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Is Free Trade a Culture-Bound Ideal? The Philosophy of Free Trade and Its Applicability in East Asia

¿Está ligada la cultura al pensamiento de libre comercio?: su filosofía y aplicabilidad en el Este de Asia

Tae Jin Park
tpark@wvstateu.edu
West Virgina State University

ABSTRACT

Proponents of free trade, especially theorists known as "neo-liberals," preach free trade as a global ethic and emphasize four great benefits from it: 1) reciprocal economic growth; 2) individual freedom; 3) political democracy; 4) international peace. This review article will examine the validity of these assumptions in East Asia. Although many East Asian states are great beneficiaries of the liberal international trade system that has developed since the end of World War II, their political and economic developments generally do not conform to Western expectations because their cultural values are still "Confucian" and their political economy relied heavily on state leadership. The philosophy of free trade is largely incompatible with East Asian historical experiences. The credibility of the free trade doctrine in East Asia comes from the power and influence of the U.S. rather than from the usefulness of the free trade doctrine.

Key words: *Free trade, neo-liberalism, East Asia, Confucianism, capitalism, democracy.*

RESUMEN

Los defensores del libre comercio, especialmente los teóricos se conocen como "neo-liberales," predicar el libre comercio como una ética global y hacer hincapié en cuatro grandes beneficios: 1) crecimiento económico recíproco, 2) la libertad individual, 3) la democracia política, y 4) la paz internacional. En este artículo de revisión se examinará la validez de estos supuestos en el Este de Asia. Aunque muchos países de Asia Oriental son los grandes beneficiarios del sistema de comercio internacional liberal que se ha desarrollado desde el final de la Segunda Guerra Mundial, su evolución política y económica en general, no se ajustan a las expectativas de Occidente debido a sus valores culturales, siguen siendo "Confusas", y su economía política basada en gran medida en el liderazgo del Estado. La filosofía del libre comercio es en gran parte incompatible con estas experiencias en Asia. La credibilidad de la doctrina de libre comercio en Asia del Este viene del poder y la influencia de los EE.UU. en lugar de la utilidad de la doctrina de libre comercio.

Palabras clave: *libre comercio, el neoliberalismo, Asia Oriental, el confucionismo, el capitalismo, la democracia*

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Introduction

The philosophical rationalization of "free trade" was a characteristic element of classical economic thoughts that originated in 18th century Europe. Vocal defenders of capitalism today, especially theorists known as "neo-liberals," advocate free trade as a global ethic by emphasizing four great benefits from free trade: 1) Reciprocal economic growth; 2) individual freedom; 3) political democracy; 4) international peace. But these benefits are not conspicuous in view of empirical evidence outside the Western world, especially in the Latin American and African cases. East Asia is a region contended by both proponents and opponents of the neo-liberal theory. Such East Asian countries as Japan, South Korea, Taiwan, Singapore, and China are indeed great beneficiaries of the liberal international trade system since the end of World War II. Yet, their developments do not necessarily conform to the expectations of Western theorists. Why did Hong Kong, the British Empire's showcase for free trade, remain without political representation until the British left in 1997? Why does Singapore, arguably a most successful modern state on free trade policy, remain so authoritarian politically? Why does the People's Republic of China, the world's biggest one-party communist state, maintain an economy more open to foreign capitalists than most other East Asian states, including such U.S.-sponsored capitalist democracies as Japan and South Korea?

Unfortunately, free trade remains as a theory and no nation-state practices a pure form of free trade with another. In a sense, free trade is a retroactive and anachronistic belief because it is against the increasing role of the state which has been one of the most salient trends in modern history. Harvey tells that one of the most characteristic attitudes of neo-liberals is that they take "all forms of state intervention" as threats (Harvey, 2007, p. 5). Milton Friedman, an iconic neo-liberal theorist, indeed emphasized that "economic freedom is an end in itself" and also "an indispensable means toward the achievement of political freedom" (Friedman, 2002, p. 9). As Plehwe (2009) points out, this neo-liberal belief in personal freedom, free-market capitalism, and limited government is fairly well supported in the European continent as well as in the Anglo-American world. However, this widely acclaimed theory on free trade in the West is subjected to severe criticisms in many developing countries. One reason is, as Neff (1990) pointed out, that almost all of successful national economic developments had been "economic nationalist" in character and, therefore, developing countries usually suspected the logic of development based on free trade and private investments from developed nations.

