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American 'Globalism' and Asian 'Regionalism' in the Age of Transformation of the World System

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The history of the international economy is one of swings between globalism and regionalism. The tendency toward globalism could be seen during the period of liberalism of the 19th century, the relative stability after the First World War, and the golden years of the 1950s and 1960s, whereas the tendency toward regionalism can be seen in the periods of mercantilism of the 17th and 18th centuries, the age of classical imperialism, and the great depression of the 1930s. During periods of stability, the world system has shown the tendency toward globalism. But in periods during which the world system has been rocked, and the prevailing economic order in collapse, it has shown a tendency toward regionalism. However, if we look at the period following the first Oil Shock, and especially the period led by neoliberalism, there are issues that cannot be explained easily from the above idea.

The WTO (World Trade Organization) was formed essentially as a reincarnation of the ITO (International Trade Organization), which was born prematurely after the Second World War. With it, the principles of liberalism multilateralism, and non-discrimination were achieved. This thus shows a tendency toward globalism. However, regional groupings such as NAFTA (North Atlantic Free Trade Area) and the EU (European Union) have taken on greater significance today than ever before. We can interpret this as a historical swing toward regionalism. If we interpret the dichotomy between globalism and regionalism as one between liberalism and protectionism, we find ourselves without any answer to the question of whether history moves toward liberalism or protectionism. The situation is very complicated today.

In international economic relations, there are three types of trade systems: (1) multilateral, (2) regional, and (3) bilateral. From the point of view of the principles of liberalism, multilateralism and non-discrimination, the first system fits into a separate category than the second and third. The latter are different from the former, in that they modify its general rules. The latter contain discriminatory element which place restrictions on the principles of liberalism, multilateralism and non-discrimination.

However, it would be hasty to conclude that the two kinds of world systems are always in mutual confrontation. For instance, after its foundation, GATT (General Agreement on Tariffs and Trade) recognized a certain type of economic integration. This was thought to be a course through which its constituents needed to pass in order to attain the principles of liberalism, multilateralism and non-discrimination. In fact,

European countries needed to integrate their economies in the face of American competition following the Second World War. They used economic integration as a means to achieve economic independence and to form multilateral relations with other countries. While the two kinds of world system are fundamentally different, and opposed to one another on the dimension of principles, they can be complementary in special situations such as periods of restoration following world wars.

Now we need to explore the question of whether the two kinds of systems have become locked into a complementary relationship again following the first Oil Shock. Unless NAFTA and the EU are historical accidents, there must be a reason behind this problem.

My assumption regarding this question is that we are now in a historical process of the break-down of the *Pax Americana* and this is the key element in analyzing the question. The United States today is no longer capable of maintaining the world order independently, as an unique hegemon in the world system. In order to solve important problems in the midst of the tri-polarization of world economy (in the U.S., Europe and Japan/Asia), it is necessary to combine the multilateral system based on the principles of liberalism, multilateralism and non-discrimination, and the regional and bilateral systems which were introduced after restricting and modifying the general rules and recognizing the validity of discrimination in some cases. American leadership in the period of neoliberalism must be understood as a phenomenon of declining American economic power.

1. The Limitations of the American Economy in the 1990s

America's economic decline can only be understand after examining the historical meaning of its economic performance in the 1990s. Up until 1997, in fact, the growth rate has been very high, at almost the same level as that during the golden years. Increases in investments have been extraordinarily large, in both value and volume. This investment has been concentrated into information processing and related equipment, especially computers and peripheral equipment. The increase in the production of durable goods has been very large, and corporate profits have increased immensely. More important still are the high ratios of profits to stock holders' equity and of profits to sales. From the viewpoint of the rate of profits, this decade has been one of the brightest since the Second World War. One of the most important resources of corporate profits has been the country's monopoly on information, and world standardization, as exemplified by the Microsoft Windows series.

However, the American economy today also holds great weaknesses. The United States is running great deficits in its balance on goods and services and on current accounts, and its international investments position shows that America is the world's largest debtor country, saddled with ever larger liabilities. The country's prosperity during this decade has been achieved thanks to investments from abroad, which have made up for the deficiencies in its financial position.

But today, wages are rising and profits declining. The hedge fund crisis has shaken the general confidence of the financial system. The fall of share prices on the New York Stock Exchange will bring great financial difficulties to the entire economy.

