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**THE ECONOMIC IMPACT OF GLOBALIZATION IN ASIA-PACIFIC:
THE CASE OF THE FLYING GEESE MODEL**

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1. Introduction

Globalization is a catch-word of our times. Capital flows across national borders are greater than ever before, as is overall movement of goods and people. Piggy-backing on a revolution in communication and transport technologies, globalization in this sense sets a new historical agenda interfering with all spheres of life and requiring new solutions everywhere on the globe. Indeed, globalization can be defined as the closer integration of countries and people of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of man-made barriers to the flows of goods, services, capital, knowledge, ideas, and to a lesser extent, people across borders (Stiglitz 2002:9, 21). These new technologies also imply that people move and communicate at an unprecedented scale and at an unsurpassed speed, mobile financial and industrial capacity defy borders in a manner seldom if ever experienced in the past, and power, interests, and life-styles are increasingly shared across continents (e.g. Walters 1995, Giddens 1999, Bauman 1998, Beck 2000).

Yet the empirical record is not quite as straightforward as statements such as these would lead us to expect. For one thing, statistics as are available are difficult to reconcile with the fact that today's "runaway world" (Giddens 1999) has worthy predecessors as far as openness to trade and factor endowments are concerned, at least as measured in relative terms (e.g. Hirst and Thompson 1999, ch. 2; O'Rourke and Williamson 1999). For another, as Held *et al.* (1999:2-10) point out, there are three broad ways of perceiving globalization. The "hyperglobalizers" claim that we have entered a completely new era in human history with a "denationalization" of the economies and the demise of the nation-state (cf. Ohmae 1990, 1995). The sceptics, on the other hand, claim that globalization is a myth that obscures other forms of economic relationships and suggest that the world is getting organized into different trading blocs, which result in new cultural and economic enclaves rather than an increasingly interconnected world. Positioned between these two, the "transformationalists" hold that the contemporary globalization process is unprecedented and that states and societies must adapt to this changing world. Held *et al.* (1999: 7) put it as follows:

In comparison with the sceptical and hyper-globalist accounts, the transformationalists make no claims about the future trajectory of globalization; nor do they seek to evaluate the present in relation to some single, fixed ideal-type 'globalized world', whether a global market or a global civilization. Rather, transformationalists accounts emphasize globalization as a long-term historical process which is inscribed with contradictions and which is significantly shaped by conjunctural factors.

If so, also the process of cross-border integration could be expected to be subject to various shifts and reversals. This would presumably be true across a variety of scales, that is, both at the truly global level, regionally, in the bilateral relations between two countries and at the sub-national level. Indeed, it is not unlikely that processes of integration and disintegration, just as processes of convergence and divergence (e.g. Boldrin and Canova 2001), may critically depend on the scale of analysis adopted.

Against this background, we set out to analyze the perhaps most popular model or metaphor used to depict the process of economic integration and development in East and South-east Asia, the "flying geese" pattern of shifting comparative advantage. Our point is that the model, for all its pedagogical virtues, is likely to conceal as much as it reveals about the inexorable process of economic integration within the region. Without necessarily giving up the economist's traditional concern for the universal and the preference for generalization, by adopting a transformationalist view this paper highlight the unevenness, open-endedness and diversity in different geographical and social contexts that globalization engenders. Put differently, while particular processes under scrutiny may or may not be truly universal in the sense of everyday speech (i.e., rather than understood as the invariant applicability across time and space that economists tend to emphasize), we acknowledge the possibility that the outcome of similar processes, structures of incentives and such like may well result in different outcomes simply because they are played out in different contexts. States, economies and societies respond in various ways to the large-scale forces that are affecting the contemporary

world. As Hefner (1998) and Wee (2002) point out with regard to modern capitalism in Asia, the responses must be understood in relation to particular contexts. And, rather than strictly highlighting economic processes, our point of departure is that economic and other societal processes are best understood in relation to one another.

Our choice of focus is the changing pattern of regional integration that clearly is part of a wider, global process of increasing interaction in all spheres of economic life, yet a process that may, or may not, have distinctly Asian traits. Thus, while narrowing in on East and South-east Asia, this is not to be taken to imply that the Asian experience is necessarily exceptional. We are striving to locate the typical, and how it changes over time, rather than the singular or unique.

