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FOREWORD

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Claes Alvstam and Arne Kalland have made substantial contributions to chapters 1 and 3, respectively, by providing factual data and drafting large sections of the text. They have not had opportunity to comment upon the final text. Thus responsibility also here rests with the four authors.

Børge Bakken has, in particular, contributed ideas influencing the overall design of the study.

Anders Baltzer Jørgensen, Sven Cederroth, Geir Helgesen, Cecilia Milwertz, Irene Nørlund, and Ian Reader have contributed general ideas, facts about countries, and drafts for country scenarios.

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Copenhagen, 25 March 1996

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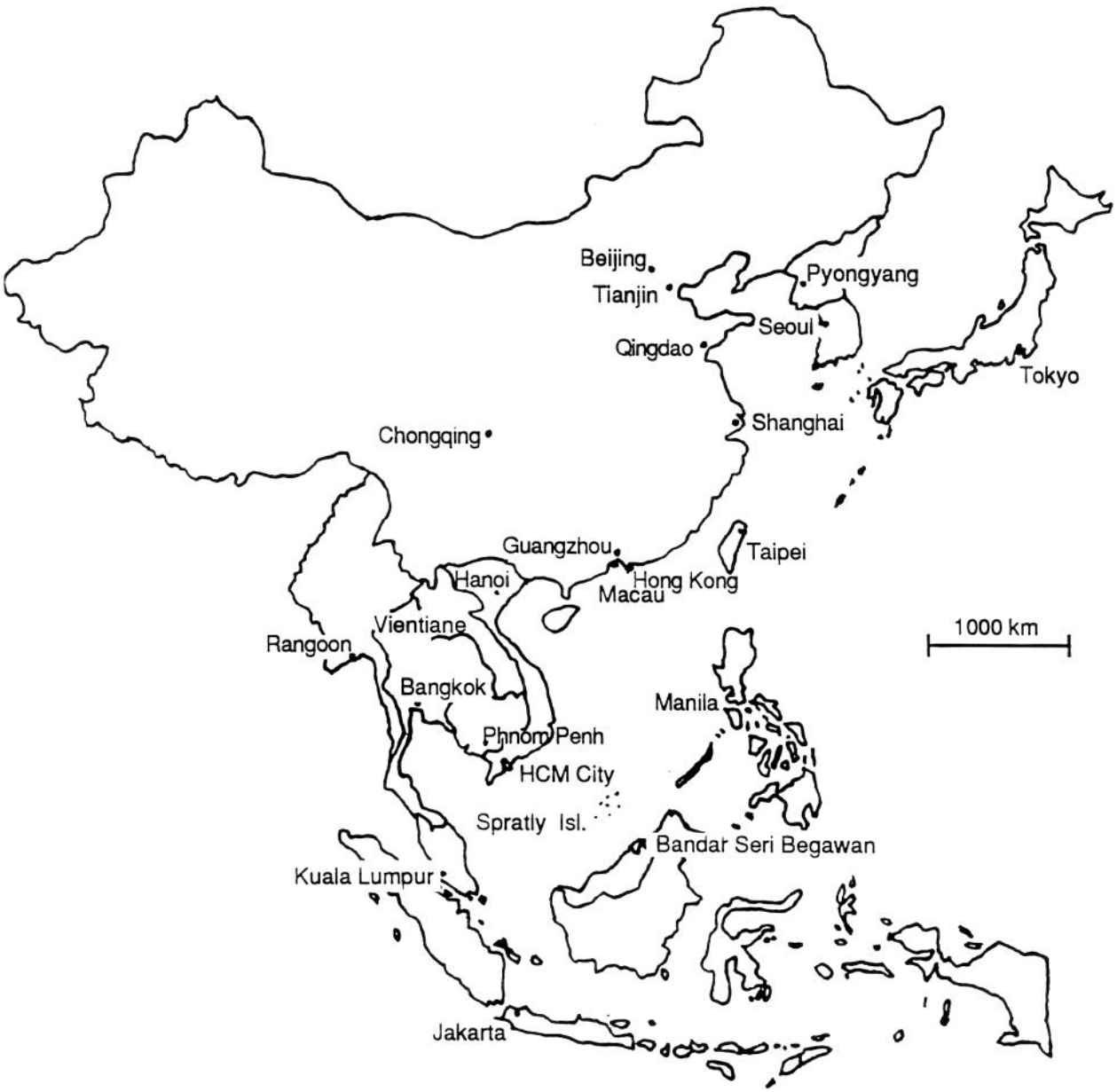
Pacific Asia



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EXECUTIVE SUMMARY

1. This report discusses probable developments in Pacific Asia (i.e. East and Southeast Asia) over the next 20 years. Since it is impossible to predict the region's level of economic growth or degree of political stability, the report is built around four scenarios: high growth and political stability; high growth and political instability; economic stagnation and political stability; economic stagnation and political instability.

2. The momentum in the region is presently so strong that rapid economic growth will probably continue for another decade. Growth may well be highest in some of the poor and middle-income countries: China, Indonesia, Vietnam and, possibly, Burma.

At some point before 2015, we shall probably see a general slowdown in economic growth. From every point of view it is imperative that it comes gradually, and not in the form of a sudden, regional recession.

3. The two most populous states in the region, China and Indonesia, are prone to face succession struggles after Deng Xiaoping and Suharto. Rapid social change, urbanisation, rising levels of education, growing regional disparities and widespread corruption can lead to serious political conflicts in several other states as well. We may therefore see radical political change, or even military conflict. The most vulnerable regime is North Korea. We find it reasonable to assume that the other regimes in the region, both democratic and authoritarian, will survive for at least another five-year period without serious political instability.

4. High growth will imply a severe strain on the natural environment through industrial pollution, large-scale construction of physical infrastructure and massive urbanisation. High growth will furthermore engender conflicts over the supply of energy and other natural resources, both within and between nations. If high growth continues throughout the period, it can spread Western consumption patterns to an extent that the global environment cannot possibly sustain. This may plunge the world into several major crises: degradation of land, water and air pollution, and global warming.

But high growth will also provide some of the means for protecting and regenerating the local environment, and for sound resource management. It is essential to reduce to a minimum the lead time from the first phase of environmentally irresponsible growth to the next phase of environmental regulation and planning, and to institute a global regime of negotiations over "pollution quotas". Priority should be given to supporting environmental NGOs, prohibiting exports of highly polluting machinery, and funding Asian-European research cooperation in developing environmental technology and alternative lifestyles.

5. Pacific Asia will, in the next 20 years, have three kinds of poverty: remaining rural poverty in backward areas; 'shantytown poverty' in urban agglomerations; modern types of poverty in the new cities. High economic growth will generate the means, but not necessarily the will, to implement policies of poverty alleviation and poverty reduction. This will involve making inexpensive credits available to poor segments of the population, including female-led households. The implementation of such policies will be essential for creating home markets to sustain

continued growth, and also for obtaining social and political stability.

6. Pacific Asia is today the main testing ground for the hypothesis that economic development leads to democratisation. The survival of authoritarian regimes in Indonesia and China, and semi-authoritarian leadership styles in the newly prosperous Malaysia and Singapore tend to falsify the hypothesis. If Indonesia, China, Singapore and Malaysia move in the direction of stronger civil societies, free and fair elections and respect for basic human rights, then the hypothesis will tend to be confirmed, and democracy may become a universal norm. If they, and other regional states, remain authoritarian developmental states, then this may create an alternative political model with a potential for attracting support all over the world.

7. If economic growth continues and the main regional states persist in building up their military forces, without building confident relations between themselves, then there is a considerable danger of a major war. The most dangerous factors are: the unstable situation in the Korean peninsula; the Taiwanese question; the conflict in the South China Sea; the historical antagonism between China and Japan; the urge within the region to rid itself of US military presence.

'So far, it is mainly East Asians that are experiencing the fruits of the cultural fusion of East and West, while North Americans and Australians are being drawn to the region by sheer economic logic. But the explosion of contacts must eventually lead to a two-way process of cultural osmosis. That day is coming. An even more intriguing prospect is the possibility of Europe and East Asia coming together in a new spirit. It is conceivable that the three new centers of global power - Europe, North America, and East Asia - will come together in cooperative arrangements in the 21st century. But each will have to make significant adjustments to get there'
(Mahbubani 1995: 111)

A war is unlikely to break out as long as the United States is seen as the paramount military power in the region. This means that we shall probably have another decade of relative peace and recurrent crises which can either be used to establish a system of alliances and pervasive animosities, or to build a comprehensive regional security framework.

8. If Pacific Asia continues to grow rapidly over the next 20 years, the region will be sufficiently powerful to challenge what is called 'the Western model'. Such a challenge may be met in three different ways: (1) a negative defense of Western Values; (2) a movement to reform the West by learning the lessons of the East; or (3) an attempt to institute a global society undercutting artificial borderlines between East and West.

The Nordic countries and the European Union can make significant contributions to ensure that the third road is taken by radically upgrading their cooperation with the countries of Pacific Asia. The Asia-Europe Meeting (ASEM) in Bangkok on 1-2 March 1996 was a promising beginning.

Chapter One
TRENDS 1965-1995

Geographically, culturally and economically we can divide the countries of Pacific Asia into two broad groups. The first major group consists of the East Asian countries which contest a cultural heritage with its source in ancient China. Japan, the two Koreas and Taiwan are deeply influenced by Chinese Confucianism. This philosophy, which has also influenced the Southeast Asian country Vietnam, stresses the values of education, filial piety, and obedience to authority. Traditionally, East Asian cultures have been characterised by patriarchal family systems emphasising a male line of descent, prescribing a household system where at least two generations of men live together with their wives and children. In this system, young women have little autonomy or power, whereas the wife of the senior male may rise to a position of controlling other female members of the household, and managing its practical affairs.

No common identity

In spite of these basic similarities there is no such thing as a common East Asian identity. Japan, China, Korea (and Vietnam) remain separate nations, and sharp differences in economic and political systems divide the two Koreas. A similar difference separates Taiwan from mainland China. South Korea, Taiwan and Hong Kong, which together with Singapore are referred to as the Four Dragons - are highly successful newly industrialised economies (NIEs) with dynamic export sectors. Like Japan, they have capitalist economies based on the principles of private ownership and market competition. By contrast, the People's Republic of China (PRC) has mainly relied on a planned economy, and is an authoritarian regime which does not tolerate political opposition or dissent. North Korea is probably the most sealed off, militarised and restrictive state in the world today.

Over the last two decades the PRC has undergone significant economic reforms in the direction of a market economy. In the course of these reforms, agricultural productivity has risen significantly, rural industry has expanded at a brisk pace, and foreign trade has increased tremendously. This process has particularly affected China's coastal regions, but inland provinces are eagerly trying to follow suit. In fact, a chainreaction of efforts to move in the direction of a market-oriented economy now seems to be in motion across sectors and regions.

Three Chinese regions

China consists of three macro-regions which are at very different stages of economic development: the mainly poor western interior, the more developed central provinces, and a string of highly developed zones along the coast, interspersed by more backward coastal highlands. There are vast differences between these regions in degree of industrialisation, infrastructural development, trade opportunities, and capability of attracting foreign investment. It should also be noted that since the early 1980s, coastal provinces like Guangdong and Fujian - not to mention the special economic zones which have been established in some coastal areas - have benefited from preferential economic policies, and have been allowed to experiment more radically with market reforms than other parts of China. Provinces in the inland regions, however - such as

Sichuan, Xinjiang and Gansu - were for a long time prevented by the central government from enjoying similar opportunities, both for economic and political reasons. This did not change until the early 1990s. The economic backwardness of most areas in these provinces is thus not only due to their geographic location, but also to decisions taken by the government in Beijing. This has caused serious strains in relations between inland and coastal provinces, as well as in relations between the inland provinces and the central government (Cannon and Zhang 1994). The inclusion of Hong Kong in the PRC in 1997 and of Portuguese Macao in 1999 may further enhance the economic dynamism of the Chinese coastal regions.

Southeast Asian diversity

The second major group of countries is found in Southeast Asia. The population here is smaller, and more heterogeneous. Historically Southeast Asia has been a crossroads of Indian, Chinese, Arabic and Western influences. Thus, Malaysia, Indonesia and Brunei are predominantly Islamic, whereas Thailand, Burma, Laos and Cambodia are Theravada Buddhist, the Philippines Christian, and Vietnam has a Sinic melange of Mahayana Buddhism, Confucianism, Daoism and ancestor worship. As a result of several historical waves of immigration, there are also huge Chinese and Indian minorities in Thailand, Malaysia, Indonesia and the Philippines. Singapore has a Chinese majority population. Family systems in the main Southeast Asian cultures tend to give equal emphasis to male and female lines of descent, or to emphasise female lines. They also tend to emphasise the conjugal unit more strongly than the relationship between father and son. Although women in Southeast Asia have not enjoyed equality with men, it is generally recognised that they have been much less oppressed than women in East and South Asia.

The Southeast Asian countries vary in economic development. Singapore is clearly in the lead, but Thailand and Malaysia have also been successful in their efforts to develop a modern economy, and the most populous of the Southeast Asian states, Indonesia, is rapidly following suit. All of these states aspire to a status as NIEs. By contrast, the Philippines and Burma (the two countries which in the early sixties were considered to have the best potential in the region) have been mired in economic stagnation. Burma, Vietnam, Laos and Cambodia are still among the poorest countries in the world. All four states, however, have in recent years opened up their economies and have implemented drastic economic reforms. The aim is to attract foreign direct investments (FDI) in a quest for export-oriented growth. So far, Vietnam has been the most successful of the four.

In terms of size, Southeast Asia ranges from a tiny city-state specialising in services and high-tech manufacturing (Singapore) and a small enclave almost entirely dependent on returns from oil and gas (Brunei), through small and overwhelmingly rural countries (Laos, Cambodia), larger agricultural and manufacturing economies (Thailand, Philippines), to a diverse archipelagic nation with the fourth largest population in the world (Indonesia). Ranked by per capita GDP, they run from the wealthy to the extremely poor, with some growing fast and others only slowly. These differences are perhaps not any more dramatic than they are between the Chinese macro-regions, but since Southeast Asia is separated in a number of states, each with its own national figures in the country-based statistics of publications like the *World Development Report*, Southeast Asia's differences are more immediately recognised than the 'internal' ones of the enormous China. Although all Southeast Asian economies are now more or less open to foreign investment, they differ greatly in the extent to which their domestic markets are subjected

to government intervention. If recent agreements are respected, trade barriers between the states are now going to be significantly reduced. Multilateral negotiations within APEC (Asia-Pacific Economic Cooperation) and ASEAN (Association of Southeast Asian Nations) have resulted in road maps for the creation of free trade areas. The most far-reaching arrangement is the recent creation of an ASEAN Free Trade Area (AFTA).

States and Violence

In terms of political regime types, Pacific Asia is also highly diverse, but a common theme in the post-colonial era has been the effort to build strong, efficient and stable governments with vastly expanded bureaucracies. The double purpose has been to protect national sovereignty from foreign interference, and to secure the state's monopoly on domestic violence. National armies have fought drawn-out 'village wars' against rural-based insurgencies, struggles which in ideological terms have often been associated with the Cold War. Thus the United States, China and the Soviet Union have been deeply involved in regional wars, besides those in Korea and Vietnam.

The post - Cold War peace

Pacific Asia's history in the 20th century has been violent indeed, both domestically and internationally. World War II and the civil wars in China, Korea, Vietnam and Cambodia have left their mark on the memories of those countries' populations. Regional movements demanding autonomy have been brutally suppressed in Tibet, East Timor, and many parts of Burma and the Philippines. Territorial disputes have been the rule rather than the exception during most of the post-World War II period. Since the end of the Cold War, the region has been remarkably peaceful, with each state commanding a much higher degree of capacity for internal control than hitherto. But it remains to be seen what will happen if the economy takes a downward turn. The ethnic composition of some Asian states has been a constant matter of concern, but most states in Pacific Asia have avoided ethnic conflicts of a magnitude similar to those of South and Central Asia, and parts of Africa and Europe. Occasionally, however, ethnic tensions have coincided with larger political conflicts, and burst into violence with large number of casualties and deaths. This was the case when large-scale massacres occurred in Indonesia in 1965 and in Cambodia 1975-78. Malaysia also had an outburst of ethnic violence in 1969. Such events have left deep feelings of hostility and apprehension behind them. There are still ongoing armed ethnic conflicts in Burma, East Timor and in the southern parts of the Philippines, and strong tension between Tibetans and Chinese occupation authorities in Tibet.

The drive for modernisation in Pacific Asia has been characterised by widespread corruption, attempts to control the media, suppression of autonomous labour unions, and widespread use of child labour. Although stabilisation of political institutions certainly has been one of the cornerstones for economic progress, there is still ample basis for renewed social and political turmoil. Such conflicts may arise from scarcity of land, growing gaps between the standard of living in rural and urban areas, low wages, harsh labour regimes, disrespect for human rights, and the prevalence of authoritarian forms of government.

Since the mid-1950s, the would-be NIEs of Pacific Asia followed the Japanese example and went through a process of rural reform, social transformation and rapid industrial growth. Notably in South Korea and

Taiwan, this came as the result of a conscious strategy of state-managed export-oriented growth, within the context of a global market economy. Their transition from agricultural to industrial societies was characterised by a far more accelerated pace than had been the case in Europe, North America and even Japan. Moreover, several transformation processes - such as very rapid population growth, swift urbanisation, and extensive industrialisation of both rural and urban areas, took place simultaneously.

The Demographic Transition

The demographic transition has been remarkable in many parts of Pacific Asia. As a consequence of higher living standards and improved health-care arrangements, mortality rates have declined steadily over the last two decades, and are now stabilising at a low level. In Japan, Hong Kong and Singapore the mortality rate is increasing slightly due to an ageing population. The population growth rate has been in a steady decline since the 1960s due to rapidly declining birth rates. The post-war era therefore stands out as a unique period of rapid population growth in East and Southeast Asia. In the second half of the 20th century, every national population in the region has doubled in size, and in some countries it has even tripled.

Table 1.1: Population in Pacific Asia 1960-1995, and Prospect for 2015

	Population 1960 (million)	Population mid-1995 (million)	Births per woman 1995	Prospect 2015 (million)
China	658	1 199	1.9	1 392
Indonesia	96	193	2.8	243
Japan	94	125	1.5	127
Vietnam	38	74	3.7	104
Philippines	28	69	4.1	101
Thailand	26	60	2.2	75
South Korea	25	45	1.6	51
Burma	22	47	3.6	65
North Korea	11	24	2.4	31
Taiwan	11	21	1.8	24
Malaysia	8	20	3.3	27
Cambodia	5	10	5.8	14
Hong Kong	3	6	1.2	6
Laos	2	5	6.0	8
Singapore	1.6	3	1.8	4
Macau	0.2	0.4	1.6	0.5
Brunei	0.1	0.3	3.1	0.4

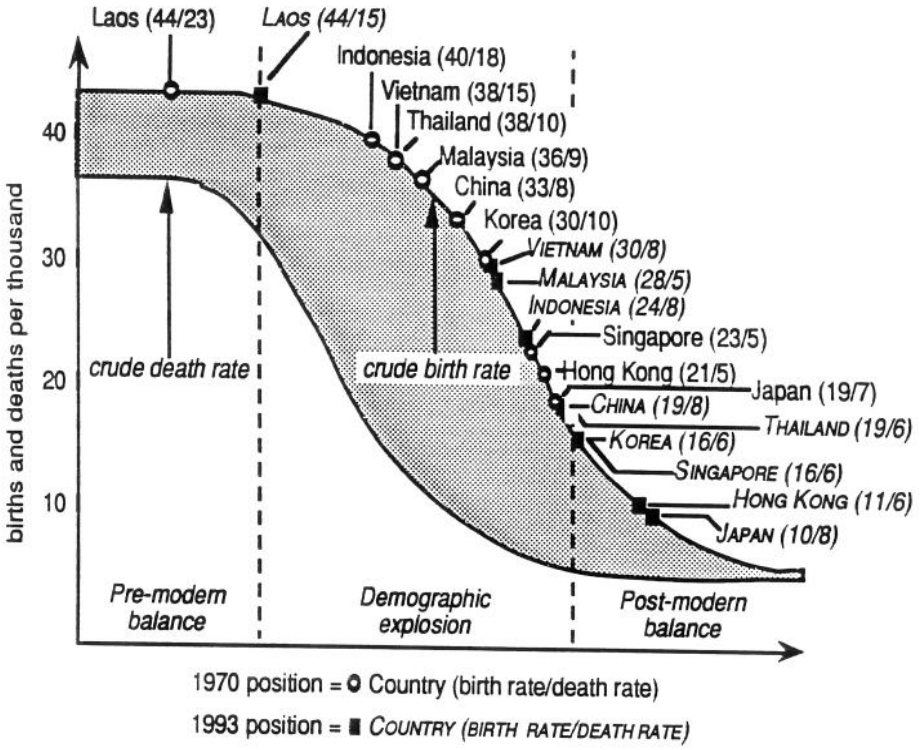
Source: Human Development Report 1995: 186, 208. Bos et al. 1994. NIAS 1996

Vietnam and the Philippines will pass 100 million

Even though declining birth-rates are now pervasive in Pacific Asia, a significant sub-regional variation can be observed. Laos, Cambodia, the Philippines, Vietnam and Burma are the countries which still have fairly high birth-rates. These are also the poorest countries in the region, both

in terms of annual GDP and GDP per capita. Laos is the only country which still remains in the early stages of the demographic transition, but it should also be noted that larger countries such as China and Indonesia have considerable regional variation. Government intervention, in terms of population control programmes, has led to declining birth-rates, especially in China. Singapore and the Philippines, on the other hand, have adopted pro-natalist policies, with slower fertility declines as a result. Japan, South Korea, Taiwan and Singapore all registered very low birth-rates in the 1990s, due to high levels of economic development, and of course because of steadily higher levels of education and labour force participation among women.

Figure 1.1: Demographic Transition in Pacific Asia 1970-93



Source: World Development Report 1995.

NIAS 1996

With welfare, the birth rate declines towards the death rate

The demographic transition also involves radical changes in the number of people belonging to different age groups (Table 1.2). Before the transition there is a balance between high fertility and mortality rates. Then there is a decrease in infant mortality, but not initially in the number of births, creating a significant increase in the share of young people in the population. This situation may last a long time if the general welfare does not increase sufficiently to cause a radical decline in fertility. Once fertility has declined, the population starts to 'age', but it takes a long time before the share of elderly people reaches the proportion it now has in Europe and North America.

We may divide the Asian countries into four categories as far as the relative strength of age groups are concerned. The only obvious member of the first category is Japan. In the next 20 years it will have to face a serious problem of 'ageing'. This may lead to economic inflexibility, and will at any rate burden both state funds and company funds with

steadily expanding outlays for old-age security, pensions, and medical expenses. This is expected to reduce the competitiveness of the Japanese economy. In the sceond category we find Singapore, South Korea and China. Singapore and Korea may arrive at a situation similar to that of Japan within the next 10-15 years. Due to the one-child policy we must also include China in the second category, despite the fact that it remains far less developed economically. With young people representing 27% of the population there is still some hope of generating the revenues needed by the elderly, but this presupposes that the young are able to find employment. In the future, large numbers of people will move into the old-age group while younger generations will become smaller. It is difficult to gauge the full implications of the ageing of China's enormous population at a fairly early stage of economic development.

Table 1.2: Percentage of Population in Different Age Groups, 1995

	< 15 yrs	15-65 yrs	> 65 yrs
Japan	17	69	14
Singapore	23	71	6
South Korea	23	71	6
China	27	67	6
North Korea	29	66	5
Thailand	29	66	5
Indonesia	33	62	5
Vietnam	37	58	5
Burma	37	59	4
Malaysia	38	58	4
Philippines	39	58	3
Cambodia	42	55	3
Laos	45	52	3

Source: World Resources 1994-95: 270.

NIAS 1996

Huge labour force in Thailand and Indonesia...

In the third category we find Thailand and Indonesia, with the bulk of their populations in the most active age and with great numbers of young people waiting to take over their jobs. Their situation is relatively favourable, except perhaps if unemployment becomes a serious problem. Vietnam and North Korea are the odd men out in this category with a relatively high proportion of elderly people in view of their low level of economic development. Vietnam is in the midst of economic restructuring and will have great difficulties in caring for the old. North Korea has not even started to reform its economy.

...but shortage of labour in Malaysia

In the last category of very young populations it is no surprise to find the poor countries Burma, Cambodia and Laos. It may be more surprising to find the Philippines here, but the greatest surprise is that the category also includes Malaysia, where there already is a serious shortage of labour. If Malaysia's growth continues, its many young people will have no difficulty in finding jobs and will not find it hard to finance the limited number of elderly people. With a vigourous educational policy and an effort to distribute the country's resources more equitably, the future of Malaysia should be bright.

One much debated consequence of China's programme of population

control has been an abnormally high ratio of boys at birth. This has been noted in several surveys since the late 1970s. Between 175.000 and 587.000 girls in China were 'missing' from the statistics each year between 1980 and 1987 (Johansson and Nygren 1991; Croll 1995: 114-117). This tendency may have vast implications for demographic developments during the next couple of decades. UNDP has reported 100 million females 'missing' in North Africa and Asia, half of them in China (Human Development Report 1995: 35). This can partly be ascribed to non-registration of female children in order to circumvent the one-child policy, but it has also provoked a heated debate about female infanticide. For future demographic developments it may be even more important that techniques for deciding the sex of a foetus at an early stage of pregnancy now seem to be widely used as basis for deciding whether or not to have an abortion. This may further aggravate the already significant over-representation of male children in East- and South- (but probably not Southeast) Asia. A survey made in the 1970s showed that 67% of Korean women preferred having a boy, whereas Indonesian, Malaysian and Philippine women wanted girls as often as boys (Oppenheim Mason 1995: 17).

Missing girls

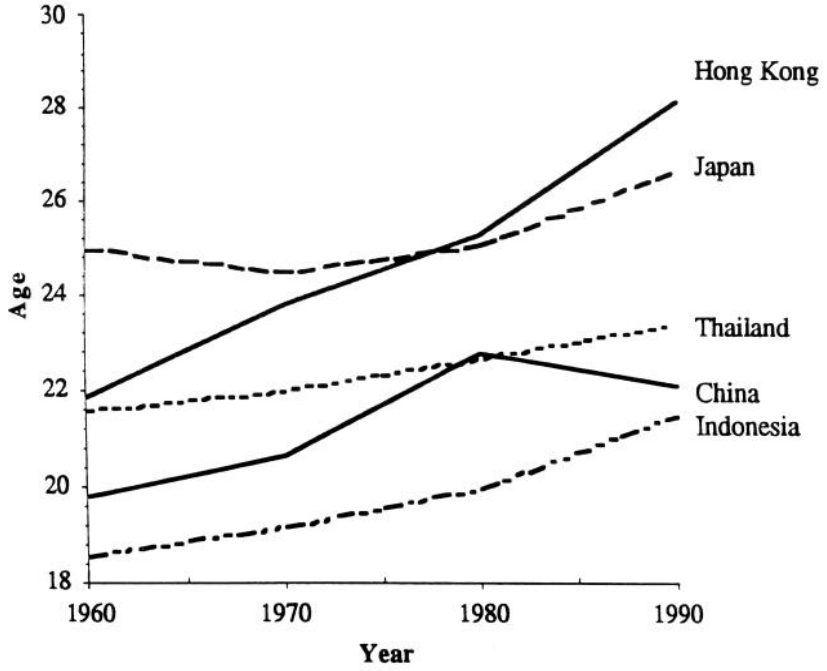
The strong preference for boys in Confucian societies is in itself an expression of marked inequality between the sexes. It puts baby girls' life at risk, and it is often made clear to young girls that they ought to have been boys. Ironically, a potential consequence of persistent male-preference may be a strengthening of the freedom of choice and independence of adult women. They will, for one thing, find it easier to find a husband. Divorce will also be a less problematic option than before, and young women will without much risk be able to delay marriage until they have completed their education. The proposition has been made, however, that a society with an over-representation of young, unmarried males will tend to become more violent, and that trafficking in women may become more common. Adult males will at any rate continue to have a higher mortality rate than women (the only countries in Asia where this is not the case are Bangla Desh and Nepal). Thus, the gender balance is likely to be rectified when the young of today reach their sixties. Surviving, unmarried men (if they have not emigrated) should then be able to find themselves a widow.

In addition to school enrolment ratios, a good indicator of women's standing in society is their age at marriage. It has risen substantially over the last decades, so much so in the richest countries that governments have started to worry about the reproduction of their populations. In 1990, around 80% of all 20-25 year-old women in Taiwan, Singapore, South Korea, Hong Kong and Japan remained unmarried, whereas 76% of all Indian women in the same age group were married (in Nepal 87%). China is placed in between with 59% married, and here the age at marriage *fell* quite significantly from 1980 to 1990 (Oppenheim Mason 1995: 14-15).

The message of Figure 1.2 is that Pacific Asian women are improving their lot, and that they are likely to continue to do so if economic development persists. Women certainly continue to work more hours than men, and much of their work remains unpaid, unrecognised and undervalued (Human Development Report 1995: chapter 4). Despite such injustices, however, there is no denying that Pacific Asian women on the whole are both better off now than they were twenty years ago, and better off than their South Asian contemporaries. The table also shows that age at marriage does not reflect the difference in attitude to women of East and Southeast Asian societies, but rather corresponds to each coun-

try's degree of economic development. The downward trend in China in the 1980s is intriguing, however. It seems to indicate that campaigns against early marriage did have an effect in the 1970s, but that the more mobile and less regulated society of the 1980s, in spite of the one-child policy, allowed marriage patterns to slip back into past practices. To some extent this may be explained by the unbalanced sex ratio among young people: To be sure of getting married, rural men in their twenties seek out younger women.

Figure 1.2: Mean Age of Women at Marriage, 1960-90



Source: Oppenheim Mason 1995: 15. Human Development Report 1995: Table A2.5 (the Burmese and Cambodian figures for 1990 from UNDP 1994). The criteria used in the Human Development Report are probably somewhat different from those of Oppenheim Mason. No data are available for North Korea and Laos. NIAS 1996

Prior to the United Nations Women's Conference in Beijing in 1995, the UNDP published a gender development index (GDI) of 130 countries, where Sweden is ranked as number 1. The Pacific Asian states were ranked as follows: Japan 8, Hong Kong 17, Singapore 28, Thailand 33, South Korea 37, Malaysia 38, Philippines 64, Indonesia 68, China 71, Vietnam 74, Burma 94, and Laos 96. There is still a long way down to number 130, the war-torn Afghanistan (Human Development Report 1995).

Women's Education

Female literacy, the level of women's education, and the ratio of female to male enrollment in primary, secondary and tertiary educational institutions is perhaps the best and most reliable measure of women's status in society. Salaried work is not always a way to freedom, but can be exploitative to the extent of disempowering women who would normally have enjoyed a respected status in the household. To be educated, how-

ever, is rarely a disadvantage. It provides the means and skills by which women can promote their interests and status wherever they work and live. Female education is also a key to lower fertility since educated women generally tend to have fewer children.

In recent decades, there has been considerable improvement both in East and Southeast Asia as far as female education is concerned. Women stand a much better chance of being educated in Pacific Asia than they do in South Asia. In Pacific Asia there is now almost equal access to primary education. China has a female to male enrollment ratio of only 0.86, but this is far higher than any South Asian country, except Sri Lanka. Differences between Pacific Asian countries remain, but in all NIEs women have a much greater share in education than previously. In addition, the one capitalist country in Southeast Asia which has not performed so well economically, the Philippines, has a tradition of emphasising women's education. That traditional attitudes still prevail in East Asia can be seen from the low level of female enrollment in tertiary education, but Table 1.3 should provide some hope for the empowerment of women in the period up to 2015.

Table 1.3: Female/Male Enrolment Ratio in Secondary and Tertiary Education (Female in Percent of Male), 1960-90

	1960		1970		1980		1990	
	sec.	ter.	sec.	ter.	sec.	ter.	sec.	ter.
Philippines	84	104	n.d	125	114	113	103	113
Malaysia	51	30	69	42	91	63	102	85
Singapore	64	65	91	43	100	64	101	86
Japan	91	25	98	39	98	49	97	54
Hong Kong	65	67	72	42	97	35	97	54
South Korea	34	20	61	32	83	32	91	47
Vietnam							95	39
Burma							90	121
Thailand	59	43	72	72	n.d	67	88	86
Taiwan	52	30	n.d	n.d	n.d	n.d	n.d	n.d
Indonesia	47	33	52	34	68	45	81	47
China	n.d	n.d	64	48	65	30	73	49
Laos							63	50

Source: Oppenheim Mason 1995. The figures have been put together from tables 3 and 4 in that report, and from Human Development Report 1995: A1.1. These tables are not entirely compatible, probably due to different sources. NIAS 1996

Women in the Philippines receive more education than men

It should be emphasised that table 1.3 only shows the enrollment ratios between women and men, and does not reveal the proportion of women who actually receive an education. According to Chinese official statistics 42% of all Chinese girls are enrolled in secondary education, but only 1.1% in tertiary education (Human Development Report 1994: 144). It is unclear whether women's education in socialist countries has improved as much recently as in capitalist ones. In the early stages of socialist reform, communist regimes placed a great emphasis on female education. Through conscious, ideologically motivated policies wom-

en's standing was improved to a degree that did not 'correspond' with each country's level of economic development. The high score of Vietnam in the table above is a result of such efforts. Vietnam has a much higher level of female literacy than that of other low-income countries.

Market-oriented reforms in China, Vietnam and Laos during the 1980s and 1990s are often said to have entailed, at least initially, a *lowering* of the standard of education because lowly paid teachers sought alternative or supplementary work. If the Chinese statistics are reliable, however, there has been an improvement in female enrolment ratios in the PRC during the 1980s, especially after 1985 (Croll 1995: 132-133). It was mainly in the 1970s, in the aftermath of the Cultural Revolution, that the ratio of female students went down. Girls' school enrolment is likely to improve in the years ahead both in China and elsewhere, when states get stronger fiscal means to fund and improve their public services. It is of utmost importance for the future of Pacific Asia that the socialist states continue their policy of emphasising female education. In this regard, the new Chinese Women's Law, which was adopted in 1992, may in the future be seen as a huge step forward. It formalised, for the first time in Chinese history, a number of women's rights, including 'equal rights with men with respect to culture and education' (Croll 1995: 142-144, 184-192).

Employment

As has always (so far) been the case for economies going through a process of modernisation, the initial phase has been characterised by a decline in the share of the workforce engaged in agriculture while industrial employment has soared, often with men and women employed in different sectors. In a second phase, which has been reached only by Japan, South Korea, Taiwan, Hong Kong and Singapore, industrial employment has stagnated or fallen while agricultural employment continues to fall, and services take over as the expanding sector. These structural changes have had a great impact on gender and generational relations, the size of households, their purchasing power and style of living.

'Reverse development' in Burma

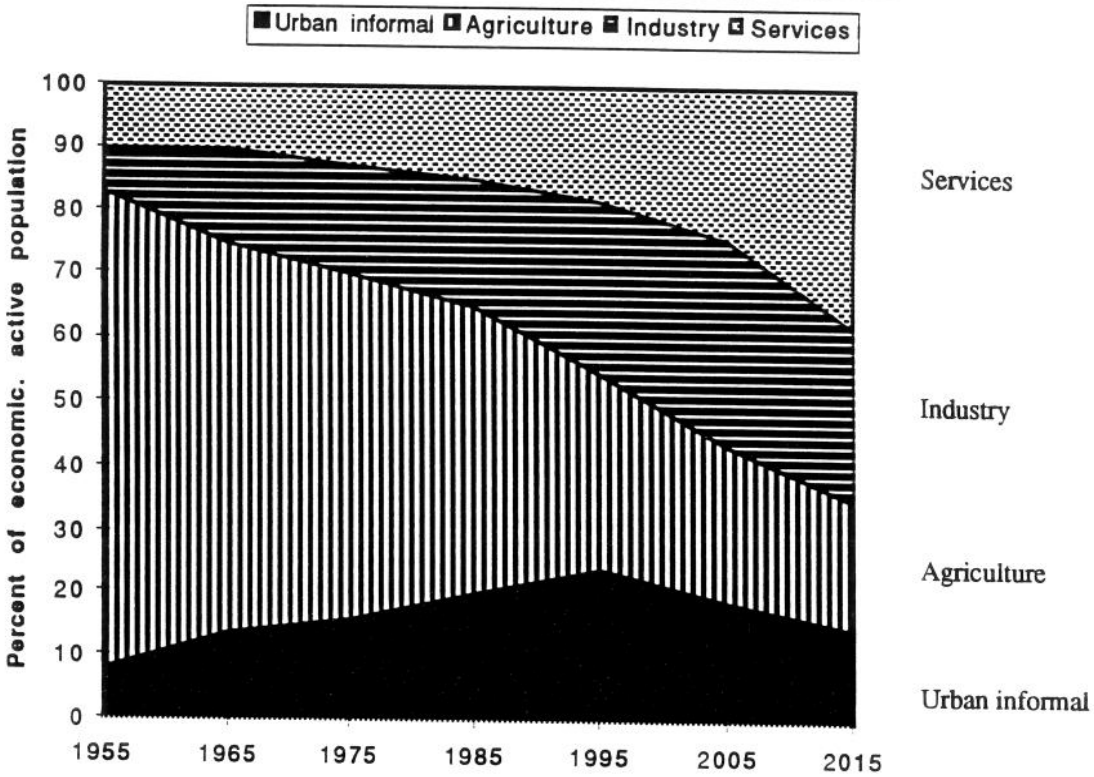
This process has proceeded differently in the various countries of the region. In China, Thailand, Indonesia and the three Indochinese countries the share of agriculture has only declined moderately, from around 80% in 1965 to around 70% in the early 1990s. (Burma has actually had an opposite trend of 'reverse development' with a huge increase in the share of the primary sector and a decrease in industry and services). The most rapid transformation has been the industrialisation of South Korea, where the primary sector's share of the workforce decreased from 55% to 17% between 1965 and 1992. In the same period, agricultural employment has continued to decline dramatically in Taiwan and Japan.

The share of industrial employment has grown steadily during the past twenty years, but there is still much variation between different states in the region. The industrial work-force in Cambodia, Laos and Burma was still as low as 7-9% in 1992; these economies have remained basically rural in their employment structure since the 1960s. In Thailand, however, the industrial sector has expanded from 5 to 11% over the years, while in Indonesia, the Philippines and China, the industry now employs some 14-16% of the work-force. Korea, Hong Kong, Taiwan and Singapore have most probably reached their peak of industrial employment, and in Japan there has already been a decline in industrial

employment (Koppel 1996).

A very important development with regard to urban industrialisation has been the growth of the 'informal economy' (mostly temporary jobs in the service sector). According to the World Bank and the ILO, the size of the informal sector can be expected to shrink again once a country has reached a higher stage of development. The informal sector has grown for several decades in Asia, should reach a peak in the mid-1990s and - if developments follow the European, North American and Japanese pattern - then decline in relative terms (ILO 1995).

Figure 1.3: Structural Transition in Pacific Asia, 1955-2015



Source: Data compiled by Claes Alvstam.

NIAS 1996

Another more traditional 'informal economy' consists of work being done by females in the household. In virtually all societies, women work far more than men in the household, but most of this work is not paid or registered statistically as 'economic activity'. Men in all societies tend to be more 'economically active' outside the household than women. This creates a statistical gap which may be used as a measure of male/female economic activity, but it is not necessarily an adequate measure of female status since new kinds of employment can be associated with at least as much repression as the earlier ones.

The transition from agriculture to industry and services is normally accompanied by a separation between household and workplace. This may have both positive and negative effects on gender relations. As pointed out by the project Development Alternatives with Women for a New Era (DAWN), strategies designed to achieve overall economic growth and to increase agricultural and industrial productivity may provide new economic opportunities for both men and women, but these initiatives and changes often prove to be inimical to the status of women. Fundamental conflicts tend to arise between women's individual

well-being and wider development concerns in society. Such conflicts occur both because traditional gender relations oppress women, and because many long-term economic processes have been harmful to the interests of the poor (Sen and Grown 1987).

In China, for instance, economic reforms have given young rural women the opportunity to migrate to the dynamic coastal areas, and to earn their own living in national and foreign manufacturing enterprises. These young females, however, are usually paid very low wages, and since they are badly organised they cannot protect their interests *vis-à-vis* the management. In the Chinese countryside, economic reforms have resulted in massive migration to urban areas and a new division of labour in agriculture. Men - young and old - and also younger women, flock to the cities, leaving middle-aged women behind, with the main responsibility for producing food, an activity which is still to a large extent based on manual labour (Rai and Zhang 1994).When hard physical work is required, in times of bad weather or floodings, villagers often lack the necessary manpower to overcome the crisis.

