call into question the underlying export -growth strategy of the region or the medium-term growth prospects.

## THE KRUGMAN CRITIQUE

Paul Krugman's critique of East Asia's rapid growth was that it was unimpressive and even suspect because it was based largely on heavy investment spending rather than productivity growth. He riled Asian policymakers by noting that rapid Soviet growth had been similarly based on heavy investment spending. The implication was that East Asian growth was fragile, and, indeed, likely to founder. Krugman was right to dispel the notion that Asia's "miraculous" growth could continue at very high rates forever, but he was wrong about the solidity of Asia's economic development, and he gave a misleading impression of Asia's prospects for the future.

First, Krugman's empirical claims about investment versus productivity as factors of growth were much too stark. Most researchers have found that rapid growth in Asia has been due to both productivity growth and capital investment, though it is probably true that investment spending, not pure productivity gains, has been the major source of overall GDP growth. Second, and perhaps more important, growth based on rapid capital accumulation (that is, physical investment spending) can be highly desirable, as long as the investment spending itself meets the market test, in the sense of rates of return that exceed the cost of capital. Here the contrast between East Asia and the former Soviet Union could not be greater. Soviet capital was allocated by bureaucratic fiat, not market forces. Rates of return in the Soviet Union were low and falling rapidly as early as the late 1950s. Rates of return in East Asia, in contrast, have been high and have declined only gradually over time. In Korea, for example, after 30 years of rapid growth, the marginal productivity of capital is estimated at around 20 percent, far higher than estimates for the United States of around 11 percent.

Krugman's critique is correct on a general point. To the extent that growth is driven by capital accumulation rather than pure productivity gains, the marginal productivity of capital is likely to decline as the capital stock deepens -- that is, as capital per worker in the Asian economies rises to the level of Western economies. But this point does not really answer the question of how fast the decline in growth is likely to be. All other things being equal, growth rates tend to fall gradually (over decades) as developing countries close the income gap with the United States (at around $27,000 per capita). A country at one-fourth the U.S. income level experiences a growth rate roughly 2.8 percentage points above the U.S. rate. If the United States manages per capita growth of about 2.0 percent per year, a country at $7,000 per capita (such as Thailand) could have per capita growth around 4.8 percent per year, equivalent to aggregate GDP growth of 6.5 percent to 7.0 percent per year. When the income gap narrows to around half the U.S. level, growth diminishes by about 1.4 percent per year, so a country at around $13,500 might be expected to have a per capita growth rate near 3.4 percent per year. Interestingly, Japan itself -- once viewed naively as a country that would quickly soar ahead of U.S. income levels -- demonstrated this kind of tapering off of growth as its economic success led to a narrowing (and virtual elimination) of the income gap with the United States.

Of course growth also depends on policy choices, geography, and demography. For example, demographic changes supported high savings and rapid growth in the past, as falling fertility rates led to an increasing share of workers in the population. In the future, however, Asia's aging populations -- most immediately in Japan -- will put pressure on pension and public health insurance systems and slow economic growth.

The main conclusion, shown in Table 1, is that while all of Asia has continued room for significant growth, the high-income East Asian economies are likely to grow more slowly in the next 30 years than in the past 30 because of both capital deepening and demographic changes. Southeast Asia and China, where incomes

are low compared with the advanced economies, should be able to grow at about the same rate as in the past 30 years, as the impact of capital deepening is offset by continued policy reform and institutional upgrading. In these countries, the slowing effect from the aging of society is still several decades away. South Asia is likely to accelerate its growth rate, as policy reforms take root and demographic shifts work in favor of high savings and faster growth.

## EAST ASIA'S GROWTH STRATEGY

Table 2 reminds us of the extraordinary achievements of Asian economies. From 1965 to 1995, per capita income rose more than sevenfold in the four "tigers" and about fourfold in Southeast Asia and China. As is well known, all these high-flying economies exhibited certain similarities. They achieved rapid export growth, followed prudent fiscal policies, recorded high rates of saving, pursued a public policy in support of rising literacy and basic education, did not undermine agriculture, and achieved a rapid transition to low rates of population growth. While these basic features of high growth seem straightforward -- and indeed are the workhorse components of typical development programs of the World Bank -- something went very right in East Asia that did not click in other parts of the developing world.

Developing countries typically lag many years behind the advanced countries in the adoption of new technologies in manufacturing and services. Infrastructure is poor. Research and development is generally far behind the world standard and is useful mainly to support the adoption of proven technologies from the advanced economies. How can the lagging countries hope to catch up with the world leaders? In development thinking over the past half-century, three types of answers have been given to this question. The first has been the doctrine of the "big push," according to which a government should contrive to put all the supporting pieces in place at nearly the same time through large-scale physical investments in infrastructure, basic industry, and research and development, as well as legal and institutional changes. The Stalinist drive toward rapid industrialization in the 1930s and China's Great Leap Forward of 1958-61 were the most destructive manifestations of this thinking, but numerous failed lesser big pushes litter the development scene.