At present, the American economy is certainly offering new suggestions for the future, but it has not been able to establish a new economic structure upon which the economic system can work with substantial stability. American prosperity has been supported by a huge volume of Japanese funds which have moved as a result of the Japanese recession. American economic leadership has not brought international prosperity. America's economic decline is clearly shown by the fact that it is an accumulation of foreign liabilities that has enabled American economic growth and the international leadership of American corporations. However, in spite of the country's economic decline, American corporations are leading the reorganization of international industrial structures, and world markets are being opened as a result of American trade policy initiatives. This is the main subject of the following section.

2. The American Initiative for Economic Opening in the Age of Neoliberalism

Neoliberalism puts too much stress on the market. It appears to hold hostile feelings against Soviet socialism and Keynesianism, and these feelings support its ideology. The ideology of neoliberalism is presented as an opposite policy to socialism and Keynesianism. Therefore it lacks sovereignty and universality as a positive thought.

Traditional liberalism grew out of British society, where the market was not everything. Neoliberalism has advanced in America's market society, a nearly pure laboratory for individualism where people are separated from traditional societies and ethnic groups.

American liberalism was used as an ideology to counter Russian socialism during America's golden age, in the 1950s and 1960s. It gave positive support to economic planning in order to demonstrate that the market was good. American liberalism can rightly be called a constructed rather than spontaneous doctrine, while British liberalism was the natural expression of a spontaneous market order. American liberalism was combined with the ideology of the welfare state and internationally with New Deal-type policies, whereas Keynesianism tended toward social democracy. Neoliberalism appeared as an antithesis to these welfare ideologies and to socialism. It put tremendous weight on the market. At the same time it appeared as an ideology to globalize the American way of thinking.

Neoliberalism is not a natural expression of spontaneous markets. It does not contend that American companies will prosper within local foreign institutions. It requires a reorganization of domestic economic systems on the basis of an American standard. Abolishing regulations means acceding to American standards. However this positivism is not evidence of the existence of American hegemony, but rather follows the collapse of American economic hegemony. It is a requirement for reorganizing foreign institutions, driven by American political leadership. This is the basis for the ideology of neoliberalism in the 1980s and 1990s.

Since 1970, there has been a tendency toward protectionism in American trade policy. Generally speaking, both manufacturers and trade unions have stressed the need to protect domestic industries, especially in depressed periods, in order to maintain employment and profits. The Trade Act of 1974 considerably eased the

previously strict eligibility criteria for approval of escape-clause petitions, and it reduced the president's ability to ignore an International Trade Commission recommendation of increased import barriers to assuage domestic injury.

These crude protectionist policies are accompanied by open market policies which require reductions in tariffs and the elimination of non-tariff barriers. Therefore American trade policy as a whole cannot be termed simple protectionism. But they are generalized versions of the policies that were introduced in the 1950s and 1960s to protect individual industries, such as textile and steel, in an expression of the decline of American industrial competitiveness. However in spite of the decline of its industrial competitiveness, America has refrained from adopting a simple protectionist trade policy. This is one of the characteristics of modern capitalism.

American policy is to focus on specific foreign institutions in the different countries, exemplified by the Strategic Impediments Initiative (SII), which caused terrible quarrels between Japan and America, since the U.S. was accusing traditional Japanese procedures of being unfair. Super 301, which is reinstated by an executive order of the president, plays the same role, as it enables the U.S. to implement unilateral sanctions against nations with unfair trade practices, resulting in its scaring foreign institutions into changing. We can recognize here the will of the state which seeks to construct and maintain a space of action for American multinational corporations.

Though it rejected protectionist policies, NAFTA did strengthen local contents restrictions. However the protectionist meaning of the open market strategy consists in its leadership of globalization in the competition between corporations. In order to prepare a space of action for American-based multinationals, the American government has worked to create new international rules in the new areas of foreign investment, trade in services, protection of intellectual property rights, policies for restricting and prohibiting competition, and the establishment of electronic commerce transactions. This open market strategy has been accompanied by competition by American firms to acquire international standards in the world market and to maintain monopolistic profits. Thus, the intention of this policy is to transform the original institutions of American firms into a world regime. This globalization of American standards is a type of globalism, but it is not a type of the globalism which confirms a spontaneous international market order on the basis of the coexistence of various institutions. It is not protectionism, but since it is egoistic strategy, it inevitably falls into conflict with other interests. Institutional relations can only be established on the ground of interactive cooperation. Given that America needs to form a new space of action for American-based multinational corporations in an era when American economic hegemony has collapsed, America must seek the cooperation of other advanced countries, for otherwise it will not be able to carry through its open market strategy. It is a type of globalism which puts weight on political leadership.

