Patterns and Development of Intra-Asian Trade, c.1950 to 1980

Kaoru Sugihara (Kyoto University)

Abstract

This paper discusses the role intra-Asian trade played in Asian economic development for the period from about 1950 to 1980. Literature on postwar economic development of each Asian country has been accumulated, typically with focus on the state, entrepreneurship, human capital and the ideology of ‘developmentalism’. When the role of international circumstances is brought into discussion, the substantial withdrawal of socialist and non-allied countries from the system of free trade as a result of decolonization and the Cold War divide has been emphasized. The impression we are left with is that only a small number of countries in the western Pacific rim, namely Japan, South Korea, Taiwan, Hong Kong, Singapore and Malaya, benefited from the United States-led reconstruction of the world economy and trade, at the initial phase of postwar growth.

However, statistical calculations of ten East and Southeast Asian countries (Japan, NIEs, four ASEAN countries and China) suggest that there was a growth of intra-Asian trade, from at the latest 1950 to 1980 (after which China was integrated into the regional dynamics in full force). In contrast to South Asia and other developing regions, the proportion of intra-regional trade in the total trade of these countries had been substantial throughout, while the volume of trade itself rapidly expanded. And this allowed the structural transformation of each country, mostly towards industrialization with focus on labor-intensive and export industries, to take place.

Two comments on the existing literature are in order. First, the theory of ‘flying geese pattern of economic development’ emphasizes the inter-related nature of industrial changes in these countries, but largely limits its discussion on trade in manufactured goods. In fact the regionally ‘concurrent growth’ was made possible by the growth of trade in primary products as well as in manufactured goods. The overall pattern of division of labor within the region as well as with the outside world had to be found, to accelerate the structural transformation. Second, the view that this was a Gerschenkronian ‘catch-up industrialization’ does not acknowledge the crucial importance of such linkages. The ‘catching up’ by a participant country would not have been possible without a strong pressure for competition and cooperation by neighboring countries, which made the East Asian case a distinctively regional experience.