The second idea has been the doctrine of "import substitution" or "infant industry protection," which holds that national industry requires breathing space to catch up with foreign competitors. This venerable doctrine, extending from Alexander Hamilton in 1790 to Friedrich List in the 1840s to Raul Prebisch in the 1950s, has achieved some successes but a much larger number of failures. Infant industry protection often becomes senile industry protection: domestic firms in small markets never attain the scale at which they could overcome foreign cost advantages, and protection leaves enterprises lazy, dependent on state handouts, and behind in adopting technology. Infant industry protection works best in large markets. Its track record in the United States, Germany, Japan, and more recently in Brazil, China, and Korea shows some modest successes (balanced by many high costs). Its record in much smaller economies in Latin America, South Asia, Central Europe, and elsewhere is one of almost unremitting failure.

The third doctrine, which best exemplifies the Asian paradigm, was aptly named by the Japanese economist Kaname Akamatsu in the 1930s: the "flying geese" model, according to which countries gradually move up in technological development by following in the pattern of countries just ahead of them in the development process. In this vision, Korea and Taiwan take over leadership in textiles and apparel from Japan as Japan moves into the higher-technology sectors of electronics, transport, and other capital goods. A decade or so later, Korea and Taiwan are able to upgrade to electronics and auto components, while the textile and apparel industries move to Indonesia, Thailand, and Vietnam.

To some extent, the flying geese pattern can be seen as the natural outcome of market forces: labor-abundant, capital-scarce economies will be internationally competitive in labor-intensive sectors, such as apparel, and will graduate to more capital- or skill-intensive sectors as savings and education deepen the pool of capital and skilled workers. And yet, as the Asian economies demonstrated, more than markets are required. Even the simplest labor- intensive products (apparel, footwear, electronics assembly) are part of a sophisticated international division of labor, one increasingly determined by multinational enterprises and technological designs created in the advanced economies. The trick is to bring multinational production enterprises and their technologies into the poorer economies to link them to the engines of growth of the

advanced economies.

If the paradigmatic institution of the big push was state ownership of industry, and for import substitution was private ownership backed by protectionism, for flying-geese development it is the export platform. The idea behind an export platform is to create an enclave economy hospitable to foreign investors and integrated into the global economy, without the problems of infrastructure, security, rule of law, and trade policies that plague the rest of the economy. Asian governments introduced several variations of the export platform, including export processing zones (EPZs), bonded warehouses, special economic zones, and duty drawback systems. Governments supported these institutions with macroeconomic policies that strengthened the incentives for labor-intensive exports, especially via appropriate exchange rates.

The export platform strategy began with textiles and apparel but really took off with electronics. With the emergence of the semiconductor industry and the early realization by Hewlett-Packard, Texas Instruments, National Semiconductor, and others that even in this very high-tech sector there were several very low-tech processes such as chip assembly, the new industry leaders began a search for low-wage production sites. Advances in information technology greatly enhanced the applicability of export platform production. Computer -assisted design and manufacturing allows digitized instructions for design, fabric- cutting, or other technical specifications to be sent from engineering headquarters to local production sites via phone lines. Reductions in transport costs, for example through the computerization and faster turnaround time of container ports, also facilitated the outsourcing of production.

Some early candidates for low-wage production sites were in America's back yard. Texas Instruments began production in El Salvador, only to leave in the mid-1980s when political instability and yanqui-baiting heated up. Hong Kong was a more likely candidate: stable, with low wages, and under British law and political control. Hong Kong's early success in the 1950s was not lost on its neighbors such as Taiwan and Korea, and then Singapore in 1965 and Malaysia in the early 1970s. The Southeast Asian countries began to compete furiously for footloose electronics firms that were neglected or shunned in the Caribbean, Mexico, Central America, or other potential sites. By 1975 East Asia employed roughly 95 percent of worldwide offshore electronics assembly workers. By the mid-1970s, the die was cast: poor East Asian countries were swept up in the worldwide electronics revolution, while Latin America, Central Europe, and sub -Saharan Africa were bypassed. Starting in 1980, China created several special economic zones up and down the coast, but especially in Shenzhen City, on the border of Hong Kong. Within a few years, one of the world's greatest export booms was under way, with millions of new jobs in China directed toward labor-intensive export production.