Furthermore, economics is one of social sciences least sensitive to the question of cultural values and diversity, partly because it mainly seeks to find general theories and focus on quantitative methods (Lavoie, 1994). The standard Western assumptions and conceptual tools are often inadequate in offering useful analyses and advices to a non-western state, because the implicit values relevant to capitalism, as defined in the West, are not conductive to many non-Western cultures. This is particularly true in East Asia where "Confucianism" had reigned for centuries as the standard code of ethics on the individual, the family, the state, and the world. Although Confucianism has developed in each country as a distinctive form of national tradition, it still remains as the common and most powerful cultural resource that conditions a set of moral values for East Asian elites. It serves no longer as a formal ideology but as an implicit cultural context for East Asians in varying degrees. Therefore, in order to assess the applicability of the free trade theory in East Asia, it is necessary to examine the compatibility between the Western liberal assumptions on free trade and the Confucian cultural values in East Asia. This approach can help clarify why a liberal economic theory cannot be made sound in East Asia and elsewhere without serious reservations on cultural and historical differences.

The Economic Rationale of Free Trade and East Asia's Economic Growth

According to the classical economic view, free trade would promote a fair share of economic benefits for each trading

partner in accordance with the laws of the division of labor and comparative advantage. But historical evidence often defies this assumption. Therefore, modern advocates of free trade rather insist that, though some countries may fail in free competition, freer trade causes at least a net benefit for the world's economy (Irwin, 2009). Or they argue that countries with liberal trade policies grew faster than countries with protectionist policies (Sally, 2008). It is generally recognized that efforts for trade liberalization since the end of World War II have contributed greatly to the economic growth of many nations (Findlay & O'Rourke, 2007). The current U.S. trade policy, despite protectionist elements in it, pursues free trade in the sense that it defends a trade system favored not by economic nationalists but by low-cost producers in and out of the country. The economic growth of East Asian states in the past six decades cannot be separated from this liberal trade policy of the U.S.

However, the extreme diversities and discrepancies in economic development in this world tend to defy any sweeping conclusion. The Latin American cases generally do not support the neo-liberal logic of economic benefits from free trade (Grandin, 2006; Barboza & Trejos, 2010). What is often obscured in the neo-liberal discussion is that the U.S. had maintained a most protectionist policy among large countries for a long period. As Galeano (1973) indicated, the U.S.'s economic success from the 19th century relative to the other American republics was due not to an invisible hand but primarily to its well-managed protectionism. This view is supported by Chang (2008) who effectively argues that all the large, advanced nations with relatively liberal trade policies today, including the U.K. and the U.S., had carefully protected their infant industries until their industries became competitive enough to take advantages of foreign trade. His conclusion is that rich countries' liberal trade policy is not the cause of their economic growth but the effect of it. This conclusion helps validate a widely shared belief among critics of globalization that international mechanisms like the IMF, the World Bank, and the WTO are in effect tools of multinational corporations of rich countries to prey on less developed markets in the name of free trade. Stiglitz (2002), a former World Bank economist, agreed that the Western hypocrisy of requiring poor countries to remove trade barriers while maintaining their own barriers through various political measures was a main reason why most poor countries did not get the promised benefits of globalization.