A serious problem with employment statistics is that various governments use different criteria both for the definition of employment and adulthood, and that these criteria also vary over time. It is therefore not easy to interpret the fact that the statistically registered female-to-male ratio of the economically active adult population has not changed significantly since 1970. In actual fact this ratio has only risen moderately in favour of women, and national differences do not at all reflect levels of economic development. In Thailand and the PRC a woman is almost as likely to be registered as employed as a man, but in South Korea, Hong Kong, Singapore, and also the Philippines, men are far more 'economically active' than women (Oppenheim Mason 1995: 10. Human Development Report 1995: Table A2.3). This is quite surprising in the case of the Philippines, a country which is generally the region's top performer in terms of gender equality. One may wonder whether Philippine women working abroad are not registered. The very high female employment rate in the socialist countries is probably due not only to policies and economic realities, but also due to different statistical criteria which includes female work in rural households in employment data.

When China instituted economic reforms in 1979, the government formulated its one-child policy. It may be debatable as to whether or not this is the reason why China has had a much lower population growth than India, but there is no doubt that the one-child policy has had a tremendous social and psychological impact on the relationship between men and women. It seems, however, that it has had opposite effects in urban and rural areas. The relationship between urban couples has generally tended to become more equal, whereas in the countryside, male dominance has adapted itself to the one-child policy. In spite of large-scale changes in the lives of rural women in terms of education and employment, they remain in a subordinate position in relation to men, and to a certain extent the economic reforms have aggravated the situation of many women who now have to run their households single-handedly since men have sought work elsewhere (Croll 1995: 127). In many rural areas there is an overrepresentation of women and old people, while young men flock to the towns in order to make money.

In the reform period the Chinese Communist Party has also changed its attitude to gender. During the cultural revolution, party propaganda frequently attacked the ideal of the 'virtuous wife and good mother' *(xian-*

qi liangmu), which had come to China from Japan in the late 19th century. Praise was reserved for the 'strong woman' *(nüqiangren)* who gave priority to serving the State and the Party. Even today there is much admiration for the 'strong woman' who now tends to concentrate on studies and professional work, but since the early eighties the ideal of the 'virtuous wife and good mother' has also been revived (Milwertz forthcoming). At the same time there has been a tendency for female workers in the towns to be pushed out of the state sector into more poorly paid jobs in the collective or private sector (Croll 1995: 122). In conclusion, it seems doubtful whether Chinese women - at least so far - have been experiencing the same kind of improvements which have characterised developments in Japan and the NIEs.

Chinese attitudes to gender

Urbanisation

The economic and occupational transformation of the region has occurred in tandem with rapid urbanisation. Despite weak statistical data, and problems of cross-national comparison, it is clear that Taiwan, the Philippines, Malaysia and South Korea have been the most rapidly urbanising countries since 1960.

Table 1.4: Urbanisation in East and Southeast Asia, 1960-2000

	Urban population as % of total		
	1960	mid-1995	2000
Laos PDR	8	10	25
Cambodia	10	12	24
Thailand	13	19	22
Vietnam	15	19	22
Burma	19	24	28
China	19	26	35
Indonesia	15	30	40
Philippines	30	49	59
Malaysia	27	51	57
Brunei	44	58	59
Taiwan	n.d	60	n.d
North Korea	40	64	64
South Korea	28	74	86
Japan	63	77	78
Hong Kong	85	100	100
Singapore	100	100	100
Macau	n.d	100	n.d

Sources: Foucher 1996. Human Development Report 1995: 185, 207.
n.d = no data

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Urbanisation has only just begun in Thailand, Indonesia, China and Vietnam. We can safely predict that in these countries there will be a dramatic urbanisation process over the next 20 years. This will also apply to Laos, Cambodia and Burma, if these countries take off economically. In the case of China, the two decades between 1960 and 1980 were char-

acterised by the government's success in preventing population growth in urban areas through strong administrative controls. When these controls eased in the 1980s, hyper-urbanisation started with the urban population increasing by 6% annually. By 1991, more than 25% of China's population lived in towns. This is considerably higher than the average level of other low-income countries (Kojima 1995: 151).

Industrialisation and Economic Growth

Regularity in industrialisation

The regularity by which this industrialisation has taken place in one country after another is remarkable. Despite manifest geographical, cultural and political differences, the countries in East and Southeast Asia have proceeded towards economic growth in a way often described with Japanese economist Akamatsu's metaphor 'flying geese'. Japan was in the vanguard and provided other Asian countries with a powerful example. The second generation of economies to take off comprised South Korea, Taiwan, Hong Kong and Singapore. In the mid-1980s they were followed by Malaysia and Thailand, parts of Indonesia, and the Special Economic Zones of the Chinese coastal provinces Guangdong (bordering Hong Kong) and Fujian (across the strait from Taiwan). At the present moment a fourth generation is emerging, consisting of Vietnam and additional Chinese provinces such as Jiangsu and Zhejiang (north and south of Shanghai), and Shandong (facing Korea across the Yellow Sea). Laos, Cambodia and Burma are striving to enter the race, whereas North Korea remains isolated.

Table 1.5: Economic Growth in Pacific Asia, 1960-95

	Real GDP growth (%):			
	1960-70	1970-80	1980-90	1990-95
China, PRC	5.2	5.8	9.5	13.0
Malaysia	6.5	7.8	5.2	8.6
Thailand	8.4	7.2	7.6	8.2
Singapore	8.8	8.5	6.4	8.1
South Korea	8.6	9.5	9.7	7.5
Indonesia	3.9	7.6	5.5	7.1
Taiwan,	9.2	9.7	7.1	6.8
Hong Kong	10.0	9.3	7.1	5.3
Philippines	5.1	6.3	0.9	2.2
Japan	10.9	5.0	4.1	1.3

Source: Wong 1995: 619. For 1990-95: Bank of America World Information Services Country Data Forecasts, Sep. 1995.

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With regard to economic development, all East and several Southeast Asian nations experienced very high economic growth during the 1970s and 1980s. Most countries had an annual growth rate exceeding 5% of GDP. The only market economy which did not live up to expectations was the Philippines, whose growth rate was much lower in the 1980s than in the 1970s. The Philippine economy seems only now to be starting to improve again. Another more recent exception is Japan, which in the early 1990s had its first serious economic downturn since World War II.

Table 1.6: Size of Economies 1994-95: GDP and GDP/ppp

	GDP 1995 bn USD	GDP/capita USD	GDP/ppp 1994 bn USD	GDP/ppp/ capita USD
Japan	5 570	44 500	2 705	21 608
China	681	555	4 511	3 701
South Korea	447	10 000	518	11 545
Taiwan	262	12 300	332	15 663
Indonesia	184	900	696	3 508
Thailand	164	2 700	387	6 424
Hong Kong	93	23 500	131	21 876
Malaysia	86	4 300	170	8 536
Singapore	80	27 000	82	27 223
Philippines	75	1 100	162	2 367
Burma*	40	890	109	2 440
Vietnam	23	300	91	1 218
Macau*	6	15 010	6	16 063
Brunei*	6	18 500	3	10 614
Cambodia*	2	215	11	1 058
Laos*	1	290	9	1 865
North Korea	n.d	n.d	n.d	n.d

Sources: GDP 1995 from Bank of America Country Economic Outlook, Sep. 1995. GNP 1993 and GDP/ppp figures: Foucher 1996: appendix. *GNP 1993. NIAS 1996

Japan has the largest GDP, but China the largest GDP/ppp

While Gross National Product and Gross Domestic Product are measured in US dollars in accordance with the exchange rate of the national currency, GDP figures adjusted for purchasing-power-parities are measured on the basis of local prices for a certain number of products. The GDP/ppp measure is meant to express actual living standards, but there are no standardised methods for compiling ppp-data, and thus they should be handled with caution. Since GDP/ppp figures were first published, there has been a huge controversy over the 'real' strength of the Chinese economy. As will be seen from the table, the difference between the two kinds of measurement is enormous in the Chinese case. The more China is integrated in the global economy, however, the smaller the difference will become. GNP is a kind of measurement suitable for economies that have a fully convertible currency and are integrated in the global economy through a high level of export/import, whereas GDP/ppp figures are valuable for giving a clue to the actual living standards in more secluded economies

Some countries in the region have remained economically backward due, in some cases, to rigid systems of economic planning, and in others to rampant corruption, internal political instability and/or warfare. Especially China, Burma, Vietnam, Cambodia, Laos and the Philippines were for a long time hampered in their development by such factors, and it is only in recent years that these countries have experienced a substantial turn-around. While they are undeniably making great progress at the present moment, all but China and the Philippines remain at a very low level of GDP per capita. Even if they should manage to repeat the 'miraculous' growth performance of the four dragons they will need the next two decades to reach the present level of the NIEs.

Vast areas in the Chinese interior are suffering from an extremely bad infrastructure, and no substantial economic growth can take place before

this has been remedied. Pacific Asian countries also differ, of course, with respect to the size of their GDP, ranging from more than 5,500 billion US dollars in Japan, to a mere 1 billion USD in Laos (see table 1.6). The nominal GDP measure, however, highly under-estimates the real strength of agrarian-based economies, even more so in the case of socialist economies - which tend to omit the values of service production. The measurement of GDP adjusted for ppp (purchasing-power-parity) gives a better idea of a country's actual prosperity. While the Japanese economy is more than eight times larger than that of China as measured by GDP, China has almost double the GDP/ppp-figure of Japan.

Foreign Trade and Investments

A common explanation for the region's economic success story in the 1970s and 1980s has been the outward-oriented industrial strategies. Export-oriented growth replaced efforts of import-substitution in Taiwan and Korea from the 1960s onwards, although they also continued to protect their home markets. In the case of Taiwan, the value of exports as share of GDP grew from 5% in 1955 to more than 50% in 1990. A similar movement towards increased reliance on foreign trade characterises other NIEs in the region, such as Malaysia and Indonesia, but with a time-lag of 10-15 years as compared to Taiwan. In comparison with the larger Southeast Asian economies, the industrialisation processes in South Korea, Taiwan, Hong Kong and Singapore have been characterised by dependence on import of raw materials. The Philippines, Indonesia, Malaysia and Thailand are more generously endowed with natural resources, and have in this sense been less vulnerable to external market forces (Alvstam 1995: 110).

Foreign Direct Investments

Overall, one of the most important developments during the last three decades has been the growth of intra-regional trade and FDI (foreign direct investments). This has set off a process of regional economic integration. Until the 1970s, Japan was the only source of intra-regional FDI within the region. During the 1980s and 1990s, Japanese hegemony in this regard has been challenged by new regional investors - mainly from Korea, Taiwan, Hong Kong and Singapore. (Alvstam 1995: 114). To begin with, it should be noted that during the last decade Pacific Asia has received a rising share of the foreign direct investment in the world, but starting from a very low level. From the early 1980s to the early 1990s, Pacific Asia and South Asia taken together increased their share of global FDI from 9% to 19% (World Investment Report 1995: 51).

Who is investing in Pacific Asia and in which countries do they invest? Since World War II there have been three waves of regional investment. The first was Western, the second Japanese, and investments in the third ongoing wave stem to a great extent from the NIEs of the region itself (South Korea, Taiwan, Hong Kong, Singapore). The great bulk of Japanese investments have not gone to Pacific Asia. Japan has rather preferred to invest in North America and Europe. Within Pacific Asia, Indonesia and South Korea have been the main beneficiaries of Japanese investments. During the third wave, a higher proportion of Japanese investments has been directed toward Pacific Asia, but Japan remains a highly cautious investor spreading its interests throughout the world rather than tying them up in the 'home region'. Taiwanese investments have mainly gone to China and Southeast Asia, with Taiwan as the leading investor in Vietnam (Klintworth 1994; Ku 1995), but with the crisis in its relationship to the PRC it seems that Taiwan will try to diversify economic risks by directing a higher share of its investments

to North America (International Herald Tribune, 13 February 1996).

It should be noted that the most developed countries still get an important share of their FDI from the EU, USA and Japan, whereas the later industrialisers receive a substantial proportion of their FDI from NIEs in the region itself. This is clearly shown in Table 1.7.

Table 1.7: Inward Foreign Direct Investments (cumulative data). Select Asian Economies, 1980-93 (mill. USD)

	ca. 1980 (million USD) US-JAP		ca. 1985 (million USD) US-JAP		1993 (million USD) US-JAP	
	value	%	EU-value	%	EU-value	%
Indonesia	10274	46	15353	56	67675	41
China	5721	37	15616	31	57172	20
Singapore	6211	64	12115	61	38584	49
Malaysia	6462	51	8510	53	34091	50
Taiwan	2718	60	5160	67	17705	65
Thailand	981	88	2221	76	13918	61
South Korea	1866	88	3634	89	11209	89
Hong Kong	n.d	n.d	1466	87	5244	74

Source: World Investment Report 1995: 49-50.

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This table shows the dramatic increase in FDI over the last few years, and how some economies (South Korea, Taiwan, Hong Kong) still receive the better part of their investments from Europe, Japan and the USA, whereas the EU, Japanese and US share of investments in Indonesia, Singapore and Thailand has been reduced. It is particularly noteworthy that the largest beneficiary of cumulated FDI until now, Indonesia, had received as much as 17% from Europe, 33% from Japan and 6% from the USA in 1985, but only 15%, 21% and 5% by 1993. This means, no doubt, that Indonesia is becoming more integrated in the Chinese-dominated networks of the region and that the very significant role that Japan has played in Indonesia is declining. The reduced European, Japanese and US share of FDI in Singapore is another indication of the same trend.

The largest foreign investors in the PRC are Chinese

In this context it seems pertinent to look at FDI in the People's Republic of China, which now receives far more FDI than Indonesia. Where does China's FDI come from? As shown in the table, only 20% had come from Europe, Japan and the USA as of 1993. If we look at foreign investments in the PRC in 1992 (11 bn. US$), the Japanese share was only 6.4% and that of the US 4.6%, while more than 80% came from (or through) other 'Chinese' countries: Hong Kong, Macao, Taiwan and Singapore (Wong 1995: 629; World Investment Report 1995: 64). Some of Hong Kong's FDI in China, however, most probably originates from investors inside China itself who operate from Hong Kong in order to avoid taxation. For many years, Taiwanese investors were also obliged to operate through Hong Kong.

The amount of FDI going to China will indeed be 'reduced' by more than a half when Hong Kong and Macao become parts of the PRC in 1997-99, simply because their investments will no longer be 'foreign'.

A very high proportion of 'foreign' investment flows during the third wave have been 'intra-Chinese'. What we see is an economic integration of 'Greater China'. This may have one of two consequences: either it will facilitate the assimilation of Hong Kong and Macao in the PRC and lead to a resurgence of a greater Chinese cultural and political community under the leadership of a reform-oriented Beijing government, or it will undermine a conservative Beijing's position as the Chinese capital, possibly dividing the PRC into regions with privileged connections to different parts of the outer Chinese world. In this case, the Chinese interior may be left permanently behind.

Taiwan and the Fujian province in mainland China, where a large part of the population speak the same local Chinese dialect, have already established close ties with one another. In the east, the Shanghai-Jiangsu-Zhejiang region is the traditional challenger to the power of Beijing, but since much of the Beijing leadership have a background in Shanghai it is perhaps most likely that these two regions will remain politically and economically integrated. In the South, the Guangxi and Yunnan provinces, as well as Hainan island and Guangdong province, have linked up with the Southeast Asian economies. The kind of relations that develop between the major regions of mainland China may have strong international repercussions, not the least for Beijing's ability to lead China in its quest to play a role as a great power.

Chinese economic dependency

As shown by the above, it is primarily the Chinese communities who have invested money in China's growth, and not so much the West or Japan. From the perspective of Beijing this means that China does not depend directly on the benevolence of Japan, the USA or Europe. China does, however, depend indirectly on access to technology - often through overseas Chinese business networks - and is dependent on Western markets for its exports, and for importing capital goods for its industry. In 1993, China exported for $92 bn, imported for $104 bn, and received foreign investments of $26 bn (Wong 1995: 618). In 1994, FDI in China rose to $34bn, and this increase continued into the first half of 1995 (World Investment Report 1995: 54-58).

Economic Growth Triangles

One often mentioned prospect on the Asian economic scene is the development of so-called 'economic growth triangles'. These are thought of as zones of inter-linked economic growth involving three or more countries. One emerging growth triangle is the Greater Singapore Economic Sphere, involving the southern part of the Malaysian state of Johore, and the islands of Indonesia's Riau province. The city-state of Singapore has been the principal force behind this idea. As production costs in Singapore increase, manufacturing plants are now expected to move to Johore and the Riau islands to take advantage of low-cost land and cheaper labour. The products manufactured in this area will be designed, marketed, and distributed by service industries located in Singapore (ADB 1994: 26-29).

The Greater Mekong Sub-region may also be regarded as a possible growth triangle (see map 1.1). With a combined land area of about 2.3 million square kilometres, this region comprises Vietnam, Laos, Cambodia, Thailand, Burma and the Chinese Yunnan province. The region is the home of 220 million people. The intra-regional Mekong Secretariat has existed since the 1960s, but for many years it could not accomplish very much. Recent economic reforms in the PRC, Vietnam, Laos,

Burma, and the peace settlement in Cambodia, however, have created a more hospitable environment for economic co-operation among these neighbouring states (ADB 1994: 26-29).

Map 1.1: The Multi-National Mekong Basin

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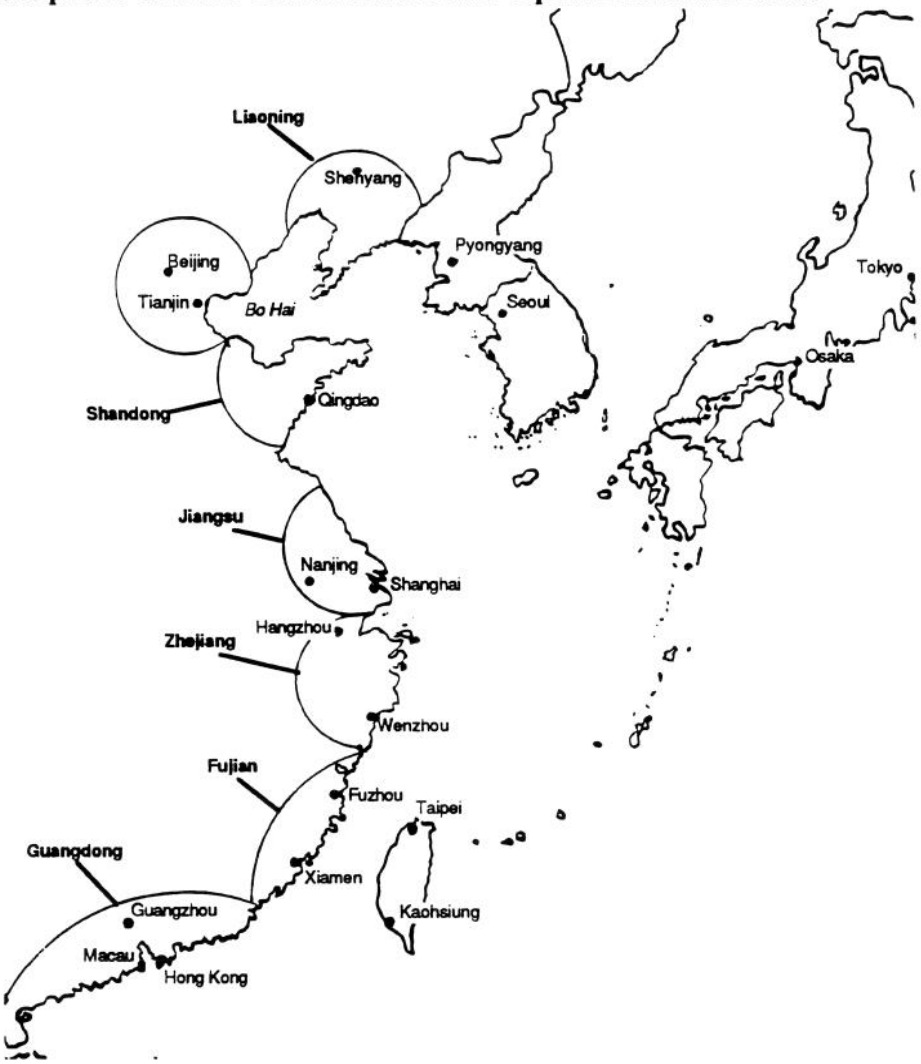
The idea of developing a growth triangle on the Tumen River at the intersection of the Chinese province of Jilin, the Vladivostok area of Russian Siberia, and North Korea has also been aired. But the only growth triangles which are already becoming strong realities are located at the other side of the Korean peninsula, and in eastern and southern China. The first one links South Korea to the two Chinese provinces of Liaoning and Shandong, as well as the port of Tianjin. This triangle forms a natural zone of economic interaction around the Gulf of Bo Hai and the Yellow Sea, and especially after the normalisation of diplomatic relations between Beijing and Seoul in August 1992, commercial and trading activities here have increased rapidly. The second triangle is centered around Shanghai and includes Jiangsu and Zhejiang - the two provinces to the north and south of this rapidly growing metropolis. Both of these provinces have a long historical legacy of entrepreneurial and commercial activities, and Shanghai proper has a long history as a trading port and financial centre.

During the 1980s, and especially in the wake of Deng Xiaoping's

'southern tour' in the spring of 1992, signalling further commitment to economic reforms, these coastal regions have reemerged as powerful areas of economic growth. The third triangle encompasses Hong Kong, Taiwan, and the Chinese provinces of Guangdong and Fujian. Since 1978, China's Open Door Policy and its establishment of special economic zones have provided foreign investors with convenient and profitable locations for establishing industrial plants. In the beginning, the opportunities were limited to four so-called 'special economic zones'. Later, they were extended to much larger areas. Within a context of rapid economic growth, Hong Kong has become the financial and service centre for economic activities throughout southern China, and Shanghai is rapidly gaining a similar role in the east.

Map 1.2: China's Coastal Areas and Open Economic Zones



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These linkages between Chinese and neighbouring areas have added to the momentum of economic growth in the whole Pacific Asian region. Ethnic Chinese communities in Southeast Asia are accustomed to avoiding demonstrative political behaviour, while working discretely within both authoritarian and democratic regimes. Business relationships are conducted on the basis of personal connections *(guanxi)* and reciprocity. Because ethnic Chinese in Hong Kong, Taiwan and Southeast Asia have many family ties and personal relationships with people living on the Chinese mainland, and understand the requirements of do-

ing business in the PRC, they have many advantages over investors from Japan, Europe and America. In the development of the so-called Greater China Growth Triangle, ethnic Chinese entrepreneurial networks dominate trade and investments (Faust and Kornberg, 1995: 75).

Ethnic Chinese outside the PRC number over 55 million - if Hong Kong and Taiwan are included. They may be China's 'secret weapon' in its quest for becoming one of the world's leading economies in the next century, if conflicts over the status of Hong Kong and Taiwan do not destroy the opportunity. Since the beginning of the economic reforms in 1979, about two thirds of all foreign investments in the PRC have come from Hong Kong and Taiwan. In 1992, Macao, Hong Kong and Taiwan contributed 79.5% (Wong 1995: 629).

'The Cold War is over and the Chinese won ... The Chinese network is the organizational model for the twenty-first century.' (Naisbitt 1995: 10, 7)

Table 1.8: Ethnic Chinese in Asia Outside the PRC, 1995 (estimate)

	Millions	% of population
Hong Kong	6	98
Taiwan	21	99
Indonesia	8	4
Thailand	6	10
Malaysia	6	32
Singapore	2	76
Burma	1.5	3
Vietnam	1	1
Philippines	1	1
Rest of Asia*	1.8	- -

Sources: *Economist* March 9, 1996: Survey 10. Faust and Kornberg 1995: 79.
*Also includes Australia.
Note: In several states in Southeast Asia - notably in Thailand, large parts of the ethnic Chinese have lived there for generations, intermarried with locals and become firmly integrated in society. It is thus difficult do make exact estimates of their numbers due to variation in definitions.

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Is Growth Sustainable?

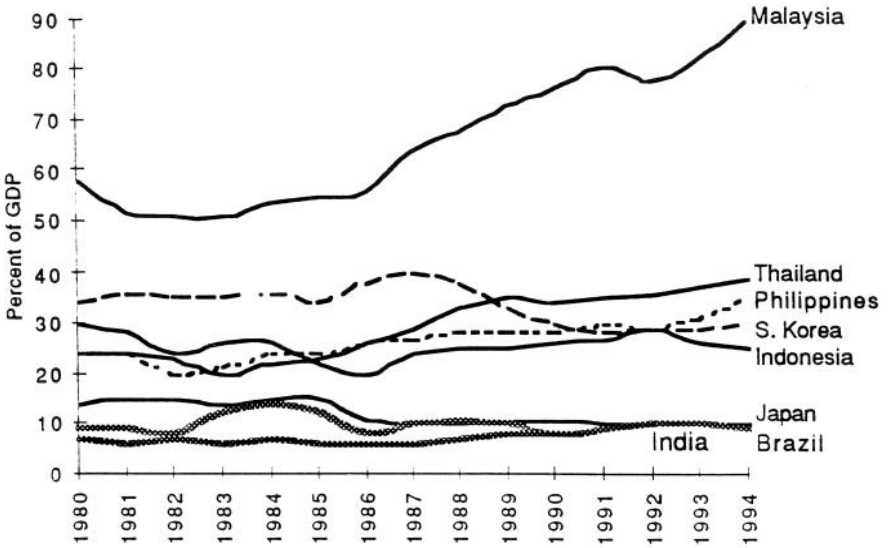
Pacific Asia has had a dramatic growth in a period when other regions of the world have seen stagnation, unemployment and social crisis. Whereas the Pacific Asian economies experienced only slightly higher growth than the average developing country in the period 1950-75, growth in Pacific Asia has been many times the average during the period 1980-95, at a time when the Latin American and African economies have actually declined (Gunnarson & Rojas 1995: 81). Latin America seems to have got back to a more positive trend in terms of economic growth, but today there can be no doubt that Pacific Asia stands out as a region apart. Its dramatic economic rise has drawn interest from investors and economic analysts all over the world. It is tempting to speak with the World Bank of an 'East Asian Miracle' (World Bank 1994) and to search for an Asian 'development model', but if we look closer at the NIEs in Pacific Asia, it seems that there have been

Several development models

several models, not one. The same explanations for growth do not apply in all cases. A few factors, to be sure, are the same everywhere: heavy emphasis on exports, high domestic savings, and high investments. But in most other respects the driving forces behind economic success vary from one country to another, indeed from one province to another.

The causes of the so-called 'East Asian Miracle' are disputed both within the international academic community and among policy-making institutions around the world (World Bank 1994; Wade 1990, 1992, 1993; Vogel 1991; Chan 1993). In this report we have no intention of putting forward a theory or model of our own. But we will summarize some of the explanations which have been given for Pacific Asia's phenomenal growth, and discuss whether there is something in the structure of the regional economies that can give us a clue as to whether or not their growth is sustainable.

Figure 1.4: Exports as Percent of GDP, 1980-94. Select Pacific Asian Countries, and Select Countries for Comparison



Source: International Financial Statistics Yearbook 1995.

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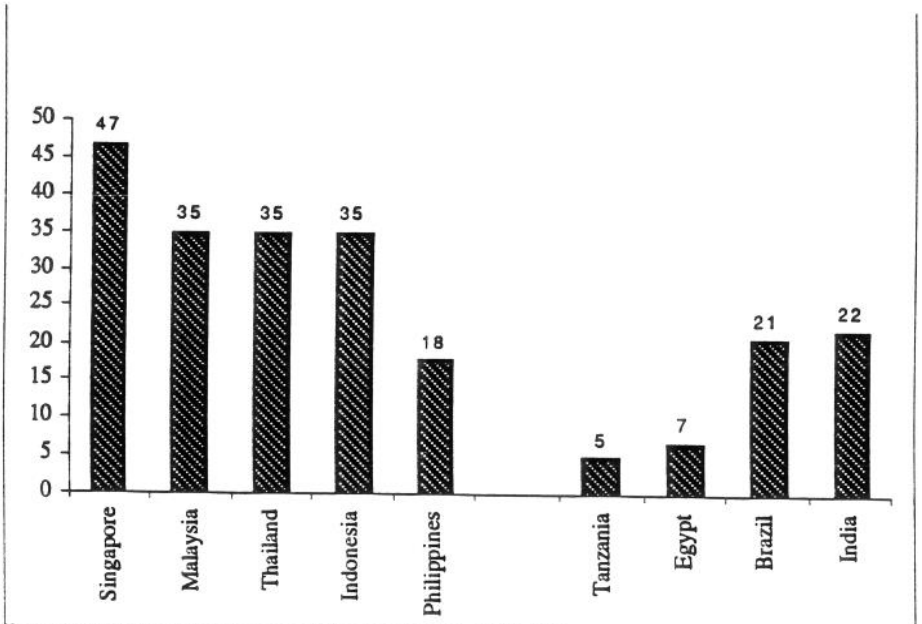
Rapid growth economies export most

Big economies have a strong home market

All taken into consideration, it is at the present level of knowledge impossible to conclude that there is an 'Asian model', or any unique prescription for success. Governments in Japan, South Korea and Taiwan, for instance, have played a far more active role than the low-key liberal government of Hong Kong, but there has been success in all of these places. For the second generation of growth economies (after Japan), massive transfers of external financial resources (mainly from the US), high domestic savings, and a fairly high educational level contributed to the building of industrial bases. The successes of both the second and third generation must also be ascribed to a combination of a disciplined and inexpensive work force, advantageous market opportunities (particularly a large consumer market in the USA), liberal policies allowing dynamic networks of private entrepreneurs to operate freely, and in some cases strategic intervention and subsidising by strong governments (Vogel 1991). All of these factors, mixed somewhat differently from one case to the other, have added up to create potent formulas for economic development.

Figure 1.5: Gross Domestic Savings as Percent of GDP, 1992 . Select Pacific Asian Countries, and Countries for Comparison



Source: Human Development Report 1995: 192-193.

NIAS 1996

'If there is a secret to Asian growth, it is simply deferred gratification, the willingness to sacrifice current satisfaction for future gain' (Krugman 1994: 78)

The economic explanation

Gunnarson and Rojas discuss four main kinds of explanations for Pacific Asia's growth: the economic, the political, the cultural and finally their own - the institutional explanation (Gunnarson & Rojas 1995). The *economic* explanation emphasises the role of the free market. Every success story has started when the state opened up for international competition and investments, whereas states closing off their home economy through an import substitution strategy (such as India) have performed badly. The lesson to be learned is that states should intervene as little as possible in the economy and leave it to the dynamism of a free market. Liberalist commentators in magazines such as the *Far Eastern Economic Review* and the *Economist* tend to see Hong Kong's policies as an ideal solution and claim that growth elsewhere has occurred in spite off rather than because of government intervention. At first sight, this explanation may seem convincing since it is true that all success stories have been based on exports, and that nations aiming for autarky have failed. But the problem with the explanation is that even export strategies can be implemented through state intervention. Throughout the industrialisation process some governments have persistently monitored and operated economic activities, and have deliberately designed incentives for economic growth. This has been the case for both socialist and capitalist regimes. It has not always worked, but it seems to have worked often enough to make Asian governments wary of excessive faith in laissez-faire. Several states in the region, such as Taiwan and South Korea, have been able to shield their home markets, while at the same time having access to important foreign ones.

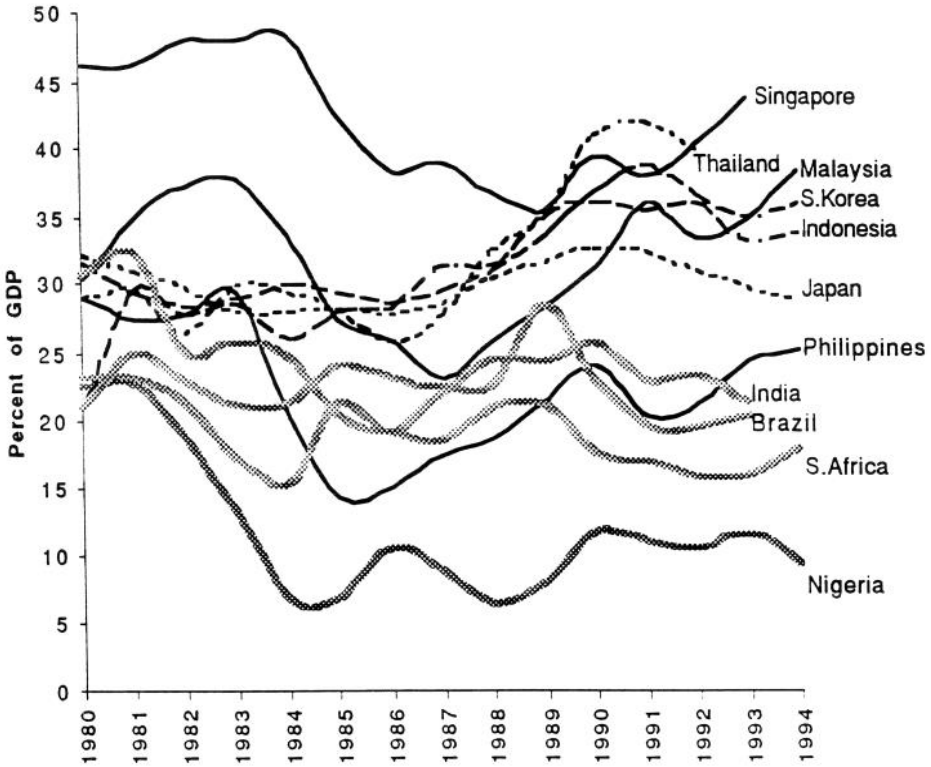
The political explanation

This leads us to the *political* explanation which emphasises the positive role of state intervention, and strong political supervision. Advocates of this explanation speak of the East Asian 'developmental state' with Japanese-inspired South Korea as a prototype. Big corporations work in close symbiosis with the government, with the latter defining the targets and setting the rules. There is much to be said in favour of the political explanation, which to some extent applies to many countries in the region: Taiwan, Indonesia, Malaysia, Vietnam, China - even Singapore.

They have all had strong governments with a keen interest in promoting the national economy. But the question remains whether a developmental state can continue to mobilise its population for a productive effort if the people at large do not have their own reasons for working hard, saving and investing.

Growth based on huge investments

Figure 1.6: Investments as Percent of GDP, 1980-94. Select Pacific Asian Countries, and Select Countries for Comparison



Source: International Financial Statistics Yearbook 1995. NIAS 1996

The cultural explanation

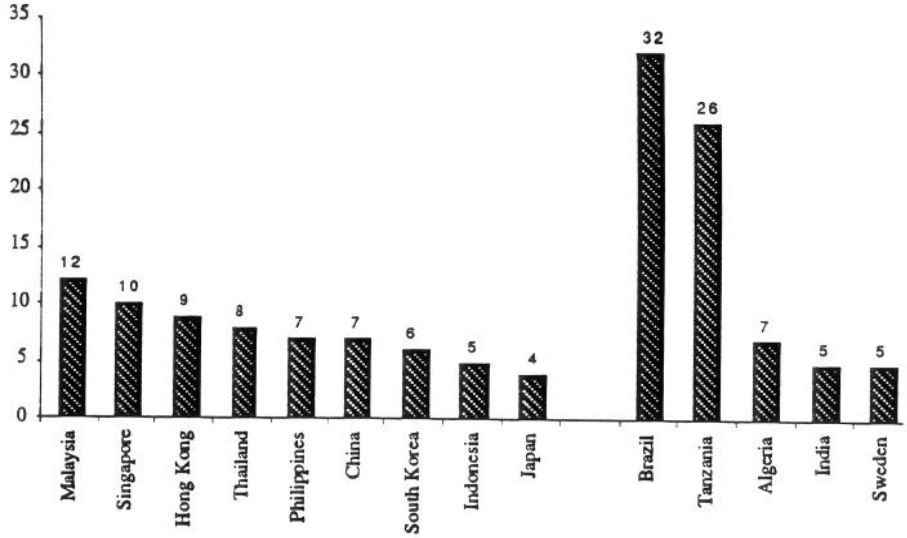
Here then comes the *cultural* explanation, which has two main versions. The first one emphasises Confucianism with its focus on discipline, diligence and respect for authority. Thus the same cultural factor which made people obey and tolerate non-developmental regimes in the past should now make people respond energetically to the watchwords of the developmental state (Max Weber cited Confucianism as a cause for East Asian *immobility* and *lack* of entrepreneurship). The other version of the cultural explanation does not emphasise loyalty to authorities, but rather the great value attached to the family. Family connections in the Greater Chinese world (and increasingly in the Indian) are used to circumvent government controls and build dynamic business ties across all kinds of borders (Naisbitt 1995; Rohwer 1996: 227-241). Although the two versions of the cultural explanation certainly contradict each other, there may be some truth in both of them. East Asia does not just have one cultural tradition, but many which overlap and contradict each other and in various ways influence the relationship between state, family and enterprise.

Gunnarson and Rojas' fourth explanation is the *institutional* one, which is mainly based on the experience of Taiwan which, paradoxically, resembles Scandinavian historical developments, at least in certain important respects. The key factor, in the view of the two authors, is that either at the outset of, or after, a land reform, there is an equitable dis-

tribution of land among many farmers so that they have sufficient resources to reform and develop agricultural techniques and organisation. A solid group of farmers constitutes a reliable tax base for the state and provides, once the monetary economy has reached a certain stage, a forceful home market. Through taxation the state can encourage enterprises targeting not only foreign markets, but also the expanding domestic one.

The institutional explanation

Table 1.9: Social Inequality, 1981-92. Ratio of Highest 20% Income Group to Lowest 20%. Select Pacific Asian Countries, and Select Countries for Comparison.



Source: Human Development Report 1995: 178, 203.

NIAS 1996

It should not, in our view, be necessary to choose between the four explanations. If we want to consider the question of whether growth in a certain country is sustainable, it may be best to look for a combination of the factors mentioned: an export strategy aiming at accessible foreign markets, a strong government with a keen interest in economic affairs, cultural attitudes encouraging work, savings and investments, and an equitable distribution of resources opening up opportunities for a significant part of the population. Gunnarson and Rojas may well be right to emphasise social equity as a key factor behind long-term sustainable growth (see Campos 1993 for a similar argument). Social equity has been achieved in some countries by carrying out land reforms, consciously opening up entrepreneurial and career opportunities to general competition, by giving priority to universal education, and by adhering to the principle of hierarchic promotion based on merit. All of this requires strong political leadership, not necessarily authoritarian, but rather based on a national or social movement. The main thing is that the leadership is not bogged down in fights or intrigue over the distribution of favours and privileges, or in endemic struggles between landowning clans (such as in the Philippines, Bangla Desh and Pakistan). The equitable distribution of income is not only instrumental in opening up opportunities, but also in widening the domestic market, something which is important today when the main growth in trade seems to take place within the Pacific Asian region, not in its relations with North America and Europe (Vogel 1991, Chan 1993, World Bank 1994).

Look for combination of factors

On the strength of their current strong economic performance several countries in the region have published optimistic growth prospects for

Optimistic views

the period leading into the twenty-first century. The Malaysia government's 'Vision 2020' envisages its national economy as quickly catching up with Western Europe and North America, and in 1994 the Indonesian government published a set of similar targets for the coming 25 years (Booth 1995: 28). China's five-year plan for the years 1996-2000 almost takes for granted that the growth will continue to be phenomenal; it discusses how to limit growth to single digit figures in order to prevent overheating, and concentrates on the need to avoid an agricultural bottleneck in the form of a food crisis (International Herald Tribune: March 2 1996). The region's own growth optimism is based on the assumption that economic growth can continue to be as rapid as it has been in recent years. This cannot be taken for granted, however. Much will depend on the continued growth of exports, which in turn will require that Asian industries move out of the simple, low-wage sectors (such as textile factories and electronic assembly lines) in which it is difficult to maintain a competitive edge for long, and into more advanced sectors. This is what some successful export industries in Taiwan and South Korea have managed to do, but it is uncertain whether all countries in the region will be able to do the same (Booth 1995: 29).

Krugman's critique

Another aspect is the question of whether the Asian economies are really growing because of productivity gains, or if this growth is based merely on the use of cheap labour and increased input of natural resources and equipment. If the latter is the case, these countries will soon reach the point where rates of economic return diminish. Paul Krugman, a respected economist at Stanford University, unleashed a heated debate in late 1994 when *Foreign Affairs* published his provocative essay 'The Myth of Asia's Miracle'. Krugman's thesis is that Asian economies are growing much the same way as the Soviet economy grew in the 1950s, i.e. by expansion of inputs, rather than on growth in output per unit of input. Growth is caused by high savings, relatively simple investments and expansion of the labour force, not by increased productivity. This, he argues, is not sustainable in the long run, and growth rates will level off: 'Rapid Asian growth is less of a model for the West than many writers claim, and the future prospects for that growth are more limited than almost anyone now imagines.' The only way to avoid an economic slowdown will be to improve total factor productivity, that is, to use existing capital and labour more efficiently (Krugman 1994). This can only be done by organising work processes more cleverly, and by making technological improvements and innovations (Lehner 1995: 14). In this respect all Asian economies except Japan have a long way to go.