For the purpose of this paper, we confine ourselves to intra-regional patterns of trade and investment but try to locate them within the broader framework of global trends. As we do so, we adopt a broad-brush approach that for now is at some remove from the detailed empirical work necessary to verify or disprove the overall patterns (and potential explanations) that we tentatively identify. As such, our picture of what is going on is painted with a view of generating debate. By explicitly addressing the broader patterns of intra-regional flows and structural change, we hope to introduce others to consider empirical pattern that all too often are neglected or simply thought fit for textbook treatments only rather than detailed analysis in its own right.

2. Most favoured metaphor: the flying geese

In a slightly ironic twist, the favoured metaphor these days used in describing East and South-east Asian is the “flying geese” pattern of development. Originating in a less than fully auspicious environment of Japanese expansionism and colonial onslaught, some four decades ago it was provided a more polished appearance by Akamatsu (1961, 1962). Since then it has engendered a substantial literature, both adopting the metaphor as a useful model of economic development in the region (Blomqvist 1997, Kojima 2000) and as a factor behind other societal phenomena, such as metropolitan growth (Smith 2001). As is true of any successful intellectual construct, however, the flying geese model has also attracted critique on grounds ranging from logical, indeed at times ideological (Hart-

Landsberg and Burkett 1998), flaws to empirical oversights Ozawa 2001, 2003). Others, possibly more detached observers, have tried to substantiate the models claim by subjecting it to empirical tests (Dowling and Chia 2000).

The flying geese model suggests that, following the successful establishment of an industry based on an economy's comparative advantage, subsequent factor depletion leads to the erosion of current advantages, thereby inducing as well as a search for means and ways to up-grade production *in situ* also a search for and relocation to production environments that still enjoy the original comparative advantages. Thus, while individual plants, firms and also industries may increase productivity, to move out may prove a less taxing and in the long run perhaps the only feasible option. At a higher level of aggregation, over time the economy will have to shift to more skills, capital and technology intensive sectors as the comparative in labour advantage intensive production enjoyed initially is under-mined. Combining it with a production cycle perspective, as did Cumings (1984) in a now famous article, it readily provides for a model that can accommodate a variety of angels to intra-regional trade and investment.

As such it is essentially compatible with one of the most important notions ever to originate within the "dismal science", that of comparative advantages. In fact, the existence of and actions based on comparative advantages is a necessary condition for it to work. However, it also adds two further elements that both are easy to intuitively accept. The one is that comparative advantages, based on factor proportions, are not hewn in stone. Rather, they change over time and such changes induce industries to shift from one country to the next. The other element that the flying geese model adds to the traditional Ricardian story is that shifts are subject to the friction of distance. All things similar, industries selecting a new location – whether it takes the form of relocation of plants or simply a relative shift in the sources of origin of a given product – are likely to chose a nearby economy as its new domicile rather than one further away. In the case of relocation of plants by individual firms this is perhaps not at all surprising, but it is often also natural to expect this to happen when and where the shift merely takes the form of a shift in a set of countries respective index of specialization. This is so as to many types of goods the distance to the market is still of some consequence and, although the more

developed economy may lose its advantage in the production of a given good; it is likely to remain an important market for that product.

What is often over-looked, however, is that the form, extent and general thrust of economic integration in the region are not invariant over time. Although the driving forces behind a process of integration may well be the same, at least insofar as it is to be located within the general sphere of globalization, 1997 Asian crisis in fact appears to mark an important watershed also as regards the pattern of regional economic integration and interaction. Thus, while the flying geese model indeed postulates shifts along a given trajectory – the one layer of economies replacing another as the more developed economies experiences a change in their comparative advantage – it is neither capable of accommodating leapfrogging economies nor instances where shifts in trade and investment does not follow from the basic properties of the model. The latter may include the changing properties of product cycles, political changes at the national level such as China's opening up to the world some 25 years ago or international agreements.

3. Beyond the flying geese

Also sympathetic critics have been quick to point out that there are a number of deviations from the basic model that may well be of some importance beyond the visible yet non-consequential variation around the mean. That there are instances where the model is not entirely correct, that is, its predictive capacity is not quite as good as we would like it to be, is only to be expected. As any intellectual construct that aspires to identify how things work (thereby pointing in the direction of the relevant explanatory variables), also the flying geese model both generalizes and isolates the critical ingredients. However, other discrepancies are more serious in the sense that they do not merely reflect reasonable deviations from the mean but in fact represent a challenge to the very idea the model tries to capture. In the following we identify, sometimes with the help of previous commentators, some instances where the model falls short.

