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## The Impact of Crisis on Asian Capitalism

**Panel:** Session 1 (Grand Ballroom I)

**Date/Time:** Tuesday, April 30, 2013 / 12:30-13:45

**Speakers:** Joseph Sternberg, The Wall Street Journal Asia  
Mo Jongryn, The Asan Institute for Policy Studies; Yonsei University  
Jennifer Oh, Ewha Womans University  
Natalia Soebagjo, University of Indonesia  
Yang Xuedong, China Center for Comparative Economics and Politics

**Rapporteur:** Steven Denney, Yonsei University

Moderator Joseph Sternberg set the tone of the discussion by highlighting the importance of understanding the 2008 Financial Crisis, a predominantly “Western” phenomenon, from the perspective of Asia. The panelists spoke of the impact of the 2008 Financial Crisis on Asia, each representing a different country.

Yang Xuedong led off the panel with a uniquely Chinese perspective, stating, “We [the Chinese] are not capitalists, we are socialists … [but] socialists with capitalist characteristics.” Yang emphasized that despite China’s socialist predisposition, the country as a whole has recognized the positive correlation between economic growth and certain capitalist characteristics: capital, entrepreneurship, and the like. According to Yang, in the last 30 years, such traits have been mobilized by three pillars of the country: capitalists, the state, and society. Since the 2008 crisis, things have changed. Many capitalists, for want of product demand and better streams of capital, have left China. The state has tried to adjust to capital flight through revenue and tax reforms; however, it was the local (state) governments that had real success in attracting capitalists back. As for society, there was less of a sudden change and more of an intensification of civil society’s call for better working conditions.

Natalia Soebagjo, speaking for Indonesia, pointed out from the beginning of her speech that crisis was nothing new to Indonesia. The reform measures adopted following the crisis in 1997 allowed Indonesia to respond quickly in 2008, with little harm to the national economy. Soebagjo also indicated that *not* being as connected to American economy as was

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other countries in East Asia softened the impact of the crisis. But instead of focusing on 1997 and 2008, she instead took the opportunity to point out Indonesia’s post-Suharto micro-crisis. At the macro-level, Soebagjo was keen to stress, Indonesia’s economy is doing splendidly, but beneath the surface, corrupt local elites, an unfavorable business environment, and a struggling public sector prevent Indonesia from consolidating its democracy and implementing more market-friendly economic policies.

Jennifer Oh, speaking about the post-2008 political and social environment in Japan, emphasized one thing above all else: continuity. Oh pointed to the gap between public rhetoric and actual policy, political promises and what citizens are actually demanding. Using the political concept of “distributive politics,” Oh explained how special interests, a sustained demand for public goods, and undifferentiated politics have prevented any significant economic or political reform in Japan. Despite the better efforts of Shinzo Abe, and his reform platform known colloquially as “Abenomics,” political parties (both the ruling LDP and opposition DPJ) have continued to support the funneling of funds to uncompetitive industries and special interests groups (e.g., agriculture and construction) whilst politicians, responding to the demands of voters, continue to ensure that no structural adjustments are made to Japan’s welfare state.

Lastly, Mo Jongryn, speaking for his native Korea, told of an economic blast from the past. Despite the pro-liberalization policies and disposition of the Lee Myung-bak government, Mo detects a significant, and highly progressive/populist, shift in the orientation of the new government under Park Guen-hye, even though the same party (under a different name) is in power. Pointing to Korea’s culture-based antipathy towards free market principles, Mo explained that the public’s call, and the government’s support, for a transition to a European-like welfare model should not be all that surprising. Despite the current trend, Mo is confident that the need to maintain export-competitiveness, “the only thing Korean knows how to do,” will precipitate renewed support for free-market policies and the American-model more generally.

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