In their report in 1993 on the East Asian 'miracle economies', the World Bank made a distinction between *investment-driven* ASEAN economies (Indonesia, Malaysia, Singapore) where productivity growth contributed relatively little to total growth of output, and the *productivity-driven economies*, which according to the Bank are not only Japan, but also South Korea and Taiwan. The general conclusion of this comparison is that the recent ASEAN success stories in manufactured exports have indeed been in just those traditional labour-intensive industries where the threats from other low-income countries in Asia seem greatest (Booth 1995: 41). Labour-intensive manufacturing will simply not be sustainable for these countries in the long run if they want to continue to remain competitive in the 21st century. Many other factors also seem to have a negative impact on the prospects of persistent high economic growth in East and Southeast Asia. These include inadequate infrastructure, poorly developed financial institutions, and a tradition of government manipulation and meddling in markets for production and

distribution of goods and services, mainly in order to achieve political ends that often have little to do with economic development (Booth 1995: 45).

A likely growth in productivity

To balance this sceptical view, however, we may call attention to the fact that during the past decades, Western analysts have often exaggerated the obstacles to economic growth in Pacific Asia, thereby underestimating its growth potential. Furthermore it seems doubtful that the region's phenomenal growth can be ascribed wholly to mobilization of labour and money. The largest potential for future economic development may be found in the current tendency towards increasing intra-regional specialisation, intra-regional trade and investments, and growing home markets. If the absorptive capacity of the American consumer market declines, it may well be replaced by domestic Asian markets. The Japanese market is already taking over some of the US role. Industrial manufacturing is likely to be a less important engine of growth in the future than was the case in the 1970s and 1980s. Other economic sectors - high-tech, research and knowledge-intensive industries - are becoming more important also in Asia. By acquiring new kinds of knowledge and skills, especially in effective management of services, Pacific Asian countries might perhaps make a jump, not only in mobilization of resources, but also in productivity.

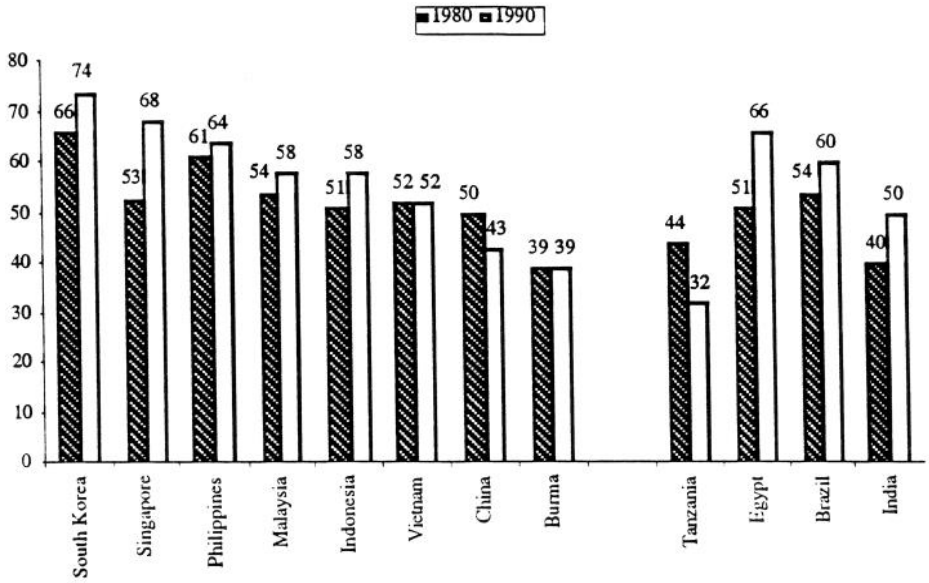
Obstacles to future growth

Still, lacking infrastructure, weak capacity of public administrations, rapid environmental degradation, an almost total lack of Research & Development, and maybe even scarcity of energy and raw materials will represent very serious obstacles. Companies in Southeast Asia make few investments in R&D. This will make them increasingly vulnerable to the enforcement of Western copyrights and patent laws. Countries remaining at low levels of economic development will also have to face enormous unemployment problems in the transition from agriculture to industry and services. To smoothen this process, governments in the region will have to further increase their attention to education both of men and women. The competitive edge now offered by low wage levels will not be sustainable for long - not even in countries like China, Vietnam or Cambodia. Moreover, all countries - whether enjoying high economic growth or not - may have to face growing regional inequalities and the dangerous trend of growing gaps in income and wealth between different groups in society. Such inequalities are bound to result in social tension and political instability. Countries with an institutional framework ensuring equitable access to resources may be more likely than the more inegalitarian states to achieve sustainable growth (Gunnarson & Rojas 1995).

It may cause concern that the fast-growing Chinese economy does not seem to be sustained by the same kinds of general improvement in male and female education, health and social standards that have characterised developments in Japan, South Korea, Taiwan, Hong Kong and Singapore. Although the reduction in school enrolment in China during the 1980s may perhaps be ascribed to better methods of registering school attendance, it certainly seems that China lags behind India in terms of education, and that China is far behind many Latin American and Middle Eastern countries. Higher education is accessible to a much higher number of Indians than Chinese. In combination with other stumbling blocks these factors may lead us to ask if the rapidly growing economies of China, Thailand, and perhaps also the strongly outward-oriented Malaysia, may prove more vulnerable to recession than has been the case in Japan and in the second generation of NIEs. In addition, as we shall see in the following chapters, there are pressing political and security

factors which may provoke sudden changes in the prospects of growth.

Figure 1.7: Enrolment in Education 1980-90 (% of age group 6-23). Select Pacific Asian Countries, and Countries for Comparison



Source: Human Development Report 1995: NIAS 1996

Will the Asian economies continue to grow rapidly until 2015? We believe, as does even Paul Krugman, that the current momentum - with high savings, high investments, accessible markets, and a highly competitive spirit both in government and business - will ensure that Pacific Asia outside of Japan continues to have higher economic growth than the West and Japan for yet another decade, unless something dramatic happens in the political or security field. China's and Southeast Asia's growth is even likely to be much higher than that of the West and Japan. But at some point during the first decade of the 21st century this growth will either level off or simply stagnate unless there is significant improvement in overall productivity, since it will be impossible to just add more and more tools, machinery and labour into the production process. With the openness of Asian economies, the increased levels of education, and the possibility of rapidly transferring technology and know-how in the information society, it should be easier for Asian economies today than it was for the socialist economies of the Soviet Union and Eastern Europe thirty years ago to translate growth resulting from massive inputs of resources into growth in productivity. But if such growth does not soon become demonstrably present in normal economic accounting, the Western and Japanese economic hegemony may not come under challenge after all.

Chapter Two
FOUR SCENARIOS

The following chapters are structured around four regional scenarios, based on alternative assumptions about economic growth and political stability. The prime variable is economic growth while the secondary is political stability. There are thus four possibilities:

1. High economic growth and political stability
2. High economic growth and political instability
3. Economic stagnation and political stability
4. Economic stagnation and political instability

Definition: 'high economic growth'

With high economic growth we mean that the GDP grows by more than four percent annually. With the exception of the Philippines all market-oriented Pacific Asian economies, as well as China, had an average annual growth in excess of four percent during the 1980s (see Table 1.7). In the first half of the 1990s, Vietnam, Laos and Burma also achieved more than four percent growth. The high growth scenarios are thus based on the assumption that recent growth trends will continue for two more decades. Since many Pacific Asian countries have had even higher growth figures (China 9.5% during the 1980s), our high growth scenario will also allow for a 'soft sit-down'.

Definition: 'stagnation'

In order to keep the scenarios distinct from each other we need to leave a gap between 'high growth' and 'stagnation'. Therefore, with stagnation we mean that the GDP grows by less than 1% (which is negative growth per capita). With 0.9% average annual growth in the 1980s the Philippines thus qualifies as economically stagnant.

Definition: 'political stability'

By political stability we mean, firstly, that the political elite has a sufficient degree of cohesion to avoid situations where powerful groups plot to overthrow the government by violent means or try to undermine the political system as such and, secondly, that the political elite is not violently contested by anti-establishment groups with widespread popular support. What we are talking about, is the internal political stability of each regional state, not of the region as such. The prospects for international co-operation and conflict will be considered in chapter six.

Our scenarios should be considered regional and not national (in an appendix we provide brief scenarios for each individual country). Our high growth scenario for instance infers a regional trend, i.e. more than four percent growth in the most influential economies. Thus, we consider that the whole region has followed a high growth scenario in the 1980s and early 1990s despite the fact that some countries, like Vietnam, were stagnant in the first half of the 1980s, and that the region's most developed economy, Japan, has stagnated since the beginning of the 1990s. It may, however, be difficult to imagine that the overall regional growth trend can be positive if there is a major Chinese recession. Our report will treat China not as a nation on the same level as others, but as the arena where the future of the entire region is likely to be determined. Economically, China is already integrated in the regional and global economy. Politically, China cannot be said to have been

integrated, but political developments in China, such as a military coup, will still affect the region far more dramatically than any similar development in any other country in, including Japan.

The four scenarios will be briefly presented in this chapter, and their likely consequences will be discussed in chapters 3-6 focusing, respectively, on environment, poverty, democracy, and co-operation and conflict.

Scenarios Are Not Predictions

As late as in 1988, no serious political or social scientist could predict the rapid breakdown of the Soviet Union. But it should have been possible to imagine a sudden breakdown as one of several possible scenarios. The main advantage of thinking in terms of scenarios is that it allows us to avoid making the standard assumption that the future will be a continuation of ongoing trends. Drastic changes must not necessarily come as a great surprise. This is why, in this report, we are not going to take for granted that Pacific Asia will continue its current growth. Nor shall we assume that the region will avoid a major disaster, either in the form of a food crisis, an earthquake in Tokyo, or a major war.

In the aftermath of World War II, it was generally assumed that China had much better prospects of economic development than Japan, which lay in ruins. No one foresaw that a Japanese miracle should happen in the shadow of the US nuclear umbrella. Also no one in 1945 could know that China would be mired for three decades in the vagaries of civil war and Maoist experiments. In the early 1960s, the Japanese success was visible to all who had their eyes open, who then wondered which countries in the region were best positioned to follow Japan's lead. Among analysts, the two favourite candidates were Burma and the Philippines, not South Korea or Taiwan.

Preparation for an unknown future

Our four scenarios are meant as tools to prepare mentally for an unknown future, a future which is likely to bring tremendous changes. If seen as predictions, scenarios are bound to 'fail'. The safest prediction we can make is probably that none of our scenarios will come true in a pure form. What we hope is that we shall be able to cover the main possibilities, and that the future will not bring up major issues or developments which we did not at all imagine as possible.

Economic Growth

In the 1980s and the first half of the 1990s, the annual economic growth rate in most Pacific Asian countries has been around 6-7%, while the Chinese GDP has grown by an astounding 10-12% per year, with areas like the Pudong Development Zone in Shanghai approaching annual rates of 50%. As mentioned in chapter one, such extreme growth rates may overheat the economy, and they tend to produce severe imbalances and temporary instabilities due to boom-and-bust cycles. There is definitively a limit to the attractiveness of extreme economic growth. What is also certain, is that such extreme growth figures cannot be sustained for several decades. They characterise certain takeoff periods, when nations go through a transition from a rural to an industrial economy. Pacific Asia's extraordinary growth has a parallel in the phenomenal performance of the USA in the latter half of the nineteenth century, but

in China it has been even more rapid.

Growth

Economic growth is characterised by a steady increase in physical assets, human capital formation, infrastructure, and rising levels of production. Sustained growth also features an increase in the value added to the goods produced and is often associated with expanding intra-regional and international trade. On the whole, this grants a rise in the purchasing power of ordinary households, increases profits at the enterprise level, and provides more government revenues. With improved terms of trade and balance-of-payments, each state's capacity to avoid extensive foreign debts as well as government deficits will be markedly improved.

Decline

Economic decline is more or less the reverse. Growth rates decline to under one percent increase of GDP per year - which is actually a sharp decline in GDP per capita since most Asian countries still have significant population growth - and private consumption and public expenditure predominates at the expense of savings and investment. Levels of production and profits decline, and this will often lead to increased unemployment. In such a situation there will also normally be less opportunity for introducing new technology. An overall slowdown in trade follows, which in turn will threaten to result in an accumulation of each state's foreign debt as well as budget deficits. As a result of shrinking revenues to local and central governments, less priority will be given to improvements in infrastructure and public services such as health and education, and living standards of large numbers of people will deteriorate. All of these factors, contributing to a situation of resource scarcity, will make it difficult for a government, and sometimes for a whole political regime, to survive.

Political Stability

Fear of chaos

Political stability and social harmony are highly cherished in Pacific Asian cultures and for good historical reasons are not taken for granted. Southeast Asian kings and other heads of state have traditionally been judged upon their ability to maintain social order. Throughout the chinese civilization there is a fear of chaos *(luan)* and a preference for 'order under heaven'. History is divided into orderly periods under virtuous emperors and periods of anarchy with warring states.

Democratic institutions and procedures, as developed in Europe and spread throughout much of the world, are meant to combine popular sovereignty with political stability by providing peaceful methods for the transfer of power from one government to another whenever the incumbent government loses the support of the majority. But the introduction of democracy may also lead to political turmoil, and stability can be achieved in undemocratic political systems as well. In this report we therefore do not see a necessary connection between political stability and democracy.

Democracy

Democracy will be discussed separately in chapter five. What we consider as political stability, is a situation where the present authoritarian governments in Pacific Asia either survive without being seriously challenged, or allow for a peaceful and orderly transition to democracy. We may perhaps speak of a 'hard' and a 'soft' kind of political stability. Hard stability is one where an authoritarian or even totalitarian regime maintains strict social control and effective repression, and reigns by terror and intimidation. The 'soft' —or adaptable— stability is either

democratic or based on widespread acceptance of a non-democratic regime. The best example of the latter is located in South Asia: Bhutan. Laos may also perhaps qualify, although the establishment of the present regime back in 1975-76 was associated with the exodus of most of the country's elite, and despite the fact that a tiny group of vocal opposition leaders are kept as political prisoners.

Democratic stability

The distinction between hard and soft stability may be useful, but the basic distinction should probably be the one between democratic and non-democratic political systems. When political stability is based on a set of elected, representative institutions where political compromises are reached, and with recognised mechanisms for obliging a government to step down, it makes it possible to handle situations which might otherwise have led to instability. A democratic regime may be politically stable even though its political leaders are frequently replaced, but this is seldom the case in an authoritarian regime. The experience of Japan after 1945 is a good example of democratic stability. However, political stability may also be achieved by an authoritarian government, either because it delivers what people want and therefore is accepted, or because it maintains a system of repression and social control which prevents opposition groups from challenging its power. In the case of authoritarian stability the maintenance of law and order, the promotion of a state ideology, heavy doses of nationalist rhetoric and, perhaps most significantly, measures to ensure the material well-being of the population, are some of the assets used to ensure the survival of a regime. Indonesia under Suharto, and Vietnam under the Communist Party, are good examples of the authoritarian kind of stability.

Authoritarian stability

Political stability in Indonesia has been based on *dwifungsi,* meaning that the army in addition to its military duties also has a central political role. The government has mobilised patriotic feelings among the population through its *pancasila* ideology, has made strong efforts to achieve economic growth, and has been able to distribute favours through the use of revenues from the export of oil. Stability has also been maintained by co-opting powerful interest groups, and through sub-national political arrangements allowing the central government to closely monitor and control local elections, local government, and public administration at the grassroots level. It would be wrong to assume that authoritarian regimes like Indonesia are always unpopular. Their biggest problem may rather be to maintain cohesion within the political elite itself, since the political system lacks a recognised mechanism of leadership succession.

Instability

Political instability is characterised by disunity at the top of the political system, erosion of self-confidence among the ruling elite, limited or decreasing popular legitimacy, and opposition movements in defiance of the regime. This often leads to strained relations with foreign countries as well. A rather extreme example of political instability is China during the peak years of the Cultural Revolution (1966-71) when the PRC went through intense conflicts at all political levels, throughout the whole society and at the same time eagerly prepared for an expected World War III. Another instance of political disruption with catastrophic dimensions is the Cambodian tragedy. Over the last three decades Cambodia has gone through multiple kinds of political turmoil, terror and war.

Political instability is often a result of failures to resolve conflicts over political successions, clashes between elite groups over public policy, or inability to manage relations between the central government and the provinces. The history of Pacific Asia is full of struggles over political

leadership. In Thailand, the monarchy is a source of political stability on the symbolical level, but the country had a total of 17 military coups between 1932 and 1992. Thailand is an example of a regime that has been inherently unstable at the government level, but with sufficient social and bureaucratic stability to achieve high economic growth. Local insurgencies never reached the same proportions in Thailand as in the neighbouring countries. The struggle over Mao's succession in China after 1976 is another example of a politically unstable situation which did not result in social conflict or economic decline, but instead paved the way for economic recovery.

What this shows is that there are different kinds of political instability, some which only affect the surface, and some that run deep and disrupt the whole society. This also means that some kinds of political stability are incompatible with economic growth while others do not necessarily make the economy break down.

Growth and Political Stability

When constructing our scenarios we have used growth and political stability as *independent* variables. The objective is then to examine the consequences that each of the four possible combinations of the two variables may have on a number of *dependent* variables: environment, poverty, democracy, and international conflict/cooperation. The main weakness of this approach is that we run the risk of avoiding the complex question of how economic growth and political stability are interrelated. This must therefore be discussed in general terms already at this stage, and this discussion must inspire further reflections in each of the following chapters.

How economics affect political stability

Economic growth can have complex, ambiguous and indeed contradictory effects on the political stability of a state, and such effects may change over time. One obvious immediate effect is that growth enhances the popularity and legitimacy of political leaders. Growth is a source of pride both for governments and nations, and improved living standards will make most people less susceptible to support radical opposition groups. There is little doubt that economic success has made it much easier for the communist regimes in China, Vietnam and Laos to survive the recent crisis of world communism than would otherwise have been the case. This is confirmed by the very serious situation in which the more stubborn regimes in the less developed Cuba and North Korea find themselves.

Frustrated expectations

Economic growth may on the other hand lead to exaggerated expectations. Some social classes who used to accept their dire straits, but are now experiencing a slight improvement, may suddenly discover that they are deprived of a reasonable share in the rising national prosperity. Entire populations may react with disappointed anger if, after a number of years with very rapid growth, the economy suddenly stagnates. The discontent of a given social group may be measured in the distance between what it gets and what it thinks it is entitled to. In order not to be politically disruptive economic growth must therefore be managed in a way that does not raise expectations to a level much higher than the economy can yield. With Pacific Asia's very high savings rates, the salary level may perhaps not be as crucial psychologically as the safety of the value of savings. If this is so, it would point to the need for instituting secure ways of safeguarding people's deposits.

Economic growth can also be disruptive in creating new imbalances. If salaries and job opportunities in the private sector increase to the degree of making public careers unattractive, it may not only encourage corruption and undermine the efficiency of the administration, but also create widespread discontent with the political regime as such, both within and outside the bureaucracy. Regional differences may have similarly disruptive effects. In Vietnam it will be no surprise if the central government loses support from the central region, since investments in economic growth are mainly made in the south and the north. Growth can also lead to conflicts between urban and rural areas, with peasants claiming a greater share in the newly generated wealth. And, as we shall see, growth can lead to tremendous environmental problems.

How politics affect economic growth

How, then, do political stability or instability affect economic growth. Under normal conditions, political stability no doubt furthers economic growth, the only exception being when a stable regime is of a kind that disgusts foreign governments or foreign public opinions to the extent of keeping investors away as well. The stability of the apartheid regime in South Africa, for instance, was not good for business in the long run. It may also be the case that a further stabilisation of the military regime in Rangoon will hamper trade and investments in Burma, and that the instability which would be associated with a transition of power to a coalition led by Aung San Suu Kyi would stimulate the country's economic development. The nature of a future regime transition, however, will be of crucial importance, and investors may need time to verify that the new leader is able to give her regime a sufficient degree of cohesion. The best for business in Burma will obviously be a peaceful and orderly transition to a more palatable regime.

Sometimes a regime transition is almost entirely smooth and peaceful. Taiwan's newly elected president, Lee Teng-hui, is proud of his country's harmonious transition to democracy. Both in Taiwan and South Korea democratisation went hand in hand with uninterrupted economic growth. More serious political instability may, however, be assumed to disrupt economic growth since it creates insecurity as well as uncertainty for the future. Some kinds of political instability are more economically disruptive than others, however, and even violent conflicts can be localised so that growth continues in some secure regions while the government fights insurgents elsewhere.

Growth and stability are mutually reinforcing

The optimistic view, to which we will in general subscribe, is that economic growth and political stability are mutually reinforcing. But this is not the case for any kind of growth, or any kind of stability. To provide for stability, growth must not be so rapid that it is bound to end sooner or later in recession, or disrupt a society ecologically, socially and culturally to the extent of exasperating the inhabitants. It must be reasonably moderate, continuous, manageable, and equitable. If we turn the factors around we must conclude, that a highly oppressive regime which bases its stability on fear is unlikely to maintain the kind of atmosphere required for sustainable economic growth. We feel tempted to go even further and argue that only soft, or democratic stability can ensure sustainable growth in the long run. But this is not necessarily so. It is not inconceivable that several Pacific Asian countries, notably China, will be able, until 2015, to combine continued economic growth with a political system that does not approach democracy.

The Scenarios

Preparing for more than one future

In view of ongoing trends, it is commonly assumed that the economies of Pacific Asia will continue to grow very rapidly, and that the states of the region will maintain a high degree of political stability. We also regard this as the most probable of the four scenarios, and will therefore attribute more space to it than to the others in the ensuing chapters. But we would not give it more than a 50% probability (this judgement of ours, of course, does not have any scientific pretensions). Actually we want to issue a warning against taking the continuation of current trends for granted. Donors and policymakers would be wise to prepare for some very different futures.

If we disregard the environmental damage and other negative side-effects of rapid economic growth, and at the same time assume a gradual softening or democratisation, then the first scenario could perhaps be considered a *virtuous cycle* with economic growth reinforcing political stability and vice versa. The idea is that the two dimensions continue to interact favourably. The opposite situation, featuring economic stagnation or decline together with political instability, may be called a *vicious spiral*. Both of these scenarios may be conceived as long-term processes of economic and political change.

Relations between economy and politics

Somewhere in between, we have two conceivable scenarios which may be slightly counterintuitive, and which each involves a kind of *unstable balance*. In neither case do we need to assume that the economic and political spheres are insulated from each other. Although economy and politics are closely inter-linked, stagnation does not necessarily entail political disorder, and political instability does not always result in economic decline. It is possible to imagine a situation where the economy thrives in spite of severe political conflicts. Some economic sectors may even benefit from conflict. One possibility is that the economy is insulated against harmful effects from conflicts in the political sphere because it is protected by a strong bureaucratic apparatus acting as a buffer between business and politics. This could happen in Japan. As already mentioned, economic decline is quite possible in some regions while other parts of a country prosper. This might happen in China, and perhaps in Indonesia. In China, the main growth regions are on the eastern coast. Pockets of extreme wealth and growth may continue in the areas around Shenzhen and Shanghai while other regions, such as Yunnan, Gansu or Tibet will be victims of poverty and stagnation. Another possibility is the coexistence of intense political conflict at the national level with stable autonomous local governments who continue to benefit from foreign trade and investments. The economy of the Chinese coast is already extremely outward-oriented.

Even during periods of political instability and paralysis of administrative structures there is a possibility that business can go on as usual on the basis of informal arrangements, personal networks, and injections of foreign aid and investment. Normal government functions must then be taken care of either by the firms themselves, or by local autonomous institutions. This state of affairs may perhaps not be sustainable in the long run, but we also know that informal arrangements independent of the state are widespread in the Pacific Asian region.

In the other unbalanced scenario there is economic stagnation or decline, and yet with a stable regime. Political stability is thus achieved and maintained in spite of unfavourable economic and social conditions. This may be the case when an authoritarian regime is able to sup-

press discontent. There could also be regimes enjoying popular support in spite of their economic failures. It might for instance be generally recognised that stagnation was caused by foreigners, that it resulted from the nature of the capitalist system, or that a powerful group outside of government was responsible for the decline. The entire nation could be conceived of as being the victim of a conspiracy of external forces. Such perceptions provide strong incentives to national unity, consensus and, hence, internal stability. The present nation states of East and Southeast Asia have become well entrenched indeed, and chauvinist or xenophobic sentiments may well be stirred up by fragile governments as a means to uphold their legitimacy. There is also a tendency to advocate a regional, or Asian, identity in opposition to 'the West'. This has been most visible, perhaps, in Malaysia and Singapore, where the main objective no doubt is to keep these multi-ethnic nations together.

It thus seems perfectly possible to maintain political stability during a period of economic decline, but it remains questionable whether this can be done for a long period of time. After all, there is something inherently unstable about economic decline. The following is an attempt to depict what our four scenarios may look like:

High Growth and Political Stability

Japan as ideal type

In this first scenario we may consider postwar Japan as a kind of ideal type, and possibly also more recent developments in Taiwan, South Korea and Singapore. All of these countries have experienced sustained periods of economic growth and a high degree of regime stability. In the case of Singapore and Taiwan, the domestic political arena has been remarkably stable. What we imagine in this scenario is that China, Indonesia, Thailand, and other countries will follow in the footsteps of Japan, South Korea and Singapore, and that those three stay put on their course. This may entail democratisation of presently undemocratic regimes, as was the case with Taiwan and South Korea in the 1980s, but it may also take the form of 'soft authoritarianism' or even harder forms of stability. The scenario assumes a certain degree of national consensus, elite cohesion, and a public awareness and willingness to solve pressing social and economic problems. Due to the growth of the economy, more resources will be available to ensure social welfare, provide a sound management of natural resources and introduce measures for environmental protection.

Bureaucracy

Economic growth will also provide the public revenues needed to continue building a professional, strong and well-functioning bureaucracy. Growth and stability can furthermore be expected to induce a prudent approach to foreign affairs, and a willingness to contribute towards regional peace and security. While allowing, internally, for the institution of a free judiciary and respect for the rule of law, economic success may as well provide the means for expanding the control apparatus, the national police, and its military forces.

In this scenario, the leverage of Europe and North America will diminish quite rapidly while the region's own economic and political clout will grow. Western governments would in such a situation be wise to link up with Pacific Asia, induce their own corporations to be active in the region, and engage themselves in a continuous dialogue on matters of global concern such as property rights, law enforcement, protection of labour and the environment, and respect for basic human rights. If Western governments fail on this score, it is possible that Pacific Asia

will form an economic and political bloc to oppose or compete with Europe and North America, perhaps even starting to exert strong influence in South Asia, the Middle East, Central Asia and Africa, as well as in global affairs.

High Economic Growth and Political Instability

In this scenario political instability is likely to result from an inequitable distribution of newly acquired wealth, exacerbated by party factionalism, or fragmentation of the central administration. Military leaders may find it necessary to intervene in politics, or local politicians may seek benefits for their particular constituencies by distancing themselves from the central government, relying instead on personal bases of power such as client networks, charismatic performances, control of local means of violence, or alliances with local landowners or business patrons. This resembles the conditions that have characterised Thailand in the postwar period, with several military coups and almost chronic instability on the government level, but still with one of the highest growth rates in the region. Maybe we should also count Deng Xiaoping's China in this category. Despite the perception of Deng Xiaoping as a strong leader, the events of 1989 showed that the leading organs of the Communist Party were far from cohesive, but the political turmoil in Beijing, and the removal of party secretary Zhao Zhiyang, as well as the subsequent repression, did not have more than a temporary negative impact on China's economic growth.

Thai capitalism

In this scenario we imagine a situation where the main productive sectors are unaffected, or even stimulated, by conflict in the political sphere. Admittedly, the bureaucracy in Thailand has not been able to play the Japanese role of protecting business from politics, but has instead been controlled by political elites with a stake in continued growth. Despite widespread corruption among government officials and civil servants, those public funds which have been diverted for private purposes have, so it seems, been funnelled into productive investments and wealth-generating activities rather than conspicuous consumption or foreign bank accounts. All postwar regimes in Thailand have been pro-capitalist, and have aimed to promote economic growth and industrialisation in order to promote national strength. Moreover, the resource endowments of the country have been favourable, networks of small scale enterprises and entrepreneurs have been allowed to flourish, and there has been a general openness to trade and foreign investment. Economically, Thailand has also benefited from pools of cheap labour, mostly migrating from the poor rural areas, and has had the fortune of being located at a strategic geographic position with regard to world tourism and trade. Part of what we are going to consider under this scenario is a 'thailandisation' of Pacific Asia.

Economic Stagnation and Political Stability

In our next scenario political stability is ensured either by an authoritarian regime suppressing all discontent, or a democratic system with a capacity for absorbing opposition. We may see North Korea as representing the first category (conceivably also the much softer Laos), while the Japanese situation since 1990 may represent the second category. In spite of favourable endowments of natural resources, the economic performance of North Korea has been poor in recent years, due

to a stifling political climate, diversion of available resources to military purposes, low incentives for individuals to engage in wealth-generating activities, and lack of education and entrepreneurship. In 1995-96 the country's mismanagement is reported to have led to widespread famine. But still there are no signs of open revolt.

Protectionism

Economic stagnation within this scenario may either be caused by a high degree of protectionism, or it may lead to demands for protectionist measures. For many years the socialist countries China, Vietnam, Laos, Burma and North Korea sealed themselves off from the international marketplace and, at least for some time, they were able to maintain stability that way. By contrast, the Japanese stagnation in the 1990s has hit a nation deeply integrated in the global economy, a situation resembling that of several European countries. The stagnation of the highly developed Japanese economy may partly be ascribed to financial mismanagement and deteriorating terms-of-trade, but it most probably has deeper causes as well, such as the ageing of the Japanese population, a shift from an excessively hard-working to a somewhat more easy-going generation, and problems of adapting slow, systematic bureaucracy to a global situation favouring imagination and quick decision-making. Japan, however, does not have the option to close off its borders since it is dependent on foreign imports for its provision of food and energy, and since it depends on exports for its income. Japanese isolationism is absolutely unthinkable. Japan depends on the world, and to a great extent the world depends on Japan.

Democracy works in Japan

In Japan there will hopefully be enough political unity and popular consensus to deal with the negative consequences of the recent stagnation - the agricultural crisis, the lowering of living standards, rising unemployment, social tension and religious extremism. If these social and economic problems can be solved, there is a chance that political instability can be avoided. It is noteworthy that the political system has given rise to a legitimate, but very real power play between two outspoken leaders. This means that democracy has played its main role: to ensure against social and political chaos by providing for the emergence of a legitimate, realistic and different alternative to the current government.

There may be limits, however, to how long a country can maintain political stability if the economy refuses to grow. If an economic and political collapse were to occur in North Korea or Burma, it might either be followed by an opening to the outside world, or result in civil war. Thus, a timely infusion of economic assistance from abroad might be instrumental in achieving the economic growth that could prevent a social collapse.

Economic Stagnation and Political Instability

The vicious circle of economic decline and political instability is well known from contemporary history. With regard to Pacific Asia, two notable examples are the Philippines and Cambodia, two countries richly endowed with natural resources and which by no means are overpopulated. Their political instability has stemmed from a widespread use of patron-client relationships in the building of political support, through military intervention in the political sphere, and from a fundamental lack of consensus within the educated elite (which in Cambodia was very small).

In the Philippines, economic and political power are closely connected

and the country could in a sense be labelled a 'feudal democracy'. In our worst-case scenario the economy will be further localised and kept at a low level of development because local landowning power-holders are able to fend off competition from the outside. Under such conditions, both domestic and foreign enterprises will be reluctant to invest in new economic ventures. The level of political and economic uncertainty and the risks of failure will simply be too high. Consequently, the economy continues to deteriorate, and the main victims are women and the poor segments of the population. One possible way of obtaining change in a positive direction is for foreign governments to exert pressure on the regime to improve its performance. The IMF, the World Bank, the Asian Development Bank and Japanese banks are today the main agents of such pressure. In Cambodia, an international community of donors and governments, led by the UN, was able to impose, at least temporarily, a national reconciliation. This was done by exerting strong pressure on all parties concerned, deploying a considerable number of peacekeeping forces, and by organising nationwide elections in May 1993. This indicates that it is possible for external powers to play a significant role in overcoming a worst-case internal scenario, at least in a country of limited size and importance.

Fragile democracy in the Philippines

External intervention

Let us repeat that individual countries may develop differently. Some may move along the first scenario, others along the three worse ones. We shall continue to think in terms of regional trends, and if eventually the real future should converge with one of our scenarios, it would require that China conform. No scenario will be indicative of the region's future if it does not provide a clue to China's development. China is so populous, so crucial to regional security, and so important as a target for international trade and investments, that it forms the nucleus of each and every Pacific Asian scenario.

No scenario will be indicative of the region's future if it does not provide a clue to China's development

National and International Stability

Economic growth and political stability on the national level will of course have positive effects on peace and security internationally as well. The economic and political developments of the major powers in East Asia, notably China and Japan, will have serious and inevitable impact on other states in the region. China is rapidly expanding its economic and military strength as well as its political importance.

There are approximately 25 million ethnic Chinese living in Southeast Asia, and while they constitute only a fraction of the indigenous populations they control an important share of each country's economic assets. About 86% of the billionaires in the region are of Chinese ethnic origin (EAAU 1995).The various governments see this state of affairs with a great deal of ambivalence, and tensions between majority populations and local Chinese communities are not uncommon.

Ethnic Chinese

The political and economic situation in Southeast Asia could become highly volatile if China were to go through large-scale internal disorder. In our worst-case scenario, a disintegration of China might provoke a surge of nationalist feelings and of ethnic conflict between Chinese and indigenous populations in Southeast Asia. An internal crisis in China after the inclusion of Hong Kong in 1997, or war between China and Taiwan, might also force the USA, at some later stage possibly Japan, to intervene. The scenario of the virtuous cycle will by contrast involve the setup of frameworks for multilateral negotiations about economic, political and security issues in the region, and to develop a commonality

Will China disintegrate?

of interests between China and Japan. Such international possibilities will strongly depend on internal developments in China, and one may even venture to say that Beijing holds the key to the future of the region.

Chapter Three
THE ENVIRONMENT

All Asian societies have exploited the wealth of natural resources in various ways. They have visibly transformed the landscape in order to make it productive through agricultural and forest related activities, and they have used water and marine resources for food production and collection of other useful items. Even in pre-modern and early modern times, these activities could be significant. Hillsides were terraced and streams diverted for wet rice cultivation, forests gave way to grasslands and grasslands to desert, and human settlements became an increasingly obtrusive feature in the landscape. The pace of change accelerated during the era of Western colonialism and imperialism starting in the 16th century. In the twentieth century, however, the rate and extent of environmental change has increased dramatically. These changes can be summarised under two headings, based on their basic causes and characteristics: (1) environmental degradation, and (2) resource management.[1]

Environmental Degradation

Several factors have contributed to the degradation of the environment in the Asia Pacific region. Although over-exploitation of natural resources also occurred in pre-colonial times (Totman 1989), the colonial era had a dramatic impact on the Asian environment (Kathirithamby-Wells 1995). New technologies made it possible to initiate hydroelectric power schemes and redirect rivers for irrigation at a much larger scale than before. It also became possible to exploit previously inaccessible resources, or to exploit those resources to an unprecedented level. Drainage of swamps for wet-rice cultivation and new settlements - such as the large-scale movement of people from Java to the less populated outer islands of Indonesia - has modified the natural landscape considerably. The export of timber, agricultural and marine products, and various mineral resources has played a very important role in changing the natural landscape in this region.

New lifestyles

A relatively recent and profitable innovation like fish ponds for shrimp cultivation has led to the destruction of thousands of hectares of mangrove forest along Asia's coastlines. In addition, the extensive use of pesticides and fertilisers in Asian agriculture has polluted large tracts of land as a result of the Green Revolution. In addition, rapidly growing populations in many Asian countries, coupled with new life-styles after decades of socio-economic development, have contributed to sharp increases in the demand for food, energy, and water for drinking, irrigation, and industrial purposes. In the last few decades Asia's natural environment has increasingly been put under stress due to discharges from many sources - agriculture, industries, transportation, urban centres and tourist facilities. Consequently, Asia has experienced several environmental disasters. Agricultural and industrial discharges into riv-

1. This chapter builds, to a large extent, on a draft introductory chapter in A. Kalland and G. Persoon (eds), *Environmental Movements in Asia*. London: Curzon Press, forthcoming.

Disasters

ers and lakes have contaminated people's drinking water, causing serious harm to the health of large numbers of people. In Japan since the 1950s, discharges of mercury killed or crippled thousands of people in Minamata and elsewhere (McKean 1981). Deforestation in Southeast Asia and the Himalayan foothills has caused serious erosion and subsequent flooding. The accumulated effect is most evident in the rapidly growing cities of Asia which, with few exceptions, are covered by thick layers of polluted air, and located on biologically dead rivers or sea shores.

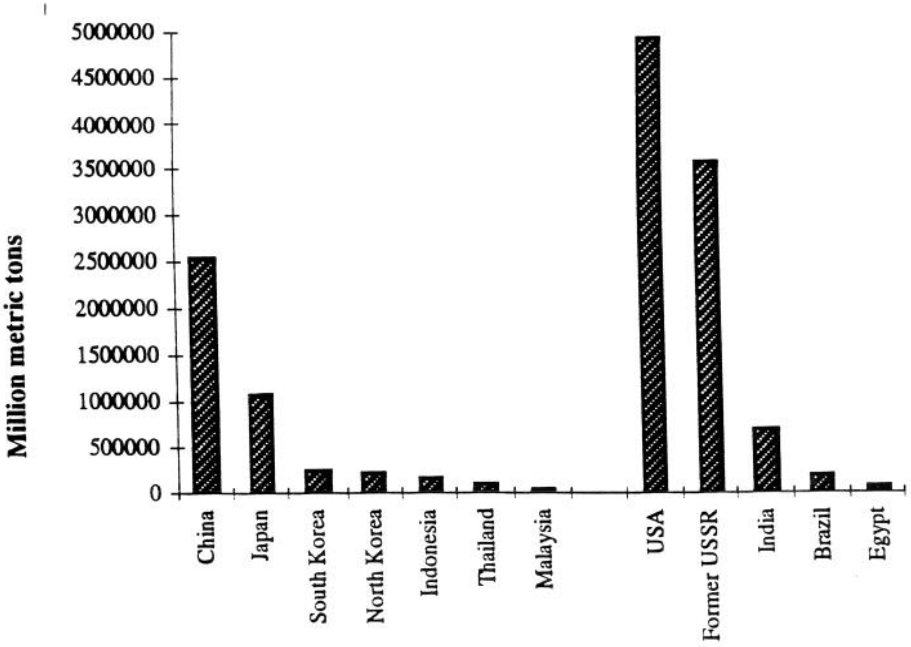
Polluted cities

With eleven of the world's twenty largest cities in Asia (UNFPA 1990), rapid urbanisation and a growing number of mega-cities have led to severe problems in providing housing and infrastructural facilities. The main problems have been larger numbers of urban poor, underdeveloped systems of waste disposal and serious traffic congestion. In many cases these problems have been consciously neglected and accepted as inevitable consequences of economic modernisation. Hence, among the seven most air-polluted cities in the world, three are located in Pacific Asia: Beijing, Jakarta and Shenyang; and two in India: Calcutta and Delhi (Koh 1994).

Global warming

Air pollution from industrial and other sources also has a global aspect. Increased industrialisation in the growing economies in Pacific Asia - especially in China - will inevitably lead to dramatically higher levels of CO_2 emissions. Major industrial and large developing countries such as China and India already rank high on the list of countries with the largest emissions of CO_2, although as seen in the figure below the United States and the former Soviet Union have by far the highest carbon dioxide emissions in the world. On a per capita basis China and India also rank relatively low as compared to the United States, the former Soviet Union, and even Japan. China's rapid economic growth and increasing use of coal both in industrial processes and for residential heating, however, will constitute a serious problem in coming decades (World Resources 1994-95: 202-203).