Driving economies and the lead goose. The first instance is the illusion created by the notion of a lead goose. It is generally understood that Japan has assumed this particular role, and

following the Plaza agreement in the mid-1980s in particular Japanese firms have been instrumental in keeping the process in motion through their search for greener pastures as far as production costs are concerned. As this type of outward foreign investment tends to be trade creating rather than trade diverting, however, it is all too easy, or so Ozawa (2003) argues, to overlook the importance of a non-geese to the flying geese pattern. Ozawa forcefully makes the point that much of the activity is generated at the demand side, and while Japan of course is important in this regard, it is in fact the U.S. that is the most important actor in keeping up overall demand. In short, there is more to the model than meets the eye.

Global processes, external shocks and other extra-regional factors. Related to the above concern that the model is likely to overlook non-regional actors, if any; is the need to consider the wider effects of globalization. Not only may product cycles, inward foreign direct investment (FDI) and demand generated by outsourcing all originate beyond the pale as defined by the model, technological and structural changes and of course shifting comparative advantages elsewhere should not be overlooked (e.g. Grosser and Bridges 1990, Bernard and Ravenhill 1995). This is particularly so as the outside world might be the source of shocks that, from the point of view of economic agents based in the region itself, are best viewed as external or exogenous. If Ozawa is correct in identifying the U.S. as wielding considerable influence, any dramatic turn for the better or worse there is likely to create ripple effects, if not shock waves, also in East and South-east Asia, as indeed the effects of the bursting IT-bubble suggests. Also the subsequent realignment of currencies, which is neither a quite as surprising nor a lightning-like event, can be observed to matter to the flying geese of Asia.

The importance of political contingency. More serious perhaps is the realisation that not all countries share into the basic process, and that we on *a priori* grounds should not expect them to do so. The reason is simply that not all countries are, or have been, equally open to the process at the heart of the flying geese pattern. The obvious example is the socialist economies of the region, most of which by now have embraced the world

market. This process of opening up has not been a self-evident and straightforward one, however, and whenever major socialist economies have decided to give up their autarkic and extreme import substituting policies it has affected trade and investment in the region. Indeed, precisely because countries like China previously tried to shield its economy from the perceived adverse effects of the world market, factor price differentials were all the more dramatic and hence the attraction, once the sense of extreme business risk had worn off, similarly strong.

The “distorting” effects of development policies and business systems. The argument that development policies may have distortive effects is not a prerogative of former centrally planned economies. Consider South Korea, for example, which has been very reluctant to accept inward foreign direct investment and which for long was at least equally reluctant to accept domestic firms engaging in outward investment. It did simply not fit the chosen model of development that had been adopted (Castley 1997), but as long as it was further down on the value added ladder this mattered less than it has done over the past few years. In other countries the reluctance to accept the rules of the game has perhaps been less pronounced, but the very set-up of the local economy may have militated against it. Taiwan is a case point, in that its manufacturing sector, dominated by small and medium sized firms (SMEs) faced greater obstacles to relocation or even outsourcing than did firms of larger size. It is after all the cast that SMEs have a transaction costs disadvantage following from small size. Hence, what is sometimes referred to as “business systems” (e.g. Whitley 1992, Orrù *et al.* 1997) may make an impact on order, direction and speed with which the geese fly.

Trade arrangements. East and South-east Asian economies, while often export oriented in their basic outlook, have not been quite as open as is often suggested (e.g., IBRD 1993). Even so, the region has been committed to the potentially welfare enhancing effects of foreign trade and most countries have similarly committed themselves, at least at the level of rhetoric, to free trade. Although, or perhaps because, the region is less experienced than many others in establishing and running free trade areas – the ASEAN

Free Trade Area (AFTA) being the only prominent, yet not entirely successful, example to date – it has by and large been in favour of open regionalism. As free trade areas and other similar arrangements do discriminate against non-participants, this has proven an obstacle both to export oriented development strategies and the provisions under the World Trade Organization. In response, open regionalism was adopted as a fundamental principle of the Asia-Pacific Economic Cooperation (APEC) already from the start in 1989. As such APEC members in 1994 at the Bogor meeting committed themselves to achieving full openness to trade and investment for its industrialized members by the year 2020 and for all others a decade later – and this without establishing a formal trade arrangement that may keep non-members out. As Bergsten (1997) has noted, this has potentially far-reaching consequences, not least because the APEC weighs heavily in the world economy as a whole; others have claimed that this ‘regionalism is soft and open; that is, it is un-institutionalized and less discriminatory against other economies’ (Cai 1999, p. 6). From the point of view of the flying geese model, such open regionalism is more likely to reinforce the pattern that it outlines rather than the opposite, but it may influence the speed and direction of change in the region, not least because a substantial part of the APEC region is made up by the economies of the Western hemisphere rather than Pacific Asia.

