

## **Is This Asia's Century?**

### **Boao Forum for Asia will actively explore Asia's new global role at its annual conference**

**By Lu Jianren**

ECONOMIC ENGINE: China's continuous high-speed development is to further consolidate the status of Asia in the world

As a non-governmental, non-profit organization aimed at facilitating high-level dialogue between government and business leaders from across the region, Boao Forum for Asia (BFA) will play host to state leaders and almost 1,000 senior government officials, business leaders and scholars from April 22 to 24. This year's Annual Conference of Boao Forum, with "Asia Searching for Win-Win: New Role of Asia" as its central theme, is expected to hear a wide range of issues related to exploration of Asia's new role in the world. Discussion on the state of Asia's economy after the disastrous tsunami is also high on the agenda.

#### **Momentum Undeterred by Tsunami**

While the unprecedented catastrophe that hit Asia on December 26, 2004, when 11 Indian Ocean rim countries were struck by a devastating tsunami, leaving over 300,000 people dead or missing and 1.5 million people homeless, has taken its economic toll on the tsunami-hit countries themselves, it did not devastate the Asian economy as a whole.

Thanks to generous and timely assistance from the international community and efforts made by tsunami-stricken countries, these economies are quickly recovering. Only four months after the catastrophe, tourism in Southeast Asia and South Asia is witnessing a full recovery. Thailand's Phuket Island, which was among the worst affected areas, is reclaiming its status as a paradise for holidaymakers, with the return of hordes of foreign tourists.

Even though the tsunami took an enormous injury and death toll in the countries along the Indian Ocean rim, the damage to the industrial facilities and infrastructure of these countries is not serious. Except for the Maldives and Sri Lanka, whose economies rely heavily on tourism and the fishery industry, other countries affected suffered limited economic setbacks. In the worst hit Aceh province of Indonesia, oil and gas drilling facilities and mineral exploitation facilities basically remained intact. Ports in the industrial area of south India hit by the tsunami were quickly back on their feet. Production and foreign trade in these countries are now back to normal. The Asian Development Bank (ADB) estimates that the tsunami will not adversely affect the economic

growth of India in 2005 and 2006. As for Thailand, the government projects a 5.7-percent annual growth rate for 2005, which is only 0.3 percentage points lower than the projection prior to the tsunami.

COLOR OF INDIA: Indian tourism, full of regional flavor, draws millions of tourists every year and gives its economy added power

The international community has altogether donated over \$3 billion to tsunami-hit countries. Governments of these countries, without exception, appropriated money for post-tsunami reconstruction, which, to some extent, has stimulated economic growth. In addition, major creditor countries have frozen billions of dollars of debt repayments from Indonesia, Thailand, India, Sri Lanka and the Maldives, and even written off certain debts, which has all helped accelerate the economic recovery in this region.

Asia remains the region with the fastest economic growth in the world. In 2004, driven by the vigorous expansion of the world economy, Asia registered the highest growth rate in the last 20 years. Except Japan, the other 42 member countries of ADB achieved an average actual growth rate of 7.2 percent.

With the upward trend of the world economy turning flatter in 2005, the Asian economy is also expected to slow down its growing momentum. Nonetheless, as ADB has expected, thanks to expansion factors of intra-regional trade, booming export, increase in individual consumption and recovery of business investment, 2005 is still a promising year in terms of the general performance of Asia's economy with a projected annual grow rate of above 6 percent.

#### China Now Driving Asia

Asia is home to many ancient civilizations, including those in the Yellow River valley in East Asia, Indian River valley in South Asia and Euphrates River valley and the Tigris River valley in West Asia. The continent had boasted the world's highest development level in the fields of culture, social development and economic development before the 16th century, making great contributions in agriculture, medicine and literature, which have occupied an important position in world history.

Asian resources were quickly depleted after colonization by Western powers after the 16th century. In the later part of the 18th century, Asia was absorbed into a world system centered

around the major Western players of the time, playing the role of a giant material supplier and industrial products market. Up to the 1940s, with Japan excluded, almost two thirds of Asia was colonized, leaving the continent far behind the world's developed nations for the next three centuries. This situation lasted until the 1950s when most Asian countries began to gain independence in the wake of World War II.

BACK IN BUSINESS: Thailand's Phuket Island plays host to tourists after it was reopened on January 31, one month after the tsunami

The economic boom in the war-devastated Japan in the 1960s formally lifted the curtain on the rise of the Asian economy. In the 1970s, South Korea, Singapore, Taiwan and Hong Kong were acclaimed as the "four tigers" in Asia for their rapid economic growth by seizing the opportunity created by international industrial structure adjustment. In the 1980s, Thailand, Malaysia, the Philippines and Indonesia promoted their industrialization by taking advantage of the "Flying-Geese" model in industrial updating in East Asia and achieved phenomenal economic success. These led to East Asia leading the whole of Asia in embracing an economic boom and creating the celebrated "East Asia Miracle."