Figure 3.1: Industrial Emissions of Carbon Dioxide (CO_2), 1991



Source: World Resources 1994-95: 202

There are exceptions to this picture, however, and the two most outstanding ones are Singapore and Tokyo; both are today among the world cities with the best air quality. The former might well have been the cleanest city on earth for the last decades. The recovery of Tokyo from the 1970s when the city was rightly infamous for its pollution, is remarkable. Through legislation, 'pollution taxes' levied on emission of pollutants, the introduction of the latest technology, and a more active environmental movement in Tokyo and the rest of Japan, it has been demonstrated to the region that it is possible to turn trends. Other countries in the region are following suit: voices to combat environmental degradation are increasingly vocal in South Korea, Taiwan, Thailand, and Malaysia. Environmentalism is becoming fashionable in Asia (Lohmann 1993). Perhaps even more important, there has been a marked 'greening' within the donor community, most notably in the World Bank and the Asian Development Bank (Mikesell and Williams 1992).

Trends can turn

Resource Management & Conflicts over Resources

As a result of environmental deterioration, healthy living and working conditions can only be enjoyed by those who are relatively well-to-do. Pollution and depletion of natural resources, coupled with high population growth, have also intensified the competition between different groups of people over scarce resources. Shifting cultivators, for example, who number about 100 million in Asia, have been forced to extend the period of cultivation and shorten the fallow period, with deteriorating land quality as a result (Kunstadter et al. 1978). At sea, more and more fishermen are competing over dwindling stocks of fish, occasionally with violent clashes as a result (Anderson 1987; Torell 1984). With the expanded authority over maritime resources which recent change to the *Law of the Sea* has given to states, this competition often has an international political dimension as well.

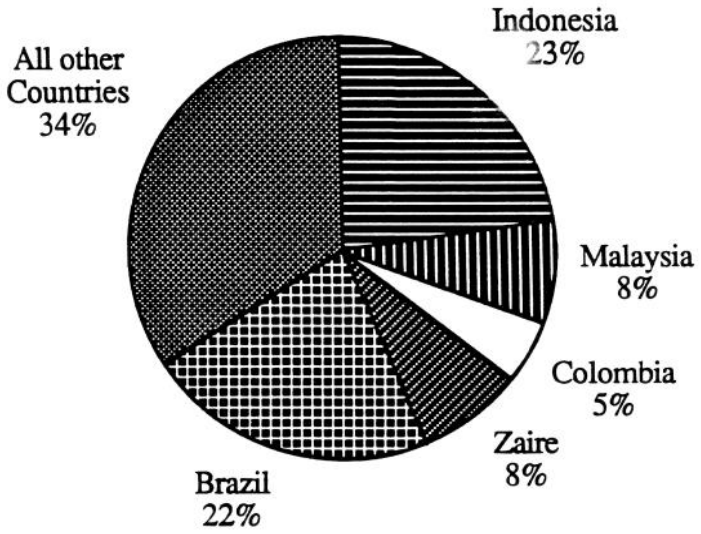
At times, a more intensive use of resources or new modes of exploitation may bring groups of people in conflict with their neighbours. This is the case when the needs of upland farmers cause deforestation, land erosion, and regular floods which severely affect people living in the lowlands, as well as fishermen in the coastal regions. In addition, there are conflicts triggered by new ways of using resources. Forests - formerly used by hunters and gatherers for provision of food, or by subsistence farmers for collecting fuel, fertiliser, and fodder - have now been taken over by logging enterprises (Rush 1992). Therefore, more time has to be spent in collecting firewood and fodder, a change which particularly affects women. Another example is the shore area in Thailand and Indonesia which previously was used by fishermen. It has now become private property or has been taken over by the tourist industry.

Forestry

These conflicts over access to - and control of - resources frequently take place between centre and periphery; i.e. between the majority population and different minority groups, or between political authorities in need of foreign exchange and local people who fight for their physical and cultural survival (as is the situation in much of the Southeast Asian highlands, where logging interests clash with the interests of indigenous shifting cultivators). This is a conflict between those who see the environment as a resource for profit-making, and those who define themselves as being essentially a part of that environment. Many Asian environmentalist movements have grown out of such conflicts. A typical case is the mobilisation of farmers in Northern Thailand against plans to establish eucalyptus plantations in what they

perceived to be 'their forests' (Tegbaru forthcoming).

Figure 3.2: Tropical Rainforest Lost, 1981-90



Source: World Resources 1994-95: 131

NIAS 1996

Such conflicts, however, are seldom straightforward in legal or moral terms. Most Asian regimes give the state substantial legal authority over all land, whatever kind of formal tenure its occupants may hold. The use of this authority has often been arbitrary and inconsistent. There is also a great variety in Asian conceptions of the relationship between the rights of individuals or the community to use particular areas of land. The issue of moral rights to land is also complicated by the extensive migration which has taken place in many parts of Asia. In Malaysia, for instance, a significant proportion of 'indigenous' Malay population - who claim a special relationship with the land as *bumiputera* (sons of the soil) - are descendants of 18th, 19th and 20th century immigrants, whereas Chinese Malaysians are considered non-indigenous, even though several Chinese settlements date back at least to the 15th century.

Conflicts between conservationists and local populations

Asia has also experienced an increasing number of conflicts between those who want to protect certain species or natural habitats - popularly called conservationists - and local populations who traditionally have exploited these resources. An international moratorium on whaling has seriously affected small coastal communities in Japan (Kalland and Moeran 1992), and the protection of tigers and elephants in India and Indonesia has led to conflicts with farmers whose lives have been endangered. Buddhist monks in Northern Thailand wanting to protect forests have clashes with the hill tribes, and the proliferation of national parks - now covering 4.5% of Asia's area (Edwards forthcoming) - has deprived farmers of important grazing land and fields for cultivation.

Forms of conflict

Conflicts over resource management, therefore, can take on many forms: some are between states, as in the territorial disputes over the Spratly Islands in the South China Sea; others are between local communities, especially over water or forest resources. Most conflicts are between governments and their peoples, but these can vary greatly in

character. When a government follows the urgings of conservationists and declares a national park or protects an endangered species, it may be putting an end to the hunting practices of local communities. On the other hand, it may be thwarting outsiders who hunt commercially with modern weapons on a scale which could not be sustained. When a government rigorously applies pollution control regulations, it may be helping to create a cleaner environment, but it may also be using such regulations as a tool to destroy the business interests of groups threatening the power of the ruling elite.

'Environmental imperialism'

Conflicts over use versus non-use of natural resources often result from initiatives by NGOs based in Western industrialised countries (Kalland and Persoon forthcoming). The middle classes in Europe and North America are often more concerned with environmental degradation - to some extent caused by their own lifestyle - than about the viability of local communities. They may thus pose a threat to local people in Asia by denying local peoples access to natural resources on which their economic subsistence, living conditions and culture depend. In a sense resources are thereby transferred from the poor to the rich (Guha 1989). The ideological dimension of these conflicts is often quite complicated. Some Asians see this intervention by foreign NGOs as a new form of imperialism, in which Western values are imposed on Asia, and Asians are told to forgo economic development in order to placate Western sensibilities, and to manage the consequences of extravagant Western lifestyles in the past and present. On the other hand, there have been important Asian voices arguing that environmental protection is a nationalist issue and that Asian countries should not allow their subordinate position in the world economy to force them to destroy their environment and natural heritage.

Most of these issues also have an intra-Asian dimension. Japan is resented in Southeast Asia for dumping waste in the sea and for siting 'dirty' industries outside its own borders. Taiwan's modern fishing fleets have caused severe ecological degradation in fishing grounds traditionally used by Southeast Asians and Pacific Islanders. Thailand's protection of its forests by means of a ban on timber exports has led Thai entrepreneurs to exploit the forest resources of Burma, Laos, and Cambodia, where there is neither government will nor popular environmental interest to resist deforestation.

There are also some positive developments. Just as the introduction of new technology has been a major cause of environmental degradation, technological innovations are also solving many problems. In Indonesia, a pest management programme, involving a drastic reduction in the use of pesticides in rice cultivation, has reduced the once sharp conflict between agriculturists and environmentalists (World Resources 1994-95: 116). Changes in the technology and cost of pollution control have had a major impact on the economics of environmental protection in this area. In Japan, common property regulations have secured access rights for fishermen (Ruddle 1987) and farmers (McKean 1992).There is also a growing awareness in Pacific Asia that the rights of indigenous peoples must be protected against encroachment from outsiders. It is far more difficult to settle conflicts over resource rights, however, than to achieve a reduction of chemical discharges. The latter problem is largely a question of funding, whereas the former is about nation-building and power relations between parties with claims on natural resources.

Environmental Movements in Asia

The activities of environmental movements will be an important factor in the future. Environmental problems facing people in this region are many, and the variety of strategies employed by environmental organisations and action groups in Asia is enormous. These groups differ widely in their aims (Rush 1992; Kalland and Persoon forthcoming). Some address a wide range of issues and cover entire regions, while others are narrowly focused on specific problems at a particular site. Some are actively cultivating international organisational linkages, while others deliberately avoid wider engagement. Some groups treat environmental questions as a part of a panoply of political, social and economic issues, while others strictly exclude non-environmental issues from their agendas. Actions taken by these groups may be non-violent forms of opposition, but also include aggressive and militant resistance against outside interference. They also engage in public awareness campaigns, political lobbying, solid scientific research, and investigative journalism.

There is also a difference between organisations fighting against environmental degradation, and groups promoting and actively trying to optimise the use of natural resources. Some of the local environmental movements have come into existence and operate on the basis of a purely negative agenda (Sayer 1995). They fight against encroaching outsiders, for example when there are plans to construct a dam or a highway; when concessions for fishing, mining or logging are leased out, or when nature reserves are established which will prevent them from using natural resources. Other organisations take action in order to improve the situation by initiating new methods of resource utilisation. In some cases they seek to regulate resource use by closing hunting periods, by prohibiting the use of certain technologies, or by reorganising systems of waste disposal. Some communities, who find that political authorities are unwilling or incapable of safe-guarding their interests, organise self-help groups to try to implement what the government has failed to do.

Political repression

Environmental movements were virtually unknown in Asia until the mid-1970s, and their social and ideological character varies considerably from country to country. Because of political repression, environmental organisations hardly exist in China, North Korea, Burma, and several states in Indochina. In Taiwan, citizens' groups fighting pollution began to develop only after the lifting of martial law in 1987; in Indonesia, by contrast, environmental groups have been permitted to operate since the late 1970s, despite an otherwise repressive political environment. They have not been seen as a threat in conventional terms. In the Philippines, environmental groups have been associated mainly with the political left, whereas in Thailand some environmental issues - notably the 'protection' of forests by non-Thai shifting cultivators - have appealed to the political right. Environmentalists in Indonesia have generally been receptive to the idea of a broad coalition of groups, at least for the exchange of information and ideas, whereas environmental movements in Japan and Taiwan have been fragmented into thousands of localised groups with very little national co-ordination.

The Taiwanese example

The environmental movement in Taiwan may be a good example of such fragmentation. The majority of environmental protests in Taiwan are led by local organisers, mainly in response to local problems, and these groups are fairly fragmented across the island (Weller and Hsiao forthcoming). With respect to environmental protests, Japan has en-

joyed a democratic political system for decades with freedom of speech and association, but the Japanese situation nevertheless very much resembles that of Taiwan. One reason for this may be the primacy of particularism in Japanese culture. Rather than rallying under the banner of universalistic norms and abstract ideologies, the Japanese are mobilised to correct very concrete and immediate problems (McKean 1981; Griffith 1990).

NGOs in Southeast Asia

Whereas the focus for most of the campaigns in Japan and Taiwan is pollution and the quality of living conditions, the main focus for their Thai counterparts seems to be conservation and access to natural resources, reflecting the rapid depletion of resources in their country. But as in Japan, the Thai NGOs are typically formed around charismatic individuals who rely on face-to-face relations to build group solidarity and support, which in turn causes fragmentation and lack of co-ordination (Brockelmann 1989; Lohmann 1993). The Thai environmental movement has nevertheless grown strong enough to force commercial logging interests to cast their eyes on Burma, Cambodia and Laos instead, where the environmental movements are still weak and unorganised (Hirsch 1993). A bewildering array of groups are active in the Philippines, most of them combining the struggle for a better environment with fights for social equity, cultural survival, poverty alleviation and democratisation (Broad and Cavanagh 1993). The environmental movement in Malaysia is also very active, with Sahabat Alam Malaysia (SAM) playing a prominent role (Rush 1992). It is internationally active and has been a driving force behind a number of regional linkages. Indonesia presents a totally different picture with tight control of most organisations. Only a few environmental groups receive official approval, and these support and facilitate the work of other groups, including international NGOs.

Political environmentalism

The environmental discourse is often used by various groups engaging in social protest as a means of making themselves less vulnerable to repression by political authorities. The articulation of environmental issues are often more easily accepted than other forms of social resistance. Environmentalism is thus being used as a vehicle for veiled political organisation, especially in semi-democratic and non-democratic political systems. Environmental groups encounter a wide variety of responses from state authorities. In Japan, environmentalists are incorporated along with other interest groups in local political fiefdoms. In Malaysia, environmentalists have been treated as hostile radicals linked to international interests, and in Indonesia the government has made considerable efforts to co-opt the environmentalist movement for the sake of social control. In sum, environmental politics in Asia has many different streams full of cross-currents, and the political implications of environmental issues in coming decades will be highly dependent on the specific conditions of each country.

High Economic Growth

High economic growth will have both positive and negative consequences for the environment, because high growth puts greater pressure on the environment while also creating the financial and technical resources to tackle environmental problems. Only a few Asian countries - albeit such important ones as China, Vietnam and Burma - are still at the stage where economic growth is pursued with almost complete disregard for environmental consequences, and at least in China and Vietnam, pressure is accumulating for a greater political attention to the

environment.

Government policies

Industrial pollution is unlikely to be the most serious environmental threat in high-growth conditions. Better communication will allow a more environmentally responsible siting of industries, a more efficient use of resources now wasted in inefficient exploitation processes, and will permit investment in technology to control pollution. The relatively authoritarian traditions of many Asian governments and the limited possibilities for democratic change give such governments a long-term planning horizon in which arguments for environmental protection based on economic grounds can receive a sympathetic hearing. On the other hand, rapid industrialisation will increase the demand for energy. Many Asian nations see nuclear power as one way to satisfy their growing power demands and reduce their dependence on other nations for imported fuels; nuclear power is also valued simply for its prestige. Countries such as Japan, South Korea, Taiwan and China plan to expand their already substantial nuclear power programmes, whereas Indonesia and Vietnam hope to either launch new programmes or expand small ones. In China's Ninth Five-Year-Plan (1996-2000) the stated objective is to significantly expand the nuclear energy supply in the Southeast coastal region, thereby sustaining the current momentum of economic growth (Hagen 1995).

Infrastructure

More significant will be the environmental issues arising from development of the rural and urban infrastructure. In all of Asia, with the possible exception of Singapore and Japan, infrastructural development has lagged behind economic growth. Massive construction programmes for highways, airports, harbours, telecommunications, waste management and water supply will be necessary if economic growth is to be sustained, and this will lead to a transformation of the landscape comparable to that in industrialised north-western Europe. Rural infrastructural development will also be significant in this scenario. Reclamation and drainage of swamp land for wet rice cultivation and planned settlements will become an even greater threat to lowland forests than today, and millions of people will be forced to resettle in connection with such projects. If unchecked, high economic growth will certainly cause severe environmental stress. The introduction of new technology will also make possible the exploitation of hitherto inaccessible resources or to the exploitation of resources in new ways or at unprecedented level. They will also make possible the redirecting of rivers for irrigation and hydroelectric power schemes at an unparalleled scale.

Food crisis in China?

Although new technology will allow more intensive exploitation of formerly remote and inaccessible areas, the loss of agricultural land to expanding cities is likely to entail a growing dependence on food imports from the temperate southern hemisphere, especially Australia and New Zealand. Lester Brown recently posed the crucial question of whether China will be able to feed itself in the future. In Brown's perspective the prospects are bleak for a number of reasons, and he predicts that China - with a growing population and diminished domestic capacity for food production - will inevitably have to import food, causing a dramatic rise in world prices, with serious consequences for other low-income food importing countries (Brown 1995). Other agricultural experts have refuted Brown's pessimistic thesis, and claim that if proper measures are taken, China will indeed be able to feed itself.

Factors that may lead to a food crisis in China:

- Many consumers will move up 'the food chain'. They will eat more meat, fish, eggs, dairy products, plant oils, fruits and vegetables, and less rice.
- the amount of arable land is diminishing
- there is not enough water for irrigation
- there is little opportunity for further major increases in yields

Factors that may prevent a food crisis in China:

- more efficient use of water
- shift to high quality fertilizers, thereby shutting down local low-quality factories.
- reduction in waste of crops during harvesting, threshing, drying, storage, transport and processing
- more efficient pork production
- promotion of consumption of chicken, fish and dairy products rather than pork.

Source: Brown 1995. Han 1995: 7-8. Smil 1996: 32-34.

NIAS 1996

Urban lifestyles

Most significant of all will be the rising levels of urbanisation. The number of mega-cities will increase and rural areas will be affected by urban life-styles. If affluent people all over Pacific Asia pursue these new life-styles it will have a tremendous impact on the environment. A growing share of the urban populations in Asia will require greater access to material resources (paper, water, energy, building materials) than rural populations of comparable size, although living standards for the vast majority of these people will appear squalid by Western standards. Private consumption will rise to unprecedented levels, with great demands on food stuffs, clothing, housing, recreation and transportation. Traffic congestions of the Bangkok and Taipei type will characterise a great number of cities, causing enormous problems unless firm restrictions are placed on private car ownership. Uninhibited consumption patterns and the predilection for showing social status by conspicuous consumption in many Asian cultures will lead to a rapid and very serious depletion of natural resources. The spread of Western-style consumption patterns in the populous nations of Pacific Asia will lead to a tremendous stress on resources, with unsustainable consequences for the natural environment both locally, regionally and globally.

As individual consumption patterns give rise to growing domestic markets for timber, fuel, food and other products, the demand for raw materials on the world market increases as well. This creates added incentives for exploitation of resources beyond their sustainable use, and this will eventually cause more competition and conflict between different user groups (e.g. industrialists versus shifting cultivators; fishermen versus tourists) as well as within user groups (between fishermen). These conflicts over the use of natural resources will often be fought between people living at the periphery and those in the commercial and political centres, where the latter will encroach on the resources

of the former. Frequently it will involve minority peoples fighting for the right to the natural resources they hitherto have relied upon for a living. This scenario will therefore raise the question of the rights of indigenous peoples and, more broadly, human rights. Hence, there is a potential for armed conflicts over access to natural resources.

Conflicts over resources

Whereas conflicts over natural resources will occur mostly in rural areas, leading to dislocation of many people, the effect of toxic industrial emissions and increased consumption will be most evident in and around the rapidly growing cities. As a consequence water, clean air and a healthy environment will be increasingly scarce. Many cities will find it difficult to handle waste disposal from households and industry and to provide the population with an adequate infrastructure and services. Economic booms will strain human resources within the construction industry. The probable consequences: disasters like those recently occurring in South-Korea and Malaysia (collapse of a bridge and department store; explosion in a subway; collapse of an apartment block).

On the other hand, since urbanisation tends to concentrate environmental problems geographically, it also brings a number of advantages. Urban populations tend to reproduce at substantially lower rates than rural populations, partly because a variety of birth control techniques is available, partly because having children incurs greater costs and less benefits than in rural areas. The birth-rate has already fallen to 10 per mille in Japan, and is rapidly decreasing in the NIC countries. In short, there will be a gradual decrease in population pressure in the countryside, and a concentration of population pressures in the cities. This scenario thus implies that population growth will not be an important destabilising factor. High economic growth will also lead to more educated citizens. This does not necessarily mean that a higher environmental awareness will emerge, but educated people will be better able to cope with environmental disasters and find solutions. Higher education and urbanisation will moreover stimulate the development of environmental NGOs.

Labour interests

High economic growth, under whatever political regime, makes it possible to use modern, less-polluting technologies. New and less labour-intensive technologies will become more economically viable, due to rising labour costs and environmental regulations. This may lead to a conflict of interest between industrialists and environmentalists on the one hand and laid-off workers on the other, particularly in the least developed areas where there are few alternative work opportunities. The former alliance will, with assistance from the industrial world, go for the latest technology to combat rising labour costs as well as possible political problems from environmentalists. The inevitable conclusion is that the impact of high economic growth on the environment will to a large extent, depend on political authorities. A high profile for environmental issues may not mean that arguments for environmental protection will always take prevalence in solving social and economic conflicts. However, such conditions are likely to attract serious attention to environmental matters.

High Economic Growth and Political Stability

Political stability in a context of high economic growth will mean more serious and careful attention to environmental issues. This is partly because governments will feel able to plan further into the future, and partly because political stability is likely to result either from growing political consensus or from continuing political repression. If issues of

national identity or of ethnic or class conflicts diminish in importance, or are removed from public discussion, then environmental issues are likely to become a major vehicle for political debate, ensuring that such issues at last receive serious consideration during the policy-formulation process. Although the global trend towards deregulation and privatisation suggests that business interests will have greater rather than less freedom to damage the environment, the examples of Singapore and Indonesia suggest that governments will find environmental protection to be a useful vehicle for continuing to intervene in the economy and in social affairs.

High economic growth will, in the initial phase, imply severe environmental degradation; but it will provide the means to prevent pollution and resource degradation, and to repair environmental damages. Political stability can work different ways, particularly if it is based on authoritarian rule. Political stability may imply a high degree of control, and where the central authorities put a clean environment high on the agenda, as in Singapore, this is the scenario best equipped to combat environmental deterioration. However, where the authorities place top priority on economic growth - as is currently the situation in China - this will be detrimental to the environment. Protests against environmental degradation will have severe difficulties in being heard, and when expressed they will often be a disguise for a general social critique of the authorities. NGOs will be under surveillance, and collaboration with NGOs in the industrialised world will largely have to go through official channels.

Democracy can be beneficial for the environment

Political stability can also have a democratic form and involve the development of a vital civil society, as in Japan and, to a lesser extent, in Thailand and the Philippines. There will be various ways for the public to address environmental questions, both by direct action through environmental groups and through elections. Politicians are therefore likely to listen to protests while at the same time trying to externalise the costs. There will be conflicts of interest between conservationists and labour. Both of these are important groups for politicians, who therefore most probably will support environmental issues of relatively little relevance, such as the establishment of national parks at home and abroad. This will not necessarily be in the interest of ethnic minorities who may have to pay for their government's need to cultivate an environmental image by being deprived of unrestricted access to natural resources. A democratic political system will encourage the development of a national environmental movement which will be less dependent on support from abroad. High growth will also cause conflicts between human rights - and particularly the rights of indigenous people - and conservation interests. The growth of an affluent urban population may strengthen the conservation movement, thus producing requests for national parks and other restrictions on the exploitation of natural resources - which in turn may pose a threat to the rights of indigenous people and others who rely on harvesting of natural resources.

Human rights

Whether democratic or authoritarian, the stable growth scenario will create conflicts between local people and the political and economic elite in the centre. A democratic system can play a constructive role in settling such disputes amicably, especially due to the constructive participation of a number of local and international NGOs. However, if there is no clear political majority and the executive is constantly forced to accommodate conflicting interests; then disunity, games of coalition-building and political bickering will inhibit legislation and firm environmental action.

High Economic Growth and Political Instability

As we have argued elsewhere, high economic growth is an important source of legitimacy to any Asian government, and long periods of high economic growth will probably go hand in hand with an internally stable political situation (as in Japan where the Liberal-Political Party ruled without interruption between 1955 and 1993). By contrast, it is also possible to imagine a high-growth scenario in combination with political instability, caused either by growing social and regional inequalities, middle class demands for democratisation, or international conflicts.

In times of international instability, high priority will be given to the buildup of military strength and the economy to support this. Less attention will be paid to the environment. A feeling of insecurity will be intimately linked to a sense of vulnerability, in which governments perceive their countries as missing opportunities to reach their targets due to both internal and international forces. Japan will be a case in point. There will be a feeling of vulnerability due to lack of natural raw materials, a heavy reliance on international trade, and a culture that is radically different from those of other Asian nations as well as that of the West.

Japanese vulnerability...

High economic growth has firmly integrated Japan into the international market, which has made the country more vulnerable to international criticism. This has not gone unnoticed abroad and threats of trade-wars have so far been efficient means to open the Japanese market. Similar pressure has been brought upon Japan to make the country give up whaling and drift-netting. However, sustained pressure - and Japan-bashing in the US, Korea, China and Russia - may cause resentment and add fuel to growing nationalist sentiment. Whaling and eating whale meat have become important symbols of Japanese identity. Similar mechanisms may operate in China and other countries in Asia - for example Malaysia, which has been heavily criticized for its destruction of rain forests and tropical hardwoods. The result will be the same: a feeling of vulnerability and threat. Consequently, the exploitation of natural resources will not only be seen as an obvious right of sovereign nations, but to do so will take on a symbolic significance, particularly in the fields of national identity and sovereignty. Many Japanese perceive the present state of affairs as a competition between nations. This scenario may thus lead to a competition over how to define the international environmental agenda, but in a politically unstable situation it is more likely to result in a competition for raw materials and military power, with very negative consequences for the environment.

...and competitiveness

Economic Stagnation

Low or negative economic growth will have both positive and negative consequences for the environment. Economic stagnation will diminish pressures on natural resources for industrial production, but increase the pressures of population growth. At the same time, low growth is likely to imply the continued use of old, inefficient and more polluting technology while leaving governments without the financial and technical resources to tackle environmental problems.

Economic stagnation will reduce the immediate pressure on natural resources. Fewer mega-projects will be implemented, and per capita con-

sumption will not increase significantly. The demand for energy (oil and nuclear power) will also be significantly reduced. These 'positive' trends will, however, be offset by negative ones. In their quest for economic development the authorities will put little effort into environmental protection and sustainable use of natural resources. They will in international fora argue, as India has done repeatedly, against the adoption of new and more expensive technology on the premises that the industrialised nations have (i) contributed most to environmental problems historically, and (ii) continue to do so on a per capita basis. This issue may sour the relationship between the developed and the developing countries for long periods of time.

Industrial accidents

For this reason and to avoid social upheavals caused by increasing unemployment, low growth societies will continue to use out-dated technologies with serious environmental consequences. Investments in security measures will be reduced to a minimum, with the likely result that accidents such as the one at Union Carbide in Bhopal will become more common. Poor materials and workmanship will lead to sub-standard construction of buildings. Lack of money to cover maintenance costs will also make such installations (including those made in the nuclear sector) unsafe. Lack of capital will also delay improvements in agriculture and force farmers to continue harmful farming methods, including the use of chemicals dangerous to human health as well as to the environment. Intensive land use to compensate for low yields will reduce the fertility of the soil and hence increase erosion. People will continue to rely on the natural resources in their immediate surroundings for lack of viable alternatives.

Slum

The lower per capita consumption rate will largely be offset by steady population growth. This will add to the population density both in urban and rural areas. The increases in rural population will be in the form of property-less farmers, some of whom will eventually migrate to the city slums, while others will try to eke out a living on still unoccupied marginal lands, causing deforestation and further erosion. Settlements located at marginal lands - swamps, low-lying coastal areas, riverbanks, hill sides - are more vulnerable to the forces of nature, and catastrophes at an unprecedented level will follow in the wake of storms, heavy rainfalls, volcanic eruptions and earthquakes.

Floods

The lack of preparedness when recent floods hit Bangla Desh is an example of what we can expect in other places vulnerable to natural disasters. In this scenario the environmental movement will remain undeveloped or fragmented. It will remain dependent on funds from outside donors and will not be firmly based among grass-roots activists, but led by a few, mostly Western-trained academics.

Economic Stagnation and Political Stability

We should make a distinction between two very different situations of economic stagnation; one facing less developed countries and the other highly developed countries. For the less developed countries it is unlikely that this scenario will lead to any environmental improvements. Top priority will be given to solving the economic crisis. This applies to countries like Laos and Burma, and large parts of China. The environmental movement will have difficulty in asserting itself, and will be under the firm control of political authorities.

Aum Shinrikyo

The situation will be very different in the more developed countries, particularly if economic stagnation occurs after the majority of the population has already attained a high standard of living. Around the year 2015, several of the most advanced Asian countries will have moved from high-growth to low-growth situations. Japan has already entered a period of low growth (around 4-5% 1975-1990; and stagnation thereafter). This is also likely to happen in Korea, Taiwan and Singapore at some point before 2015. In Japan, this has led to a more unstable political situation with a break-up of the Liberal-Democratic Party (LDP). Since the 1980s there has also been a proliferation of new religious sects, often with a millenarian flavour, the most famous being Aum Shinrikyo, responsible for the gas attack on the Tokyo subway in 1995. The increasing instability of the situation in Japan is a timely reminder that growth may be an important source of legitimacy for any ruling party.

The post-industrial age

Instability in this context, however, is unlikely to have any serious effect on the environment. At high GDP levels, the shift from high to low economic growth or stagnation is linked to a move from secondary to tertiary industries. The 'post-industrial age' implies a reduced pressure on natural resources. Moreover, in the post-industrial society there is a greater scope for political pluralism, with environmental NGOs playing a more pronounced role. We can therefore expect that efforts will be made to improve the environment. This positive development is, however, dependent on a smooth transition of the labour force from secondary to tertiary industries without massive lay-offs of workers. As we know from Europe and North America, rising levels of unemployment usually lead to conflicts between economic and environmental interests, which in turn may destabilise the situation considerably and result in environmental setbacks.

Economic Stagnation and Political Instability

From the environmental point of view the worst-case scenario is the most thoroughly discussed in chapter six, with a collapse of regional collaboration and war between nations. The situation will not be much better if one of the larger countries, such as China, breaks down. A war in Asia may have disastrous consequences for the environment for several reasons. Warfare itself plays havoc with the environment: laying waste forests and fields and contaminating water sources. Dams are likely targets for attacks. Millions of people will be driven from their homes into refugee or resettlement camps. Political instability and military buildup in and of itself will redirect investment away from the environmental sector, leading to a downgrading of its priority.

A similar situation may emerge if one of the smaller countries in Pacific Asia disintegrates. In such a situation the central government is likely to concentrate on its fight against separatist movements. Burma has been in this situation since 1947, and the Philippines remains preoccupied with fighting the Muslim 'Moro' movement in the South. Such situations leave little room to manoeuvre for environmental movements, but there will be differences between countries. For example, while Burma has hardly any environmental NGOs at all, the Philippines has a proliferation of such organisations. We need therefore to look beyond the question of political instability as such, and take cultural factors and political systems into account. Generally, however, it is clear that sound environmental policies depend on a reasonable degree of political stability and the preservation of peace.

Conclusion

If we analyse the factors most likely to work for the protection of the environment, we will find that some of them may, under slightly different circumstances, also work in the opposite direction. High economic growth is such a factor. High growth makes it possible to repair damages and to use new and environment-friendly technology. It is also likely to bring about lower fertility rates, better education, and popular participation in political processes. Coupled with a laissez-faire attitude, however, high growth can impose severe hardship on the natural environment. One of the most significant outcomes of high economic growth will be the rising levels of private consumption and new lifestyles among increasingly affluent populations. This development will have undeniable - and mostly negative - effects on the environment. Higher levels of both public and private consumption, as well as an expanding demand for raw materials on world markets will seriously threaten the environment, and lead to a more rapid pace of resource depletion.

A new Western model?

Perhaps the greatest challenge for Europe and North America is that of reforming their own societies in an environment friendly way. They can thus serve as a model which may ultimately encourage Asians to avoid a replication of the environmentally destructive life-style which has characterised 20th century Western society.

Factors contributing to environmental protection:

- high economic growth and political stability.
- transition to a post-industrial society.
- higher levels of education and the development of civil society.
- new and inexpensive environmental technologies.
- vigorous international discourse on environmental as well as human rights issues.
- combination of state and local management of natural resources.
- new environment-friendly lifestyles.

Factors detrimental to the environment:

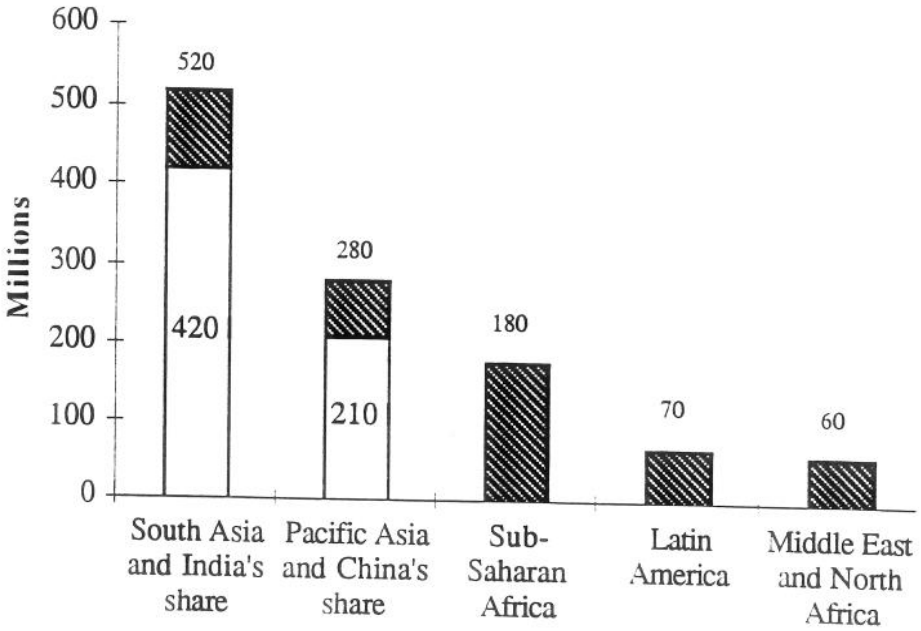
- high growth in a context of laissez-faire.
- political instability or warfare.
- high population growth.
- ethnic conflicts over access to natural resources.
- new lifestyles characterised by uninhibited consumerism.
- overly centralised resource management.

Chapter Four
POVERTY

In 1990, more than 800 million of the world's 1.1 billion poor people were Asians. According to the World Bank, 280 million of them lived in Pacific Asia. Thus, in spite of sustained economic growth, poverty in Pacific Asia is far from being eradicated (World Development Report 1990: 29). Poverty has been reduced, but not to the extent one might have expected in view of the region's impressive economic performance. This seems to confirm Paul Krugman's assertion that 'if there is a secret to Asian growth, it is simply deferred gratification, the willingness to sacrifice current satisfaction for future gain' (Krugman 1994: 78).

According to the World Bank, China accounted for 210 million of Pacific Asia's poor in 1990, which leaves only 70 million in the rest of the region. This, however, is too good to be true for Southeast Asians. According to the United Nations Development Programme (UNDP), there are 120 million people – not 210 million – living below the poverty line in China (Human Development Report 1992: 132-133). Moreover, data provided by the UNDP and the Asian Development Bank indicate that as late as 1990 there were still at least 40 million poor people in Vietnam, between 30 and 40 million in Indonesia and the Philippines, 15-20 million in Burma, and around 15 million in Thailand (Human Development Report 1992: 131-133; Asian Development Bank 1995: 9). Even in Malaysia there may still be 3-5 million living below the poverty line. Accordingly, we must reckon that at least 150 million Southeast Asians live in poverty even today, and 120-130 million in East Asia.

Figure 4.1: Poverty in World Regions, 1990



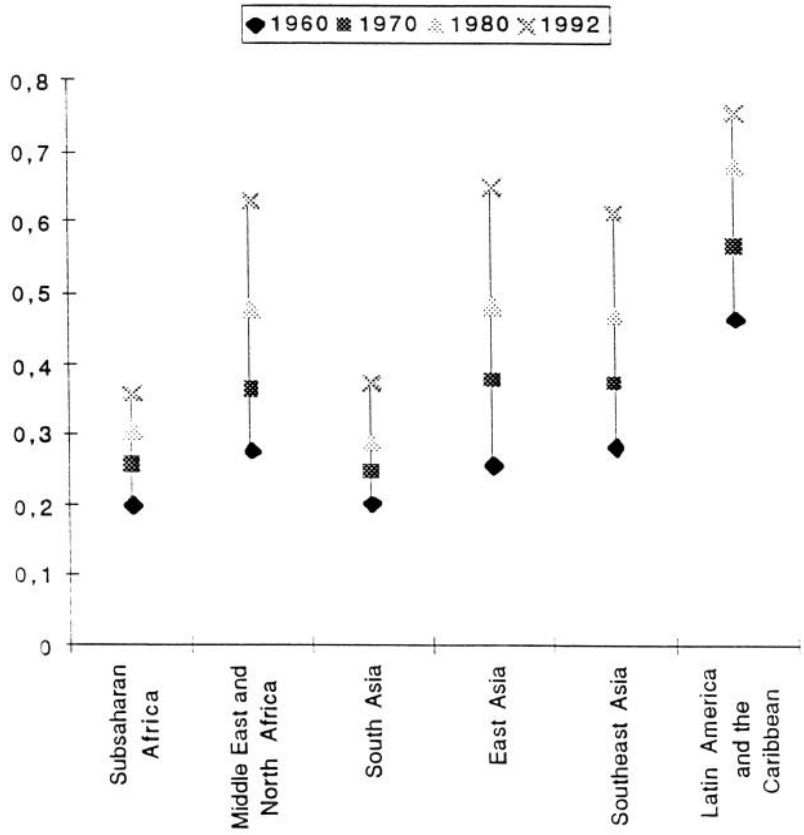
Source: World Development Report 1990: 29; de Vylder 1995: 24.

NIAS 1996

The 'poverty line' is defined as an income level below which a minimum nutritionally adequate diet plus essential non-food requirements are not affordable. The World Bank, which is responsible for collecting data on poverty, recognises the difficulty of defining a single poverty line valid for all countries, but for reasons of comparison has defined a 'universal poverty line' at an individual income of USD 375 per year, measured after adjustment for purchasing power in each individual country. This line was used in *World Bank Development Report* 1990, which focused on poverty. The World Bank has since then adjusted its definitions (Third World Guide 93/94: 86).

There is no doubt, however, that both East and Southeast Asia have experienced significant progress in welfare, health and education. The most common measure used for international comparisons of socioeconomic development is the Human Development Index (HDI), put together by the UNDP. The HDI is a composite index including income, health, and education. Its main drawback is that it does not take into account regional differences within nations, which is especially problematic in large and populous countries like China and Indonesia. Nor does it reflect inequalities between different groups in society such as income gaps between men and women (although the UNDP has tried to compensate for the latter deficiency by developing an HDI adjusted for gender.)

Figure 4.2: Human Development Trends, World Regions, 1960-92



The Human Development Index (HDI) has three components: life expectancy at birth, educational attainment including adult literacy, and income. The HDI examines the average condition of all people in a country. Distributional inequalities between various groups in society – such as between men and women – have to be calculated separately.

Source: Human Development Report 1994: 95.

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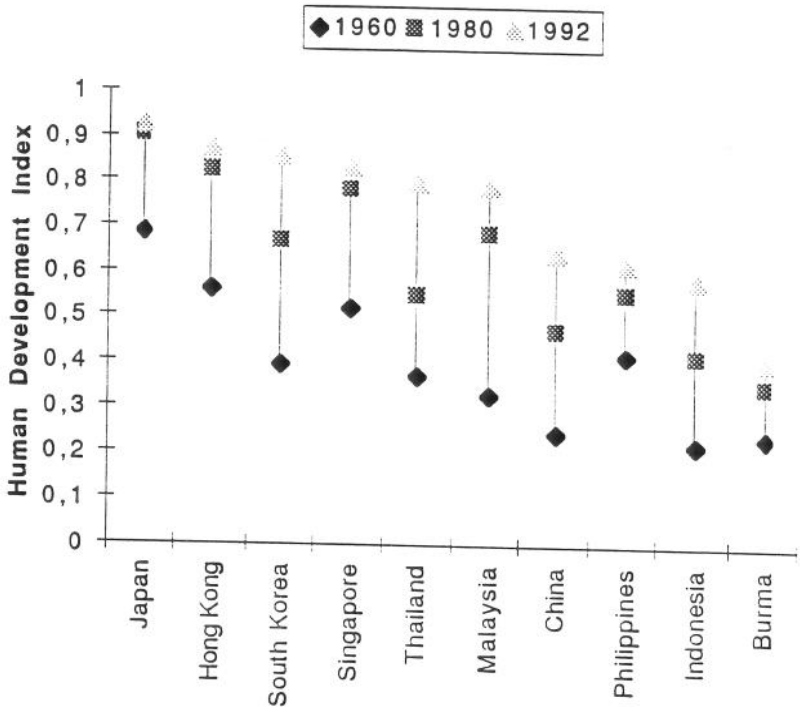
Over the last two decades the overall HDI level in Pacific Asia has greatly improved, but this has also been the case in other parts of the world. As shown in figures 4.2 and 4.3, human development in Pacific Asia has been only moderately better than in South Asia, Latin America, the Middle East and North Africa. Latin America remains far more advanced in terms of human development than Pacific Asia, and the Middle East and North Africa are on the same level. The only regions clearly behind Pacific Asia are Sub-Saharan Africa and South Asia. There is a long way to go before Pacific Asia can approach the European level.