The military and economic dimensions of the world system stand in stark contrast. In the military area, there are two poles, America and Russia. But Russia no longer has the economic power to maintain great military might. Moreover, the proliferation of nuclear weapons threatens this bipolar structure, and biological and chemical weapons may be used by non-governmental organizations. Even military superpowers cannot prevent terrorist actions.

The economic world system consists of a tripolar structure, made up of America, the EU and Japan/Asia. Among them, America leads in leading edge industries such

as the information industry. However, an accumulation structure led by America has not yet been established. The United States' economic hegemony has already collapsed. The lack of an integrating power for the world economic system is encouraging the process of recession today. We confront the possibility of a spiral descent.

The political system, for its part, is situated between the military and economic systems. Here, American leadership is conspicuous. This does not mean that the presidential power base is strong either domestically or internationally. If the American economy falls into a severe depression, domestic support for the power base will collapse. In order to maintain the capacity to control the world militarily, the U.S. must give economic aid to Russia, but needs cooperation with the EU and Japan. Since the Russian currency crisis, the inflow of private capital has dwindled, so government aid has become crucial. Macro-economic management is more difficult in a recession than during other periods, because the distribution of losses becomes the main international problem. Cooperation with the EU and Japan is becoming more and more difficult. Therefore there is a possibility that a paradigm of regionalism will arise, with the aim of dividing the world market and realizing divided adjustment and control of each region, separately and locally.

This leads us to the next questions. If the EU and Japan need to cooperate with America and to make regional connections, what kind of system will appear? How do international economic organizations relate with the tripolar system? How does American leadership relate to the regional connections of the EU and Japan/Asia? How will this complex system function in the process of economic recovery from recession? Where do the regional connections between Japan and Asia begin?

3. Regional Connections in Asia

Generally speaking, regional connections involve institutional adjustments of economic policies and exchange rates of currencies of the different countries. They were first introduced in order to protect the industries of each country, so in some cases they involve beggar-their-neighbor policies. However there are a variety of ways in which plurilateral agreements can serve as building blocks for multilateral market opening. Moreover, today's regional connections have various meanings.

Through its regional integration, the EU intends to create a new market and to construct stable relations between the constituent countries through policy adjustments and currency integration, with a specific political objective, namely the peace of Europe. Moreover there are implications of economic integration, such as environmental regulations which cannot be realized by any single country. Social clauses concerning labor are introduced not only with the intention to equalize competitive conditions among firms, but also to achieve welfare and social policies. The EU contains a variety of implications which are not simply economic, which signify new stage of integration.

East Asia is not integrated in any formal way. But in reality, its economy is now integrating. Past colonies and half-colonies have become industrialized. However industrialization does not create uniform market economies. Though there are great differences between the European economies, those among the Asian economies are more striking and involve not just quantity but quality as well. This diverse region

is now being tied together through APEC (Asia Pacific Economic Cooperation), ASEAN (Association of Southeast Asian Nations) and potentially by EAEC (East Asian Economic Caucus). But the process of conscious integration has yet to begin. The diverse economies are now strengthening their interrelatedness, giving rise to integration as a consequence. This is the present state of Asia.

The economic expansion into the Pacific and East Asian area, mainly by America and Japan, was the necessary precondition for the economic growth of the Asian NIEs (Newly Industrializing Economies) and ASEAN countries. Certainly, while the market mechanism contributed to this economic growth by promoting the efficient distribution of resources, it did not cause the dynamic economic growth. In East Asia, industrial policies were consciously adopted, meaning that governments played positive roles. States stepped into the catch-up process of innovative technology. The developmental states have promoted economic interdependence during the economic expansion, leaving economic regulations in various ways. In this case, institutional and organizational characteristics of the different economies, based upon their countries' cultural traits, were closely linked with the process of economic development. This is not to say that all traditions helped to accelerate economic growth, but local originalities were selected to contribute to the growth.