The debate on free trade and protectionism gets more complicated when it comes to the question of whether or not the rapid economic growth of East Asian countries like Japan, South Korea, Taiwan (ROC), Singapore, and China (PRC) was due primarily to trade liberalization. Advocates of free trade argue that these Asian economies were not protectionist, because they maintained relatively low tariff rates compared to the other developing nations, employed a unilateral policy to promote both imports and exports, and played a major role in promoting the current globalization (Irwin, 2009; Sally, 2008). But, according to Shafaeddin (2005), East Asia was rather an exceptional case in that industrial growth was clearly linked to the growth of trade. In most Latin American and African states, trade proliferation itself did not cause a sustained industrial growth. What particularly distinguished East Asia from the other developing regions was a strong state supervision of industry and trade from the early stages of industrial development. In their developing stages, none of East Asian states diminished state power through budget cuts, privatization or deregulation, though they usually complied with U.S. demands for tariff and monetary adjustments. Japan was the first notable case for this. Referring to Japan's postwar bureaucratic guidance for heavy industries, some observers recognized Japan as a distinctive form of capitalist state (Murakami, 1987; Bernstein, 1997). Similarly, South Korea's economic success was attributed to the five-year-plans which were pushed by Korean bureaucrats against U.S. advices for economic decentralization (Brazinsky, 2007; Kim & Leipziger, 1997; Cho & Kim, 1991). Taiwan also pursued a state-led economic development (Dahlman & Sananikone, 1997; Aberbach et al., 1994). A liberal attitude toward trade emerged in these states as their industrial growth reached a

certain level of confidence and maturity. Trade was certainly a major factor that facilitated East Asian industrial growth but was not the prime cause of it.

However, instead of fully recognizing the central role of the state in East Asia's economic growth, the World Bank has given obscure assessments on it. The World Bank has published several special studies on East Asia's economy since 1993. The first study in 1993 maintained that "it is very difficult to establish statistical links between growth and a specific [state] intervention and even more difficult to establish causality [of East Asian developments]" (World Bank, 1993, p. 6). A World Bank report in 2007 admitted that the concern about East Asia in the 1993 study was "whether the results yielded by government intervention are better than those provided by unfettered markets." Yet this report also held that "it remains difficult to draw general policy implications," although "small policy interventions may have large effects" (Gill & Kharas, 2007, p. 48). This attitude echoed with the neo-liberal trade theory championed by the "Chicago School" economists who elevated free trade as an American political ideology. Thus, Herman once criticized the Chicago School for "the corrupting influence of ideology and the abuse of traditional scientific method" (Herman, 1995, p. 34). According to Johnson (1995), Americans in general failed to grasp the nature of East Asia's developments because "their social science is parochial, acontextual, and ideologically biased." He characterized the American problems as follows:

> Needless to say, there is a great deal of self-deception and ideology in the American lack of attention to the nature and power of the state. … Not all American academic economics and political science is ideological, but the stress on theory rather than induction tends to give preference to ideology masquerading as theory. A good example is the fad in political science called "rational choice" theory. Its roots are economic determinism, a belief in the withering away of the state, and other recently refurbished neo-Marxist propositions. Its popularity reflects the desire to see an idealized conception of the United States as a universal model for other countries—an aspect of American hegemonism—and to ward off the challenge of Japan and its emulators as different and perhaps more effective forms of political economy. Enormous efforts have been made to try to force Japan to fit the categories of rational choice theory and to define the Japanese state out of existence (Johnson, 1995, pp. 100-101).

In Johnson's opinion, the politico-economic developments of East Asian states in the postwar era followed either the Leninist-Stalinist totalitarian model or the Bismarckian-Meiji authoritarian model rather than the Anglo-American liberal model. South Korea, Taiwan, Singapore, and China after Mao have emulated the authoritarian model of Japan in which the state monopoly on economic decisions for long-term national development in fact obstructed the development of a genuine civil society. Japan and its emulators in East Asia are mercantilist states fueled by an economic nationalism, not capitalist states in the American definition. But Americans, according to Johnson, identified Japan as a same kind of liberal society as theirs because they needed to defend the orthodoxy of free-market capitalism and win the Cold War in East Asia against the more formidable ideological enemies. According to this view, the American theory on free trade is more an ideological doctrine than an intellectual method.