Having adopted policies of reform and opening up, China quickly caught up by creating a new Asia miracle featuring sustained rapid growth in the 1990s. The influence of China's economic growth on Asia and the world is now surpassing that of Japan, Asia's "four tigers" and Southeast Asia. Currently, China is still maintaining a high growth rate, which will further enhance the status of East Asia as well as the status of Asia in the world. During her recent visit to Asia, Condoleezza Rice, U.S. Secretary of State, acknowledged China's progress when she said, "If there is any new change in Asia, that is the rapid economic growth of China." While on board a flight for India, she made a similar comment, "Without question, in this continent featuring fast development, China will be an important factor, if not the most important one," a clear signal that development in China has become the symbol for a fast-changing Asia.

#### India's Prominent Role

At the turn of the century, while the rise of the Chinese dragon propels Asia to global prominence, India's outstanding performance is not far behind in Asia's global economic emergence.

With the second largest population in the world, India has become another shining beacon on Asia's economic map. Since it adopted economic reform in 1991, India has registered an average

annual growth rate of nearly 6 percent, contributing to remarkable development. In the sphere of hi-tech, India has one of the most cutting-of-edge software industries in the world along with an advanced pharmaceutical industry. Besides, India has developed nuclear weapons, medium-range and long-range missiles, manmade satellites and aircraft carriers. With its 1.1 billion population, seventh largest land mass and strategic location on the Indian Ocean rim, India has everything necessary to become a major power. Not satisfied with regional power in South Asia, India has always dreamed of becoming a global power. Under the existing international strategic structure, countries and regional blocs including the United States, EU, Russia, Japan and others in Asia now compete to develop friendly relations with India for its favorable strategic position. In the post-September 11 world, India's position has become even more significant strategically for the United States as an important outpost in stopping the spread of Islamic fundamentalism from West Asia. During Rice's first visit to Asia as U.S. Secretary of State, she chose India as the first stop, which is testimony to the significance the United States attached to this South Asian country. As for the United States, India not only serves as a market for its arms and goods exports, but also plays a dominant role in checking China and Russia. The U.S. Government has launched a series of plans to "make India a major power in the 21st century" immediately after Rice's visit there. India, on the other hand, is not averse at taking advantage of America's preference to enhance its international status. An influential India on the international stage has helped boost the status of South Asia and the status of Asia as a whole internationally.

### Asia's Changing Face

The rapid development of two major Asian countries is changing Asia's role and status in the world, which is indicated in the following three aspects.

First, without the development of China and India, modernization of Asia is a non-starter.

So far, Asia has been home to only one developed country, Japan, and only a handful of countries and regions in East Asia have realized economic modernization. There would be no modernization of Asia if China and Indian, which together account for two thirds of Asia's total population, failed to modernize their economies. On the other hand, economic modernization in China and India will greatly fuel modernization processes in their neighboring countries, considering either country has a colossal domestic market and the ability to power economic growth in neighboring regions. This has already been proved by the case of China. Vigorous demand in China, No.3 importer in the world, has considerably stimulated economic growth in other Asian countries, especially those in South Asia. Likewise, increase of India's demand will also drive economic growth in South Asia and other parts of Asia.

Second, without the development of China and India, economic globalization is unlikely to happen. Economic globalization is closely related to and contingent upon economic modernization of developing countries. As the largest developing countries in the world, while the GDP of China and India only represents 4 percent and 2 percent of the world's total respectively, their total population accounts for nearly 40 percent of the entire global population. Thus either country's failure in modernization would lead to breaking a link in the chain of economic globalization, putting a halt to the whole process. In contrast, if China and India could realize modernization earlier than expected, the whole process of economic globalization would be accelerated and the world economy would be well placed to embrace prosperity.

Third, the development of China and India will strengthen Asia's right to speak on the world economy and thus enhance Asia's status in the global economic system. Last December, the U.S. National Intelligence Council (NIC) compared the rise of China and India at the beginning of this century with the rise of Germany in the 19th century and the rise of the United States in the 20th century. The NIC said the rise of China and India is of the same "groundbreaking significance." However, the rise of the two Asian powers will be far more significant, considering the rise of Germany and the United States took place in two separate centuries and on two different continents, while that of China and India is happening at the same time and on the same continent. In this sense, the 21st century seems destined to become "Asia's century."

Currently, all Asian countries except Japan are playing a non-favorable role in the international division of labor and global economic system. Asia remains a material supplier and product processor, concentrating on the production of labor-intensive products and low value-added products. Although Asia has become the "world factory," Asian developing countries have no initiative in intellectual property rights and technology innovation and no say in formulating rules for the world economy. However, with the development of China and India, the landscape is bound to change. As two prestigious ancient civilizations, China and India both have time-honored culture and diligent and intelligent people; more importantly, the two countries also have the world's largest science and technology teams, which hold in store great innovation potential. Thus China and India will not play the role of the "world factory" forever. With the upgrading of industrial structure, the two countries will foster their hi-tech and knowledge-intensive industries and finally compete with Western industrialized countries in these spheres. China, India and other Asian countries will have their own intellectual property rights, research and development systems and production bases. By then, if China and India could speak with one voice in the enactment of rules for the world economy, nobody could afford not to pay serious attention.

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