The economic growth of the East Asian NIEs and ASEAN countries was spurred by the inflow of foreign capital from America and Japan. At first, advantage was taken of low wages, and later of other local specific features. Local peculiarities in institutions and organizations were also picked up, and taken advantage of alternately, so these peculiarities had the function of promoting economic growth. As a result of this, the habitat segregation structure of east Asia has been preserved.

The high yen drove Japanese firms to export capital to Asian NIEs and ASEAN countries. However, they did not make inroad into the new areas in identical ways. Not all firms located their research departments in Japan and their production facilities in foreign countries. Some preserved a mother factory in Japan, and others transferred their research facilities to foreign countries. The frontier of economic growth was spread from ASEAN to China, and factories aiming for cheap labor followed this path. The situation and role of each factory has changed rapidly, but there remains diversity in terms of firm organization.

Each area contains culturally diverse elements. Some areas that are very different in the dimensions of language, religion and culture are closely connected with one another in the economic dimension. Linkages are not limited to trade relations, but are also based on the division of labor between manufacturing processes in firms. Multinational corporations move rapidly between diverse nations, propelled by positive open economic policies and the foreign capital inducement policies of developmental states, taking advantage of these to find good conditions for the firms' growth.

These multinational corporations are not only based in America and Japan. Firms from the Asian NIEs and Chinese-related enterprises are active. Network of trade and capital transfers are formed. The point is that the bonds of the network are situated in diverse societies, with great differences in terms of politics, social structure and culture.

The basic cultural structure is not only Chinese. Southeast Asia has been influenced by India and Islam. There are various religions, such as Confucianism, Buddhism, Islam and Christianity. Democratic politics coexist with dictatorship. There

are different ideas of human rights. Social thinking concerning the individual and society, and especially the state, differs slightly between Japanese, Chinese and South-east Asians.

What we need to note is that these various elements are not mingled, but coexist side by side. Multinational corporations take advantage of different local elements as they step out from their mother countries. They select appropriate elements in terms of technological level, education and wages. They consider factors such as whether trade unions are legal or illegal, or where people are obedient or disobedient. They take values, history and traditions into consideration. People and societies are examined, and efficiency for the firms is sought after. This is a very convenient world for business.

Asian dynamism is based on this habitat segmentation structure of human beings and society. Human beings take their own masks onto the stages and fulfill their own roles in society. Asia's dynamism seems to be constituted by open human relations in the market, but this network can only exist as long as each local peculiarity is separated and preserved.

In any case, multinational corporations take advantage of the habitat segmentation structure as they integrate the East Asian wide market, resulting in the dynamic and mutually accumulated development of the East Asian economy. Certainly this habitat segmentation structure is gradually changing. Capital in search of low wages is moving from the Asian NIEs to ASEAN, and to China or India. Sometimes owing to state regulations, multinational companies retreat. In some cases experiments to introduce Japanese production system have been tried. The habitat segmentation structure is in the process of evolution.

America-oriented consumer culture has emerged from Tokyo and captured people in East Asia's developing countries, igniting latent demand in a way which appears to be glittering and glaring. This is the driving force behind Asian dynamism. It is not the development of a division of labor within a common market order, as presupposed by liberalism, but is rather the development of interdependent relations under politically and socially diverse conditions. All of the economies do not share a similar development course, so each cannot be explained as reaching some specific stage of a necessary developing process. We cannot consider Korea and Taiwan to be typical, or Hong Kong and Singapore to be non-typical. Various types of economies, tied by multinational corporations and by Chinese human linkages, are growing rapidly. The economic development of Korea, Taiwan and China are all regulated by developmental states, so Asian dynamism is not merely an international chain reaction of accumulation. On the contrary, the national states all have their own historically different and individual characteristics, so their development cannot be explained by a simultaneous growth process. Various experiences of different stages and different regions of capitalism have contributed to the economic growth of east Asia, where each economic society is segmented culturally from but linked economically with others, culminating in a chain-reaction growth process.

In Asia, the economies are integrated in fact, but there is no formal common market. As they confront American globalism, each country attempts conservatively to protect its own way of market economy with individual cultures and institutions. Though America treats China and Japan as the main targets of its bilateral negotiations, the two countries have failed to cooperate to maintain their own way of

economic development.