Until the Asian Financial Crisis of 1997, most analysts had agreed on a realist view that the key to East Asia's economic growth was the state rather than the market (Cohn, 2005). A study sponsored by the World Bank had concluded in 1997 that "the core of development success in East Asia has been pragmatic policy making—meaning, most importantly, the relative absence of ideology and the willingness to repudiate failed policies" (Leipziger & Thomas, 1997, p. 3) Some preferred to characterize East Asia's system as a new paradigm (Boyd & Ngo, 2005; Rowen, 1998; Wade, 1990). However, analyses after witnessing the Asian Financial Crisis and Japan's long-drawn recession propose a compromised view that East Asia's state-sponsored capita-

lism was effective mainly in a developmental stage. Overholt (2008) therefore holds a view that, although East Asian nations are indeed characterized by a strong state leadership, they also have respectively moved toward democracy after a period of developmental authoritarianism. Free-market theorists yet tend to equate East Asia's bureaucratic interventions to ad hoc measures for rapid growth and continue to downplay the central role of the state in East Asian development in the hope that East Asia's ultimate path would converge into the established Western model.

Free Trade as a "Universal" Concept and Confucian Values in East Asia

Both the neo-liberal defenders of free-market capitalism and their critics tend to dismiss culture as a minor factor for economic development, as the focus of their debate is usually on the roles of the state and private institutions. Those in the U.S. and Europe who view culture as a key factor of economic development tend to relish questions like how the inferior cultural values of many non-Western societies conditioned them to fail in establishing such a wonderful system as liberal capitalism in the West (Harrison, 2006; Harrison & Huntington, 2000; Landes, 1999; Jones, 1981). Their Asian counterparts once advanced a theory that Confucianism was a key source of East Asia's economic growth. Although this seemingly absurd attempt to link economic growth to Confucianism almost disappeared after the Asian Financial Crisis of 1997, many in the West still cherish their theory on culture and growth. This cultural discourse in the West serves as an alternative to the orthodox view that portrays capitalism as a universal force cutting cross all cultural boundaries. Both views tell the two sides of the same coin, as they attempt to glorify free-market liberalism either as a universal system or at least as a superior culture. One view validates it in absolute terms and the other does the same in relative terms.

W. R. Mead (2007), a historian in line of the neo-liberal thinking, mixes both views in an obscure manner. According to him, the idea of an invisible hand had been a pervading cultural norm in English societies for centuries before the idea was applied to any concrete economic thinking. Thus, the philosophy of free trade and liberal capitalism is a cultural product of the Anglo-American world, which was also implied in the larger cultural context of the West as a whole. He yet holds a view that free-market capitalism is a universal force in human history and Anglo-Americans have been more culturally and intellectually adaptable to this universal force than the others. But this kind of attempt to line up human affairs of the world along a single ideology obscures the simple historical fact that capitalism, as defined in the West, did not exist in non-Western societies before they learned, willingly or not, it from the West. The theory that rationalized commerce as an autonomous entity and profit-making as a value in itself is historically a very recent and peculiar idea (Heilbroner, 1972; Cox, 1964; Polany, 1957). Although such writers as Hugo Grotius and Emmerich de Vattel had recognized the freedom of trade as a natural right or duty of all nations, the glorification of free trade as a transcending international principle was a British invention since Adam Smith (Irwin, 1996).

