

A Summary of

The Asia Pacific in the Next Decade: From Economic Crisis to Instability? *

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There has been some change in the international power structure as a direct result of the recent Asian economic crisis—earlier referred to merely as “monetary difficulties.” But the rise of nationalism and the threat of political instability within states, also consequences of economic crisis, will have an even greater impact on regional affairs, for states are still the primary actors in the political economy of the Asia Pacific, despite the powerful presence of MNCs and the rising significance of international civil society.

The economic crisis has shifted the balance of power, weakening the capabilities of Korea and the ASEAN countries, while limiting Japanese influence in the region. Chinese and US currencies have been stable, while those economies enjoy relatively rapid growth. But the economic advantage that the US has gained has not been translated into increased political influence. In fact, a distracted president, opposed by an increasingly isolationist Congress, seems to lack a sensitivity to Asian needs and may be denied the tools required to influence outcomes, such as a new appropriation for the IMF/World Bank. Congressional reaction could be even more negative if the US is swamped by a new wave of low cost Asian imports. Meanwhile many Japanese banks are wobbly and the political leadership is sufficiently divided that it seems unable to act decisively to reactivate the economy. In the spring a Japanese depression that triggers a world-wide downturn is still possible. Furthermore, nationalism could be aroused under conditions of widespread unemployment by the negative stimulus of aggressive Korean fishing boats or Chinese territorial claims—handicap-

ping constructive Japanese diplomacy in the region.

China thus has emerged as the short term winner in Asia Pacific power politics, using its still limited resources to good advantage to extend influence in SE Asia. This augmented influence may allow the China-backed East Asian Economic Caucus, proposed by the prime minister of Malaysia, to emerge informally, even without explicit Japanese endorsement, and despite US opposition. But there are thunder clouds on China's horizon. Unemployment will rise dramatically if bankrupt state firms are allowed to close, thus fueling unrest already existent in several provinces. And if the firms are not closed China may have its own banking crisis. Meanwhile the sagging legitimacy of the regime is being increasingly bolstered by nationalism, which sometimes provokes conflict with neighboring countries.

It becomes apparent that political stability, the underpinning of rapid Asian growth in recent decades, may be crumbling. Such stability is not equivalent—as Indonesians are now learning — to the longevity of a single leader. (And a violent succession process in Indonesia could have repercussions around the region. This is doubly difficult coming at a time when the expansion of ASEAN has made consensual decision-making in that body more difficult.) Political stability is actually the condition of a regime able to change leadership constitutionally and without violence, as in Thailand and Korea. The “Asian values” debate will be tilted if democratic processes turn out to be an advantage in producing reform in times of crisis. But if economic recovery does not come within the year, Thai and Korean leaders may also be in trouble. Certainly the globalization process has made life more difficult for democratic leaders, closing off policy options — in the West as well as Asia. The latest challenge to the autonomy of state policymakers is the Multilateral Agreement on Investment (MAI) now under negotiation in Paris. It would allow corporations to sue governments for any actions that reduced profits, such as legislation to protect workers' health and safety, the environment, or the minimum wage.

Despite severe setbacks at this time, the coming century may yet be termed

“Asian,” if the worst scenarios of instability do not unfold. But “an Asian century” should not mean simply that Asia achieves dominant economic and political power; it should also produce ideas that influence policies worldwide. In the last six months there is a wider realization than before that globalization poses serious dangers alongside its purported advantages. The early political theorists believed that governments emerged out of chaos, when people accepted the constraints necessary to maintain order, seen to be preferable to the vicissitudes of anarchy. Perhaps we have now come to a new recognition of the costs of anarchy in the world economy, and can give serious thought to new forms of regulation that still preserve some of the valuable functions of the market. Even within national economies unregulated markets have seldom been those most conducive to human welfare.

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