If we look at individual countries, Japan, Hong Kong and South Korea receive a ranking equivalent to the European level (3, 24 and 31 respectively), and China shows an impressive improvement. At the other end of the scale we find Burma and Laos (ranking 132nd and 138rd) which must still be counted among the poorest countries in the world. It is noteworthy that Indonesia has a much lower score on the Human Development Index than China. Also the Philippines ranks lower than China.

Figure 4.3: Human Development Trends, Pacific Asia, 1960-92



Source: Human Development Report 1994: 105.

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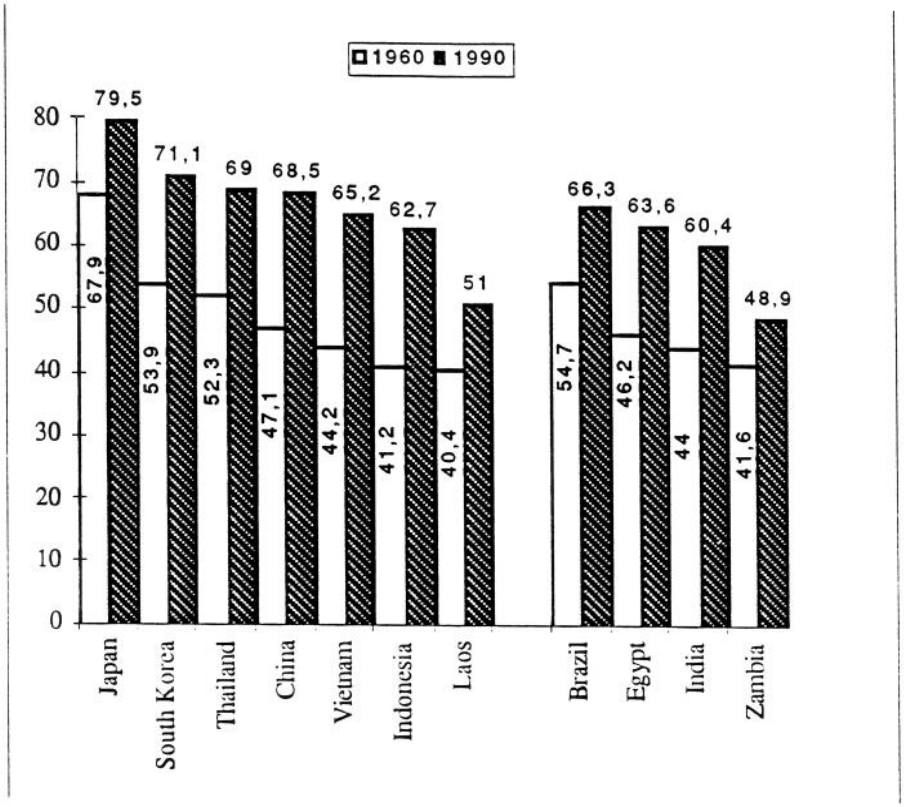
South Korea, Thailand, China and Indonesia improved most from 1980-92

One pertinent indicator of a population's human development is life expectancy at birth, which in turn depends on the level of infant mortality. By 1992, life expectancy in East Asia and Southeast Asia was nearly 85% of that in industrial countries, and infant mortality in East Asia had declined by 70% in the period 1960-92, from 146 infants per thousand live births to only 42. In the early 1990s newborn Asians thus have a much greater chance of growing up than at any time in the past. But then again, this is a global trend. Life expectancy at birth has increased all over the world, and only moderately more in Laos, Indonesia, Vietnam and in Thailand than in other Third World countries such as Zambia, India, Egypt and Brazil. Again, however, the very sharp decline in infant mortality in China is extremely impressive.

Figure 4.4: Life Expectancy at Birth (years) 1960-90. Select Pacific Asian Countries, and Countries for Comparison



Source: Human Development Report 1995: 162-63, 196.

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Life lengths have increased globally

Social Risks and Government Programmes

Poverty is affected by both market forces and public policy. The crucial question is the relative importance of each. In a weak state, where the government is unable to control the distribution of resources, it will be difficult to reduce or alleviate poverty, even if the economy soars. That the rich are becoming richer does not necessarily mean that the poor will become less poor. In fact, in a context of economic growth the inequalities in wealth and income opportunities between different groups of people tend to increase. Most governments therefore devise programmes to overcome poverty. The main purpose of such programmes is to address 'social development risks', and to allocate limited resources to prevent them. In the course of economic development the profile of social risks – to health, living conditions, education and employment – change, and this implies that policy initiatives also need to change from one stage to the next. Bruce Koppel, who has examined the concept of social development risks in a Pacific Asian context, points out three types of risks:

Traditional social development risks which are related to conditions of extreme poverty: short life expectancy, vulnerability to diseases, lack of health care, low rates of primary education enrolment, and a great number of children in the population (high age-dependency ratio).

Transitional social development risks which refer to social problems in the transition from a rural to an urban society when the bulk of the work

force shifts from employment in agriculture to industry and services. Transitional risks include: uneven coverage of health and education services, urban underemployment, low rates of secondary school completion, and discrimination of females.

Social development risks

Modern social development risks which emerge as a consequence of economic and urban development: cancer and heart diseases, problems of financing non-workers (children, aged and unemployed), unstable family structures, exposure to drugs, etc. (Koppel 1996).

Adaptability

Governments in Pacific Asia will face the challenge of all three kinds of risks at the same time, but with emphasis shifting from the first through the second to the third. This requires highly adaptable and innovative government programmes. Commonly, governments are tardy to adjust to new challenges and focus on programmes meant to overcome the problems of yesterday. The need for adaptability is also a challenge to the international community, including donors, who may assist governments in Asia to address new risks in time. As argued in chapter one, there is good reason to believe that the present economic growth will continue for at least another decade, and that poor countries such as Cambodia, Laos and Burma will also get their share of the growth. Foreign aid may in the future not primarily consist of supporting programmes to provide public services – such as education and health-care – or to repair damage done by market forces (environmental protection), but could also take the form of advice to governments on how to design and carry through policies reducing poverty more radically by ensuring an equitable pattern of economic growth among different groups in society.

Inexpensive credit

A key instrument to ensure a fair distribution of economic opportunities is to provide inexpensive credit to small enterprises and peasant households. It is essential to make sure that female-led households have the same access to credit as households led by men.

Rural Poverty

Together with environmental degradation, rural and urban poverty continue to pose major obstacles to human development in Pacific Asia. Economic backwardness is especially prevalent in the rural hinterland of inland China, the outlying islands of Indonesia, the highlands of Burma, Thailand and Laos, in numerous rural areas in Cambodia, Vietnam and the Philippines, and in the back alleys of many large cities.

The majority of poor people live in the countryside. In 1990 the percentage of the poor living in rural areas was almost 70% in the Philippines, 80% in Thailand, and 90% in Indonesia (Quibria 1994). There are also regional disparities within countries. In Indonesia the incidence of poverty is markedly higher in outer Indonesia: in Aceh, Kalimantan, Sulawesi, and East Timor. In China the majority of the poverty-stricken areas are located in provinces in North- and Southwestern provinces such as Xinjiang, Qinghai, Ningxia, Gansu, Guizhou and Guangxi. On the other hand, there are also pockets of poverty in the highlands of China's coastal provinces such as Fujian. These poor areas are often adjacent to bustling commercial centres.

In Thailand, the dry and arid Northeast is markedly poorer than the well-irrigated central plains. Poverty is also related to the cultivation of different crops. In the Philippines, farmers engaged in the production of

rice have had much lower incidence of poverty than coconut- and corn-producing farmers. The rural poor in Asia generally tend to be characterised by greater dependence on agriculture – either as small cultivators, tenants or agricultural workers – whereas those who earn their income from rural industry and commerce usually manage to achieve higher standards of living (Quibria 1994: 9-11).

Peripheries

Different kinds of poverty prevail in the countryside: There are rural areas located in the periphery – usually far away from market centres and the main arteries of economic activity, which comprise entire communities of rural poor. In Central Sulawesi, for instance, almost 44% of all villages have been classified as poor, and in Guizhou province in Southwestern China 20% of all counties are classified as poverty-stricken areas. These areas are often located in the highlands and are inhabited by minority groups that have been marginalised in earlier historical periods. Peripheral communities treading a delicate line between material subsistence and poverty include fishing villages, slash-and-burn cultivators, hill-tribes, and pastoralists.

Ethnic minorities

Ethnic minorities suffer not only from geographical isolation, but also from a peripheral status: lack of education, lack of health care. Policy programmes decided upon by central government authorities usually pay little attention to minority rights. Minorities are rapidly losing their natural environment and are increasingly threatened by a market-based cash economy. It is quite clear that the growing importance of the market economy, and the strengthening of state capacity are mixed blessings to these communities. On the one hand, people in the periphery have an opportunity to engage in market transactions with more prosperous areas. On the other hand their land and other natural resources are exploited by external forces, and in their interaction with core regions of the national economy they are vulnerable to unwanted changes.

Lack of credits

Large numbers of people in the countryside are either landless or lack the resources to cultivate their land, or are underemployed. Although the distribution of land is relatively equitable in China and much of Southeast Asia (with the notable exception of the Philippines), many small-holders have been forced off the land as they cannot afford to purchase fertilisers, pesticides, machinery or petrol. Some have left agriculture in search of other employment. Poor peasants often face great difficulties in gaining access to credits. Sometimes the main problem is to get legal access to farm land. In Thailand, for example, a majority of the small-scale farmers have converted nearly 30 million acres of government forest into farm land, but they have no documents showing their legal title to the land (Quibria 1994: 15).

Rural poverty is often due to landlessness and marginalisation resulting from national infrastructure development projects, environmental destruction, or armed conflicts. It is difficult to calculate the number of landless farmers in East and Southeast Asia. Causes of landlessness vary, but the chief cause is population pressure on a limited and shrinking supply of arable land. Soil erosion, for instance, is threatening 40% of Vietnam's land and 2.8 million shifting cultivators have been resettled. The recent Land Law does not recognise slash and burn agriculture. Vast areas require massive rehabilitation efforts before they can be reclaimed for agriculture (Kerkvliet and Porter 1995: 21).

Environmental degradation also has a major impact on rural poverty. In several regions of East Asia the area of arable land has declined as generations of use and misuse have transformed fertile soil into wasteland.

In other cases it has been the result of erosion, floods or natural disasters sweeping away the top soil. Armed conflicts between governments and guerrillas in countries like Burma, Cambodia, Indonesia, and the Philippines have destroyed arable land and displaced rural communities composed mainly of poor farmers and tribal people. These refugees are often resettled in far-flung, non-arable or forested lands, or forced to settle in areas already occupied by inhospitable settlers (Third World Guide 1993/94: 45). The economies of Vietnam, Laos and Burma are heavily dependent on agriculture, and more than three quarters of their population live in the countryside. Poverty in these countries will largely need to be addressed by intensification of agriculture, and by promoting non-farm sectors of the economy in rural areas. Better irrigation systems and improvements in infrastructure are desperately needed, since many isolated areas cannot be reached by car, and are totally inaccessible during rainy seasons. Road construction is already given high priority by the governments of these countries, in order to break down rural isolation and open up transportation routes for trade.

Refugees

Another kind of poverty – of a transitional nature – is connected with labour migration. When the de-collectivisation of farmland in China was completed by 1985-86, large parts of the rural labour force became redundant. These surplus labourers – somewhere between 150 and 200 million people – are now trying to find employment in nearby rural enterprises, and if this fails they will look for job opportunities elsewhere, either in provincial capitals or in big cities along the coast. This has led to a massive wave of migration across the country, mainly from western and central inland provinces towards China's coastal provinces. These migrants usually only bring a minimum of savings and personal belongings. These people are poor in the sense that they lack proper housing and are temporarily unemployed. Moreover, since they have left their family and social networks behind they suddenly lose the informal arrangements for material welfare which they could previously rely upon in their home communities. Essentially, this is the kind of poverty experienced by all refugees, whether for reasons of war, ecological disaster, political persecution, or economic hardship.

150-200 million Chinese migrants

The process of urbanisation has different consequences for men and women. In many Asian countries the migrants are usually young males, and the people they leave behind are the elderly, young children, and women. As a consequence there has been a tremendous increase in female-headed rural households, and women are forced to take full responsibility for daily chores, child-rearing, and tilling the land. As a consequence, there is an increased feminisation of rural areas. In the urban areas, by contrast, men dominate heavily in all age groups. This also has repercussions on the politics of gender. The fact that urban areas have greater political and economic power than rural areas, combined with the fact that men outnumber women in urban areas, has led to insufficient consideration of women's priorities in rural areas. Landless rural women are without doubt the group that has suffered most during the economic boom of the last decades.

Female-led households

Urban Poverty

Government policies in many Asian countries have an urban and formal sector bias favouring the growth of mega-cities which attract great numbers of people and large amounts of physical resources. Construction, manufacturing, trade and commercial activities have been concentrated in urban centres. Side by side with this apparently successful development, however, there is a large urban informal sector of underpaid

Informal sector

workers living and working under harsh conditions.

Housing

One of the main signs of poverty in urban areas is the lack of, or low quality, of housing. This may sound surprising considering the past decade of spectacular construction boom. A growing economy based on manufacturing, industry and trade has given impetus to the construction of a tremendous amount of new buildings to accommodate an increasing number of professionals, technicians and skilled workers. Along with the vibrant construction boom, however, rental prices have soared, not only for commercial offices but for apartments as well. Old residential areas have been demolished to give way for high-rise office towers. This, together with the lack of affordable housing projects, has pushed decent housing out of reach for low-income families, forcing many of them to live in less than desirable conditions. Compounding the problem is a government planning bias, influenced by the interests of real estate developers, to invest in housing projects that offer quick capital returns. Hence, the only houses built are such which only the affluent can afford (Third World Guide 1993/94: 45).

This paradox is especially true in densely populated Asian cities like Bangkok, Kuala Lumpur, Jakarta, Manila and Seoul, places plagued by acute housing shortages. The situation in China's large cities is very similar, due to several decades of neglect of house construction. In Beijing, Tianjin, Shanghai and several other large cities, it is still common to find three generations living together in small apartments, and with few opportunities for young urban couples to obtain their own apartment. In Central Hanoi, each resident lived on an average of 3 square meters in 1984, and the population has risen significantly since then (Maclaren 1995: 61). There has been a proliferation of shanty-towns all over Asia, adjacent to affluent commercial districts, and some 1.2 million of Bangkok's six million residents have been classified as slum dwellers. Alongside high-rise buildings there are slum and back-alley areas that run along contaminated canals where old people and the unemployed squat (Third World Guide 1993/94: 45). Urban congestion has been seriously aggravated by rural migration, and it is clear that rural and urban poverty are two closely connected phenomena. The urban housing problem in Pacific Asia is so far a neglected issue, but has nevertheless become one of the most visible indicators of the poor living conditions in the region.

Even in South Korea there are urban poor. First there was a wave of homeless people left by the legacy of the Korean War, and more recently many households have been trapped in poverty because their income earners have developed chronic illnesses, or been incapacitated by industrial accidents. Such families have been forced to resettle permanently in slum dwellings that were originally intended to be temporary places of residence. They find their meagre incomes through street peddling or petty trading, and since many of them lack education or formal training, their future is bleak (Jong-Gie Kim 1994).

Health

In Pacific Asia, there are significant regional differences in health. The child mortality rate in Japan is only 6 infants per thousand live births, whereas in Cambodia as many as 193 infants die per thousand live births. The countries with the highest child mortality rates in 1990 were Cambodia, Laos, Indonesia, Burma, the Philippines and Vietnam, in that order. A distinct pattern also emerges from data on the health situation of newly born infants and young children. In Vietnam, Indonesia,

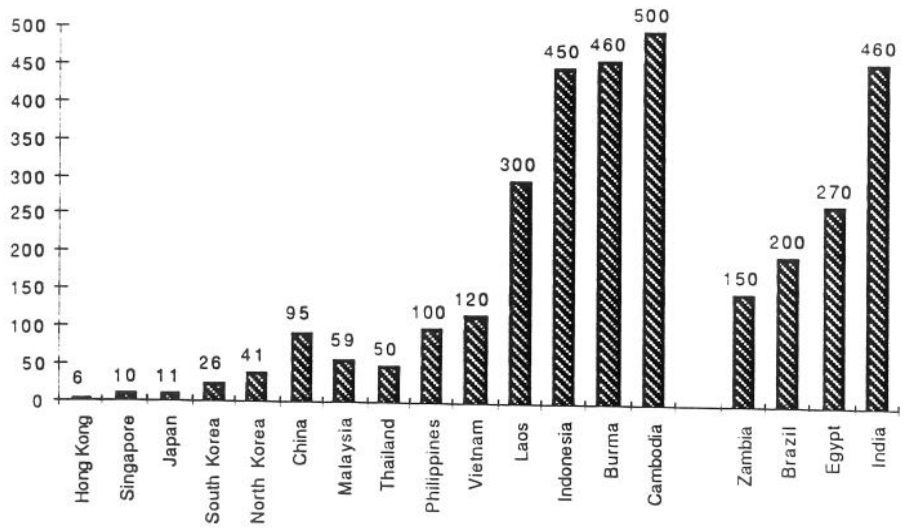
Laos, Cambodia, the Philippines and Burma, there is a high incidence of underweight newborn infants, inadequate immunisation, and malnutrition among children under five years of age. A problem found in several newly developing countries is that few public funds are spent on commune health centres used by the poor. In Vietnam, for instance, 45 times more is spent on hospitals used mainly by the better-off and urban groups (UNDP 1995: xi). Furthermore, the current trend is a privatisation of health care.

AIDS

AIDS is a special problem because it mostly affects young men and women: the persons most active in the work-force and responsible for future economic development. A further danger is that political authorities do not recognise the full dimensions and implications of this illness. It is also stigmatising, and since someone carrying AIDS in Asia is unlikely to be helped by the government, there is little incentive to reveal one's predicament. Many AIDS victims tend to continue their casual sex habits. In South China, Thailand, the Philippines and Vietnam, this is a serious health hazard. While drug abuse is growing, commercial sex is still the basic cause of AIDS diffusion in East and Southeast Asia. Public awareness programmes may thus be one of the most important strategies, the aim of which must be to reduce the sense of stigmatisation, while making precautionary measures available to commercial sex workers (Brown and Xenos 1994: 4-5).

Many different indicators are used to measure disparities between rich and poor countries. The maternal mortality rate is one of the most telling measures of this gap since differences are so dramatic. Infant mortality, an oft-cited indicator, is only about nine times greater in the Third World than in the industrial world, whereas the risk of maternal death is often 100 times as great (Third World Guide 93/94: 52).

Figure 4.5: Maternal Mortality Rate (per 100 000 live births). Pacific Asian Countries, and Countries for Comparison, 1980-92



Source: Human Development Report 1995: 168-69, 196.

NIAS 1996

As shown in figure 4.5, there are wide disparities in the dangers connected with pregnancy and childbirth in the different countries of Pacific Asia. Pregnant women in low-income countries such as Laos and

Cambodia are much more at risk than women in Japan, South Korea and China. In Indonesia, Burma and Cambodia, one out of every 200 women giving birth will die, whereas in Hong Kong, out of 16,666 women giving birth to a child, 16,665 will survive.

Markets Versus Government Intervention

There is a common assumption that a free market is the best instrument for determining national allocation of resources for production and consumption. In Pacific Asia, however, it seems that the countries which have the best record in alleviating poverty are those which have combined a market economy with policy programmes for social and economic equity. Many governments in East and Southeast Asia have maintained a strong influence over the economic relations between individual households, local communities, and national markets.

Poverty alleviation

Programmes for social equity can be of very different scope, and with different consequences for poverty. Some programmes merely focus on the immediate problems of the poor, and implement short term *poverty alleviation* for the most needy. A good example may be efforts to remove shantytowns and construct new, cheap housing. Other examples would be disaster relief including the provision of food, clothes and shelter by governments and NGOs whenever there is a flood, an earthquake, or a serious drought. This kind of poverty alleviation touches the surface of a much larger problem.

No Asian welfare state

The second type of state intervention may be *social welfare programmes* aimed to provide social security to vulnerable groups in society, by means of subsidised housing, social security and pension funds, financial support to the unemployed, and state subsidies for health services and education. Generally speaking, the provision of universal primary and secondary education has an equalising effect on the social and economic situation of different groups in society. Apart from universal education, there is little that reminds of a fully-fledged welfare state in any country of Pacific Asia. Indeed several governments in the region have made a virtue of avoiding the European 'mistake' of constructing public welfare institutions relieving the family of its customary obligations. The only states in Asia which have been committed to a welfare programme, are the socialist ones: China, North Korea and Vietnam. They are now under influence from the rest of the region in direction of letting market forces rule. It is an important question whether the socialist states shall be able to retain and improve their public services, or whether they will be allowed to break completely down under the pressure of market reforms. It is interesting that the People's Republic of China has criticised the British government in Hong Kong for having introduced *too generous* systems of welfare. Even though China and Vietnam both have experienced rapid economic growth in the 1990s and are still to some extent committed to socialist ideals, the two governments are only in the beginning phase of reforms to redistribute economic gains through new tax and welfare systems.

Poverty reduction

The third type of state intervention may be described as more radical initiatives for poverty reduction. These are political reforms aimed to affect the very structure of how economic and social opportunities are dispersed, entailing a fundamental redistribution of resources in society. Good examples of such successful reforms are the land reforms carried out in Japan, Taiwan and South Korea after World War II, as well as the initial reforms in the People's Republic of China during the 1950s (be-

fore the more radical and much less successful People's Communes were established). Redistributional reforms are not restricted to agriculture, but also include government policies giving preferential access to credits, import and export licenses, raw materials or new technology to small entrepreneurs. Governments may also reduce social inequality by offering tax reductions to small and middle-sized firms. Pacific Asia does not present a clear picture with regard to redistributional reforms, but many governments – notably in Taiwan – have offered favourable conditions for the emergence of small manufacturing and trade, which to a large extent may explain the improved socioeconomic conditions of low-income classes and the petty bourgeoisie (Gunnarsson and Rojas 1995: 138-44).

The Scenarios

What then are the future prospects for higher living standards, improved working conditions, health and poverty alleviation in Pacific Asia? This will depend on sustained high economic growth, on the degree of commitment by political leaders to ensure an equitable distribution of resources in society, and on the question of whether Asia will see the emergence of labour movements and new peasant movements demanding social reform. With the reduction of ideological and ethnic conflicts, the provision of economic opportunities and better living conditions has become the main source of legitimacy – both for authoritarian and democratic regimes in East and Southeast Asia.

Widening gaps

High Economic Growth and Political Stability

This is the scenario providing the best opportunity for launching government programmes for eradicating poverty and favouring social equity. But if such programmes are not successfully implemented, it is likely to result in widening gaps and ensuing tension between an expanding middle class and lower income groups. For many people high growth will offer new and better opportunities in terms of education and employment. For other groups of people, and especially those who lack capacity for readjustment, or who for various reasons cannot take advantage of the new situation, changes resulting from rapid growth will constitute a serious threat, and increase their sense of being left behind.

The environmental problems likely to be caused by a high growth scenario have already been discussed in Chapter Three. It is clear that environmental degradation will have a major negative impact on the poor, especially on women. The widespread view among Asian officials that developing countries cannot afford environmental protection is worrysome, since it could lead to environmental disasters not only in sensitive hill areas, but also on the densely populated plains. The use of chemical insecticides, pesticides and fertilisers in agriculture may also lead to acute environmental problems.

From a more positive point of view, improvements in education, infrastructure, transportation and communications will no doubt continue under this scenario, and poor communities in the rural periphery will become more integrated in the national economy. How this will affect social relations may differ from one country to the other in accordance with its economic and social structure.

Crime

The rapid urbanisation process is likely to continue. The housing shortages in urban and suburban areas will become acute, and drastic measures will be needed in order to avoid the proliferation of slum dwellings and urban poverty. The informal economic sector, including semi-legal and illegal economic activities, will thrive in this kind of environment, and state authorities will have a hard time keeping petty crime and more serious breaches against the law within reasonable limits. Rapid commercialisation of interpersonal relations will make it difficult to uphold informal kinship and community networks of collective solidarity and social security.

The growing economy may also, at least for some time, result in higher drop-out rates from the formal educational system. Young people in both rural and urban areas will become more impatient to enter the labour market, and feel tempted to leave school before completion. The school system in these Asian nations will therefore need to be reformed and adjusted to the demands of a quickly changing economy, and there may be an urgent need of new intermediary educational institutions such as vocational schools, evening classes, and part time education. To be sure, not all of these processes need to occur simultaneously and irreversibly.

Under a high growth scenario, female participation in the labour force will increase, mainly through employment in labour-intensive manufacturing. In combination with longer education, this is likely to lead to later marriages and a rapid decline in fertility. Life expectancy, health conditions, literacy rates, educational enrolment and participation in economic and political life will increase for both men and women.

Urban developments

In the process of urbanisation, regional imbalances will give rise to large flows of migrant labour of the kind that can already be seen in China. In a context of political stability and social order, these migratory movements may proceed rather peacefully, but are not without complications. The main problem will consist of competition on the job market, prolonged housing shortages in the large cities, squatter conditions, transportation overload, inadequate infrastructure, and the provision of food to the cities. Water and power shortages, as well as insufficient sanitation will cause tremendous problems. City hospitals and medical clinics will need more resources, and local authorities will need to expand their police forces.

Regardless of whether political stability is based on authoritarian rule or democracy, political leaders will need to deal with the implications of a large influx of rural job-seekers in the urban centres. Social unrest and economic distress will naturally be dealt with differently by political authorities in China, as compared to Thailand or the Philippines. The Chinese government will do its utmost to avoid the formation of autonomous citizen associations, even if their purpose is to provide social services and charity. In the case of Thailand or the Philippines, by contrast, the government may encourage the formation of local NGOs so as to relieve itself from the responsibility over poor and dislocated segments of the urban population.

If urbanisation and fast economic growth can be controlled and modulated by government intervention, we can expect many of the negative effects of high economic growth to be alleviated. In Taiwan and South Korea sustained economic development coupled with political stability has resulted in increased welfare for the majority of the population, and given rise to a prosperous middle class. The picture is not altogether

positive, however. Even in South Korea there are still several million living under the poverty line. Especially the rural poor, often small or landless peasants, have had difficulties in adjusting to the new economic situation. Close to 90% of landless households were identified as poor in the late 1980s (Ki-Whan Chung and Nae-Won Oh 1992). Since the land reforms in 1948 and 1950, land plots in Korea have been small. Rice cultivation has been subsidised by the government, but with the recent move towards increased liberalisation of trade, many small peasants have experienced shrinking economic margins. They have not benefited from the two-digit figures of economic growth. As we have seen, there are also urban poor in Korea. In spite of economic growth, Korea cannot as yet protect its citizens from poverty and is not a welfare state. The Korean case may perhaps be more indicative of the general trend in Pacific Asia towards 2015 than the more equitable achievements of Taiwan: even with high economic growth and government regulation, we are unlikely to see the formation of welfare states in Asia within the next two decades. In part this is an ideological question: should people in Asia be expected to rely on their own family and other personal safety-nets rather than on formal systems of social security provided by the state?

Poverty in South Korea

Equity in Taiwan

The high growth and political stability scenario is no doubt the one most likely to bring about a decline in poverty. But we should remember that a fair distribution of economic opportunities is also a prerequisite for political stability. Once the initial and somewhat euphoric stages of economic growth have passed, people may want more than just a small piece of the cake. If governments have not been able to eradicate problems of both rural and urban poverty, several countries, such as Indonesia, Vietnam and China, will probably enter a period of more volatile politics.

High Economic Growth and Political Instability

The bureaucracies in many Pacific Asian countries are huge and difficult to manoeuvre. Because of a weak state, well-intended decisions by the centre may not be implemented locally. The attempts to institute land reforms in the Philippines can be used to illustrate this point. Marcos, Aquino and Ramos have all promised land reform in their electoral campaigns. Both Marcos and Aquino tried to make good of their promise, but without effect. In fact, there is evidence of concentration rather than redistribution of land, and of an accompanying increase in aggregate rural poverty (Balisacan 1995).

No land reform in the Philippines

The upshot of this situation may well be increased disparities also between regions. In some areas, basic health services, schools, and local arrangements for poverty relief may be left intact, but be neglected in other regions. The urban bias in developing nations will thus become aggravated by various regional biases where people obtain superior or inferior health care and education on the basis of their place of birth and residence.

In authoritarian regimes, the new gains in material welfare will be clouded by a constant fear of future developments, resulting in short-sighted economic behaviour by both individuals and public institutions. This is already the case in China, where irregular economic behaviour often repulses foreign investments. The Communist Party used to maintain a high degree of social control, but much of this has been lost in the reform period. In many cases regional Communist Party leaders have

Social control in China

taken over local administrations, and the informal sector has grown considerably, providing ample room for corruption. Many schools and medical clinics – especially in the countryside – have been busy transforming themselves into profit-making entities, and are rapidly introducing unauthorised fees and obscure charges for their services.

Temples and schools

The many peasants who cannot afford or are unwilling to pay these costs will encourage their children to quit school at an early age, and when they are affected by a health problem they will either choose to ignore it or solicit a local quack doctor with limited knowledge in modern medicine. The great expenses used in rebuilding ancestral temples in the Chinese countryside may also be seen as the result of high economic growth in combination with the perception of an uncertain future. These temples are often lavishly decorated while the local school building is left in neglect. Instead of spreading economic gains through long-term redistributive mechanisms, a situation of extreme shortsightedness may develop, with greed and widespread violence. Parts of coastal China, especially away from the political centres, are today approaching a situation of lawlessness. There are worries of similar developments in Indonesia. By contrast, Southeast Asia's growth in the 1980s did not lead to much economic and political misbehaviour on the local level. One reason for this was the strength of villages and wards.

In countries with large ethnic or religious minorities such as Malaysia, Singapore, the Philippines, and – to a certain extent – China, the ethnic dimension may become increasingly politicised and linked to entitlements to social welfare, education, and employment opportunities. Even in a scenario of economic growth such discriminatory practices will lead to increased tension between communal groups. Malaysia's bumiputera policy, which offers positive discrimination to the Malays, is a continuous source of resentment for the Chinese.

Economic growth in combination with political instability will offer less opportunity for conscious government efforts to alleviate or reduce poverty since governments will be preoccupied with fighting for their survival. But then, as mentioned, a stable government may well ignore the need for redistributing resources, and in such a case some political instability may actually serve the interests of the poor. This depends, again, on the causes of political instability and the degree of violence it entails. Beneficial instability may result precisely from dissatisfaction with unequitable developments and from the emergence of social movements demanding their share of the cake. If such movements refrain from widespread violence and are not violently repressed, they may cause a kind of instability leading to structural changes which may benefit the poor.

Economic Stagnation and Political Stability

Famine in North Korea ?

This scenario features a situation where the political regime is unshaken in spite of economic stagnation. In the last decades this has been the case in Laos, Burma, Vietnam and North Korea. The economic situation of these countries has been one of slow growth or even stagnation, in the case of Laos and Vietnam until they instituted reforms. Laos has long been dependent on foreign aid, Burma is one of the poorest countries in the world, and there are recent signs from North Korea that there is a severe food crisis in parts of the country. In the latest five-year-plan, state authorities encouraged school children to raise rabbits as a source of food supply.

Generally, a scenario with outright stagnation or recession will obviously reduce the basis for improving social security, health, education and thus alleviate poverty. On the other hand, a certain economic slowdown in Pacific Asia is inevitable within the next 20 years, and at some point developing nations will have to face the issue of how to ensure a fair distribution of welfare in a situation with more limited resources. In nations having experienced long periods of sustained economic growth, this scenario will imply a challenging situation of readjustment. Economic stagnation, however, will have different consequences in low- and middle-income economies – such as Burma, Laos, Vietnam and China – and in industrialised countries such as Japan, South Korea, Malaysia and Taiwan. In many developing countries in Pacific Asia, economic stagnation may seriously threaten the provision of basic health care and universal primary education.

Women the first to lose out

Poverty alleviation in underdeveloped rural areas may also be suspended, or at least be given a lower priority by the national government, and these countries will most probably become more dependent on foreign aid and assistance. If the economy falters, the issue of gender equality will quickly be obscured by other issues, and in times of rising unemployment women will be pushed out of the labour force. Traditional gender and family relations may reappear, and many Asian women will lose their newly-won economic independence and improved social status. The first to loose will be women, part time labourers, people living in poor rural areas, minority groups in peripheral regions, and refugees. In the rural periphery of many Southeast Asian nations, it is quite conceivable that the cash economy will be replaced by barter transactions.

Other groups who will suffer from economic slowdown are those in the public sector, which will face a financial squeeze and experience downsizing of personnel. These people will either have to accept lower wages or unemployment. This includes those employed in the so-called 'non-productive' sectors of the economy such as educational institutions, hospitals, local level public administrations, and institutions providing various social services. The economic problems may also give rise to an expansion of the informal economy as people attempt to find alternative sources of income. There may also be other severe problems: crime syndicates, drug trafficking, gambling, prostitution, and a whole range of illegal economic activities.

Crime

In rural areas, the economic problems may give rise to an increase in highway robbery and the formation of regional banditry, and traditional forms of patron-client relations between local notables and impoverished farmers will regain strength. Many poor people in the urban areas will be forced into economically unfavourable, underpaid, hazardous, or demeaning occupations, since there will be a surplus of cheap labour and the employers can pick and choose among job seekers. Finally, there will most certainly be new waves of rural-to-urban migration, and migratory flows from poor countries in Pacific Asia to their more prosperous neighbours.

If economic slowdown or stagnation hits low-income countries, but political stability is maintained, the government needs to ensure the provision of basic necessities to poverty-stricken areas. In countries with a communist ideology and a legacy of peasant mobilisation for political support, the regime will probably try to maintain a reasonable level of public services in the countryside. The educational system may suffer financial cuts, and the enrolment and literacy levels may decline, but the provision of primary and secondary education in the cities will be maintained.

Return to subsistence farming

The urban bias of underdeveloped countries like Burma and Laos, however, will place a greater burden on the rural population. Most of the limited resources will be concentrated in the state capital, at the expense of rural development, and marginalised national minorities in the highlands may suffer from a contraction of market activity. There will thus be a widespread return to subsistence farming, and living standards in the countryside will decline.

Political stability may be a mixed blessing in such a situation. In the face of economic decline, political elites will focus on safeguarding their own interests, mainly by ensuring material security to select groups of supporters. In a context of economic scarcity the prevalence of patron-client ties will be reinforced, and those individuals who cannot find a powerful patron will be discriminated against in the distribution of basic goods and necessities. It is not inconceivable that the inflow of foreign aid to stagnating economies will be appropriated by small power groups and then funnelled through their personal patron-client networks. The result will be grave social injustices, at both individual and regional levels, and it is highly uncertain whether the provision of welfare can be directed to the needy.

Disempowerment of women

Generally speaking, the informal economy and family networks will function as a buffer against otherwise deteriorating living conditions. In the absence of public services, people will have to rely on family and friends to meet their material needs and social security. This will entail a strengthening of traditional gender inequalities. Social services previously taken care of by public institutions will increasingly be the responsibility of women. With a shrinking female participation in the labour force, the education of young women will also lose some of its importance, and they will experience a process of disempowerment in both the economic, professional and political spheres. The school drop-out rates for girls will rise, and illiteracy levels among women will most certainly increase.

It is possible that stable government may shield the major cities from the effects of economic stagnation and place the main burden on the countryside. Altogether, however, economic stagnation will turn the tide of human development and lead the UNDP to register a downward trend in Pacific Asia with increasing numbers of people living below the poverty line.

Economic Stagnation and Political Instability

Our last scenario, however, is worse. To illustrate it we may point to the situation in Burma since the late 1980s, to Cambodia in the 1970s and 1980s, Indonesia in the 1960s and China during the Cultural Revolution. The most immediate example of this scenario at present, however, is North Korea. The government in Pyongyang is very much at risk. When states fall apart and there are violent conflicts, it always leads to severe deterioration in living standards, possibly famine and large-scale environmental degradation. In a situation of armed conflict, it will also be difficult for governments to protect their cities from social disaster. In such situations the people that are least effected may be the rural poor living in peripheral areas, who do not depend on food supplies from elsewhere.

Any country affected by war will see a decline in health, literacy and food production. In war-ravaged countries like Cambodia, a great

number of able-bodied men have been recruited to local guerrilla forces or government troops, leaving farming to women, the elderly and children. Maintenance of rural health clinics and primary education has largely been neglected, and family and kinship networks have been the only social institutions that people could to some extent rely upon. One of the consequences of the Cultural Revolution in China was that power in some peripheral regions was taken over by local clans opposing each other on the basis of age-old rivalries. Local leaders, supported by extended family connections, assumed power at the village level and allocated social and economic privileges according to particularistic principles. The main result was an increased disparity of social welfare and security, both between individual households and between different parts of the countryside.

War or political fragmentation, in an environment of economic decline, also normally leads to high levels of corruption. Public revenues, to the extent that the taxation system is still functioning, are used for private gain. Huge quantities of limited resources – including food and clothing – are stockpiled by armed forces and guerrilla groups. In the case of both conventional, chemical and biological warfare, access to safe drinking water and food constitutes a major health problem, and the mortality rate is likely to increase dramatically among men and women of all age groups, not mainly because of direct violence, but because of deteriorating health conditions.

Social chaos

The most obvious consequence of this scenario will be a sharp decline in intraregional trade, an uneven development of the economy, and distinct regional inequalities in material welfare. This will lead to large-scale migration of refugees, either to the cities or to neighbouring countries. The population pressure on the capital city and other urban centres will increase tremendously, and both sanitary conditions and the lack of appropriate housing will most probably lead to health problems and a rapid spread of diseases. Since the medical system is most likely to be in a state of disorder, and the supply of drugs will be limited, large numbers of civilians will not receive proper medical attention since the priority of the hospitals will be to take care of war victims. It is clear that if Pacific Asia should succumb to large-scale armed conflicts, it will need massive foreign emergency aid.

Conclusions

Economic development creates new social development risks that governments have to cope with. During the transition from an agrarian economy to an economy which is predominantly urban and industrial, new challenges and risks will emerge. It is thus very important that governments are flexible and open for adjustment when they deal with poverty alleviation. Even if the present economic growth may be sustained for some time, governments in Pacific Asia will need to consciously address issues of inequitable distribution in the future. This will include not only improvement of access to health services and higher education, but also the implementation of long range planning for how to deal with ageing, unemployment, and urban infrastructure. If this is not done, developing countries will only move from one sort of development risk to another, without being able to adjust and remedy the problems.

Factors increasing poverty

- lack of government programmes to alleviate and reduce poverty.
- weak governments leaving social problems to families and market forces.
- economic growth only in urban formal sectors.
- credits available only to the rich and powerful.
- corruption among state officials leading to poor policy implementation.
- low priority for health care and education.
- lack of economic sustainability due to economic short-sightedness.
- low level of popular participation in planning and implementation.
- forced resettlement schemes without proper compensation.
- low level of female, and male, education.
- agricultural crisis.
- environmental degradation.
- poor access to water.
- war and conflict.

Factors reducing poverty

- economic growth with equity.
- improved infrastructure.
- government commitment to poverty reduction programmes.
- committed, professional and honest civil servants.
- awareness of HIV and prostitution as serious social problems.
- participation by the poor - or their representatives - in policy-making.
- government funds channelled into health care and education.
- rescue programmes in case of natural disasters (flooding, droughts).
- access to inexpensive credit, both for men and women.
- social movements able to further their demands legally.

Chapter Five
DEMOCRACY

Does economic development lead to democracy?

Pacific Asia is today the main testing ground for the assumption that economic development creates a resourceful middle class that will demand democratic rights and, eventually, obtain democratisation. This proposition has been associated with a classical article by Seymour Martin Lipset – one of the advocates of the modernisation school in the 1960s – who saw economic development as a 'requisite' to democracy (Lipset 1959). The connection between economic development and democracy has been explored theoretically and observed empirically by many social scientists (Dahl 1989, Huntington 1991, Hadenius 1992).