The liberal notion of free trade in British moral philosophy has no corresponding elements in Confucianism that governed the moral thinking of East Asian elites for much of their history. China's ancient Daoism can be linked to the notion of laissez-faire but its influence on state affairs in East Asia was marginal. For years, the zealous ideologues in the West who identified themselves as human rights activists vainly attempted to find some relevant concepts and practices in Confucianism that might support their claim of the universality of Western liberal concepts. Their desire was to discredit the communist rulers in China and convert the Chinese people to the Western liberal political ideology by equating some elements in the Chinese tradition to the articles of the Western faith. Unfortunately Confucianism, although it was one of the most sophisticated systems of ethics in pre-modern history, has only few elements corresponding to those of Western liberalism. Both Confucianism

and liberalism are humanitarian, secular, and political-oriented in nature, but the concept of the "right" as a ground principle of the individual's freedom and entitlement is absent in Confucianism (Chang, 1998; Peerenboom, 1998; Henkin, 1998). Therefore, the concept of free trade, as defined in the West, cannot be found in the Confucian tradition. Furthermore, in terms of ethical implications, free trade belongs to the less attractive Western concepts from a Confucian point of view. A brief review of the traditional Confucian attitudes on political and economic affairs will help demonstrate how culture-specific the idea of free trade is.

First of all, Confucianism supports neither the logic of individualism nor profit-making by commerce as a legitimate way of personal advancement. More than any other ancient philosophies, Confucianism emphasized social duties over personal rights and social harmony over personal freedom. The state in this culture was considered not an arbiter or balancer of competing groups but a center of extended families. Even Mencius, who has been considered the most "liberal-minded" of all Confucian thinkers, explicitly rejected the notion that one should run the state on the basis of utilitarian calculations of benefit and harm (Graham, 1989). The liberal political thinking that accepts competition driven by self-interests as a ground rule of human behavior and institutional function has little or no relevance to the Confucian thinking.

Secondly, Confucianism degraded mercantile classes as social parasites of low morality. Confucianism was a conservative philosophy of an agrarian society where the self-sufficiency of farm communities was a norm and the commercial interdependency among different countries was considered neither essential nor desirable. Thus, all three major East Asian countries – China, Korea, and Japan – honored the Confucian social hierarchy that placed merchants at the bottom of society below scholars, farmers, and artisans. In this Confucian world, although large cities existed and commerce prospered, the European-style "bourgeoisie" class did not emerge as a powerful social force. This deliberate degradation of the mercantile forces characterized the economic nature of the Confucian Civilization (Needham et al., 1986; Gernet, 1962).

Thirdly, Confucianism promoted an isolationist worldview. The divide between the "civilized" and "barbarian" regions was certainly not a unique view held in China. However, unlike the Christian and Muslim views of the world, the Confucian view did not promote activities abroad for cultural assimilation of the "barbarians." Throughout history, the Confucian states fought against foreign systems brought by steppe nomads and maritime traders who preached the benefits of open trade. Not surprisingly, all three major last Confucian dynasties in East Asia – China's Qing dynasty, Korea's Joseon dynasty, and Japan's Tokugawa bakufu – had maintained a very restricted trade policy until they were forced to open trade relations by Western powers in the 19th century.

Fourthly, the Confucian view of international relationship was entirely different from the Western view of it. Reflecting the Confucian rule of hierarchical interpersonal relationships, Confucian states had taken a hierarchically-structured interstate system for granted. In this system, China was the "central state" or "middle kingdom" and peripheral states remained as China's "vassal states." China was supposed to be economically self-sufficient and trade with vassal states or lesser foreign states was legitimized in terms of the Son of Heaven's boon to them rather than of any economic ground. Officially, trade in East Asia was not an economic act for mutual benefits among equals but an exchange of gifts as a part of diplomatic "rituals" in East Asia known in the West as the Chinese tributary system (Fairbank, 1942, 1968). This system was a stark contrast to the Western international system that developed on the principle of the formal equality among states, which reflected the ideal of egalitarian relationships among individuals. Accordingly, the concepts like the balance of power, alliance, competition, and progress were practically absent in the traditional Confucian view of the world (Li, 2002).

