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Confucian capitalism forges Asian prosperity

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As the 21st century approaches, the focus of world economic activity is shifting from the West to Japan and a handful of newly industrialized countries (NICs) on the East-Asian fringe. Here, a free-market philosophy bolstered by the Confucian work ethic is proving an unbeatable combination. By the turn of the century, these countries will be the pace-setters for the global economy.

The vitality of this region is unmistakable. Today, Japan accounts for nearly 12 percent of all goods and services produced in the world. That figure is expected to reach 15 percent in the near future.

The stronger yen is putting the squeeze on the export sector, but our dynamic economy should shake itself down, overcoming any difficulties in the next two to three years. Our rapid recovery from the oil crises of the 1970s should leave no doubts about our ability to snap out of the present downturn.

Following Japan's lead in the Western Pacific are the fast-growing NICs — Taiwan, South Korea, Hong Kong and Singapore. 1983 was pivotal for these countries. That year saw the Western Pacific acquire a 32 percent share of total U.S. trade, surpassing Western Europe's share of 28 percent.

This gap continues to widen. Today, the United States is experiencing mounting trade frictions with the NICs as well as Japan.

THE COUNTRIES on the rim of continental Asia have in common a unique cultural heritage, Confucianism. Together they form what might be called the Confucian Cultural Zone. The rapid emergence of this zone as a center of economic growth suggests an analogy between Confucianism and Max Weber's Protestant ethic.

The comparison is appropriate for several reasons. Confucianism is not a rigid code of conduct, like the Ten Commandments or the prescriptions of the Koran. Its mutable social norms and emphasis on personal obligations and collective harmony are ideally adapted to the small-group dynamics of the corporation.

Moreover, this ethic does not need to be inculcated in members of society. Centuries-old Confucian tenets are an integral part of East Asian political and cultural institutions. They are as natural as the air we breathe. This means that in a corporate setting, both workers and management know what to do without being told.

The Confucian ethic also stresses learning. The industrial countries of East Asia tend to be information-intensive. In Japan, for example, economic intelligence is relayed from city to village at a speed that would amaze a farmer in the American Midwest or Australian outback.

BUT CONFUCIAN values alone do not explain the high economic performance of the region. These must be combined with free-market principles and an eclectic outlook. China, for instance, is the home of Confucianism, but it remains industrially backward.

Unless Confucian norms are freed from the Chinese ideological mold, there is little hope for rapid development. China's cultural introversion is another obstacle to growth. The ability to tolerate and learn from other societies is an essential ingredient of development.

Japan has been particularly clever in fusing these elements. Since the Meiji era, we have borrowed extensively from Western technology and political and social institutions, but we have adapted borrowings to national needs by blending them skillfully with traditional values and behavior. The West provided the technical "hardware," the Confucian ethic the cultural "software."

Today we are no longer an isolated example of non-Western industrialization but a model that other Asians hope to emulate. Countries like Singapore, where anti-Japanese sentiment was particularly strong after the war, are trying to learn from Japan. In Malaysia, the policy is "Look East." Even in China, Japan provides one of the models for modernization. Taiwan and Korea are desperately trying to catch up with us.

What lies ahead for Japan and other countries of the Confucian Cultural Zone? Japan's per-capita GNP of about \$10,000 is expected to double by the end of the century, putting our standard of living on a par with that of the United States and giving us perhaps the world's most affluent lifestyle.

Among the NICs, Hong Kong and Singapore have a per capita GNP of over \$6,000. The figure for Taiwan is over \$3,000, and for South Korea, nearly \$2,500. China, on the other hand, has a per capita GNP of only about \$250.

With the exception of China, discrepancies in per capita GNP are likely to disappear. Structural factors limit the growth potential of Hong Kong and Singapore, which are trade and financial centers. They have been shifting to high-technology industries, but small domestic markets make it unlikely they can sustain their present high rate of growth.

Furthermore, Hong Kong will revert to China in 1997. The prosperity it enjoyed under the British may evaporate when "Red" capitalists take over.

Taiwan's economic performance, on the other hand, has been outstanding and will probably remain so. The country has amassed foreign currency worth well over \$20 billion, the fourth largest reserves in the world. Taiwan chalked up a trade surplus of \$13 billion with the United States last year.

South Korea has a large foreign debt, and its economy lacks resiliency. Moreover, the political situation remains unstable as the government attempts to deal with constitutional reform. Nonetheless, the sharp drop in oil prices has brought relief to South Korean industry, and Seoul's foreign debt is expected to disappear in the 1990s. South Korea's economy should grow

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well beyond the 1988 Seoul Olympics.

THE 21ST CENTURY will probably belong to Japan, Taiwan and South Korea.

The changing political realities of the Confucian Cultural Zone also bode well for the region's future. Mention of Japan, Taiwan and South Korea in the same breath used to evoke the military alliance forged by John Foster Dulles to roll back communism.

Today, Japan is a non-military economic power. Taiwan is trying to normalize relations with China. South Korea will co-host the Olympics with North Korea and is moving to improve ties with China and the Soviet Union.

But as the new age dawns, the Japanese economy remains strongly protectionist. Wedded to a narrow nationalism, our society is closed to the outside world. Japan should stop playing the parvenu and start behaving like the affluent, influential nation it has become. That means playing fairly by free-trade rules and opening up domestic markets.

Looking to the 21st century, we must choose a pattern of growth that will contribute to global economic prosperity. Re-evaluating our Confucian heritage is a good place to begin.

Translated from the Japanese magazine *Keizai Ora* by The Asia Foundation's Translation Service Center. Nakajima is a professor of International Relations at the Tokyo University of Foreign Studies.