With regard to cooperation among each Asian countries in the world order, there are some delicate contradictions. Japan enjoys hiding under the American nuclear umbrella, but, when it acts as one of the world's largest economic powers, it sometimes comes into conflict with American economic interests. Asian regionalism is a critical issue. China clings to its nuclear arsenal, and does not dispense with military might when dealing with Taiwan. But recently the rivalry with America that has existed since the Tiananmen crisis seems to have settled, and China's fundamental policy on Taiwan has been recognized by America. On this issue, Japan has not accepted the Chinese policy, probably due to Taiwanese interests in the Liberal Democrat Party. Korea sometimes takes very confrontational attitudes toward Japan. It is constructing a holistic industrial base similar to Japan's. Severe competition between Korean and Japanese companies sometimes gives rise to overproduction. It is unlikely that Korean companies will catch up and surpass Japanese companies in the short term. But the division-of-labor structure in Asia will bring about instability.

At present, East Asia is in the midst of an economic recessions which highlights the need for cooperation among East Asian countries to restore business health.

We must at first consider what caused the Asian crises.

To begin with, we can confirm that the East Asian countries reached a superheated economic state. Following a long period of high growth, after 1995 the rates began gradually to fall. The rates of investment were higher than those of saving, which were themselves extremely high. Many of the economies ran balance of trade deficits because of the high level of capital good imports due to increasing investments. Infrastructure in areas such as transportation and energy became bottlenecks to further economic growth. Labor shortages occurred, and the relationship between capital and labor became pressed. Under this situation, some markets became oversupplied as a result of over-competition in the automobile and microelectronics industries, which were battlegrounds contested by all the East Asian countries, and by the lowering of the competitiveness of South East Asian countries owing to China's rapid growth. Stock and real estate market bubbles emerged and then burst. Financial companies who were caught up in these bubbles were seriously hurt by debt accumulation.

Secondly, it is certain that enormous capital movements by multinational financial companies were the direct cause of the superheated state of business which occurred simultaneously all around East Asia, at a time when capital inflows were welcomed. Direct capital investments from Japan, the U.S., and Europe increased. Stock investments and bankers' loans increased dramatically. The exchange rates of most East Asian developing countries were pegged to the dollar, so financial institutions formed the expectation that currency values would remain fixed to the US dollar. They borrowed a lot of short-term capital from foreign companies. The financial structure became weak, in that domestic companies were borrowing short-term funds from foreign companies and lending long-term funds to speculative real estate investments.

Thirdly, we can confirm that the simultaneous withdrawal of loans by foreign companies was the definite trigger behind the East Asian currency crises. The financial markets exhibited extreme volatility, resulting in a sharp slowdown in private

capital inflows, leading to a significant slowdown in economic activity. Under the pressure of the financial crisis, the East Asian countries have suffered a loss of income and production. Despite the closing down of many non-viable finance companies, the remaining financial institution system has not yet been able to escape and recover from the general loss of confidence.

Many arguments have been presented regarding the Asian currency crisis. We would like to reduce them to three points: (1) criticism of market worship, (2) criticism of the IMF (International Monetary Fund) and (3) international cooperation mechanisms to overcome the Asian economic crisis.

With regard to the potential for long-term economic growth of the East Asian countries, there is great debate over whether Chinese economy will be able to maintain its current growth path in the 21st century. It is likely there is another issue, of whether the East Asian economies will be able to quickly recover to their previous economic growth tracks, or whether this will take time. At present, most opinion favors the latter. It implies they have lost the confidence of the market. For Asian people, the market means globalism. They have lost the confidence of globalism. Their insight suggests that developing countries should control short-term cross-border flows if they want to maintain high economic growth rates. Malaysia hurriedly instituted a policy of exchange regulations. At present, there are no strong arguments in favor of abolishing the market economy and adopting economic planning is weak, but the king of Thailand has appealed for a self-sufficient economy and the government has increased its agricultural budget in order to preserve the local society, which is the safety net for dropouts from the market economy. This may be a traditional idea, but is an expression of counter ideologies to market worship.

Criticism of market worship is connected to criticism of the IMF, whose fundamental ideology is the market and globalism. The IMF has been criticized for offering old cures to the currency crisis. In the past, East Asian governments were not concerned about reckless spending policies, but the IMF required them to impose fiscal austerity. Tight fiscal policy in a period of recession can delay economic recovery and endanger the social safety net. Moreover, the IMF attached conditionalities such as maintaining trade and capital account liberalization. But many people in East Asia have stressed that one of the important causes of the currency crisis is the enormous inflows and withdrawals of short-term capital by financial companies, including the hedge funds. Consequently, they are pursuing oversight and control over the foreign financial companies which move great amount of speculative cross-border short-term funds.