Confucian values are almost opposed to the values implicated by Western liberals. This does not necessarily mean

that Confucianism itself is hostile to liberalism. Rather, it simply tells that the way of thinking and prioritizing moral values could be so different in a different culture or civilization. One may then question whether or not the practically extinct Confucianism still affects East Asian elites' political and economic thinking. No country takes Confucianism as a formal ideology and few Asians today read Confucian classics. Even if Confucian values still affect many East Asians in the realms of familial and interpersonal relations and matters like education, they almost ceased to function as practical guides on political economy. As K. D. Kim concluded, "Confucianism of any kind, whether orthodox or reform-minded, historically was not the spiritual or ideological in the initial stage of East Asian modernization" (Kim, 1994, p. 98). Some observers of China's economic performances in recent years (Herrmann-Pillath, 2010; Little, 2009; Chen, 2007) attempt to identify the possible compatibility of Confucian thoughts with modern economic principles. But this kind of attempt may simply encourage rather a nonsensical historical imagination. Whether Confucian sages over two thousand years ago may have loved a market economy makes little sense.

It is, however, possible to assume the Confucian impact on the cognitive styles or cultural contexts of East Asian thought. Confucian values indeed function in East Asian societies as the implicit cultural contexts to which foreign and new ideas can be adjusted to generate some distinctive attitudes and possibly different perceptions of the reality. As one observer points out, "the Chinese do not understand the terms of Western liberalism in the same way that Westerners understand them" and, therefore, "[g]lobalization in the neoliberal sense is not something envisioned by the Chinese, who view it differently" (Tian, 2009, pp. 519-520). It is increasingly recognized that the Confucian culture is what makes East Asians perceive the realities somewhat differently from Westerners (Nisbett, 2003; Sorrentino et al., 2009). Culture as such not only shapes the mode of thinking but also affects the styles of management, leadership, legitimation, institutional organization, decision-making and problem-solving (Lewis, 2007; House, 2004; Hofstede, 2001). The administrative style in East Asia, for example, is a Confucian legacy (Chau, 1996). Both Confucianism and liberalism are particular cultures in this sense. But every domineering culture with great transnational influence tended to claim a universal authority over the world beyond its cultural boundaries. If Confucianism was such a culture to East Asians in the past, liberalism is such a "foreign" culture to them at the present.

The Moral Rationale of Free Trade and Its Applicability in East Asia

Neo-liberal theorists spread a view that free trade promotes individual freedom, political democracy, and international peace. Their assumption is that free trade, a form of personal freedom from arbitrary state intervention, is good in itself, and a society of free individuals will lead to political democracy, and democracies will in turn promote world peace as economic interdependence of nations will neutralize interstate conflicts. This view has its roots in a host of great thinkers like David Hume, Adam Smith, David Ricardo, Montesquieu, Immanuel Kant, and John Stuart Mill. Neo-liberals also added a theory that democracies based on liberal trade policy are more peaceful than autocracies and less likely to go to war against one another (Irwin, 2009; Graeff & Mehlkop, 2008; Weede, 2006). This moral justification of free-market capitalism as an underlying force for democracy and world peace is not yet fully tested by historical evidence, though the proponents of this theory frequently highlight the danger of economic nationalism and regionalism by referring to the rise of the totalitarian states in the 1930s.

The liberal logic that links free trade to personal freedom may be an odd rationale in East Asia where there is no tradition of Western-style individualism. Most of political and social institutions in East Asia are designed for the promotion of social harmony over personal freedom. Japan, the most well developed country in Asia, is the most often-cited example of how the seemingly Western-style political and legal institutions function in a different cultural realm. Japan's consti-

tution, written by Americans over sixty years ago, is a package of Western liberal concepts and has often been considered more liberal than those of many Western states. However, individualism and self-expression continued to be implicitly equated to selfishness and immaturity in Japan (Reischauer & Jansen, 1995). If the exposure to Western values for decades in almost every level of Japanese society did not bring any significant change to Japan's social values, trade had much less impact, if any, on them. Japanese social values, which are basically Confucian, do not presume an adversarial relationship between the state and the individual. This communal attitude is more pronounced in China and Korea where Confucian heritages are deeper.