EPZs, bonded warehouses, and duty drawbacks accounted for the bulk of the manufacturing exports of the East Asian tiger economies in the early years, but they also served as models. In Korea, for example, there was more stress on joint ventures and technology licensing than on foreign investment in EPZs. But the underlying model was the same: domestic production linked with worldwide technology through the direct involvement of foreign firms. Joint ventures, original equipment manufacturing, outsourcing under license, and similar arrangements all facilitate export-oriented manufacturing by poorer economies.

The flying geese of East Asia caught the updraft of global electronics production, which has helped carry them through more than 15 years of rapid economic growth. In this one sector lies much of the manufacturing export "miracle" of Malaysia, Singapore, Korea, Taiwan, and to a lesser extent Hong Kong (which instead became the service center for export platform production in southern China). Table 3 highlights the dramatic shift in exports from primary commodities to labor-intensive sectors, including apparel and textiles, but especially electronics components and machinery.

Table 3 also highlights the fallacy of the argument that import substitution rather than export promotion was the key to East Asia's success. Korea, and to a lesser extent Taiwan, Indonesia, and Malaysia, have combined the export-promotion strategy with an import - substitution strategy. Korea, for example, spent considerable effort fostering heavy industry, such as steel and chemicals, behind protectionist barriers. But the protected sectors, by and large, have played a small direct role in export success and have not become the export champions. They have apparently also not even played a large role as inputs into the export sectors. Korea's electronics boom did not rely on its steel and chemicals. The connection between

protectionism and export success is equally tenuous in Malaysia and Indonesia.

The underlying assumption of the flying geese approach is that the sophistication of domestic production will move forward one position at a time. That is, a country assembling shoes is not likely to get stuck at that stage; experience, education, and further physical investment will lead from footwear to simple electronics assembly and from there to more sophisticated consumer goods and then to automotive components, heavy machinery, and perhaps on to high-technology goods. Critics of the labor-intensive exports strategy charge that it is a dead end. They are probably correct that EPZ production alone does not guarantee a foothold on the next rung on the ladder. But all the early East Asian export-platform graduates -- Hong Kong, Korea, Singapore, Taiwan -- were able to develop higher levels of local technology and sophistication, typically continuing to rely on joint ventures and strategic alliances with more sophisticated multinational firms. Acer cut its teeth on computer production under license for U.S. brands; Samsung went from chip assembly to global leadership in 64k random access memory chip production allied with IBM and other electronics leaders.

THE CHALLENGES OF GOVERNANCE

The emphasis here is on the industrial component of the overall growth nexus, since it is crucial and has been poorly understood by outside observers. Consider the debate over industrial policy. All of the successful East Asian countries shared a common industrial policy: promotion and support of labor-intensive exports. It involved picking winners, at least in the narrow sense of recognizing early on that electronics assembly operations could provide a strong impetus to growth and were therefore worth attracting through special zones, tax holidays, and other investment incentives. (It is truer to say that the electronics "winners," like Texas Instruments, Hewlett-Packard, and Intel, picked Asia, rather than the other way around.) Traditional industrial policies based on import substitution to promote heavy industry were also carried out, but not in all the successful countries. To the extent these policies brought any net benefits -- and it is far from clear that they did -- their success was limited to Japan, Taiwan, and Korea.

Asia has achieved rapid growth despite severe limitations in its institutions. The most general challenge facing the region is the creation of systems of governance and law beyond the export platforms that are consistent with the needs of sophisticated, high- income economies. In much of Asia, the rule of law remains weak. Strong central governments control powerful and politicized bureaucracies that can override local interests, the judiciary, and even private property rights. Unsurprisingly, much of Asia, including some of its fastest-growing countries, ranks very poorly on international opinion surveys regarding the extent of corruption and bribery. Far from greasing the wheels of commerce, corruption was a factor in the weak financial market regulation that contributed to this year's currency crises. A recent empirical study by Shang-Jin Wei of Harvard University found that Asian corruption greatly discourages foreign direct investment, equivalent to a tax on multinational firms of 20 percent or more.< Local governments are also weak, unable to address urgent infrastructural and regulatory challenges. The Emerging Asia study documented that tens of billions of dollars in environmental degradation takes place every year in Asia's mega-cities due to extreme but remediable levels of pollution and congestion.