The issue of monitoring speculative capital was put forward when the international financial crisis spread to Brazil, in the United States' backyard. At the initiative of the American and British leadership, the G7 (Conference of Ministers and Governors of the Group of Seven Countries) issued a statement that exposure of the short-term capital movements of hedge funds was an issue that needed to be considered. However, the problem to regulate speculative capital movements is not merely that of restoring confidence in the short-run, but is also that of how to recover the industries and how to return to the track of economic growth in the long run. The means to regulate speculative capital movements will influence the process thereafter.

The sound monetary policy sought by the IMF requires financial structural reform, including the settlement of bad debts, but this in turn creates serious credit

crunches and massive failures of financial, commercial and manufacturing enterprises. A tight monetary policy can give rise to a deep depression, thus delaying the recover to higher economic growth, and creating the possibility of a drop-out from the economy's growth path into a state of stagnation.

In response to these criticisms, the IMF has found itself forced to change its policies. The American and European money markets found they needed to conduct an urgent rescue of one hedge fund, and the pressing crisis in Brazil made them begin to prepare for policies to avoid it. The IMF tried to create a new loan policy to assist countries from which capital was being withdrawn, and strengthened monitoring international capital movements.

Up until now, the Asian currency crises have been dealt with using the traditional methods espoused by the IMF. Many companies have failed or have been absorbed by large firms, either domestic or foreign. The fall of exchange rates of Asian currencies has made the cost of such acquisitions favorable for foreign companies, as long as there is the prospect that the profitability of the absorbed companies will recover.

Owing to the severe contraction, the Asian economies have fallen into negative growth, and unemployment rates have jumped. But Thailand is said to have made great strides toward overcoming the economic and financial crisis, restoring its external strength, keeping inflation under control, and laying the basis for a resumption of growth in 1999. Likewise Korea was able to stabilize its exchange and market interest rates, restructure the short-term debts of financial institution, and achieve a sustained current account surplus. But owing to the shock of the currency crisis and the credit crunch, the real sector is contracting severely in both countries.

Malaysia and Indonesia face other difficulties involving their politics and economies. The former has the confrontation between Prime Minister Mahathir and his former Assistant-Prime Minister. Anwar seems to favor liberalism, but the Mahathir has tried to control capital flows and the rate of exchange. The growth rate has slowed a great deal, but many bad debts remain unsettled. By contrast, Indonesia has not been able to establish a stable political order yet. The companies owned by the Suharto family have not been totally dealt with. The framework of the economic order has not stabilized.

The Chinese economy faces competitive pressure from the falling exchange rates in Thailand, Korea, Malaysia and Indonesia. Inevitably, there will be market pressure on the Chinese currency.

In this situation, cooperation between East Asian countries is indispensable. There were already calls for cooperation in order to stop the spread of the currency crisis in Thailand, because de-facto economic integration was already progressing in East Asia. An EMEAP (Executives' Meeting of East Asia-Pacific Central Banks) Governors' Meeting was held in July 1997. Given the fact that asset price bubbles could have a significant impact on economic activities, financial system health, and inflation, and that excessive volatility in the currency markets could affect the maintenance of the monetary and financial stability of its members, EMEAP welcomed initiatives to strengthen the financial position of the IMF through a New Arrangement to Borrow, and presented a clear plan for cooperation and coordination among its members in order to enhance financial stability and develop markets in the Asia Pacific region. In the face of Thailand's currency crisis, the East Asian countries felt

the IMF's conditionalities was too severe, and proposed a new plan for an AMF (Asia Monetary Fund). This plan would embrace Japan, China, Korea and the ASEAN countries. It could take on some of the functions of the IMF, but also had the potential to put forward independent and original ideas, such as that loan decisions should be done by the constituent countries, or that the constituent countries should have the role of surveying each others' economic management. However the IMF and the United States, which has great influence over the IMF, raised great objections to this plan because it would bypass the prevailing international monetary system, centered around the IMF and the U.S. A conference held between the U.S., Japan, ASEAN, etc. held in Manila, rejected the AMF plan and set up a new system for financial aid which would cooperate with and complement the IMF.