All of the above points in the direction of context and contingency as potentially modifying forces of relentless and inescapable economic processes of a universal nature. Whether it is enough to throw the flying geese formation off course is an open question. What we shall argue, for now primarily for the sake of argument, is that the above factors have in fact made a difference. This includes, critically, the opening up of China, which altered the set-up of relative prices, and did so quite dramatically if not with immediate effect. Thus the so called open door policy launched in the late 1970s as combined with processes of internal economic liberalization have been instrumental in changing the economic landscape of the region. This particular factor also goes to prove that politics and economic policies, not only impersonal and inexorable forces of economic change, may make a difference.

To illustrate our point, and to locate the consequences of this critical change in time, we shall have to turn elsewhere within the region. Although it has been argued that China's move to a unified currency and more modern tax system in 1994 not only irreversibly finally changed it from being a centrally planned economy to a market based one (e.g., Qian 2000), and thereby provided the proverbial straw that broke the back of the camel of the pre-existing system of trade and investment, other factors also need to be taken into account. What we have in mind is not only the ultimate and proximate causes of the Asian crisis of 1997, but also other changes the impact of which has been brought to the fore in the wake of that event.

4. Trade and investment on either side of the 1997 watershed

If external shocks may matter, so do internal ones. Starting from 1994, in some cases earlier, the position of the ASEAN economies worsened. Primarily to be seen in the continuing high growth, but unlike in the recent past also accompanied by deteriorating current account and trade balances (e.g., Baer *et al.* 1999), the South-east Asian economies were not quite prepared for the lightning that struck on 2 July 1997. The causes of this event need not detain us here; suffice it to note that it marks something of a watershed: it is only after 1997 that China has truly made its entry onto the scene. In fact, we shall tentatively argue, while the flying geese pattern of intraregional trade and investment may well hold for the period up to 1997 (as shown by, e.g., Blomqvist 1997; see also Alvstam 1995, Das 1998, Murshed 2001), subsequent developments have served to distort it beyond recognition.

At the heart of this process we find the reasons for the wave of FDI into the ASEAN region 'receding into history', to use Petri's (1995, p. 34) apt phrase, but also the consequences of investments made under the Chinese investment boom of the mid-1990s coming on stream (Arvantis *et al.* 2003, Lin 2004). Thanks to high levels of inward FDI (see Table 1), but also very substantial investment provided by the authorities, not least on the provincial level, the industrial capacity of mainland China has surged by leaps and bounds. Much of this was launched following the firm commitment to reform marked by Deng Xiaoping's tour of south-eastern China in 1992 and the 1994 economic

reforms, creating in the process considerable overcapacity within many manufacturing industries. Thus, the ground was well prepared. For one thing, Petri (1995, p. 37) observed,

[t]he concurrence of the Chinese investment surge and the ASEAN investment collapse may be an example of a new kind of intraregional competition for FDI, fuelled by improved capital mobility. Chinese reforms and progress toward economic and political stability, together with low labour costs and a huge market, have made investment in China very attractive to other East Asian sites....Investors are flooding to China simply to acquire the option of expanding there later.

Table 1. Foreign direct investment inflow to ASEAN and China. USD 100 million.

Region	1996	1997	1998	1999	2000	2001	2002	2003
ASEAN	299.1	339.3	221.6	272.5	234.1	193.5	134.6	193.5
China	417.2	452.7	454.6	403.2	407.2	468.8	527.4	535.5

Source: China Statistical Yearbook 2004, and ASEAN Statistical Yearbook 2004. Mainland China excluding Hong Kong.

This helped China maintain growth and contain inflation also during the crisis of 1997 and its immediate aftermath. As such it provided a valuable source of stability in the region. What is more, China has increasingly come to be viewed as the place to be; with the consequence that capacity is further expanded.

This is also reflected in regional trade and investment patterns. Prior to 1997, the East Asian economies, including increasingly if still at rather low levels China, were rather well integrated. The proportion of total foreign trade that went within the region increased, to the point where, just prior to the crisis, almost half of the trade generated was intraregional in nature, see Table2.

Table 2. Intra-ASEAN Trade, 1995-2003. USD 100 million.