The proposed link between economic modernisation and democracy is controversial, however, especially in view of Asian experiences. Some recent large-scale quantitative analyses have failed to produce the expected correlation, and Arat in an extensive 95-country study concludes: 'Increasing levels of economic development do not necessarily lead to higher levels of democracy, even for the less developed countries' (Arat 1988). The larger 116-country survey of Gonick and Rosh finds similar flaws in the classical assumption: 'Economic development ... is not the most important factor affecting the degree to which a political system can be characterised as a liberal democracy', they say (Gonick and Rosh 1988). These findings are hotly debated by today's comparative social scientists. It is at least clear that we cannot take a causal link between economic growth and democratisation for granted. One way of modifying the argument is to claim that economic development *often* leads to democracy, and to concede that some countries may be democratic in the absence of high economic growth, as in the case of India and the Philippines.

Middle classes dependent on the state

We should also analyse the particular effects of economic growth on the class structure. It is important to note that middle classes in Indonesia, Singapore, Thailand and Vietnam to a large extent are created *within* – or even *by* – the authoritarian state, and that they therefore have little interest in overthrowing the government. Thus, the same groups that are expected to put pressure on the government to democratise are also those which have the most to lose from political change. In other countries – notably in Taiwan, South Korea and the Philippines – the middle classes are more independent. In these countries we have also seen students and people of the middle class take to the streets in defence of democracy.

Advocates of 'modernisation theory' find good arguments in the Taiwanese and South Korean transitions to democracy, as well as in Thailand's return to democracy in 1992. The apparent stability of the political system instituted by the United States in Japan after World War II also weighs in their favour. But it is harder to explain why the much poorer South Asian nations have had a far more profound democratic tradition than Southeast and East Asia, and it is even harder to accommodate for the fact that Indonesia's economic growth has not led to stronger demands for democracy.

The challenge from Singapore and Malaysia

Since 1989, the emerging middle class in China has displayed no visible eagerness to defy their authoritarian government. Today, the greatest intellectual challenge comes from Singapore and Malaysia, whose dominant statesmen, Senior Minister Lee Kuan Yew and Prime Minister Mahathir Mohamad, have established a public profile for themselves as critics of the 'Western model of democracy' (Zakaria 1994; Mahathir and Ishihara 1995). They and Lee Kuan Yew's successor as prime minister, Goh Chok Tong, are being criticised in the world press for using authoritarian methods in preventing the emergence of any real opposition. The affluent middle class of Singapore, on the other hand, does not seem to care, and continues to support Lee Kuan Yew's PAP (People's Action Party). The situation in Malaysia is similar, where UMNO (United Malays National Organisation) dominates national politics.

Individual human rights conditions in East and Southeast Asia are poorly rated by international monitoring groups. The Charles Humana human rights index, for instance, has ranked most nations in the region below the world average, and several Pacific Asian states are near the very bottom of the scale:

Table 5.1: Human Rights in Pacific Asia, 1991 (scale 0-100)

Japan	82
Hong Kong	79
Philippines	72
Thailand	62
Malaysia	61
South	59
Indonesia	34
Cambodia	33
Vietnam	27
China	21
Burma	17

Source: Humana 1992: xvii-xix

NIAS 1996

The Humana Human Rights Index is expressed as a percentage on a scale from 0 to 100, with 100 as the maximum score. The figures are derived from a survey of forty United Nations indicators related to three international conventions: the Universal Declaration of Human Rights, the International Covenant of Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights. The rating of human rights also uses a weighted measure, making a clear distinction between physical suffering inflicted on the individual and the denial of political and social rights, the former measure being accorded more weight.

The region also receives low ratings on indexes of democracy. A 1988 Swedish study of Third World states used an index of democracy based on the nature of elections, degree of political freedom, and levels of political violence and oppression. The average score of the states in Pacific Asia was 3.7 on a scale from 0 to 10. This should be considered low by international standards, and especially in light of the high level of socioeconomic development in Pacific Asia. Table 5.2 provides a comparison of the Swedish rating with a more recent American index. The

differences between the two can in part be explained by developments in the last five years: the transitions in South Korea and Taiwan, and a period of military rule in Thailand. But the most striking difference is in the rating of Singapore. This may in part be due to different measurement criteria, but it may also reflect a growing awareness of the sophisticated methods used by the Singaporean government to suppress basic freedoms.

Table 5.2: Indexes of Democracy in Pacific Asia, 1988-95

	Hadenius (scale 0 to 10)	Polity III (scale -10 to +10)
Japan	--	10
Philippines	8.1	8
South	7.5	10
Singapore	7.3	- 2
Thailand	7.1	3
Malaysia	6.9	7
Taiwan	3.7	6
China	1.9	- 7
Indonesia	1.8	- 7
Brunei	1.7	n.d
Vietnam	1.5	- 7
Burma	0.6	- 9
Laos	0.0	- 8
North Cambodia	0.0	- 9
	--	transition

Source: Hadenius 1992; Polity III 1995. n.d = no data. NIAS 1996

How democratic is Singapore?

Hadenius' study of 132 Third World states from 1988 uses an index of democracy with measurements based on two groups of indicators: elections and political liberties. The nature of elections is measured on the basis of four indicators – universal suffrage, meaningful elections, open elections, and effective elections. When evaluating the degree of political freedoms and rights three indicators are used: organisational freedoms, freedom of opinion, and the situation with respect to political violence and oppression. The Polity index is made at the University of Maryland, in cooperation with the International Peace Research Institute, Oslo. It is built by awarding scores for democratic as well as for autocratic indicators (max. 10 each), and by subtracting the autocracy score from the democracy score. The measurement criteria are based on competitiveness and regulation of political participation, competitiveness and openness of executive recruitment, and constraints on Chief Executive. Thus, the basic freedoms and human rights are not directly represented in this calculation, which focuses on the institutions of the state. For introductions to the Polity II and III data sets and discussion of other indexes, see Gurr et al 1990, and Jaggers and Gurr 1995.

'The third wave'

Pacific Asia and the Middle East are the two regions in the world where authoritarian regimes have showed the greatest recalcitrance during what has been termed the 'third wave of democratisation' (Huntington 1991). The wave started in the mid-1970s with a string of transitions to democracy in Catholic countries, and has continued up to the early 1990s with democratisation of a clear majority of the world's communist states. But several states in Pacific Asia have become democratic:

the Philippines, as the only Asian Catholic country, reintroduced democracy in 1986, and the two 'Confucian states' South Korea and Taiwan followed suit in 1987. With just one exception the communist regimes of Pacific Asia have survived. The exception is Cambodia where democracy was imposed through foreign intervention in 1992-93 as a compromise solution to a long civil war.

Authoritarian recalcitrance

The late 1980s and early 1990s saw several popular movements in Asia demanding democracy: the student demonstrations in Burma in 1988 and in China 1988 and 1989; and the large-scale demonstrations in Thailand in 1992 which, through the intervention of King Bhumibol, brought an end to unconstitutional military rule. To a large extent these protests were fuelled by social injustices, widespread disenchantment with bad management, and disgust with corruption among public officials. The politics of Pacific Asia today are characterised by the recalcitrance of its authoritarian states: opposition movements have been forcefully and successfully repressed by the governments of Indonesia, Burma, Laos, Vietnam, Brunei and China. In particular, the military crackdown in Beijing in June 1989 was an event of great symbolic significance. In North Korea there have been no hints of democratisation or democratic movements; but recent developments (such as the poor harvest in 1995) may force North Korea to open up.

In spite of the transitions in Taiwan, South Korea, Thailand and the Philippines, Pacific Asia has received more international recognition for its economic growth than as an arena of democratisation. The main obstacles to democracy in Pacific Asia have been the staying power of its authoritarian leaders and the continued association between political stability, economic growth and morality. Throughout much of Pacific Asia the idea of democracy is still associated with the USA and Europe, and there is a widespread belief that democratisation may hamper economic growth and lead to moral decay. The best recipe for continued growth and increased living standards is believed to be a combination of free market and strong government. This conviction is influential also in some democratic countries, and may pave the way for a regional anti-democratic reversal, with a potential for inspiring anti-democratic movements also in other parts of the world (Tønnesson 1996). If democracy fails to bring stability and growth in Cambodia, this will create a powerful argument for refraining from democratic experiments elsewhere.

The Primacy of Economic Growth

'As even a cursory glance at East Asia reveals, we believe that strong, stable governments prepared to make decisions which, though often unpopular, are nevertheless in the best interest of the nation, are a prerequisite for economic development.' (Mahathir and Ishihara 1995: 82).

The 'liberal model of democracy' which holds freedom before everything else is often presented to Asian audiences as a recipe for disorder. Asian societies do not need pluralism and freedom, but strong leadership and morality. One of the most prominent exponents of this view has been Malaysia's high profile Prime Minister Mahathir Mohamad. His view can be supported by referring to the 'negative' examples of the Philippines and India, both of which are democratic developing countries with a weak economic performance, and the 'positive' examples of Hong Kong, Indonesia, and China, where economic growth has been achieved without political pluralism. Most ruling elites in Pacific Asia are positively inclined to democracy and human rights only in the most general sense. They see multi-party democracy as an inefficient form of government, and view excessive emphasis on human rights as a threat to traditional social norms and, of course, as a challenge to their own power (Bhagwati 1995).

Governments and think-tanks in the region challenge the Western perception of a positive link between democracy and economic development by claiming that their own economic success has been the result of political stability safeguarded by soft authoritarian rule (Tremewan 1993, Yash 1994). Rather than emphasising the freedom of speech and association, they emphasise the right to economic development. The 'right to development' was an important point in the Bangkok declaration of the ASEAN states in March 1993, and also in the reservation made by many Asian governments at the Vienna Conference on Human Rights later that year. Poverty is seen as the major obstacle hindering the full enjoyment of human rights. The right to economic development is therefore seen as a prerequisite for other human rights. Welfare for the many is deemed more important than liberty for the individual (Commission for a New Asia 1994).

The right to development

Asian Values

Advocates of Asian alternatives to 'the Western model' can draw on a long tradition of authoritarian political doctrines. As in much of Europe, rulers in Asia were traditionally vested with absolute power, but were also expected to exert it in a virtuous and benevolent way. In Confucian societies, the male-dominated family rather than the individual has been seen as the basic unit of social organisation, and the state has been seen as an extended family with the king, emperor or leader as a paternal figure. These strong traditions go some way to explain the preservation of predominantly hierarchical and elitist systems of political rule even today, and social interaction characterised by communitarian patterns (Chua 1995).

Paternalism

The emergence of a more self-confident and assertive Pacific Asia has recently been called the 'Asianisation of Asia' (Funabashi 1993:75). It does not only involve regional integration in economic terms, but also intellectual attempts to formulate a regional creed. The governments of Malaysia, Singapore, China and Indonesia have all articulated alternative understandings of human rights and democracy. These governments have made it clear that they prefer social stability and controlled development to Western-style individualistic pluralism. Some intellectuals in the region have also endeavoured to formulate Asian values, and to carve out a kind of regional ideology based on indigenous values, often in opposition to the government, but sometimes ending up on the same ideological platform. They find common ground in the idea that individual rights should not become more important than welfare for the many.

'Asianisation of Asia'

A positive attitude towards Asia's own cultural traditions is being promoted, with an emphasis on the community rather than the individual, on consensus rather than opposition, on welfare rather than freedom, on duties rather than rights, on good morals, and on a lifestyle rooted in the family (Commission for a New Asia 1994). Regimes supporting these ideas may be labelled 'Asian values polities'. The expression 'soft authoritarianism' is often used as well.

'Soft authoritarianism'

Most governments have resented having their political and human rights performance monitored and evaluated according to 'Western' standards. This is seen as illegitimate interference in the affairs of another state. From this perspective, neither human rights nor democracy belongs to the agenda of international relations. Some political leaders

Human rights

in Asia think that the notion of universal human rights is mistaken. They view rights as relative concepts, and claim that human rights should be applied differently depending on the specific economic and cultural circumstances of each country (Alagappa 1994). Prior to the Asia-Europe Meeting in Bangkok in March 1996, several ministers in ASEAN governments stated their intention to discuss trade and investments, but not human rights. In the final document, respect for human rights was mentioned, but not elaborated upon.

Asian value polities draw their moral legitimacy from Asian philosophical traditions which are being revived for new purposes. One basic idea is the need of a powerful, benevolent ruler who protects and brings benefits to his followers, and who therefore deserves absolute loyalty. Modern Asian rulers are expected to exercise their powers with moral rectitude, just as in the past (Fukuyama 1995). A government may thus be authoritarian if measured by 'universal' (i.e. Western) standards, but it can claim legitimacy to the extent that it ensures the protection and material well-being of its population.

The role of elections

Since the distribution of material benefits takes precedence over political freedom and bargaining, the relationship between government and citizen is characterised by rituals to demonstrate the degree of governmental success rather than by open political debate. This is seen whenever elections are held. In the 'softly authoritarian' regimes of Singapore, Indonesia and Malaysia elections are primarily used as a means to demonstrate and test the degree of the government's success. The Singaporean, Malaysian and Indonesian regimes would see it as a serious defeat if their parties (People's Action Party, Barisan Nasional and Golkar) were to drop below 60 per cent in voting support.

The Asian values polities are able to muster popular support by maintaining law and order, promoting economic development and vigorous nation-building. They seek to overcome internal ethnic and religious divisions by adopting an Asian ideology with an anti-Western profile, but this does not in any way mean that they want to shut off their societies from the West. They are genuinely worried about the decay of Western societies, which could lead Western states to close their borders to the products of the East. There is also a genuine and widespread belief that the interests of a community as such is more important than the interests of each individual member.

Asian Values in the West

'Asian Values' attract the attention of both neo-liberals and conservatives in the West. With the decline of the West in economic performance and political influence, some businessmen and politicians in the US and in Europe look to the East for new models. For a long time it was the Japanese management style that was a model. Now it is a political system emphasising duties as much as rights, and combining market liberalism with political control and cultural conservatism. This means that 'Asian Values' is not just an Asian phenomenon, but is also influencing the global discourse.

Recent Transitions to Democracy

In the last decade five countries have managed the difficult transition from authoritarian rule to democracy: the Philippines, South Korea, Taiwan, Thailand and Cambodia. What were the causes behind these transitions? In an inspiring comparison, Minxin Pei at Princeton University has identified five crucial factors (Pei 1996). We shall summarise them below and add a sixth.

1. Internal decay of the authoritarian regime: All five countries experienced processes of internal decay – consisting of corruption and nepotism, alienation of crucial social groups, increased political repression, and a diminished international credibility. These changes eventually led to a breakdown of the old regimes. In the Philippines, this process produced a serious conflict within the regime itself, especially between the military and the executive power. Similar changes do not need to occur in other parts of Pacific Asia, which might be just as well, since such political breakdowns often lead to unstable and less durable 'democracies by default'.

Decay

2. Evolutionary change within the regime: South Korea and Taiwan both experienced a liberalisation of the political system prior to the actual transition to democracy. The main components of liberalisation included the adjustment of election laws, increased freedom to organise opposition, and reduced control of the printed media. The transition rather resulted from a process of political change which from the outset went rather slowly. We can see similar changes taking place in several of the remaining authoritarian states, most notably in Indonesia. Vietnam experienced a similar process in the period 1986-90, has since then had a reverse trend, but may turn around again soon. When faced with various kinds of pressures, some authoritarian regimes prefer to open up instead of resorting to increased repression.

Evolution

3. The rise of civil society: In their study of transitions to democracy, O'Donnell and Schmitter (1986) identify the resurrection of civil society as the main factor in laying the foundation for a transition from authoritarian rule to democracy. Taiwan, Korea, Thailand and the Philippines all seem to fit this description: organised labour was allowed, business groups became more politically vocal, and intellectuals expanded their organisational reach and political importance. In all four countries the intelligentsia – university teachers, students and journalists – played a crucial role in the process of democratisation.

Civil society

4. Socio-economic changes: Three of the five cases – South Korea, Taiwan and Thailand – seem to confirm that economic development is a requisite to democracy. In these countries, profound socioeconomic changes altered the political expectations of the population, and increased the ability of opposition movements to organise themselves against the authoritarian government. In the Philippines and Cambodia, however, democratisation did not result from economic growth, but rather from a failure to achieve socioeconomic development.

Socio-economic change

5. External pressures: The moral and political support of the international community was very important in all five cases. Cambodia is the prime example of successful international intervention. The withdrawal of international support for the Marcos regime proved crucial in the Philippines. The end of the Cold War also had a major impact on the region with respect to democratisation. The United States ceased to support authoritarian client regimes, and this increased the need of its allies in Asia to clean up their politics so as not to lose foreign aid and investment.

External pressure

6. The role of political leadership: The transitions in the four countries could hardly have taken place without some daring decisions by individual leaders. If presidents Roh Tae Woo in South Korea and Lee Teng-hui in Taiwan had decided to retain power by authoritarian means, which they could well have done, there would not have been any tran-

Leadership

sitions to democracy, at least not peaceful ones. In the Philippines, Marcos was forced out of power, but the personality of the main opposition leader, Corazon Aquino, was also a crucial factor. In Thailand, King Bhumibol has played an important role, both in supporting an authoritarian regime (in 1976) and in ensuring a return to democracy (in 1992). Vietnam provides a negative example of the same point. It enjoyed a reform-oriented political leadership in the late 1980s, but has since then been ruled by a Politburo where the three leading members seem to prevent each other from initiating major political changes.

Consolidation

After the transition there is the challenge of democratic consolidation. This involves institution-building, the adoption and enforcement of new laws and the creation of an independent judiciary. In South Korea and Taiwan, the future fate of democracy is also closely related to the question of national unity. Democratisation in Taiwan is seen as a threat by the communist regime in the PRC. It is interesting to note, however, that at the same time as the military crisis unfolded in the Taiwan Strait in March 1996, in Beijing the National People's Congress adopted a new law ensuring that citizens under prosecution should be considered not guilty until the opposite had been proven. Freedom of speech and association remain strictly limited in China, however, and even more so since the 5th plenum of the CCP Central Committee in September 1995. But rapid socioeconomic changes, international pressures, and the disclosure of corruption among regional CCP leaders have made the regime face new challenges.

How can China democratise?

The political system in China is likely to change, but not necessarily in the direction of democracy. Military nationalism is a strong political factor, and a new set of leaders may emerge with a new type of authoritarian agenda. If China is to go through a peaceful transition to democracy, the initiative will have to come from within the Communist Party, whose leaders seem to remain divided over major political issues. The big question is whether it will be possible to maintain the problematic combination of economic liberalisation, political authoritarianism and national unity during the power-struggle that everyone expects to occur when Deng passes away (see Appendix A: Country Scenario China).

Obstacles to Democratisation

Repression

Many governments see the emergence of a civil society as a serious threat to their political system. The Communist parties in China and Vietnam have campaigned for a long time against the danger of 'peaceful evolution'. In these states, as well as in Burma, Laos and Singapore, autonomous NGOs are almost non-existent. One of the most serious political challenges to the ruling party in Vietnam has come from Buddhist monks. They refuse to operate within the government-licensed Buddhist Church and instead keep up the banned Unified Buddhist Church. Some of the most well-known monks are serving long sentences in jail. In all of these strictly authoritarian regimes it is virtually impossible to organise and fund civic associations based on voluntary membership (Cotton 1991). In the Philippines, the haven of Pacific Asian NGOs, the main problem is the fragmented nature of its civil society. Philippine NGOs have had extreme difficulties in coordinating their activities, and have therefore been unable to mount any serious challenge to the arbitrary rule of local bosses. In Thailand and Malaysia many NGOs are kept under close surveillance.

In China, Laos, Vietnam and Indonesia there are multiple obstacles for people wanting to organise at the local level. People living in poverty seldom dare to oppose local party leaders, or patrons. Incentives to comply are strong, since local leaders base their power on the distribution of material benefits, as well as opportunities for jobs and incomes. For obvious reasons, the more people depend economically on their local village leaders – who in turn depend on favours from leaders higher up in the hierarchy – the less inclined they are to challenge authority. Patronage and clientelism are characteristic of Southeast Asian politics, with the effect that political life is often reduced to a distribution of personal benefits from leaders expecting, in return, loyalty and political support whenever there is a local election (Antlöv 1995).

Clientelism

Corruption

Corruption by politicians and public officials is a serious liability for both democratic and authoritarian regimes. There is no doubt that most Pacific Asian states are deeply imbued with corruption, making it exceedingly difficult to get administrative promotion, win political influence or get things done in the economic sphere without engaging oneself in corrupt practices. There are few moral qualms against the most widespread forms of corruption. Time and again, however, invisible limits are transgressed, the most well-known being that of president Marcos in the Philippines who transferred large amounts of public assets abroad.

It seems extremely difficult to distinguish between business, politics and administration. These distinctions are blurred even in the most developed nations. In 1995, two former South Korean presidents were charged with large scale political corruption. One effect of corruption in the political sphere is that it promotes the public standing of politicians who manage to keep their reputation clean. But honest politicians are put to a severe test when they are called upon to clean up. It often turns out to be impossible to get rid of corrupt practices without making formidable enemies. When honest politicians fail, there is a risk of political apathy and an anti-democratic backlash. Political opponents may blame corruption on the introduction of democracy and argue for a return to authoritarian rule (Cha 1993).

Honesty

From an incoming government's perspective, it is problematic to charge outgoing leaders for corruption since this may delegitimise the whole political system and furthermore, it may induce corrupt government leaders in other countries to hang on to power as long as possible. A government cannot, however, avoid prosecuting corrupt predecessors if their corrupt practices become common knowledge. To refrain from prosecuting them would run counter to ordinary people's desire to see corrupt former leaders behind bars.

Political apathy has grown in Japan due to a combination of economic uncertainty and political scandals. There has been a dramatic weakening of traditional bonds of party loyalty. In 1993 this development culminated in a major realignment of party politics with the first non-LDP government in four decades. Many new political parties emerged, such as the Japan New Party, and the Japan Renewal Party. At the same time populism is on the rise, with comedians and anti-establishment politicians gettinga large percent of the vote. Japanese society – in spite of its great material wealth – is groping for a new sense of direction (Michitoshi 1995).Despite being the only solidly implanted democracy in the

Apathy

region, Japan has little capacity for inspiring others to democratise.

Socialist ideas

An important effect of widespread corruption is that political leaders and security services, gather information about each others' corrupt practices. It has become increasingly common to publicise the personal assets of government leaders as a means to increase popular legitimacy (Cha 1993: 856). Such information is available as a basis for raising charges whenever a politician 'loses touch'. In socialist countries corruption is especially unacceptable, since politicians are expected to stand for values of equality and austerity. Leaders in China, North Korea, Laos and Vietnam cannot, on an ideological level, afford to be accused of corruption, and must therefore try to maintain control of the media and the judicial system. During the period of market reform, strong resentment has emerged towards leaders among the veteran members of the Chinese and Vietnamese communist parties, who, in turn, feel that what they fought for has been betrayed. Such feelings are playing a significant role in the political process leading up to the 8th Congress of the Vietnamese Communist Party in June 1996.

In China, the student movement in 1989 focused on demand for freedom and democracy, but the widespread support that the movement got from the urban Chinese population was probably caused more by resentment over increased prices, party privileges and government corruption than by a wish for democracy. More recently, in the spring of 1995, some 55 prominent Chinese intellectuals and social scientists forwarded a petition to the Chinese government, calling for strong action against official corruption. While not answering the demands directly, the Chinese regime has increasingly come to realise that it cannot build its political legitimacy on economic growth alone, but also needs to deal with the negative image of its public administration (Johnston and Hao 1995: 80).

A recipe for corruption

Of all social systems, the most conducive to corruption is probably the one that combines an uncontrolled economy with stricly controlled media and a judicial system under government control. This provides the basis for corruption, but not for fighting it (Phan Dinh Dieu 1993). China and Vietnam have precisely that type of system today. There are examples, however, of non- or semi-democratic states with liberal economic policies, which have managed to curb corruption among their officials. The success stories of Hong Kong and Singapore, where large-scale corruption has been almost entirely eradicated, also testifies to the possibility of combining 'soft authoritarianism', a free market and a clean government. This has been achieved through a reasonably autonomous judicial system. The Singaporean leaders are extremely sensitive to allegations that they are guilty of anything that smacks of corruption.

There are also, of course, many examples of corrupt democracies. In some cases, resentment towards government corruption can be used to mobilise social classes and mount a challenge to the government. In such a situation a struggle for honesty can perhaps lead to democratisation. On the other hand, it can just as well be used to motivate a military coup. It is noteworthy that when the Thai Army launched its coup in 1991, there were no major protests in Bangkok, but the next year, when the 'honest' leader installed by the Army was replaced by a military strongman who was reputed to be corrupt, students took to the streets.

There are many kinds of corrupt practices, and not all impede economic growth or political stability. A system of bribes and favours which fol-

lows certain well established norms may well provide for the kind of predictability needed for economic development, that which public legislation is meant to provide in Western political philosophy. Larger companies investing in Indonesia or Thailand, for instance, know what they need to pay at the various echelons and can thus make room for it in their calculations. A key feature is *predictability*. Countries like Burma and Vietnam, which only recently have opened up their economy, have not had time to establish clear, tacit norms on corruption, and are characterised by double standards. A modest system of almost institutionalised corruption in the local currency lives side by side with an ill-defined system of rampant corruption in dollars. This is a serious problem, both economically and politically.

Predictable corruption

A second important feature is the *level* on which corruption takes place. If there is corruption on all levels, it is less predictable than if it happens only at the top echelon of a bureaucracy. In the latter case, the boss may obtain the complete loyalty of all of his subordinates by trickling favours down in the form of perquisites and benefits. In South Korea, the widely publicised corruption scandals seem to be of this second kind which probably has not had any disruptive effect on political stability, administrative efficiency or investment (Root 1996).

High level corruption

A third feature is, of course, the *use* that is made of benefits obtained from corruption. Neither Indonesia nor Thailand have strong norms against corruption, but they do have norms against using benefits primarily for one's own conspicuous consumption, and for taking assets out of the country. The Suharto family's reputation for not having done what Marcos did is important for the legitimacy of the Indonesian regime – but that reputation may well be changing.

'Patriotic corruption'

Political corruption does not only lead to mistrust and apathy. It can also subvert economic growth and political objectives. If a politician's personal benefit rather than efficiency or pricing determines a contract, public resources are not used in an optimal way and the state performs badly. Indonesia is a country where this has *not* happened: although the companies of Suharto's family and friends have received most major business contracts during the 1990s, they have (with a few notable exceptions) been able to fulfil their obligations. This is where Marcos failed.

Corrupt efficiency

In conclusion, the prospect of democratisation presents a threat to corrupt leaders, and people with a vested interest in corrupt practices tend to stay loyal to authoritarian regimes, forming an unholy alliance. But democratisation also brings new opportunities for corruption, linked to electoral campaigns and political bargaining. And the corruption of democratic regimes may provide a good argument for returning to authoritarian rule.

'Democratic corruption'

Which countries will be able to significantly reduce corruption over the next twenty years? This will, to some extent, depend on the prospects for democracy. But democracy is neither a necessary nor a sufficient condition for eradicating corruption. There must be a political leadership committed to fighting corruption, a judicial system that can file charges without repercussions, free media exposing corrupt practices, and a professional uncorruptible spirit among civil servants. Only some of these conditions are present in Pacific Asia today. Japan has a powerful, professional bureaucracy and a free press, but has corrupt politicians anyway. The current scandal in South Korea may perhaps – but only perhaps – pave the way for a cleaner government. There is no way

of saying which countries will make most headway. But the key to making headway is to institute the rule of law, construct a professional, well-paid and honest civil service, and encourage an independent civil society.

Media and Information Technology

Several governments in Pacific Asia have recently expressed concerns regarding the spread of harmful material through the use of new information technology and media. Singapore and Malaysia are taking the lead in trying to monitor and control the flow of information, with Thailand and Indonesia watching developments carefully. These countries have notions of a 'free and responsible' press – in principle there is freedom of expression, but there are limits to what can be published and stated in public. Authors making public statements harmful to national unity or political stability are subject to prosecution. In such cases, the issue is not whether a statement is true or not, but whether it is 'irresponsible'. The prohibition against irresponsible statements has led to a high degree of auto-censorship. But there are journalists and authors who cross the limit of what is tolerated. In 1993, three major Indonesian journals were shut down after having crossed the invisible line. One of them, *Tempo*, was revived in March 1996 in electronic form on the World Wide Web.

Tempo on the Web

It is often said that information technology, and especially the use of telefax and the Internet will improve the probability of democratisation, since they allow instant communication without government control. But both Singapore and Malaysia have started to monitor e-mail messages and URL-addresses on the World Wide Web. Malaysia has warned its students overseas that they will lose their grants if they participate in Internet discussion groups critical of the Malaysian government. It is a breach against Singapore law to read pornographic material on the Internet, and the Singaporean government claims to be able to find out who is reading what. It monitors outgoing and incoming e-mail, and scholars in Singapore are careful to avoid using the Internet for even mildly critical statements about their government.

Other governments see the Internet in a more positive light. Fidel Ramos of the Philippines has his own home page. So have the SLORC of Burma and the Indonesian army. Singapore also prides itself of being the most technologically advanced nation in Asia and claims that by the year 2000, 95 percent of private homes will be connected to the Internet (The Economist, 10 March 1996). Singapore is thus trying to promote a 'free and responsible' use of the Internet: local providers of information have agreed to filter out offensive material, and organisations posting religious or political material will have to register.

China plans 64.3 million new telephone lines over the next five years (AFP March 24, 1996)

It is yet to be seen which role the new technologies will have for diffusing pro-democratic ideas in Asia. Potentially, they could give instant access to uncensored material and contact with outspoken colleagues worldwide. Several Indonesian, Vietnamese and Chinese political journals post material on the Web, and student activists and intellectuals have access to the Internet. Cambodia and Vietnam received Internet access in 1995. The official state-owned provider in Vietnam, however, only allows access to e-mail, not to the World Wide Web. The Vietnamese and the Chinese governments both intend to follow the Singaporean example and monitor the use of the Internet through filtering devices. In the years ahead, we shall see a global technological struggle between

Internet providers attempting to get around government control through various methods of encryption, and governments trying to limit internet access, decrypt messages through the use of sophisticated software, and deter their population from using the Internet freely by conveying the impression that they are able to read everything. It is too early to say who is going to win the struggle.

Succession Problems

Since many of the authoritarian states in Pacific Asia are ruled by leaders who have gained power through military coups or intrigues outside public control, there are no agreed rules for how to ensure a smooth and peaceful transition of power. The apex of the political system in China, for example, is characterised by total anarchy in times of political transition, and completely lacks reliable mechanisms for the transfer of power (Saich 1995:35). Leading circles both in China and Indonesia are nervous about what will happen when Deng Xiaoping dies and when Suharto retires. Potential successors are trying to build their own power base and do their utmost to undermine the position of their rivals.

Deng is 91

Suharto is 74

One reason why successions are observed so carefully in much of Asia is the personalised character of politics. In Japan the opposite is true, and Vietnam may to some extent resemble Japan on this score, but the politics of Malaysia, Singapore, Indonesia, the two Koreas and China are closely associated with the personality of the leader. A strong successor can almost single-handedly transform the political sphere. A successor to Suharto in Indonesia, for instance, could receive instant widespread popularity by dismantling Suharto's economic empire.

There is always a risk that succession crises in authoritarian regimes will lead to violence, persecution and retaliation between competing elites. It may even rip countries apart or add incentives for adventurous foreign policies. Political succession struggles do not only involve the top leaders, however, but entire generations of politicians. When whole generations of bureaucrats retire – as well as people working in local and regional governments – new personnel will also enter the public administration. This generational transition is now taking place in many Pacific Asian countries, and may cause significant ideological change and political instability. A new generation of politicians and public administrators will certainly bring along a set of norms and attitudes that are different from those of their predecessors (Oksenberg and Brege 1993: 25).

The Military

Transitions to democracy build on cleavages within the authoritarian regime. Elite in-fighting can open up the political space, and allow for pro-democratic leaders to step forward. During succession struggles, the most important asset of an aspiring leader is to have the support of the armed forces. There is a close relationship between government and military in several Pacific Asian states. Some of them, like Indonesia and the communist countries (to some extent also Thailand), are military regimes where political decisions derive from or must be supported by the armed forces. This fluctuates, however, and it seems that an increased separation of government and army has been a crucial condition for recent reform in countries such as Indonesia, Thailand and the Phil-

Military in-fighting may lead to democracy

ippines. The 1986 election in the Philippines would not have proceeded so peacefully were it not for a group of military officers who had grown disenchanted with the regime and supported Aquino. In China and Vietnam, the military connection is still very strong, and elite infighting often takes the form of squabbles between military hard-liners and civilian pragmatists, but here it is mediated by the party (Huntington 1995).

Strange bed-fellows in Jakarta

In Indonesia in 1993-94, however, it was in fact the military which pressed for more political openness, in a quest to regain some of the political clout it had lost to technocrats. When elites are intriguing against each other, there may be strange bed-fellows. Indonesian military leaders have in fact tried to approach the very same proponents of democracy which they previously suppressed, and the President has tried to improve relations with Muslim organisations previously alienated by his policies (Crouch 1996). In this new atmosphere, the military has even allowed demonstrations in front of the Presidential Palace in Jakarta.

When such events occur in authoritarian Asian states, the question to ask is who allows it and why. When more political openness results from infighting within elites, it can or cannot lead to democratisation. Recent experiences from Thailand can perhaps be seen as promising: rivalries within the military elite have given civilian parties an opportunity to gain strength. We might however expect the military to play important roles in many Pacific Asian countries, in part because they possess a high degree of technological knowledge and management skills.

The Scenarios

Chapter Two discussed the relationship between economic growth and political stability, and also touched upon the question of democracy. It showed the complexity of the matter. Economic growth can solidify an authoritarian regime, but also pave the way for sustainable democratisation. Economic stagnation can destroy both authoritarian and democratic regimes. If an authoritarian regime collapses through internal decay, it may lead to the institution of a fragile democratic form of government. If a democracy fails, it will lead to the formation of some kind of authoritarian government which, if it ensures a better economic performance, can last another generation.

Predictions

This, of course, is a simplification. Political developments are extremely difficult to predict, since they depend not only on economic factors but also on the perceptions and behaviour of political leaders and social groups – their assessments of the future, the strategies they adopt, the bargains they strike, and even chance events such as the unexpected death of a leader.

High Economic Growth and Political Stability

If growth continues for twenty more years, it is plausible that the remaining semi-authoritarian governments will survive more or less in the form that they have, mainly because of two factors: First, growth will allow these governments to maintain the support of local leaders by offering them economic favours. Second, with continued economic

growth, the Pacific Asian nations will become a strong force in the international arena, and that will enable them to make their model of an 'Asian democracy' into a source of pride.

New social classes

But economic growth will also affect the class structure of society at large. The formation and roles of social classes in Asia have differed from those of Europe. Two new classes have emerged during the past twenty years: a middle class and an organised working class. But the indigenous middle classes in several of the newly industrialised states, such as Indonesia, owe their existence to state policies and government programmes rather than to their own entrepreneurship. These groups which, according to 'modernisation theory', should be expected to put pressure on government for democratisation may in fact have a lot to lose from political changes. There are, however, also middle classes in Asia which are less dependent on the state, notably in Taiwan, Thailand and the Philippines. In these countries we may again see students and various segments of the middle class stand up in defence of democracy.

Labour movement

The working class has a clear interest in the freedom to organise. But organised working classes are either too small to be influential (such as in Indonesia, Vietnam and the Philippines) or they are prevented from influencing politics (as in China and Thailand). Trade union activities are heavily circumscribed in most authoritarian states, and also in some democracies. In search for comparative advantages, Indonesia, Vietnam, Thailand and Burma have managed to keep minimum wages down by compulsory membership in government-controlled trade unions. In many countries, however, there are signs of incipient labour unrest. Indonesia had a strong peasant union that was crushed in 1965; millions of people were organised in different class-based interest associations. There are still many organisations in Indonesia, albeit not class-based. An effect of economic liberalisation could be increased demands to protect workers' rights. But as long as there is a huge reserve of unemployed labour, the strength of the working class will remain limited. In this regard it is interesting that Malaysia has a severe shortage of labour and relies on the work of large numbers of illegal Indonesian immigrants.

A specific problem in planned economies that have initiated market-oriented economic reforms – such as China and Vietnam – is the rapid deterioration in living conditions for workers in state-owned industries. There is a massive hidden unemployment in the Chinese state sector, with millions of industrial workers who remain idle. Allowing these people to become officially jobless, however, is ideologically unacceptable. Worker discontent in China is on the rise.

Economic growth is likely to help governments to achieve political stability, but only if its benefits are spread evenly among the population as well as between regions. As discussed in chapter one, one of the strengths of Asian growth has been the relative equitable distribution of wealth and incomes. This has not only strengthened the economy, but has also allowed for increased political participation. If economic growth is unevenly distributed and does not reach all layers of society, there will be pockets of social discontent. This may lead to an increasingly disaffected working class. Skilled workers may try to organise trade unions in order to protect and promote their economic interests. If economic inequalities contain a bias against certain ethnic or religious groups – or is highly concentrated to certain regions – this may lead to movements demanding a greater share in political decision-making. In this way the working class could perhaps play some of the democratis-

ing role that middle classes are expected to play according to modernisation theorists.

High Economic Growth and Political Instability

High economic growth under weak government provides little hope for democratisation from above, but may unleash pressures for democracy from below. Such pressures may in themselves be a source of political instability and internal decay, and could be followed by more or less successful repression. If the regime is divided in factions struggling against each other, workers and middle classes may be able to find alliance partners within the regime in a quest for democratic reforms, but this will be a difficult game which may as well lead to a more authoritarian government. Pressures by some groups for democracy without widespread popular support might be a factor contributing to political instability followed by a crack-down by the authoritarian government. Large-scale popular protests against the regime may backfire and lead to harsh repression, as was seen in 1989 in Beijing and in Burma in 1990, where a period of political liberalisation was violently put down and followed by numerous arrests and killings.

Democratic/ authoritarian oscillation

In order for the middle classes to jeopardise their newly won prosperity, they need more than uncertain political benefits. They will look for leaders with a capacity to introduce the rule of law and increased political pluralism, and who can overcome political instability. This was the situation that led up to the recent wave of democratisation. Stability and peaceful social relations are important preconditions for a smoothly functioning democracy, and if political turmoil gives rise to ethnic, regional or class conflicts, a transition to democracy seems very unlikely. One possibility, under this scenario, would be an oscillation between periods of democratisation and of authoritarian retrenchment, such as we know from Thailand.

Instability poses specific problems for new democracies. But as long as they maintain growth, citizens will often allow a period of political transition, such as the present situation in Thailand. But lacking a democratic culture, people and elites are probably more impatient in Pacific Asia than in Europe. A new coup in Thailand is not inconceivable if Prime Minister Banharn Silpa-archa fails to address questions of economic mismanagement and the government's incapacity to solve a number of immediate social problems – such as regional inequalities, environment degradation, traffic jams, violence, and AIDS. This is the difficult process of democratic consolidation, in which elected politicians must prove to both the electorate and residual authoritarian elites that democracy is the optimal political system.

Economic Stagnation and Political Stability

There is no doubt that economic decline will threaten the stability of both democracies and authoritarian regimes, especially if it occurs suddenly. A more gradual slowdown will be less disruptive, but will also be problematic. Thus, this is the scenario most likely to induce peaceful and stable changes, with reforms in the political system that may entail a change of government, but not any violent conflicts. In democratic states the government will be blamed for deteriorating economic conditions, and be voted out of power. In Asian authoritarian regimes, where

no formal opposition is allowed, there may instead be a growing sense of failure, giving rise to popular pressure to revise the entire political system. These changes could provoke the introduction of a military dictatorship, but could also open up opportunities for a peaceful transition to democracy. Democracy established through a compromise involving the voluntary abdication of the previous power-holders tend also to be more sustainable in the long run than those established as the result of open conflict.

Naturally, economic stagnation could be threatening to regimes with a short record of democracy such as Korea, Taiwan and the Philippines. There are, however, examples of democracies which rather successfully have survived long periods of low economic growth, India being the main example. Economic performance is not the main factor in the explaining democratic transitions, as we have argued above. The democratic transitions in Korea and Taiwan were results of developmental success, but in the Philippines it was the result of developmental failure.

Economic Stagnation and Political Instability

Low economic growth in combination with a high degree of political instability will result in a rapid decline of popular support and a breakdown of elite cohesion. This scenario is the one most likely to give rise to political coups against the current leadership, be it democratic or authoritarian. The scenario is unlikely to lead to a democratic transition, nor will it reaffirm Asian values. Both of these systems will be too weak to handle the difficult circumstances, and the main question will be if power groups are able to keep the state together.

Civil war

It is quite possible that economic decline and political fragmentation will lead to civil war, notably in China, where it may continue for an extended period of time. Of the countries in Pacific Asia, there are few states, perhaps only Japan and Singapore, which could withstand and manage this kind of situation without being in danger of breaking up. Traditionally, social instability is a sign that the rulers lack legitimacy, and have lost the 'mandate of heaven'. In China, there are already signs of declining central government control of outlying provinces, and of lawlessness in certain areas.