The currency crisis began in Thailand, spread to East Asia, engulfed Russia, and is now leaping to Brazil. Thus, a plan to get the crisis under control at an earlier stage using regional cooperation would have been very rational. But this was rejected in order to maintain the present monetary system, centered around the IMF and the U.S., thus demonstrating American leadership. Consequently, the currency crisis spread and worsened. The U.S. then requested that Japan mobilize budgetary resources to promote recovering from the financial crisis and economic depression. Prime Minister Hashimoto looked displeased, but reluctantly agreed. His main plank, of budgetary structural reform, was abandoned by his successor, Prime Minister Obuchi. The new plank is to stop the economic crisis from getting beyond Japan, using loose and reckless budgeting.

The Miyazawa Initiative, which aims to achieve an East Asian recovery and financial stabilization, has been issued. This support program has made Asian regionalism into a point of dispute. If the plan leads to formal regional cooperation, it will inevitably clash with American globalism. Even if it gains Mahathir's support, there is no possibility of a vision emerging which contradicts Japan's foreign policy, which attaches great weight to its relations with the U.S. However, achieving an Asian economic recovery is an important element for maintaining American prosperity. As de-facto economic integration has progressed, economic policies for business recovery will not have adequate effects without regional cooperation and without the coordination of economic policies. Original policy cooperation and collaboration in East Asia, within the U.S.-centered global economic policy, is growing important. Therefore the U.S. must ask Japan to initiate a recovery policy for East Asia, for the sake of its own economy.

In November 1998, President Clinton and Prime Minister Obuchi issued a joint statement saying that they would jointly launch an Asian growth and recovery initiative. The American objective in this initiative seems to be to take leadership in policy developments for the Asian economic recovery, drawing fund from Japan. Japan's objective seems to be to take the initiative in forming regional cooperation, embracing a recovery policy for Japan's own economy as well as the internationalization of the yen. Generally speaking, Japan's contributions to East Asia will first increase effective demand in the region, and second help to facilitate the solution of the heavy debt burdens of corporations by accelerating the pace of corporate and bank restructuring in the region. But in order to enhance such regional effects, fund expenditures should be limited to companies based within the region, especially in Japan, and money should not be transmitted to speculative corporations through Asian bankers.

Essential to this effort to revitalize East Asia's private sector is the need to ensure that assistance funds remain there. Capital liberalization has promoted inflow and outflow of enormous amounts of money. It is certainly possible to utilize these movements of short-term money if each country can maintain liquidity in its accounts. But East Asian countries have recognized that short-term money flows have amplified their financial difficulties. Accordingly, they are tending to favor controls on international movements of short-term loans. If this policy is implemented as part of the region's economic recovery plan, it will give satisfactory results, through which regional cooperation and collaboration may result in some discriminatory regulations against other areas. The Miyazawa Initiative may produce efficient results, but it may also cause new problems vis-a-vis American globalism.

Japan's contributions to East Asia requested, as requested by the United States, may accelerate regionalism in East Asia by revitalizing the Asian economies. It may be a regional cooperation under American globalism, and thus different from the regional blocks of the 1930s. But the concepts for a course of action for regionalism have yet to be established, because the states are competing hard with each other economically, and the wealthiest, Japan, cannot display ideological and political leadership because of its past. Therefore, promoting East Asian regionalism on the base of states is extremely difficult.

4. Regionalism Through the Dimension of Local Societies

My conclusion is that we should recognize regionalism based on the fundamental principle of private international relations, because formal regionalism based on state policies will be extremely difficult. These private relations should embrace not only commercial relations based on the international market order, but also non-market relations based on welfare and environmental principles. Moreover, we can combine market relations with non-market relations in commercial transactions, for example, on condition that they realize the principles of welfare and environment.

This idea is not in opposition to liberalism, but the market is situated in different dimensions from the social principles such as welfare and environment. In the global system, the priority of the center of the world system should be market principles, and that of the periphery of the world system, local society. At the semi-periphery, in places such as the developing countries of East Asia, states should supply adjustment mechanisms.

This proposal is for a regionalism which does not seek hegemony. It is not a closed regionalism contrary to globalism. It is not a formal international organization but a movement toward general principles of welfare and environment. From this viewpoint, the internationalization of the yen is not an important objective. The monetary and budgetary policies of states, and their safety nets, are not critical to this regionalism. We should achieve welfare and environment principles in local societies, based on traditional or reformed ways of life. Economic difficulties should be solved through free communications between local societies.