The logical extension of liberal assumption that free trade or trade liberalization would lead to democracy or political liberalization has little empirical evidence in East Asia. Singapore is perhaps the best example for this discussion, because it identifies itself as a "Confucian" society and yet has pursued the policy of free trade more successfully than any other country in the world. For years Singapore has been at the top of the World Bank's rankings on the "ease of doing business" and "trading across borders" (World Bank, 2010). But Singapore categorically rejected liberal concepts on political and civil rights. Lee Kuan Yew, the father of modern Singapore, argued in his memoir that "there are fundamental differences between East Asian Confucian and Western liberal societies" and thus "America should not foist its system indiscriminately on other societies where it would not work" (Lee, 2000, p. 491). He was particularly offended by the ignorance of "American liberal academics" who criticized Asian countries on "human rights" issues. Although he was the architect of Singapore's free trade policy, Lee expressed a rather unorthodox opinion on free-market capitalism as follows:

> We believed in socialism, in fair shares for all. Later we learned that personal motivation and personal rewards were essential for a productive economy. However, because people are unequal in their abilities, if performance and rewards are determined by the marketplace, there will be a few big winners, many medium winners, and a considerable number of losers. That would make for social tensions because a society's sense of fairness is offended. A competitive, winner-takes-all society, like colonial Hong Kong in the 1960s, would not be acceptable in Singapore (Lee, 2000, p. 95).

According to the above statements, the founder of a most successful free-trade state in modern times did not share the orthodox view on free trade with Western disciples of Adam Smith. To Lee, the goal of Singapore was to promote social harmony with ethical principles derived from Confucianism. In this case, free trade was a means of the state to strengthen national economy, not an end or an ideal. If Singapore was a case that free trade could flourish under an authoritarian political system, British Hong Kong was a case that free trade did not even require political representation. China (PRC) is another clear example that trade liberalization has little to do with political liberalization or any other serious social change in East Asia. What motivated Chinese leaders' decision to join the WTO in the late 1990s was a desire to strengthen the Chinese state through economic incentives, not a belief in market liberalism (Pearson, 2001).

Does free trade lead to international peace because it equalizes playing fields for various countries and also necessitates international cooperation required to preserve the mutual economic interdependency? After the collapse of the Soviet bloc, some scholars offered quantitative data to support their "liberal peace" theory that democracy and free trade served to promote international peace (Oneal & Russett, 1997; Bremer, 1993). In response to criticisms of their skewed data, they later conceded that liberal democracy does not necessarily guarantee peace. After reassessing this liberal peace theory, Hegre (2004) argues that advanced democracies do not fight among themselves but they may be belligerent to non-democracies and thus no more peaceful overall than non-democracies. Underdeveloped countries, whether or not they pursued democracy and liberal trade, tend to succumb to conflicts. He therefore concludes that "economic

development is a crucial precondition for a liberal peace" (Hegre, 2004, p. 4). This conclusion does not seem to help validate the usefulness of neo-liberal theories for the Third World.

In reality, history shows that the "opening" of new overseas markets was usually done by military means and most of societies resisted the opening in order to preserve domestic orders. It was once a common assumption that unregulated commerce among nations would create a cause for interstate conflicts. From the 15th century until the mid-20th century, Europe was indeed a region of the constant rivalries and conflicts among various states. By contrast, East Asia prior to the mid-19th century had a less dynamic but more stable international system in which China assumed the role of the overlord in the region and its neighbors remained as its supposed vassals. As Henry Kissinger aptly characterized, "China was not then concerned with the equilibrium in Asia, for it was the equilibrium itself" (Kissinger, 2001, p. 125). Whereas some five hundred states in Europe around 1500 were reduced to about twenty by 1900, the key states in East Asia remained essentially same during the same period (Kang, 2003). This Sino-centric international order was a political organization of economically self-reliant states with no expanding trade system compatible with that of Europe. If there was any overarching principle of this interstate system, it was the Confucian notion of harmony and reciprocity between lords and vassals. The value of trade itself had never been an organizing principle of this Confucian interstate system until the 19th century. In European history, trade may have been reckoned as an alternative to interstate conflicts. In East Asian history, however, trade had little or nothing to do with international peace.