The challenge of governance will be most acute in the two mega-states. China faces severe and growing strains on a centralized political system that for more than two millennia has been predicated on a largely sedentary peasant population. The very underpinning of Chinese statecraft is called into question by the social dynamism and geographic mobility of modern Chinese society. The share of the Chinese population engaged in agriculture has declined rapidly from around 70 percent in 1980 to below 55 percent today. On the other hand, the proportion of the labor force on the move within China has burgeoned to almost unimaginable (and still undocumented) proportions. An estimated 100 to 150 million are migrating within the country, mainly from countryside to urban areas and from the interior to the coasts, which offers profound advantages for export-based activity. Local governments and transport infrastructure have been overwhelmed by these population movements. Similarly, social systems are breaking down, since they too were predicated on an immobile population locked into villages or into centrally planned state enterprises that expected and guaranteed lifetime employment.

China will have to struggle with privatization, banking reform, and legal modernization, as well as the

daunting challenges of environmental degradation, wide regional inequalities, pervasive corruption, and profoundly inadequate infrastructure. There is a path ahead, based as in the rest of Asia on the proposition that institutional upgrading must proceed in step with economic development. In the final analysis, however, sustained economic development will depend on the ability of China's political system to move beyond traditional models of statecraft.

India came late to the process of global integration and market reform. While its economy was never subjected to the extreme versions of socialism practiced in the Soviet Union and China, the much milder form of Indian socialism held economic growth in check for nearly four decades. Until 1991, economic life was tied up in a mind-numbing and corrupt system of licenses and government approvals for investments, imports, exports, employment, land purchases, hiring and dismissals, and virtually every other aspect of economic activity -- the so-called License Raj. When a balance-of-payments crisis threatened India in mid-1991, the system finally cracked, with Nehruvian socialism succumbing to history in the same year as the Soviet Union. Since then, a considerable portion of the License Raj has been dismantled, and India's economic growth has increased to more than six percent per year.

Like China, India is in a complex and gradual transition from socialism to markets, from traditional political structures to those needed for a rapidly growing economy. India has the vast advantage over China of a constitutional order predicated on federalism, democratic legitimacy, and the rule of law. The problems in India lie in specific practices. While India is under the rule of law, the laws are often terrible and antiquated. Federalist arrangements purportedly give the states broad authority to carry out regional policies, but in almost every policy area, ranging from land use to labor rights to trade to infrastructure development, a morass of relations between the central government and the states can stall necessary actions for years.

The remarkable period since mid-1996, when the once-dominant Congress Party lost its governing majority, suggests reasonable prospects for further reform. A short-lived government led by the Hindu-nationalist Indian People's Party (BJP) committed itself to continued economic liberalization and market reforms, albeit with a nationalist rhetorical stance. The BJP government was followed by a United Front coalition government, in which a remarkably disparate group of centrists and leftists committed to a "minimum program" of continued market reform. As a result of these twists and turns, nearly every major political group in India has committed itself programmatically to market reforms. Prospects for sustained economic growth of six percent or more per year (roughly four percent or more per capita) in the next few years seem a reasonable bet.

## AN ASCENDANT ASIA AND THE WEST

In a fundamental sense, the system of market capitalism, which first appeared in Western Europe, has finally become a global -- and in particular, Asian -- instrument of economic development. Asia has demonstrated that it can mold capitalist institutions into a vehicle for rapid economic catch-up. The implications of a more globally balanced economic prosperity will be profound and require sustained analysis. The West today represents around 45 percent of world GDP, although it has just 13 percent of the world's population. According to the baseline estimates that underlie the growth projections in Table 1, continued economic success in Asia, in the context of an open, market -based world economy, is likely to reduce the West's share of world income to around 30 percent, while Asia's share could well rise above half. Much of the force behind this shift is the reasonable expectation that three of the four largest countries -- China, India, and Indonesia -- together comprising 40 percent of the world's population, could achieve per capita growth rates of 5 percent or more for the next three decades. In this forecast, Asia's share of world income happens to rise to 58 percent, just about the same share that Asia had in 1820, at the outset of the Industrial Revolution. Over two centuries of economic development, Asia's share of world income slid until 1950, but it will probably continue to rise through 2025.

Perhaps the wisest observations about this possibility were voiced 222 years ago by Adam Smith, who noted that the discovery of the sea passage between Western Europe and Asia came at a time of unprecedented European military advantage over the Asians, so that the Europeans "were enabled to commit with impunity every sort of injustice in those remote countries." But increased trade itself would be the vehicle for raising the incomes and thereby the political defenses of the Asian powers: "Hereafter . . . the inhabitants of all the

different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than the mutual communication of knowledge and all sorts of improvements which an extensive commerce . . . carries along with it." The reemergence of Asia in the world economy will be an opportunity for mutual gain and a more balanced international system. This is the time for the Western nations to work for long-term interests by encouraging Asia to rejoin a world economic system based on commitments to the international rule of law, political and economic freedom, and open opportunities for trade and development by all countries that subscribe to shared international values.

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