This may not have serious political repercussions as long as there is economic growth, but with an economic recession it could quickly be translated into a breakdown of the state itself. This might then cause contradictory demands for local autonomy and a return to law and order. During the period of economic reforms in China, and the increase in crime and corruption that followed in its wake, there have been several campaigns against 'enemies of the people' where even petty criminals have been executed without any trial. The purpose of this is to ensure a degree of social control which can prevent our fourth scenario from coming true.

Under this scenario the armed forces will probably take direct responsibility for political affairs. This could take place not only in China, but also in Indonesia, Thailand, Vietnam and the Philippines, perhaps even in Malaysia and South Korea. This would imply a serious backlash against democracy with world-wide implications.

Conclusion

Democracy as a universal norm

If we assume that the Asian economies will continue to experience economic growth, there are two main possibilities. The first is that Asian regimes continue to cultivate their 'Asian values', thus creating an alternative development model, different from that of the 'liberal West'. The second possibility is that Lipset's proposition is proven correct after all, and that Pacific Asian states will find their own divergent prospering forms of constitutional democracy, just as most European and American states have done. Then the main principles of democracy may turn into universal norms, and provide for a global society, not one without conflicts, but one that is able to handle them peacefully. Prospects for peace and war are the subjects of the following chapter.

Factors promoting democracy:
- a past democratic tradition.
- the rise of educated middle classes, NGOs and a civil society.
- global diffusion of democracy.
- international pressures.
- expanding roles of existing representative institutions.
- more widespread access to state resources.
- local democracy and popular political participation.
- resentment against corrupt political leaders.
- failure of authoritarian governments to deliver the goods.
- internal decay of an authoritarian regime.

Factors impeding democracy:
- authoritarian traditions.
- lack of mechanisms for peaceful transitions of power.
- a middle class dedicated to a strong state.
- strict controls over civil society and media.
- perceptions of democracy as being an ineffective system.
- wishes to differ from 'the West'.
- patron-client relations obstructing local political participation.
- lack of access to information.
- demands for law, order and strong government to curb criminality.
- strong linkages between army, politicians and capitalists.
- success of authoritarian governments to deliver the goods.

'It is time for Asia to become a greater contributor to the advancement of human civilisation, as great a contributor as we so often have been in mankind's past'. (Commission for a New Asia: 2)

Chapter Six
COOPERATION AND CONFLICT

The end of the Cold War brought peace to Southeast Asia. Since 1989, when the Vietnamese army pulled out of Cambodia, the region has been remarkably peaceful. Wars have been raging in distant places such as Yugoslavia, the Persian Gulf, Caucasus and Central Asia, while East and Southeast Asian nations have concentrated on achieving economic growth. The few remaining armed internal conflicts (in parts of Cambodia, Burma, the Philippines, and in East Timor) are less intense than before. The present 'war' in Pacific Asia is economic: nations and regions compete for investments, loans and market shares. But can this last?

Peace since 1989

Even when there are peaceful relations between states, in the sense that they do not fight each other militarily, there may be strong underlying tensions. We may say that while previous sources of tension have been significantly reduced in Southeast Asia, latent conflicts are all the more acute in East Asia where the end of the Cold War did not bring much change. The three major 'hot spots' are the Korean peninsula, the Taiwan Strait and the South China Sea. These conflicts carry the risk of degenerating into open war, especially since the present regimes of North Korea and the PRC must be considered highly unstable. Their governments may be tempted to redirect attention from internal problems by striking against external targets (Hart 1995: 7). In Southeast Asia, by contrast, several sources of tension have been resolved through agreements over territorial disputes between Vietnam and many of its neighbours, and through the country's recent membership in ASEAN (Amer 1995: 311). There are few remaining disputes over land borders in Southeast Asia.

'Hot spots'

By and large, the end of the Cold War significantly lowered the level of conflict in all of Pacific Asia. It also altered the power balance in the region by dramatically reducing Russian influence and limiting the US military presence. The European role remains negligible. Because of domestic problems, Russia has all but ceased to play a role in Pacific Asian security politics, and Moscow has failed to resolve its conflict with Japan over the Kuriles, thereby obstructing the option of a Russo-Japanese partnership in exploiting the resources of Siberia. The Russian navy still retains base rights in the Vietnamese Cam Ranh Bay, but Moscow has ceased to assist its former regional allies. North Korea, Vietnam and Laos have thus been left in a vulnerable security position. North Korea - the only remaining 'garrison state' in the region - has come to rely even more than before on China, but the latter has given priority to relations with the economically far more interesting South Korea. Beijing and Seoul established full diplomatic relations on 28 August 1992, thus causing deep concern in Taiwan and North Korea. Taiwan lost its last major ally in the region, and North Korea was enraged by Beijing's decision to develop close relations with its enemy in the South. The North Korean regime has since become isolated, and is likely to break down soon.

Russia and Japan

Vietnam, however, has opened up and embarked on a process of economic reform. After withdrawing from Cambodia, Hanoi normalised

Vietnam as member of ASEAN

relations with Beijing and made overtures in the direction of a more formal alliance, but Beijing refused (Thayer 1995). In July 1995, Vietnam joined the Association of Southeast Asian Nations (ASEAN) as a full member. There are several implications of Vietnam's rapprochment to the PRC on the one hand and its membership in ASEAN on the other. A closer and more cooperative relationship between Beijing and Hanoi is obviously a positive sign for regional stability in Southeast Asia. If Sino-Vietnamese economic ties were to grow much closer, however, or if the foreign policies of the two countries were to become more coordinated, it could be perceived as a threat to the neighbouring states in ASEAN. In the security sphere, if Vietnam and China were to reach a bilateral agreement to resolve their conflict over the Paracel and Spratly archipelagoes, this would not necessarily be welcomed by the other claimants to the Spratly islands. They would rather see it as a threat to the regional military balance (Amer 1993a: 326-27). Vietnam clearly needs to strike a balance between improving its relations with China and its desire to accomodate the interests of other members of ASEAN. Vietnam's inclusion in ASEAN can thus be seen not only as resulting from economic concerns, but represents a way for Hanoi to avoid a one-sided dependence on China (*Ibid:* 329).

'Germany pays 1.4 billion dollars each year for the 80,000 US troops on it soil while Japan pays 6 billion dollars for a contingent of 47,000. What rationale is there for paying about ten times per head what another host nation pays? ... it should be realistically possible to relocate the main base of the marine corps stationed on Okinawa to Hawaii or Guam.'
(Former Japanese PM Morihiro Hosokawa in a lecture on 'Restructuring the Japan-US Alliance', Washington DC, 12 March 1996).

The reduction in the US role has been less dramatic than that of Russia's, but the closure of the US bases in the Philippines in 1992 significantly reduced the capacity of the US Seventh Fleet for operating in the South China Sea. In 1995 the US military base on the island of Okinawa came under strong attack from local politicians, after a group of US soldiers were charged with the rape of a young Japanese girl. US policy towards the region has been vacillating, with a Republican-dominated Congress displaying weak competence in matters of foreign policy, and a Democratic President having to take attitudes in Congress into account when formulating foreign policy. The Clinton administration has nevertheless been able to play a pivotal role in invigorating and broadening economic cooperation in Pacific Asia, particularly within the framework of APEC (Asia-Pacific Economic Cooperation) which was established in 1989, and which came to include both China and (with a special status) Taiwan. In March 1996, Clinton did not hesitate to send US warships to the area when the PRC launched military exercises in conjunction with Taiwan's first presidential elections.

Japanese security policy

Despite much anti-Western rhetoric most governments in Pacific Asia tend to expect the US to ensure regional stability. There have been calls by some politicians in Tokyo for a more independent or 'Asianised' Japanese foreign policy, and Japan has built up its armed forces significantly. Tokyo has nevertheless remained strongly committed to its security treaty with the US, and has been reluctant to take a higher profile in regional affairs. Japan plays its role through loans, investments, trade, official development assistance (ODA) and discreet diplomacy - leaving tough talk and shows of force to the US. The strongest policy-making institution in Tokyo is still the Ministry of Finance which also controls the army: the so-called 'Defence Agency'.

The main consequence of the reduction in Russian and US military presence in the region is, in addition to the somewhat growing influence of Japan, that ASEAN has taken on a new role as an initiator of security dialogues between the states of the region. There is also a growing and widespread fear of Chinese regional hegemony in the future. A number of factors - such as China's dramatic economic growth, its efforts to modernise the People's Liberation Army (PLA), naval buildup, stubbornly authoritarian regime, claims of virtually all of the South China

Sea, and saber-rattling towards Taiwan - have provoked a heated debate about Chinese expansionism. This debate is not well understood by the Chinese government itself, which is most worried about Japan and annoyed by US attempts to intervene in their internal affairs. China is big enough as it is, and is in no need of foreign expansion, Beijing often says. What China needs is economic development with social and political stability. When foreigners speak of Chinese expansionism, or when they criticise internal conditions in China (which includes the 'renegade province' Taiwan), this is considered improper and offensive.

The security role of ASEAN

Perhaps the most significant result of the anxiety caused by growing Chinese power is the transformation of the role of ASEAN, and an expansion of its committment to act as a host to multilateral meetings including all major states in the region. When ASEAN was established in 1967, its main objective was to achieve regional reconciliation in the wake of *Konfrontasi* between Indonesia and Malaysia. Although its emergence was the result of many factors, few were more important than the desire of Southeast Asian governments to create a forum for discussing and resolving regional disputes. The main achievement of the organisation has been to facilitate political cooperation between the six states of Thailand, Singapore, Malaysia, Indonesia, the Philippines, and the Sultanate of Brunei which joined ASEAN after gaining independence from the UK in 1984.

In the 1970s the security perceptions of the ASEAN nations focused not only on external threats, but also on the idea of a 'common internal enemy' - namely the challenge of communist insurgency which all member states were facing, and also ethno-religious separatist movements, especially in Thailand, the Philippines and Indonesia. The Southeast Asian states did not seek national security through a formal military alliance, but rather perceived ASEAN as a forum for strengthening national self-reliance with a maximum of political stability. The main obstacle for ASEAN in its early attempts to act as a diplomatic community on regional issues was the lack of a shared strategic perspective among its members, but in 1975, with the success of revolutionary communism in the three Indochinese states, ASEAN regained a common focus. The members of the Association reacted in 1976 by convening the first summit of heads of government in Bali. Political co-operation within ASEAN was also displayed in the wake of Vietnam's invasion of Cambodia in 1978, and the member states effectively denied legitimacy to the Vietnamese-backed government in Phnom Penh (Leifer 1995: 50-51).

Since the resolution of the Cambodian conflict and the end of the Cold War, ASEAN has sought to adapt to a new and uncertain strategic environment, and the Southeast Asian nations have redirected their energies towards agreements on trade and regional economic development. Numerous efforts have been made to envision new security solutions among the member states, and as a result ASEAN has managed to boost its international standing. This is demonstrated both by the expansion of its membership and by annual conferences attended by foreign ministers not only from the member states themselves, but also from dialogue partners outside the region: the US, Japan, Australia, New Zealand, Canada, South Korea and the European Union. In recent years Laos and Burma have been granted observer status at these conferences, and this was also the case of Vietnam until it became a full member. At the ASEAN meeting in Singapore in 1993, where foreign ministers of the PRC and Russia also were present, the ASEAN Regional Forum (ARF) was created as a wider vehicle for dealing with regional security issues.

The declared purpose of ARF is to establish a dialogue in order to work out a predictable and constructive pattern of relationships in the Asia-Pacific in the wake of the Cold War. The first working session of the ARF convened during the meeting of ASEAN's foreign ministers in Bangkok in 1994, and the second session convened at Brunei in 1995.

One might have thought that internal conflicts between Indonesia, Malaysia, Thailand, the Philippines and Brunei would resurface once the external threat from Soviet-backed Vietnam was removed. This did not happen. Apart from the squabbling between Singapore and the Philippines over the *Contemplacion* affair in 1995, relations within ASEAN have remained amicable. The association will soon adopt Laos as its seventh member and is likely to also include Burma and Cambodia in a few years time.

ASEAN and Australia

For a while there seemed to be rather strained relations between some of the ASEAN states and Australia, but in late 1995, Indonesia and Australia surprised the world by signing a security agreement. All in all it must be recognised that ASEAN is now playing a leading role in creating a framework for regional co-operation based on the kind of trust that can be derived from regular meetings. From relying on the US and China to contain Vietnam, ASEAN has transformed itself into an association encompassing Vietnam and trying to engage external powers, notably China. One ASEAN member, Malaysia, has wanted to go further in the direction of 'Asianisation', and create a purely Asian economic framework as an alternative to APEC. This would mean to exclude the United States and to force Japan to adopt a higher profile in regional affairs. Tokyo rejected this proposal and instead went along with the USA in preparing for a reduction of trade barriers across the Pacific.

Latent Conflicts

As of March 1996, the above is more or less what the regional security situation looks like. Before proceeding to discuss future scenarios, we must identify some of the main factors that could upset the present peaceful situation, and discuss those issues related to territorial control which may give ground for violent conflict:

Korea

First, the conflict on the *Korean peninsula* can easily escalate into open conflict. For a long time the fear of war made it easier for the two regimes to legitimate systems of political repression and social control, and the leaders of North Korea have a vested interest in keeping up the status quo. The democratisation of South Korea has no doubt been seen as a threat to the North. Thus, even though there would be large potential gains if the two Koreas could cooperate economically, this is unlikely to come about unless there is a major change in the political leadership in Pyongyang. Due to lack of reliable information about the economic situation, there has been a lot of speculation among foreign analysts about an imminent political breakdown in the North. It could be triggered either by a power struggle at the top, or by revolt caused by famine. This could in turn deteriorate into open warfare between North and South Korea.

Taiwan

Second, as evidenced from the crisis of March 1996, the conflict over *Taiwan* can also be highly explosive. Should Taiwan make further moves in the direction of independence, this might well trigger an invasion from the Chinese mainland which in turn could lead to US and, at

a later stage possibly Japanese, intervention.

The Spratlys

Third, naval and air battles could also take place between the states claiming the islets in the *Spratly* archipelago. In 1995, the US State Department estimated that there were Vietnamese troops on twenty islands, Chinese on seven, Filipino on eight and Malaysian on two. In addition, Taiwan occupies the largest island, and Brunei lays claim to a sector covering part of the Spratlys. A major problem in the Spratly conflict is that as long as ASEAN member-states are involved, ASEAN as an organisation will not be able to mediate an agreement on the whole conflict involving non-ASEAN members - such as China (Salameh 1995: 145. Emmerson and Simon 1993: 11-12. Leifer 1995. Amer 1995: 312).

The Kuriles

Fourth, even though Russia's role and significance in East Asia has been seriously weakened, this development may in itself cause instability and conflict. If Russia continues to be plagued by internal conflicts - and Japan becomes more militarily assertive - the long-lasting conflict over the four southernmost islands of the *Kuriles* (Kunashiri, Shikotan, Etorofu and Habomai) could become a military flash-point in Northeast Asia. Moreover, if the political situation in the Russian Federation further deteriorates, civil wars may break out both in Russia and in Kazakhstan. If this were to result in a total loss of Moscow's control over Siberia, Japan and/or China might feel compelled to intervene.

Indochina

Fifth, if Japan overcomes its reluctance and decides to invest heavily in supporting the Burmese, Laotian and Vietnamese economies as an *Indochinese* barrier to Chinese expansion, the land border between Southeast Asia and China may once again become a source of serious tension (cf. Hisahiro 1995). Renewed civil war in Cambodia can lead to military intervention by Thailand, thus causing a Vietnamese reaction, and the contested border between Vietnam and Cambodia may also become an area of military conflict. The basic problem in Cambodia, however, is the refusal of the Khmer Rouge to take part in the demobilisation of military forces as stipulated in the Paris Agreements (Amer 1993b: 225).

Underlying Dangers

In addition to these latent conflicts there are a number of underlying developments which may strain relations between states and mentally prepare them for war:

A violent legacy

First, the 20th century *legacy* is exceedingly violent: Japan and China fought each other in 1895 and again from 1931-32 and 1937-45. Japan intervened both in Russia and China during World War I, held Taiwan as a colony for half a century (1895-1945) and Korea for 35 years (1910-1945). Japan defeated Russia in 1905, but suffered heavy losses when confronting Soviet armies in Manchuria in 1939 and in August 1945. The present Chinese regime came to power as a result of the civil war lasting from 1927 to 1949, and the continued separation of Taiwan from mainland China is a legacy of that war. Indochina has been the scene of three major wars between 1945 and the Cambodian peace settlement of 1993. Several Southeast Asian nations have been through long periods of insurgency, and in the 1960s Indonesia and Malaysia had their *Konfrontasi*. All of these wars have left memories which can easily be exploited to stir up chauvinistic or xenophobic sentiments.

Second, if the economic growth of the last fifteen years continues, the

'In terms of military strategy, China follows a policy of positive defence and adheres to the idea of people's war. China does not seek world or regional hegemony.'
(PRC white paper on arms control and disarmament, Xinhua News Agency, November 16, 1995)

power balance will change radically in China's favour and may lead to an *arms race* in the region. Unless China radically alters its foreign policy behaviour, this is likely to increase the anxiety of neighbouring states and induce them to engage in an arms race. It may be an exaggeration to say that an arms race is already going on in Pacific Asia, but between 1985 and 1994, military expenditures increased by almost 60% in Japan and South Korea, by more than 90% in Singapore, 35% in Thailand and 31% in Taiwan (see table 6.1). Of the socialist states only North Korea has continued to divert a very large share of its gross national product to the military - more than 26% of its GNP in the estimate of the International Institute of Strategic Studies in London. Vietnam and China are now endeavouring to modernise their weaponry, but Vietnam is still too poor to acquire much sophisticated technology. The military buildup is likely to continue, particularly in Southeast Asia as long as China is perceived as a serious security threat. In 1995 Southeast Asia overtook the Middle East as the world's third largest weapons market after the US and Europe, buying over 9 billion USD worth of weapons - which amounts to about 22% of world sales (Luce and Bardacke 1996: 6).

Table 6.1: Estimated Defence Expenditure in Pacific Asia, 1994

	1994	Change 1985-94 (%)
Japan	44,600	+ 57.9
China	27,680	+ 6.1
South	13,153	+ 59.1
Taiwan	11,065	+ 30,8
North	5,412	- 0,9
Thailand	3,313	+ 34.6
Singapore	2,982	+ 91.0
Malaysia	2,652	+ 14.4
Indonesia	2,256	- 26.7
Philippines	855	+ 3,7
Vietnam	837	- 73,5
Brunei	233	- 1.3
Laos	111	+ 54.2
Cambodia	59	n.d
India	7,321	- 11,0
Russia*	106,927	- 66,3
USA	278,730	- 17.8

Source: International Institute of Strategic Studies 1995: 264-266. *Change in relation to the whole of the USSR in 1985.

NIAS 1996

Even though China is a nuclear power which has engaged in joint weapons development projects with Pakistan and is buying sophisticated weaponry from former Soviet republics, it will take at least a decade before it can have an army, navy and air force with any hope of matching other armies in the region technologically (SIPRI Yearbook 1995: 359-388). According to SIPRI, the quality of Chinese military research and development may even be deteriorating because experts are finding better salaries in the private sector. The main military buildup in Asia since the end of the Cold War has taken place in Japan, on the Korean peninsula, and in Taiwan and Singapore. This may be explained by the fact

that these states are the most prosperous in the region, that they are preparing to fill the void emerging if the US withdraws, and that they fear the future strength of China.

Japan rearms

Table 6.2: Numbers in Armed Forces, 1985-94

	Armed forces (000), 1994	Change 1985-94 (%)	Reservists and paramilitary (000), 1994
China	2,930	- 24.9	2,400
Korea, N.	1,128	+ 34.6	655
Korea, S.	633	+ 5.9	4,504
Vietnam	572	- 44.3	3,050
Taiwan	425	- 4.3	1,684
Indonesia	276	- 0.8	574
Thailand	256	+ 8.8	361
Japan	237.7	- 2.2	60
Malaysia	114.5	+ 4.1	84.1
Philippines	106.5	- 7.2	172
Cambodia*	88	+ 152.9	220
Singapore	54	- 1.8	274
Laos	37	- 31.1	n.d
Brunei	4	+ 7.3	5
Russia**	1,714	- 67.7	2,680
USA	1,650	- 23.3	2,154
India	1,265	+ 0.4	2,212

Source: International Institute of Strategic Studies 1995: 264-266. *Numbers lacking for reservists. **Change in relation to the whole of the USSR, 1985.

NIAS 1996

The reduction in the number of troops in Pacific Asia which can be seen from table 6.2 has two main explanations: On the one hand the major military powers (except North Korea) learned from the Gulf War that in the era of high-tech warfare, it is more important to have modern weaponry than a large conventional army. Thus soldiers have been replaced with aircraft, ships and tanks. On the other hand, the troop reductions in China have to a great extent consisted in transferring soldiers from military units to police forces or paramilitary units which can be used to quell possible future uprisings in the major cities. Similar changes may have happened in other countries as well.

Third, economic transformations are likely to lead to increased *social and regional inequalities* not only between states, but also internally. This may provoke regional conflicts, in some cases with ethnic dimensions. If the growing prosperity of Chinese communities does not go hand in hand with improving living standards also for other ethnic groups in Southeast Asia, perceived inequalities in income and wealth may lead to a confluence of struggles over ethnicity and class. In 1994, there was a riot in Sumatra, directed against the collusion between Chinese-owned companies and government-controlled unions. The *Contemplacion* affair in 1995 was a conflict with several dimensions: gender, Malay versus Chinese ethnicity, and poor state versus rich state. We may see more of such conflicts if labour movements take on ethnic dimensions.

Ethnic and regional conflicts

Fourth, as shown in chapter three, rapid economic growth may create severe *resource crises* over oil, food, water and minerals. China's lack of oil is an essential factor behind its aggressive claims in the South China Sea. Oil companies are already exploring for oil despite the fact that no real negotiations have been held between the riparian states over the delimitation of national territories. As far as water is concerned, Chinese, Laotian and Thai dam projects in the subsidiaries of the Mekong River may adversely effect the rice harvests in the Vietnamese Mekong Delta.

Fifth, a majority of the states in the region are *non-democratic*. This means that in several Pacific Asian states there are no formalised procedures for leadership succession, and there is therefore good reason to fear violent succession struggles. Indonesia will soon need to replace a strong leader who has run the country for more than thirty years and has not designated any successor. In China it can be determined only after Deng Xiaoping's death if Jiang Zemin (the general secretary of the CCP) is able to stay in control. Lack of democracy may also increase the danger of international wars. Numerically oriented peace researchers have established that in the past, democratic states have never - or extremely rarely - gone to war against each other, whereas democratic and non-democratic states have often been at each others' throats. A region with radically different kinds of regimes can thus be expected to be more war-prone than one with a shared political culture.

'Nazi Germany, after all, was far more integrated into the world economy in 1939 than China is today. In the Taiwan Strait, the United States would do well to remember Theodore Roosevelt's motto, 'Speak softly and carry a big stick' (George Hicks in *International Herald Tribune* March 19, 1996).

Sixth, *US military power* remains paramount in the Asia-Pacific region. Everyone knows it, and this yields a tacit understanding that no Asian power will undertake actions that are likely to provoke US intervention. Most governments remain comfortable with the US presence, but there is a movement within the region to manage one's own affairs and reject the superpower's arrogance. Moreover the American bases are not popular among the local populations in either South Korea or Japan, and US public opinion itself may turn against deploying large-scale military forces overseas. It is therefore quite probable that the strength of US forces in Pacific Asia will diminish further, albeit gradually. At some point this process will reach a turning point where US presence is no longer perceived as a source of security. Then local antagonists may feel tempted to escalate conflicts among themselves (Emmerson and Simon 1993: 6).

'The lessons of the 1920s and 1930s suggest that the only way in which a retreating US can maintain its influence at a reduced cost is by establishing an effective multilateral security structure' (Buzan and Segal 1994: 18).

Seventh, Pacific Asia has not yet got far in establishing Confidence-Building Measures (CBMs) such as military transparency, regular contact between military commands, joint exercises, etcetera. There are few institutional frameworks for conflict resolution. Other issues - such as ideological or religious differences, competition over foreign investments, market shares, piracy, smuggling, drug traffic, crime syndicates, remaining secessionist movements and large movements of migrant labourers across borders - are perhaps less likely to give rise to violent conflict between states, but may contribute to souring their relations with each other.

All of this indicates that much remains to be done in order to create the foundation for future regional security. Let us try to discuss what scope our four scenarios will give for establishing a cooperative international regime, and also what risks they entail in terms of violent conflict.

High Economic Growth and Political Stability

This scenario assumes internal political stability in the major states of the region, in combination with a continuation of the phenomenal economic growth of the last two decades. This is, of course, the scenario that most Asians are hoping for. It will significantly increase the weight and importance of Pacific Asia in global affairs. It will also increase the interdependence of Asian nations. Possibly, new important intellectual centres will emerge in the region to strengthen the prestige and global recognition of Asian culture and ideas. As for the future pattern of international cooperation, we may establish three possible sub-scenarios:

An Asian bloc?

(a) An Asian bloc under joint Sino-Japanese leadership, and with strained or difficult relations to North America and Europe. Such a scenario may lead to the abandoning of all kinds of development aid and assistance from Western nations to Asia. Pacific Asia, North America and Europe will then compete for influence in Africa and South America. This will tend to confirm Samuel Huntington's vision of a clash of civilisations (Huntington 1993). It will keep Asians together by pitting them against 'the West'. We regard this possibility as unlikely, unless the United States should engage itself in an activist foreign policy, confronting both China and Japan at the same time.

Power balance?

(b) A power balance between Japan and China, rivalling for influence on the Korean peninsula and in Southeast Asia. One may imagine that Japan could seek an alliance with India whereas China might find a partner in a revitalised Russia. The role of North America and Europe would rapidly decrease.

A global security regime?

(c) Increased globalisation, with the Asian nations playing a far more significant role than previously in the United Nations and other global organisations such as the World Trade Organisation (WTO), IMF and the World Bank. APEC and the Europe-Asia Forum (established in conjunction with the Euro-Asian summit in March 1996) may be stepping stones for such a development. This will lead to more peaceful relations between Asian governments. The US, Europe, and Australia will then have significant roles to play in the Asia-Pacific region. Divergent interests between Asian states will be played out globally, and mediated or solved in international fora. This may well involve a certain degree of mutual suspicion and hostility, but there will be a framework to avoid major conflicts. In this scenario, liberalisation of trade and questions related to corruption, human rights and democracy will remain high on the international agenda. This, of course, is the scenario that most donor agencies both in Europe, the US and Japan will want to see come through. It will pave the way for the establishment of an institutional framework which one day may become a global political regime also taking responsibility for helping Africa out of its misery.

The possibility for the realisation of this scenario will to a large extent depend on the future development of already existing regional organisations and their relationship to global institutions. We have already mentioned ASEAN's constructive role in creating the ARF. In the economic sphere ASEAN has also developed a more ambitious agenda. At their summit in Singapore in January 1992, the ASEAN heads of government committed their countries to establishing AFTA (the ASEAN Free Trade Area) with an agreed reduction of effective tariffs to no more than 5% within a period of fifteen years, that is, in 2008. This marked a major break with former protectionist policies in several countries. However, shortly after AFTA had been launched, the United States and Japan involved the ASEAN countries in discussions for a much larger free trade area across the Pacific, within the framework of the newly established APEC.

One government leader, Malaysia's Mahathir Mohamad, feared that APEC would dilute the identity and regional cohesion of ASEAN. He still maintains that ASEAN countries should participate in APEC only on the condition that it remains a loose consultative forum without decision-making capacity. Mahathir actually initiated an alternative proposal for regional co-operation in the form of an East Asian trading bloc - the East Asian Economic Grouping (EAEG). The basic idea of this

proposal was to keep out the American side of the Pacific Rim, as well as Australia, New Zealand and the Pacific Islands. Announced without prior consultation with Malaysia's ASEAN neighbours, the idea of an EAEG was later toned down to the EAEC (East Asian Economic Caucus) which is to exist within the framework of APEC, a solution to which Mahathir eventually has subscribed.

'As with many economic issues, the East Asians are unable and unwilling to solve problems between themselves and need outside assistance. This is rocky soil for the seeds of multilateralism and arms control to grow' (Buzan and Segal 1994: 15).

The main purpose of APEC has been to promote an open multilateral trading system in the entire Asia-Pacific Region. Six years after its establishment, however, APEC is still in its infancy and its status as a multilateral institution is contested among its members. APEC's short history has been marked by a disagreement between American and Asian views of the Asia-Pacific 'community'. In general, the United States has pushed for a more formally binding approach, with adherence to time-tables, while a number of Asian countries prefer using APEC just as a forum for consultation and discussion. The success or failure of APEC is likely to depend on the ability of the United States and Japan to engage China and the rest of the region in a sustained endeavour to establish and deepen a free trade regime. In this context, the success of APEC may to some extent reduce the importance of the WTO in Asia. From a European perspective it would perhaps be preferable to see the WTO in the vanguard of free trade rather than APEC since the latter does not include any European states. European states would also prefer WTO to APEC since the former agreement is binding while the latter is vague. With the growing economic and financial clout of Asian states they are in any case likely to increase their influence over global institutions such as the IMF, World Bank, WTO and the UN system, not to speak of the regionally oriented Asian Development Bank.

'...prospects for co-operation are brighter than ever. Asia's success, won through hard work and self-help, has given us newfound confidence ... we have established through the ASEAN Regional Forum or ARF a regular process of consultation on regional security between the region and its partners. Europe's active role in the ARF is vital for stability in the emerging new tripolar order' (PM of Thailand Banharn Silpa-Archa opening the Asia-Europe Summit in Bangkok, March 1, 1996).

In the high growth scenario, and if the PRC remains a unitary state, China will be an important player in world affairs. The preservation of peace and harmony will then depend on Beijing's ability to convince Japan, the USA, Russia and the ASEAN states of its peaceful intentions. At the present moment, the most promising institutional framework for establishing regional security is clearly the ARF, introduced and managed by ASEAN, but including all main regional powers on a consultative basis. It has been argued that ASEAN's role is likely to fade soon, and that peace is likely to be preserved instead by a 'concert of great powers' (Acharya 1995). This looks convincing from a balance-of-power perspective, but if we dare to believe that there can be other roads to peace than a balance between great powers, and that such other roads may perhaps lead to deeper, more stable conditions of peace, then the effort of ASEAN to establish multilateral fora for dialogue and engagement is a prime reason for hope.

High economic Growth and Political Instability

Our second scenario involves a weakening or fragmentation of some of the regional states and a kind of economic growth which in no way is controlled by national governments. Transnational corporations will avoid soliciting corrupt and inefficient central bureaucracies, and instead link up with local governments in the most promising growth zones, which will be under effective management and, perhaps, protection of well-paid armies. The larger nation states, such as China and Indonesia, may fall apart into loose and conflict-ridden federal structures. This will allow small, commercially oriented regions - without political representation in the global political community - to manifest themselves by establishing cooperative relations to transnational corpora-

tions with headquarters in and outside the region. It is perhaps possible to imagine that such political fragmentation can take place peacefully, but it is quite likely to lead to violent conflicts, at least in some regions. The larger states will find it exceedingly difficult to mediate between the few protected growth zones and the large and vulnerable areas of poverty and conflict.

Since political instability at the domestic level also will increase the risk of violent international conflicts, this scenario will probably not yield regional integration or globalisation. The most important thing will be for each Asian state to survive and keep out of destructive conflicts, or at least prevent active warfare on its own territory. In this context the chances for development of a more self-confident Asia will be greatly reduced. Individual states will seek security through advantageous relations with external great powers, just as they did during the Cold War. If local wars break out, the economy in these areas will be seriously disrupted or completely grind to a halt, and there will be significant numbers of refugees. With the notable exception of Russia, no European country is likely to become involved in localised 'Far Eastern wars', and even the US will do its utmost to stay out of such conflicts. If Washington does intervene, it will be through air and naval operations. Europe and America will, however, become major suppliers of arms, and may become indirectly involved in Asian conflicts through the provision of advice, funding and logistical information.

Resurrection of Western dominance

In this scenario, characterised by a high level both of prosperity and conflict, both the United States and Europe will be given an unwanted opportunity to reassert their domination in world affairs. They will find new markets both for material products and services. Because of its size and the contradictions in its political regime, China is perhaps the state most likely to wear away and split up into zones of conflict and growth. Indonesia, Burma and the Philippines are also countries which may succumb to internal wars between a weakened central government and regional secessionist movements. If China breaks up, however, there may be violent and drawn-out civil wars in some provinces, while other parts of the country - particularly the provinces along the coast - may continue their growth, serving as trade links between the war-ravaged interior and foreign economies. If on the contrary China remains a unitary state and avoids warfare on its own territory, the most likely war zones will be Korea, Taiwan, the South China Sea and Indochina, with the Chinese army and navy playing important roles in these conflicts. It should be noted that the Chinese military doctrine changed in the 1980s from one aiming to defeat foreign aggressors on Chinese territory, to one of being able to wage limited wars outside China proper (IISS 1995-96: 270).

Economic Stagnation and Political Stability

In the case of a major economic slow-down, it may be difficult to imagine continued political stability. After all, the legitimacy of most regimes in the region hinge on a successful drive for increased prosperity. Economic decline is therefore likely to result in widespread social disaffection and thus threaten political stability. On the other hand it is possible to imagine a long period of economic crisis without much violent conflict. This requires that each government and its military forces remain cohesive and do not hesitate to suppress emerging protest movements and regional separatism threatening national security. In other words, even though this scenario may entail severe social tension, it may not necessarily result in large-scale armed conflict. The only way

for a non-democratic government to survive a major economic recession, however, will be through well-organised repression, and at a time when global information flows make repression less effective, and more open to criticism, than before.

No 'Pacific Century' after all

In this scenario Pacific Asia is unlikely to increase its global power and prestige, and the entire discussion about an Asian or Pacific Century will quickly lose credibility. There may be increased regional co-operation on economic and security issues, but between Asian and Western countries there will be increasing conflicts over matters pertaining to democracy and respect for human rights.

Economic Stagnation and Political Instability

'Should the US fail to help build a regional dialogue on security and should East Asians fail to take up the challenge of multilateralism, the region may become the most important zone of conflict in the twenty-first century' (Buzan and Segal 1994: 20).

The fourth, worst-case, scenario is the one in which Pacific Asia loses all its economic momentum, and leaps into a period of regional wars. In such a situation, the Asian catastrophe will be the main topic in world politics. Asian nations and movements will plea for assistance and intervention from the West (provided it does not collapse as well). If a major war breaks out in Asia, who will align against whom? It may be possible to imagine limited wars without Chinese involvement, such as a war over the Kuriles between Japan and Russia, a territorial war between Vietnam, Cambodia and Thailand, or alternatively a war between Indonesia and either Malaysia, the Philippines or Australia. Any other major war in the region, however, is bound to involve the PRC.

Two possible Chinese wars

What will the situation look like if China is one of the major actors in a war? There seems to be two possibilities: The first is a Chinese civil war of the kind already experienced twice in this century. Such a war may erupt from a situation with escalating conflicts between the central government in Beijing, and one or several provinces demanding autonomy, or behaving as if it were autonomous. A heavy-handed treatment of Hong Kong in and after 1997 may ignite a storm of international protests and possibly sanctions, but the surest way to trigger a major international conflict would be for Taiwan to proclaim itself independent, thus provoking the invasion that Beijing has repeatedly promised to launch if this happens. A Chinese civil war could also break out as the result of a militarisation of political life after a failed struggle for political succession at the central level, with the PLA disintegrating into separate armies fighting each other (see Dreyer 1995). In the event - unlikely as it seems - that foreign powers decide to intervene in a civil war on the Chinese mainland, there will always be the danger that these external actors ally themselves with different parties in the conflict, and that the war becomes a conflict of truly international proportions.

The second possibility is a Chinese war of aggression, which in part could be motivated by the need of the Chinese government to direct domestic social and political dissatisfaction against external targets. Such a war could start either with a Cinese attack against Taiwan or with a Chinese occupation of the Spratly islands in the South China Sea, followed by retaliations by the USA, possibly backed up by various Southeast Asian states and Japan. In the next 10-15 years, a Chinese war of aggression seems rather improbable, simply due to lack of military capability. Beijing will also be disinclined to engage in a war that it cannot expect to win (except if Taiwan proclaims independence). A major Chinese aggression will be conceivable only if we are ready to imagine an irrational gamble on the part of a militarised Beijing government.

Conclusion

In the beginning of the chapter we listed a number of reasons why one should expect more conflicts and warfare in Pacific Asia. In the conclusion we wish to highlight some of the factors that instead make it reasonable to believe in a future characterised by peace and cooperation in the region:

Japan has drawn bitter lessons from its colonial past and the war in the Pacific, and has benefited enormously from its globally oriented market economy since 1945. Japan will be extremely reluctant to engage its armed forces outside the national territory once again, unless this is part of a joint international effort sanctioned by the United Nations.

For at least another decade, the United States will remain the paramount military power in the region, with naval and air forces that not even a coalition of other powers can match. Despite anti-American sentiments in many quarters, the US military presence is generally seen as reassuring by governments in Pacific Asia.

Since a major war would ruin the whole dream of an Asian century, the consequences for all states in the region would be disastrous. Asians have seen what happened to European influence in the world as a result of the two European wars in 1914-18 and in 1939-45. Asians have also seen in the post-WW II period how much wars have cost China, Korea, Vietnam and Cambodia while nations avoiding war in that period, such as Thailand, have prospered.

The number of contested land borders is more limited than before. Pacific Asia has a reasonably well-established state-system with few areas that are contested by several nation-states. There is no Pacific Asian equivalent to Kashmir. Neither East Timor nor Tibet have the potential for stirring up large international conflicts. Only the Taiwan issue and the continued division of Korea really have dangerous potentials. As for the conflicting claims in the South China Sea, a war would be highly undesirable for all parties involved since it would be detrimental to the economic interests of anyone wanting to exploit oil resources in that area. The Spratly controversy rather invites multilateral negotiation (Emmerson and Simon 1993: 29). Furthermore, if a naval battle were to occur, it would probably be fought to a quick end without escalating to a destructive land war.

ASEAN and APEC are multilateral instititutions growing in importance, which signifies a trend towards increased economic co-operation and interdependence in the Asia-Pacific region. Regional and global integration also offers a stronger role for Asian nations to play in global politics. (For a discussion of ASEAN's potential for developing into a forceful regional grouping, see Emmerson and Simon 1993.)

Peace may be preserved

Taken together, these factors imply first, that it is quite realistic to expect that peace may be preserved for at least another decade, and second, that there is reason to believe that in the next ten years the states in Pacific Asia will develop their relations in a way that can preserve peace among them even after the United States has lost its paramount military strength. In the long run, the key to a lasting regional peace is to be found in the relationship between China and Japan. A major aim must therefore be to enable these two powers to secure, in cooperation with Russia and the United States, a peaceful reunification of Korea.

SUMMARY

This report considers probable developments in Pacific Asia (i.e. East and Southeast Asia) in the period up to 2015, focusing on two main determinants:

- economic growth/stagnation
- political stability/instability.

Is Growth Sustainable?

The momentum of economic growth is at present so strong in Pacific Asia that if no radical changes occur in the political or security fields, rapid growth is likely to continue for another decade. The engines of this growth will be the most prosperous countries: Japan, South Korea, Singapore, Taiwan and Hong Kong - provided its inclusion in the PRC in 1997 proceeds smoothly. All of these countries have invested huge amounts of capital throughout the region. Growth is likely to be most rapid in the poor and middle-income countries: China, Indonesia, Vietnam and, possibly, Burma.

At some point before 2015, however, we should expect a general slowdown, such as has already happened in Japan. From every point of view it is imperative to encourage policies ensuring that this slowdown comes gradually, and not in the form of a sudden, regional recession. In this context it is essential that the World Trade Organization (WTO) and the Asia-Pacific Economic Community (APEC) are being allowed to implement their plans for further removal of barriers to trade, and that Europe expands its ties and cooperation with the region.

Until now, the rapid growth of the Newly Industrialised Economies (NIEs) in Pacific Asia has been achieved mainly through massive mobilisation of natural resources, production equipment and labour, with very high savings, domestic investments, and a significant amount of Foreign Direct Investments (FDI). In the long run, it is not possible to achieve sustainable economic growth by mobilising more and more input-resources. It must be done through increased productivity resulting from the use of more skilled labour, the application of more advanced technologies and better organisation of the production process, not only in the industrial sector, but in the agricultural and service sectors as well. Companies in Pacific Asia (except in Japan) have so far attributed only small amounts of resources to research and development, and have mainly relied on imported or copied technologies. Still, it is quite possible that the rising educational levels in the region - in combination with the rapid access that open, computerised societies have to information and knowledge, will make it possible to obtain significant gains in productivity, compared to previous eras.