The breakdown of the Sino-centric international system in East Asia began with the "Opium War" in China in 1839-42, after which Britain forced China to accept British rights to have free access to Chinese markets with extraterritorial privileges and minimal tariffs on their goods. Free trade was a force behind this Opium War (Fairbank, 1992; Beeching, 1975). For nearly a century since then, China had been technically an open trade zone for great powers under the so-called "unequal treaties." But this open trade system did not bring economic growth or democracy or international peace to China. It instead drove China to a state of perennial economic bankruptcy and political instability exploited by foreign powers. The Chinese state restored its fully sovereign status only under a communist system after the so-called "century of humiliation." In view of this, it is absurd to expect that Chinese leaders may associate the notion of free trade with peace and prosperity in their collective memories. Rather, as one historian points out, Chinese memories of the century of humiliation "cast a long shadow that continues to affect Chinese foreign policy, strategic culture, and *weltanschauung* worldview" (Scott, 2008, p. 3). To them, both the British-led Western intrusions in China in the 19th century and the Japanese moves to fill out the regional power vacuum in the first half of the 20th century were merely imperialist aggressions. Free trade indeed has often served as an ideological arm of Western imperialism since the 19th century.

Western ideas and institutions today originated from Europe's unique historical circumstances. Such Western experiences cannot be exactly replicated elsewhere. In his study on the formation of European states, Tilly (1992) warned of the futility of Western attempts to apply their state-building models for non-Western societies. Emphasizing the fact that modern Europe's relative homogeneity was a result of the wars and annexations in a single geographical region for a millennium, he predicted the much greater diversity of state systems worldwide in the future: "Given the diversity of state formation within Europe, we have no reason to anticipate a single trajectory of change" (Tilly, 1992, p. 196). But the U.S. has advocated, in line of the neoliberal logic, the uniform institutional development and the liberal peace more assertively than any other country in the world (Quinn & Cox, 2009). The East Asian response to this superpower advocacy has been courteous and deceptive, as one observer implies:

> Democracy, the rule of law, individual freedom, laissez-faire economies and

other central rhetorical principles of the past two hundred years of Anglo-American order have seemed to win acceptance throughout much of East Asia. It is possible, however, to see this as token deference to American power and pressure, while Confucian administrations perform largely according to traditional values (Little, 2009, p. 68).

The admiration of American ideals among many East Asians is an attitude shaped by international relations rather than a reflection of their social desires. One may wonder how this rather ceremonial conformity to the ideals of a great power across the Pacific can last long without historical or cultural imperatives to sustain it.

Conclusion

In East Asia, free trade or trade liberalism is considered practically no more than an optional economic strategy to strengthen national power. This is because the region's moral and social foundations have little to do with the culture that generated the logic of free-trade capitalism. Although the ultimate impact of capitalism and trade liberalism on societies in East Asia is only a matter of speculation, the Western liberal thinking appears to be an inadequate tool for explaining the underlying forces in East Asia's development. The neo-liberal philosophy does not take a lineal approach that separates economics from politics, but it often becomes oblivious to the deeper aspects of human conditions that are rooted in culture and history. This oversight is often found particularly in the U.S. where the general attitude toward non-Western nations is characterized by an overly ideological line of thinking. In practice, the neo-liberal theory of free trade serves more often as an American missionary ideology to the world than as an intellectual device. Its credibility comes from the political and economic power of the U.S. rather than from the usefulness of its views. East Asian allies of the U.S. thus extol American ideals and tend to identify themselves as ideologically liberal capitalist democracies in order to enjoy benefits from the American power and prestige. In view of this, the doctrine of free trade is likely to be honored in East Asia, at least nominally, as long as the U.S. exercises great power in the region as a proponent of the doctrine.

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