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003
Brunei									
<i>Exp</i>	5.3	4.5	4.9	2.2	3.7	6.4	7.7	6.8	6.3
<i>Imp</i>	10.1	28.5	9.8	5.9	8.9	5.4	5.5	6.3	6.2
Cambodia									
<i>Exp</i>	--	--	--	--	--	0.8	0.7	0.9	1.0
<i>Imp</i>						5.5	10.9	6.0	16.9
Indonesia									
<i>Exp</i>	64.8	83.1	88.5	93.4	82.8	108.8	95.1	99.3	107.2
<i>Imp</i>	42.2	55.5	54.1	45.6	47.8	67.8	57.2	69.9	80.3
Malaysia									
<i>Exp</i>	184.3	226.9	232.5	216.1	218.8	244.1	210.2	221.3	266.3
<i>Imp</i>	125.2	146.8	148.4	129.4	124.1	159.3	152.5	172.4	143.3
Myanmar									
<i>Exp</i>	--	--	--	--	2.1	3.9	9.5	12.2	30.6
<i>Imp</i>					9.9	11.1	13.2	11.9	9.7
Philippines									
<i>Exp</i>	23.6	29.7	34.4	38.2	49.9	59.8	49.9	55.3	65.8
<i>Imp</i>	24.6	40.1	48.7	44.3	44.6	49.5	46.6	55.4	64.0
Singapore									
<i>Exp</i>	317.7	344.4	357.9	259.9	292.7	377.8	328.2	339.6	358.4
<i>Imp</i>	245.5	273.6	303.9	236.5	262.4	332.9	289.9	304.4	310.8
Thailand									
<i>Exp</i>	106.1	121.1	135.2	83.1	99.1	127.1	121.9	128.4	161.4
<i>Imp</i>	88.2	97.6	81.2	54.4	79.9	100.5	92.4	96.8	117.0

Source: ASEAN Statistical Yearbook 2004.

The pattern of trade was closely reminiscent of what the flying geese pattern suggests, and nowhere was this more easily seen than in South-east Asia, where intra-ASEAN trade for

the most part was bilateral trade between individual members and Singapore, the only truly industrialized country in their midst. As the model would in fact lead us to expect, there was relatively little trade between the less developed members of the AESAN and only slowly did such trade begin to make an impact, not least because countries like Malaysia and Thailand found that their poorer neighbours in Indochina were useful for outsourcing purposes (Grosser and Bridges 1990). The fact that these countries were also to become members of the ASEAN itself probably helped, as did their visibility while at the same time induced a measure of stream lining in the poorer countries' foreign trade arrangements.

The events of 1997 changed this. Intraregional trade as a proportion of all foreign trade dropped, as one would indeed imagine given the effects of the crisis on demand and the value of local currencies. Since then most countries have managed to engineer their recovery, but typically not a similarly high levels of growth as was the case prior to the crisis. More importantly, the pattern of trade and investment appears to have changed. As suggested by the quote from Petri above, competition from inward investment has increased, and China appears to hold its own in this competition.

Trade flows have also been affected. For, although the flying geese pattern can easily accommodate a newcomer like China as long as it stays in its allotted position, it cannot account for the manner in which China currently trades with the surrounding world, see Table 3. Today, China runs a substantial surplus in its trade with the U.S., and somewhat less so with Europe and Japan. However, it also runs a deficit with most other countries of the region, including developed economy like Taiwan. Other industrialized countries within the region see their exports to China increase at higher rates than do their imports from there, China's seemingly insatiable hunger for imports thereby contributing to the closing of the gap.

Table 3. China's trade with other regions. USD 100 Million.

Region	1996	1997	1998	1999	2000	2001	2002	2003
<i>Total Exports</i>	1 510.5	1 827.9	1 837.1	1 949.3	2 492.0	2 661.0	3 256.0	4 382.3
N. America	282.9	346.1	401.1	443.9	552.7	576.4	742.7	981.3
Europe	238.6	289.6	334.3	354.8	454.8	492.4	582.7	881.7
ASIA	912.4	1 089.2	981.8	1 025.6	1 323.2	1 409.6	1 713.0	2 225.8
Japan	308.8	318.2	296.9	324.1	416.5	449.6	484.3	594.1
Taiwan	28.1	33.9	38.7	39.5	50.4	50.0	65.8	90.0
ASEAN	88.3	110.3	94.62	108.8	152.7	163.9	206.4	267.4
<i>Total Imports</i>	1 388.3	1 423.7	1 402.4	1 657.0	2 250.9	2 435.5	2 951.7	4 127.6
N. America	187.3	183.1	191.9	218.2	261.2	302.4	308.8	382.6
Europe	276.5	257.5	263.1	326.5	407.8	484.0	519.7	696.9
ASIA	834.4	883.9	870.5	1 016.8	1 413.4	1 471.8	1 917.3	2 728.9
Japan	291.8	289.9	282.1	337.6	415.1	427.9	534.7	741.5
Taiwan	161.8	164.4	166.3	195.3	254.9	273.4	380.6	493.6
ASEAN	104.1	120.2	123.2	144.6	211.2	221.8	299.2	456.9

Source: China Statistical Yearbook (1997-2004). Mainland China excluding Hong Kong. Cambodia included in ASEAN.

A further sign of what is afoot is the fact that Chinese exports have a very high import contents, and that the proportion of imported inputs that are of a high-tech nature is also very high. On the other hand, many economies enjoying a surplus in their trade with China are also substantial suppliers of raw materials. Taken together this suggests that China has become, as is often claimed, something of the “factory of the world”. What it does is specializing in assembly activities (Lemonie and Ünal-Kesenci 2002).

This is not to deny that China can also be observed to enter the value added ladder at higher levels, an almost inexhaustible source not only of unskilled labour but also engineers as it is. Put differently, it combines the virtues captured by traditional (or static) comparative advantages with the ability to avail itself of the dynamics of regional integration. Nor is it to deny that China can hold its own in some industries, both with respect to high-tech inputs and the quality of output. What it does suggest is that China

has become the main staging point for exports from Asian developing and developed economies on their way onto the world market. Rather than, say, the U.S. running large trade deficits with most countries of the region, it has now become concentrated in the statistics of bilateral trade with China.

5. Concluding remarks

In Pacific Asia, globalization has resulted in rapidly growing international flows of goods, portfolio capital and direct investments. This has taken place at the same time as several countries are transforming from command to a market economy. Both processes have a profound impact on the institutional and business environments in the region. This can be seen as we apply classical trade theory or, for that matter, versions of it sensitive to the dynamism and geographical character of shifting comparative advantage. Thus, resource allocation and trade are determined by factor endowments and technology, but processes such as relative resource depletion and distance should be given their due. This paper has sought to apply these insights, in that the so called flying geese model of shifting comparative advantage has been made subject of an analysis. Although still very tentative in character – its testable implications have to be just that, tested – indications are that it may be worthwhile pursuing this train of thought more systematically.

This is especially so as recent theories also let comparative advantage be determined by the scale of operations and agglomeration economies. The location of firms depends on factor endowments, but access to markets for intermediate and final goods also matters (Crafts and Venables 2002). As Petri (1995, p. 37) noted quite early on – and which more recent studies of the location of industry in China itself bear witness to (Wen 2004) – China has a huge advantage if seen from the vantage point of clusters and agglomeration, to which also home market effects are critical. The vast scale of operations allows it certain privileges, just as does the (potential) size of the market and its next to inexhaustible supply of labour. The emerging pattern of trade and investment suggests as much and, by doing so, it also starts to realign the flying geese pattern of regional economic integration along a different path than that which has prevailed during most of the post-war period. This is not to deny the usefulness of dynamic and regional

perspective on comparative advantages, only that the shifts in such advantages may not always be driven by factors endogenous to the model. Globalization, political change and markets beyond the confines of the model are all important to the picture, but do not get the attention they deserve.

At a more general level, we may note that there is an abundance of works showing that openness to trade and economic growth are interrelated (Edwards 1998). This has been criticised on the ground that it has been hard to determine the direction of causality (Rodrigues and Rodrik 2001), but recent studies give further support to the notion that there is a causal effect from trade to growth (Frankel and Romer 1999, Irwin and Terviö 2002) and that trade liberalization supports growth (Greenaway *et al.* 2002). Against this background, it has been widely debated to what extent the successful Pacific Asian countries have pursued an open and liberal economic policy (IBRD 1993). Economic policies have certainly differed between the countries, but by and large they have all moved in a liberal and outward oriented direction. In the course of the establishment of this wide pattern, the model in focus here has increasingly been embraced as a useful way of depicting the process of regional integration. As this happened, traits typical of yet not necessarily unique to Asia intervene in a such a fashion to make the story both a richer one, but also one that may enlighten theory as such – precisely because they deviate from the universal. In this sense the process of regional integration can help further the call of Yeung and Lin (2003) to take ‘the situatedness of theories’ seriously, yet doing so without loosing the sight of universals where relevant.

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