Political Stability

Economic growth and political stability often reinforce each other, but economic growth can also lead to social change disrupting a political system, and changes resulting from political instability can create conditions conducive to economic growth. The interrelationship between economics and politics is complex, and this makes it difficult to make accurate predictions of future developments. Predictions must be made with even more caution when dealing with countries whose political systems are volatile, and where sudden political events can have far-reaching social and economic consequences. Who could know in 1965 that General Suharto was going to establish a military-political regime that would be able to generate an economic development to the benefit of a majority of the Indonesian population? Who could know when Mao Zedong died in 1976, that after two years, a veteran communist leader would be in power claiming that he did not care about 'the colour of a cat as long as it could catch mice'?

Indonesia and China may soon again be facing succession struggles, since Deng Xiaoping is 91 years old and President Suharto 74. Political changes will thus be necessary in the midst of a period with rapid social change, urbanisation, rising levels of education, growing regional disparities and widespread corruption. Similar developments in other countries may also lead to internal political conflicts. It is quite possible that, already within the next decade, we shall see radical political change, or even military conflict, with enormous social and economic consequences. At the moment, the most vulnerable regime is the North Korean. As for most other regimes in the region, both democratic and authoritarian, it seems reasonable to assume that they will survive the next few years without serious political instability. As long as significant growth continues, governments will remain confident that they can hold on to power. But the political future of the region's two most populous countries, China and Indonesia, is basically uncertain.

Four Scenarios

Since it is impossible to predict with any kind of certainty the region's future level of economic growth or degree of political stability, most of the report has been built around four possible scenarios: high growth and political stability; high growth and political instability; economic stagnation and political stability; and economic stagnation and political instability. We consider the first of these scenarios to be a little more likely than the others, at least during the first decade. Therefore we have discussed this scenario more extensively than the others.

Scenarios are tools which can be used to prepare for an unknown future. What we hope is that our four scenarios will cover the main possibilities, and that the future will not bring up major issues or developments which we did not at all imagine as possible.

The Environment

High growth will imply a severe strain on the environment through industrial pollution, large scale construction of physical infrastructure and massive urbanisation. High growth will also engender conflicts over the natural resources and the supply of energy, both within and between na-

tions. If high growth continues until 2015, Western-style consumption patterns can spread to an extent that will make the global environment unsustainable. This, in turn, may plunge the world into several major crises: degradation of land, water and air pollution, and global warming. China may also be exposed to a major food crisis.

However, high growth will also provide the means for protecting and improving the local environment, and for instituting sound resource management. It is essential to reduce to a minimum the lead time from the, possibly inevitable, first phase of environmentally irresponsible growth to the next phase of environmental regulation and planning, and to institute a global regime of negotiations over 'pollution quotas'. This can be done through environmental diplomacy, assistance to building institutions, support for environmental NGOs, prohibition against exports of highly polluting machinery, and allocations to Asian-European research cooperation, aiming at the development of environmental technology and alternative lifestyles.

Poverty

Pacific Asia will in the next 20 years have three kinds of poverty:

- remaining rural poverty in neglected backward areas.
- 'shantytown poverty' among illiterate or poorly educated immigrants to urban agglomerations.
- modern types of poverty created by the economic transformation, as an effect of new kinds of health risks, disruption of family ties, etc.

High sustained growth will generate the means, but not necessarily the will, to implement policies of poverty alleviation, or structural changes leading to radical poverty reduction. This will involve making inexpensive credits available to the ordinary population, including female-led households. Such credits, as well as sustained development of irrigation schemes and other means to boost agricultural production, will be essential in order to prevent a possible food crisis in China.

The implementation of egalitarian policies, aiming at an equitable distribution of opportunity, will be essential in creating home markets to sustain continued growth, and also for obtaining social and political stability. Stagnation or a sudden recession could easily provoke social problems leading to a wide range of conflicts. This would particularly affect women being pushed out of the labour market.

Democracy and Asian Values

Pacific Asia is today the main testing ground for the hypothesis that economic development leads to democratisation. Recent regime transitions in South Korea and Taiwan, as well as the failure of the latest military coups in Thailand and the Philippines, may seem to confirm the hypothesis. But the survival of authoritarian regimes in Indonesia and China, and even more notably the emphasis on 'Asian Values' and strong government in the semi-democratic polities of Malaysia and Singapore, point in an opposite direction. Pacific Asia is likely to remain a region with highly diverse regime types. If Indonesia, China, Singapore and Malaysia move in the direction of stronger civil societies, free and

fair elections and respect for basic human rights, then this will contribute to making democracy a universal norm. If they, and other regional states, remain authoritarian developmental states, this may create a powerful alternative political model with a potential for attracting support in all major regions of the world.

If donors want to encourage democratisation, contingencies attached to aid are a dubious method. The best will be to stimulate the construction of civil societies through long-term support to NGOs and media, to assist the building of representative institutions, independent judiciaries and instruments of popular participation.

Cooperation and Conflict

If economic growth continues and the main regional states persist in building up their military forces for yet another decade, without building confident relations between themselves, then there will be a considerable danger of a major war. The most perilous factors are:

- the unstable situation in the highly militarised Korean peninsula
- the Taiwanese question
- the conflict in the South China Sea
- the historical antagonism between China and Japan
- the urge within the region to rid itself of US military presence.

A major war is unlikely to break out as long as the United States is perceived as the paramount military power in the region, and as long as the regional states retain their current focus on export-oriented economic growth. This means that we shall probably have at least another decade of relative peace and recurrent crises, during which a system of alliances and pervasive animosities may be entrenched. Alternatively, this decade could be used to arrive at a comprehensive regional security framework, instituting Confidence-Building Measures (CBMs), developing the multilateral diplomacy of ASEAN and APEC, and thoroughly integrating the Pacific Asian powers in global institutions through adequate representation in the UN Security Council, the World Trade Organisation and other international organisations.

The greatest test of the ability of the great powers (USA, China, Japan, Russia) to show restraint, consult among themselves and institute a problem-solving international regime, may come if - or when - the North Korean regime collapses. Then the people of Korea will need international support to achieve national re-unification on a basis acceptable both to South and North Koreans.

Since the construction of security communities normally takes many years, it is urgent to get started. It would do no harm if European governments interacted more regularly, on a professional basis, with the powerful military institutions of Pacific Asia. This should not be done through alliances, however, but on a broad multilateral basis, i.e., through elaborate joint exercises of UN peacekeeping forces.

Global Implications

If Pacific Asia continues to experience rapid economic growth for twenty more years, the region will be sufficiently powerful to challenge what is often called 'the Western model' but which actually covers a range of economic and political systems. Such a challenge may be met by Western countries in three different ways:

(1) a negative defense of a set of Western Values.

(2) a movement to reform the West by learning the lessons of the East.

(3) an attempt to institute a global society undercutting artificial borderlines between East and West.

The Nordic countries and the European Union can make significant contributions to ensuring that the third road is taken by radically upgrading contact and cooperation with the countries of Pacific Asia, in the commercial, educational, political, cultural, and even military fields. The Asia-Europe Meeting (ASEM) in Bangkok on 1-2 March 1996 was a promising beginning.

Appendix A
COUNTRY SCENARIOS

In the following, alphabetically organised, country scenarios we have abandoned the four-field model, and instead discuss the specific problems, opportunities and dilemmas that each state has to face. Since we are dealing with a total of seventeen countries, each scenario must be very brief, and we have therefore chosen to concentrate on political rather than economic, environmental or social matters. Due to its size, economic importance, and pivotal role in the future security of the region, the People's Republic of China will receive more detailed treatment than the other states.

BRUNEI DARUSALAM

Population 1995: 0.3 million
Projection 2015: 0.4 million

Brunei is a rich oil-producing state whose security is vulnerable due to its small size, small population and position in a region of stronger powers. In Asia, only Japan has a higher per capita income than Brunei. Sultan Haji Hassanal Bolkiah is the world's most prosperous man, and the Sultan, together with his family, rules the country restrictively. There are no general elections. Its wealth and membership in ASEAN has made Brunei influential. In the 1990s it has hosted state visits from among others Japan, Singapore, the Philippines, Malaysia, Indonesia, Iran and the United Kingdom. It cultivates a special relationship with Singapore, another prosperous mini-state. Brunei has over the last decade increased its military strength. A third army battalion was formed in 1994, but the 5,000 man strong army is still weak in a regional perspective. More important are the air-force and navy, both with modern equipment. If vital Brunei interests should be threatened by Indonesia, Malaysia, the Philippines or China, Brunei will not be defenseless. So far, however, there are no signs of aggressive behaviour towards Brunei. Brunei is trying to diversify its national economy, and in an effort to economise on the (as yet abundant) non-renewable resources, the government has set limits upon its oil production. Textile industry for export and small-scale industries for regional consumption are being promoted, but the cost of labour is one of the highest in the region, so this impedes further industrialisation. There are today almost as many foreigners as Brunei citizens in the labour force, and less than one tenth of the workforce is directly involved in oil and gas production. Conflicts related to imported labour may be politically disruptive.

Because of their wealth, a lack of commitment to work among the country's citizens has led to social problems, especially among teenagers. Drugs, a 'loafing culture' and a lack of interest in higher education, have caused concern for the government. Brunei is an Islamic state with heavy censorship on media and little respect for human rights. In the long run modernisation may fuel demands for democratisation, and the Sultan could either lean even more on the Islamic identity or open up for political competition.

BURMA (MYANMAR)

Population 1995: 47 million
Projection 2015: 65 million

Burma is exceptionally rich in natural resources, and the country used to be one of the most prosperous in Asia. Now it is one of the poorest. For more than thirty years it has been under the rule of the military, which has taken total control of all aspects of social and economic life. The army has grown to more than twenty times its size at independence, and further expansion is planned to make it one of the largest in the region. The armed forces in Burma retain absolute power and enjoy massive privileges. Burmese mainstream society is penetrated by military culture, shared also by part of the opposition. The common denominator is military camp life, where there is little space for the female aspect. Militarisation has destroyed many aspects of the traditionally strong position of women in Burmese society. It is fitting that, a female leader, Aung San Suu Kyi, poses the greatest challenge to the army leaders.

The country has a recent history of ethnic and regional dissatisfaction resulting in prolonged civil wars, in which the government has committed horrendous breaches of human rights. From a situation of relative prosperity, Burma has followed a downward path, with growing numbers of resourceless people. Due to abundant natural resources, people living far from urban centres are generally in a better position to secure their livelihood than those in the cities. Thus the country has experienced de-urbanisation. The government has encouraged poor people to sustain themselves on a subsistence basis, independent of the state. The subsistence economy, however, may be undermined by the ongoing economic modernisation, with the immediate result that poor people will find it even more difficult to ensure their livelihood.

Within the next 20 years it is unlikely that any real political changes will come from within the military establishment. The army practices top-down policies with a deep distrust of the people. In addition, the vested interest in status quo and the extremely slow change in the political leadership will work against real changes. The tensions between the regions have not been solved under the army's rule, so a more democratic future with ethnic coexistence is difficult to foresee in the absence of regionally and ethnically balanced economic developments. Such changes are not feasible within the present set-up. Aung San Suu Kyi is a single light in a very dark tunnel. There is no overarching political organisation in Burma except the military. The opposition is hampered by intense factionalism and ethnic opposition and distrust. Regional and ethnic uprisings have been rampant in Burma's history, and could easily reoccur in the future.

But alternative scenarios are possible: few commentators back in 1986 would have predicted the outcome of the 1989 elections, in which Aung San Suu Kyi won a massive victory – which afterwards was ignored by the military. Short and medium-range changes will depend on the personal choices of Aung San Suu Kyi and on pressures from the international community. An open cleavage might perhaps occur within the army between reformists and conservatives. Under the pressure of internal conflicts and factionalism, the army could break apart. There is also a strong and widespread popular antagonism against the military, which makes it possible that the government could be overthrown by a popular uprising. However, this would not solve the problem of decid-

ing how to organise the future Burma. Interestingly, not only Thailand, but also Indonesia could play an influential role; there are close ties between the Indonesian and Burmese governments, and reformers in the Burmese junta may try to construct a 'softly authoritarian developmental state', following the Indonesian model.

CAMBODIA

Population 1995: 10 million
Projection 2015: 14 million

Democracy was imposed in Cambodia by the UN forces in 1992-93 in order to find a solution to the civil war. Now a procedural democratic system is in place, but the civil war is still going on. The Khmer Rouge will not accept becoming an integrated part of the political system, and are still trying to win a military victory. On the one hand, the number of Khmer Rouge soldiers have declined to approximately 10,000. On the other hand, they control profitable trade with gems and timber in the border region with Thailand. When the Khmer Rouge was at its strongest it threatened to split the country in two. In the immediate future there will probably continue to be a coalition government in Phnom Penh which can operate in spite of conflict with the Khmer Rouge. Socialist rhetoric has been left behind by all parties who see economic development as the most important.

Cambodia is likely to follow the path of most other countries in the region – an emphasis on economic development, foreign investments, and little consideration for poor people in the countryside. Foreign investors are now showing an increased interest in Cambodia, mainly for its cheap labour. It will become a member of ASEAN in a few years, but still remains at the lowest economic level among the ASEAN countries, together with Laos. A large part of the population will continue to depend on subsistence agriculture and petty trade. Step by step, the population will be integrated into the market economy, but new types of poverty are bound to develop.

Even if the country is democratic on the surface, there is little democracy at the grassroots level of society. In fact, the new system builds on less popular participation than before. State-initiated programmes were discredited during the Khmer Rouge period, and the government today lacks channels to the countryside. Cambodia is in urgent need of rebuilding an efficient administration reaching all layers of society, which is a precondition for popular participation and democracy. Buddhist and clientelist networks today are more important than those of the political parties, and this works to the advantage of the royal family. When Sihanouk dies, one of his sons will play a significant role as religious leader, and may wield some political influence as well. The democratic system may very well break down within the next ten years, but then it will probably be reinstalled through pressure from the outside. ASEAN seems committed to holding Cambodia under its wings.

Under the right conditions, Cambodian agriculture is fertile, but the civil war has devastated much of the country, and unexploded mines constitute a serious problem. Irrigation is very important, but it requires an organisation which is non-existent today. A large-scale regional dam project along the Mekong River threatens to cut off the regular supply of water. This may destroy the finetuned environmental balance of the

Tonle Sap lake, which annually expands five to ten times, leaving fertile land on the shores of the lake and the river-banks, and giving ground for enormously productive fishing.

Ethnic conflicts with the Vietnamese will continue, particularly concerning economic resources such as fishing. Tension with Thailand will also continue, but not lead to war because of regional integration in ASEAN. Cambodia will remain dependent on development aid and loans from international organisations to achieve a balanced budget. It is important for Cambodia to avoid becoming a regional resource pool of cheap labour and natural resources, and to sustain its economy in alternative ways. Since the country is well-endowed with natural resources and located in a region of rapid economic development, it will probably prosper over the next twenty years.

CHINA
The People's Republic of

Population 1995: 1.2 billion
Projection 2015: 1.4 billion

The most burning question is: what will happen after the death of Deng Xiaoping? Since there is no democratic process for the selection and removal of leaders in China, power successions are resolved through intra-party struggles behind the scenes. Key leaders seek to place their own cliques in powerful positions while countering rival leaders and their followers. It is essentially a game of stabs in the back. Once this leadership struggle is over, however, it is clear that the communist regime in Beijing will be greatly limited in its domestic policy choices, due to a lack of economic resources at the national level, and the complexity of bureaucratic structures restricting political reform. Many regional groups have their own political and economic agendas, and thereby place severe constraints on what the national government can achieve.

The combination of economic reforms and far-reaching decentralisation of economic decision-making in the 1980s have given rise to a range of new problems. With a relaxation of central control, crime bosses and potential warlords have emerged, especially in southern China's rich coastal regions. Criminal elements are engaged in gambling, extortion, prostitution, and trafficking in narcotics, rural women and children. At the same time there has been a revival of local religions and traditional worship practises, much to the consternation of Chinese authorities, since they regard this as a threat to people's loyalty towards the state and the Communist Party. A recent development has been the take-over of some regions by clans and kinship associations, often based on local warlord-type rivalries similar to those of the early 20th century. Rivalries between clans within or between villages have led to violence on several occasions.

Central-provincial relations are bound to become an increasingly contentious issue within the next two decades. For reasons of ethnic homogeneity China is unlikely to follow the Soviet model of breaking up into separate nations, but it is very likely that provincial and regional leaders will strive for de facto autonomy both in the economic and political field. During the 1980s it became increasingly obvious that the fiscal flows went increasingly to local and provincial governments, and that

the central government in Beijing found it difficult to reverse this trend. Leaders of several coastal provinces have been prone to eschew national policies and have instead sought to rein in their own economic affairs, and this does not go unnoticed in other provincial capitals. There is increasing competition between different provinces to gain access to foreign capital and to develop their local economy. Growing regional economic disparities are causing resentment and social tension, and this is bound to have negative consequences for political stability in the future. In the social field, the economic reforms have at once produced new billionaires and new classes of destitutes. In combination with widespread corruption among party members and state officials, this could easily lead to an explosive political situation.

As for future developments there are several possible scenarios after Deng's death:

1. 'Muddling through': The current system persists much as Deng Xiaoping left it. In the absence of a charismatic paramount leader, a collective technocratic leadership prevails, with Jiang Zemin and Li Peng as core leaders. The People's Liberation Army backs the new leadership which cautiously continues the policies of economic reform, moving slowly ahead with marketisation while avoiding significant political reform.

2. Neo-conservatism: A neo-authoritarian regime may come to power, dominated by bureaucrat-capitalists. The regime will rid itself of the rhetorics of class struggle, reverse the process of economic and fiscal decentralisation, and bolster its legitimacy by appealing to nationalist sentiments and widespread popular fear of social chaos and disorder. Under this scenario it is also likely that the army will gain a more prominent role in the political arena, and be entrusted with preventing social disorder and a political break-down.

3. Political disorder: In the absence of strong leadership at the centre, the regime, weakened by the cumulative effects of regional polarisation, rampant corruption, and the erosion of ideological and political controls, may break up. We would then see a situation of political paralysis characterised by a weak leadership at the top together with an administrative grid-lock, and further decline in the central government's authority. In the long run this may result in a rising tide of provincial and regional assertiveness, with the country being divided into several autonomous regions. It is hardly conceivable that such a process could happen peacefully. Lack of effective central authority, rising crime, corruption, and uncontrolled rural migration might lead the regime to disintegrate into virtual anarchy and chaos.

4. Democratisation: If fundamental institutional reforms are implemented, there may be some hope for democracy in China. It could happen in two ways: The first possibility is a 'break-through from above', resulting from political reform within the Communist Party. In this case the CCP would slowly embrace the principles of political pluralism, including tolerance of dissent and electoral competition, much like the political processes in South Korea and Taiwan in the late 1980s, and in the Soviet Union under Gorbachev. This will be a slow and tormented process. It is not entirely inconceivable, but it presupposes a major turnover in the old party leadership and its replacement by young reform-oriented politicians. The second possibility is a 'revolution from below', in which the old regime is swept from power through a massive display of popular resistance. This scenario would be a replay of the 1989 Tianan-

men movement, but one strengthened by large-scale worker and citizen support, as well as key individuals in the present regime daring enough to switch sides in the political struggle. The mobilisation of popular protest would also need to include large parts of China's rural population.

CHINA (TAIWAN)
Republic of

Population 1995: 21 million
Projection 2015: 24 million

The Republic of China (ROC) represents one of the successful Asian cases of transition from authoritarian rule to democracy, since a multiparty system was introduced in 1986 and martial law was dismantled in 1987. Since the mid-1970s Taiwan's main problem has been its loss of diplomatic recognition by an increasing number of states, leading in 1992 to the loss of its last major ally in the region: South Korea. The top priority of the ROC regime has thus been to regain international recognition by developing strong economic ties with other countries, and to defend itself against the threats of mainland China. Until the crisis which developed between the two Chinese states 1995-96, it looked as if the ROC's de facto independence might be tacitly accepted by Beijing, although the distant but ultimate goal of both parties continued to be reunification. But then the diplomatic offensive of president Lee Teng-Hui, the legislative elections in December 1995 and presidential elections in March 1996 instead triggered off a major crisis, involving large-scale Chinese military exercises in the Strait.

The independence issue is highly sensitive also in domestic Taiwanese politics, especially with the growing strength of the Democratic Progressive Party (DPP), which is the main opposition party. DPP works for formal Taiwanese independence, and since Beijing threatens to launch a military invasion against the 'renegade province' in the event that the island proclaims itself independent, public discussion on this issue is heavily censored. At issue in the conflict between the ROC and the PRC is also the question of democratisation. The presidential elections of March 1996 were planned as the culmination of the democratisation process in Taiwan, which could demonstrate, also to mainlanders, that Chinese democracy is possible.

Thus, in spite of numerous other important items on Taiwan's political agenda – such as environmental degradation, traffic congestion, crime and corruption – the question of Taiwan's future relations with the PRC remains at centre-stage. Since the mid-1980s, trade between the two republics has increased tremendously. Taiwanese direct investments to China's southern provinces, often via Hong Kong, are now in the range of several billion dollars, and the two economies have become closely intertwined. The most likely scenario for Taiwan is an increased economic interdependence with Chinese communities at the other side of the Strait. Taiwan would then become a major pillar in what seems to be the most dynamic economic sub-region in Pacific Asia. To be successful, however, this scenario will require improved relations between the ROC and the PRC.

HONG KONG

Population 1995: 6 million
Projection 2015: 6 million

On 1 July 1997, Hong Kong will return to Chinese sovereignty, as stipulated in the Sino-British Agreement of 1984. Since then there have been extended discussions and negotiations between Britain and China over Hong Kong's status after 1997. Formally it has been agreed that Hong Kong will basically remain the same, and keep its economic and social system for an additional 50 years, but few observers – and certainly not the people living in Hong Kong – believe that such will be the case. Many people fear that there will be a dramatic economic downturn after 1997, due to capital flight and a massive exodus of human capital. Most Hong Kong residents, however, do not have the option of leaving for other countries, and will be obliged to stay. The Tiananmen events in 1989 resulted in tense relations between China and the UK, and sent a premonition to the people of Hong Kong of what a worst-case scenario might look like. For Hong Kong, there is no alternative but to hope that China will be ruled by a government which cares about its international standing.

Under British rule, Hong Kong has remained a non-democratic colony, governed almost autocratically by a British-appointed governor. In anticipation of 1997, however, a more vibrant and participatory civil society has emerged, and a belated democratisation with the introduction of electoral politics has taken place. Britain introduced a reform package in 1992, without Beijing's approval. This unilateral initiative on the part of the British government provoked a strong negative reaction from Beijing, and Sino-British relations have since been tense. The future prospects for Hong Kong are so closely linked to those of the PRC that it seems impossible to develop independent scenarios for Hong Kong. If the transition in 1997 entails economic disaster and social chaos, China's international standing may suffer greatly, and this would certainly further impede the prospects for peaceful reunification with Taiwan.

INDONESIA

Population 1995: 193 million
Projection 2015: 243 million

Political stability and economic development have been the two guiding stars of President Suharto's thirty-year-rule. Political stability is maintained through restrictions on political activities, military presence in community affairs, and a high degree of surveillance and control of everyday life. Economic development is achieved through large scale industrialisation and agricultural intensification, and these two successful strategies have, according to recent World Bank estimates, reduced Indonesia's poverty over the last twenty years from 60% to about 15%. Suharto has been a clever political strategist, playing out different elite factions against each other, and there have been no major threats to his rule. Due to economic growth and international recognition, the present regime also enjoys a certain degree of popular legitimacy, more so than is generally believed in the West.

Now that the most pressing problems of poverty alleviation have been addressed, environmental questions will become increasingly important. Economic development will continue to put hard strains on the environment. A strategy of pollution control needs to be developed in urban industry. Also necessary is a sound management of the oil and forest resources which make up the bulk of Indonesia's exports. These resources will soon be depleted, and some forecasts indicate that Indonesia may become a net importer of oil within ten years.

Political stability will be of immediate importance. President Suharto is only 74 years old and may stay on for several more years, but there is little doubt that political manoeuvring in anticipation of his retirement has started. Indonesia has yet to experience a peaceful transfer of power, and there will be political, and possibly economic, turbulence over the issue. A strong state has been maintained through a delicate balance between elite groups: the army, Golkar (the state political organisation) and Chinese businessmen. Suharto has maintained good relations with all main groups, and a new president will need to work out a new balance. There are signs that a fourth group is emerging: an indigenous middle class. It is uncertain what the stance of this middle class will be in relation to the old economic and political power groups. Corruption is an increasingly important issue, as is the prominent role of the First Family in the procurement of large business contracts. A new president could become very popular by dismantling the Suharto family's private economic empire, but this might also provoke serious instability, since they are gate-keepers between the state and the business community.

Internal social stability is threatened not only by rivalry between elites, but also by labour unrest and grassroots demands for democratisation. With increasing foreign investments and economic liberalisation, strikes and demonstrations have become increasingly common. Indonesia is the world's fourth largest nation, with a strong developing economy, but it has not attained a high international profile. This is due partly to its poor human rights record, and partly to the East Timor conflict, both of which have dampened foreign investments. At present, there is a stalemate in the East Timor question which needs to be solved before Indonesia can attain the international position its size and economy should allow.

Indonesia is a huge and diverse country. It stretches over the same distance as the Atlantic Ocean and comprises some 3,000 inhabited islands. It includes more than 50 different ethnic groups speaking 330 languages. National integration was successfully achieved by former President Sukarno, and has been maintained by Suharto. National cohesion cannot be taken for granted, and the nation is ethnically too diverse and geographically too scattered to allow purely oppressive rule.

JAPAN

Population 1995: 125 million
Projection 2015: 127 million

In economic terms, Japan is a major global and regional power, which over the last years has also built up a well equipped modern armed force. It has launched a diplomatic campaign to become a permanent

member of the UN Security Council, but continues to rely on its security treaty with the US while maintaining a discreet, low key profile in international affairs. Japan is anxiously trying to identify its new position and role in the post-Cold War period. Its relationship with the United States has been suffering from major disputes over trade issues, and the US is urging Japan to take more responsibility for its own security. In its regional diplomacy, Japan remains impeded by memories of its aggressions in the period 1931-45 and of its harsh colonial rule in Korea 1910-45. Relations with the People's Republic of China may easily become strained, particularly if the United States seizes the opportunity to play its role as the main deterrent of Chinese great power ambitions.

Due to its lack of natural resources, Japan is highly dependent on the import of oil and raw materials, and therefore takes a keen interest in securing sea lanes and commercial air traffic both regionally and globally. In recent years, the Japanese economy has stagnated, and its politics has been through a period of unstable coalition governments. Many Japanese feel that their country has been weakened and that Japan has entered a downward slope.

The recent period of economic, political and social instability has been troublesome. With the many scandals of political corruption, the sharp economic downturn in 1990-91, when the Tokyo stock-market plummeted, and the credit union scandal which erupted in 1995, political life has become volatile. At present the Japanese population has little confidence in their government, and there seems to be a trend of diminishing voter turnout in combination with a fragmentation of the party system. In this situation the Buddhist sect Soka Gakkai has gained much political influence through its support of one of the opposition parties. Some analysts fear that this signifies a new kind of religious populism which will break the postwar consensus in Japanese politics. There is also a tendency for regions to question the power of Tokyo. In 1995, after three US soldiers had been arrested and charged with the rape of a young girl, local opposition to US base rights intensified in Okinawa, which historically belonged to the independent Ryukuyu kingdom.

One of the long-term problems in Japanese society is the ageing of its population. The economically active age groups are steadily decreasing in size while an increasing share of the population is becoming dependent on younger family members and corporate, public and insurance-based social security systems. There is much debate about prospects that the Japanese population will actually decline after 2015. The ageing of the population is bound to place heavier burdens on individual households to take care of the elderly, and it will also require major efforts by corporations and government to find new ways of organising old-age care. The ageing of Japanese society may lead to a decline in economic competitiveness.

Another problem facing Japan is the prospect of earthquakes, which may occur in some of the main urban areas at any time. Experts say that there is at least a 40 percent possibility that a major earthquake will hit the Tokyo metropolitan area within a decade, and it is estimated that it could kill 12,000 people and injure more than 100,000. The degree of preparedness for such a catastrophe is generally thought to be low. An earthquake could have immense effects on the Japanese economy and have strong economic repercussions for Japan's neighbours as well as the USA and Europe since it would force Japan to withdraw large parts of its overseas assets in order to rebuild the country.

On the other hand, it should be observed that Japan, as compared with other states in the region, is fundamentally stable. Japanese companies remain highly productive and the country has enormous financial reserves to rely upon. It has one of the best educated populations in the world. Japan has the further advantage of being one of the ethnically most homogeneous countries in Pacific Asia, and will thus not be exposed to ethnic conflicts. Still it seems that the Japanese society is groping for a new sense of direction. Every national institution, including the educational system, is at present being questioned by the Japanese themselves. Old politics and alliances have become discredited, while serious new alternatives are sorely lacking.

KOREA (SOUTH)
Republic of

Population 1995: 45 million
Projection 2015: 51 million

On the Korean peninsula, the overriding problem will be to reduce military tension and to enhance the prospects for peaceful reunification of North and South. Korea is basically an anomaly in the Post-Cold War period, split as it is between two ideologically antagonistic states. This state of affairs will in the long run be untenable, probably in the short run as well. Both countries have recently undergone significant political transitions, but with very different outcomes. South Korea, under the leadership of the Kim Young Sam government, seems to have consolidated the democratic system introduced in 1987, and the political influence of the military has been drastically reduced. The prosecution of two former presidents on charges of corruption and other malpractices has strengthened the impression of democratic consolidation. Few people believe, however, that political corruption will disappear.

A consolidation of the fledgling democracy in South Korea presupposes significant improvements in popular participation, which remains low in political affairs. Regionalism, a major feature of South Korean politics, represents a problem for developing national politics. Each politician has his own regional constituency. The recent comeback on the political scene of opposition leader Kim Dae Jung, who has declared his candidacy for the presidential elections of 1997, will contribute to the increase of conflicts along regional lines. The present leadership will have to undertake three fundamental tasks. The first is to clarify and rectify its links to the past military regimes. The second is to determine the proper kind of democracy for a basically Confucian political culture. The third is to accomplish what has been promised since the 'democratic revolution' in 1987; to realise that the general welfare and participation of the population at large matters at least as much as economic success in terms of GDP growth. These challenges have not yet been taken seriously by the ruling elites of South Korea. Instead democracy has been seen as an already established fact, to be used as a catchword in the country's drive for globalisation. Once again the government is trying to make a big jump forward even before having landed from the previous jump.

KOREA (NORTH)
Democratic Republic of

Population 1995: 24 million
Projection 2015: 31 million

The North Korean political scene is wrapped in secrecy. Four basic facts can be cited, however: The first is that Kim Jong Il remains, two years after his fathers death, the only known candidate for supreme leadership. The second is that North Korea is seeking to speed up the Tumen River Economic Development project, which will open up parts of North Korea to external investments. The third is that North Korea experienced severe food shortages after heavy summer floods in 1995. The fourth fact is that North Korea and the US have had fairly successful negotiations relating to the problem of modernising the atomic energy production in North Korea with foreign, including South Korean, assistance. The US aim was to prevent North Korea from developing nuclear arms. Alltogether the four facts point in the direction of a painful reorientation of government policies in the hitherto isolated and self-reliant North Korea.

Due to the lack of more precise information about the inner workings of the party and army leadership in Pyongyang, and about conditions elsewhere in the country, it is difficult to assess the reliability of often heard predictions: one, that the regime will soon collapse; or two, that it may try to diffuse attention from its internal problems by making a second attempt to invade South Korea.

LAOS

Population 1995: 5 million
Projection 2015: 8 million

This landlocked country is hampered in its quest for economic growth by a weak infrastructure, a low level of education and the fact that much of its educated class have lived abroad since the exodus of 1975. But Laos is situated in the midst of the potential 'Mekong growth quadrangle' – including Burma, China, Vietnam and Thailand – and has already achieved considerable foreign investments under a new market-oriented economic regime. The country has a potential for generating more income through electricity production, logging, mining, tourism and by allowing (mainly Thai) investors to exploit cheap female labour in labour-intensive industries. All of this depends on continued heavy investments in the infrastructure. Ideologically, the country's political leadership maintains its special relationship to Vietnam. In 1997, Laos is expected to follow Vietnam into ASEAN membership, and this is likely to enhance Laos' chances for foreign direct investments and economic growth.

The government is facing enormous environmental and cultural dilemmas related to logging, dam-building, and the transformation of slash-and-burn communities into fixed villages with road links to the 'national civilisation'. Prospects for growth in the next 20 years will depend on developments in the rest of the region. Laos tends to 'go with the flow'. It is likely to come under pervasive economic and cultural influence

from Thailand and from the Yunnan province of southern China, and it will be dependent on advice and support from foreign donors in order to establish an effective administration respecting and enforcing the many new laws. There is a clear risk of increased tension between rapidly developing lowlands and highland minority regions, as well as between the country's ageing communist elite and a small, but growing group of younger technocrats. Much will depend on the ability of the current leadership to deal with corruption, and to secure its succession within the confines of a constitutional one-party regime. Few people in Laos are tempted by the Cambodian model of democracy. The cultural and political freedom in Thailand is certainly attractive, but Laos is unlikely to democratise unless Vietnam does so.

MACAU

Population 1995: 0.4 million
Projection 2015: 0.5 million

With its small population, and an economy much weaker than that of Hong Kong, the retrocession of Macau to China on 31 December 1999, after 442 years as a Portuguese trading post and colony, does not seem to represent much of a problem for Beijing. Nor is it a major international issue. The relationship between the Portuguese administration and the PRC government has been amicable, as shown by the state visit by Portugal's prime minister to Beijing in 1994. The main conceivable threat to Macau is constituted by possible spill-overs of a traumatic subordination of Hong Kong to Chinese rule. An opposite kind of threat is represented by the possibility that Hong Kong becomes so economically successful within China that Macau becomes further marginalised.

Since the mid-1980s, as a consequence of economic reforms in the PRC, Macau has had one of Asia's fastest growing economies, relying primarily on textile exports and tourism. The burgeoning tourist trade is driven by gambling, which accounts for over 30% of budget revenues. When the Portuguese have left, it seems possible that gambling may be taken over by local crime syndicates in southern China, and this could have a negative impact on tourism. The transition of Macau to China in late 1999 is laden with symbolic meaning. It will be the last European colony in Asia to be returned to Asian rule, and since this event neatly coincides with the advent of a new millennium, it could become a focal point of Chinese nationalism and assertiveness in its relations with Western powers.

MALAYSIA

Population 1995: 20 million
Projection 2015: 27 million

Malaysia has abundant natural resources: oil and forests in Sabah and Sarawak, plantations and mines on the Malay peninsula. During the last 20 years, the Malaysian economy has taken the difficult step from a major exporter of rubber, palm oil and tin to an industrial manufacturer of electronics and other sophisticated products. The establishment in the early 1980s of a number of growth triangles (with Indonesia, Singapore and Thailand) and free-trade zones proved exceptionally beneficial for

economic growth. Malaysia is no longer an underdeveloped country, and is fast approaching the status of a fully developed nation. There are still pockets of rural poverty which need to be alleviated, and the minimum standard of health care and education must be raised. Especially Sabah, Sarawak and the east coast of the peninsula get little priority from the federal government. This has recently given rise to political opposition: Kelantan is ruled by an Islamic opposition party, and Sabah was ruled by a party dominated by Catholics from 1990 to 1994.

Rising wage levels and prices on land mean that Malaysia can no longer rely on cheap labour and land to attract foreign investment, but must develop its infrastructure and upgrade the skills of its work force. Malaysia's literacy rate is the lowest in ASEAN, and industrial training and quality control programmes have only just begun. There are also signs of an overheated economy: lack of labour in domestic and construction work, with huge numbers of Indonesian and Philippines migrant workers filling the gaps. Property prices in Kuala Lumpur, Johore Bahru and other major cities have soared.

The overriding political issue in Malaysia is the delicate ethnic balance. Malaysia consists of 51% bumiputera (ethnic Malays and local populations in Sabah and Sarawak), 38% Chinese (of mostly Hakka and Hokkien origin) and 11% Indians (of mostly Tamil origin). The Chinese control a large share of the economy, while the Malays dominate the political sphere, holding most of the cabinet positions. Since independence in 1957, ethnic relations have been managed through compromise politics, and have only once – in 1969 – erupted into a race riot. The New Economic Policy of the 1980s and prime minister Mahathir's Vision 2020 have aimed to increase the economic position of the Malays, while avoiding offence of the Chinese. This has been possible because economic growth has given both groups something to gain.

Recently there has been a shift away from compromisational ethnic politics towards greater national integration and the creation of a pan-Malaysian nationalism, including everyone as a Malaysian rather than as a member of a distinct ethnic group. Future political stability and economic growth depend on how successful the government will be in deracialising politics and in promoting sentiments of a shared belonging attached to a shared vision of the future. If Chinese capital should leave Malaysia, because of discrimination, a lack of confidence, or a lack of return on investments, the Malaysian economy would enter a severe recession. The Malaysian government has taken a high profile in criticising Western arrogance, both through its opposition to the US policy of promoting Asia-Pacific Economic Cooperation (APEC) and through recurrent insistence on Asian Values. This has to some extent boosted Malaysia's image as a state advocating regional interests, but may also have frightened away some European and American investors. Malaysia is still heavily dependent on Western investment and wishes to attract more of it.

Malaysia's commitment to ASEAN has contributed significantly to improving its relations with other states in the region, notably Indonesia and Thailand. Border conflicts with these states, as well as with Brunei and the Philippines, have given way to bilateral defence cooperation and economic cooperation. After the collapse of international communism, China and Vietnam are now seen as potential trading partners rather than suppliers of arms to the outlawed Communist Party, and Malaysia is today a significant investor in Vietnam.

PHILIPPINES

Population 1995: 69 million
Projection 2015: 101 million

After years of decline, the Philippine economy has improved in the mid-1990s. External debt has decreased and investments now seem to come more easily. Political conflicts and corruption have been major obstacles for economic development, but we should recall that only one generation ago this country had one of the most promising economies in Southeast Asia. Future prospects are mixed. On the positive side, the country has plenty of natural resources, an educated middle class, good managers, relatively skilled workers, and strong popular movements and NGOs striving to improve the living conditions of the poor. More women receive education in the Philippines than men. There is freedom of expression and a pluralistic system of politics.

On the negative side, there is great disparity in wealth between the rich and the poor, an unequal distribution of resources across regions, a breakdown of the family, and widespread child labour. Many Filipinos work abroad. The elites protect their own interests strongly, and the country has a 'Latin' political culture, with strong landlords and a conservative Catholic church. Conflicts between political elites continue over issues like privatisation. Another problem for the elite is the regionalisation of politics. Local landlords maintain political control in their home regions, and use their networks of clients to resist attempts by the central government to carry out a uniform national policy. With Fidel Ramos as president the military is under better political control than before. This reduces the threat from one of the country's main destabilising forces - there were seven *coups d'état* under Corazon Aquino.

The communist New People's Army – mainly operating in the countryside – suffers from internal disagreements, and has lost much of its clout. On the other hand, the Moro Liberation Front – an Islamic independence movement in the southern part of the country – has split the country in two, and shows no signs of weakening. The political situation in urban areas also remains volatile. Violence and crime in Manila have repelled foreign, notably Japanese, investment. Specific political issues can still cause massive popular discontent resulting in street riots and violence. Although some of the most dangerous social conflicts in the Philippines are diminishing in intensity, the basic political problems remain the same.

Natural disasters have occurred and will continue to occur more regularly in the Philippines than in most other countries in the world: typhoons, land slides, volcanoes, and earthquakes. Such events exhaust resources and put a strain on government.

The international scene has changed dramatically, the US being obliged to give up its bases and the Philippines reorienting its foreign policy towards stronger emphasis on the Southeast Asian region. Economically it does not enjoy much comparative advantage in relation to other member states in ASEAN.

The two main scenarios for the Philippines are: a continued political stalemate with political instability and lack of strong leadership; and a more positive development with more active participation in the region-

al economic growth. The latter would require the establishment, preferably by democratic means, of a stronger national bureaucracy carrying out a radical land reform and protecting foreign investments.

SINGAPORE

Population 1995: 3 million
Projection 2015: 4 million

Singapore has achieved a high standard of living through state-controlled capitalist industrialisation. The small city-state has few natural resources and no agriculture, and is dependent for its growth on trade, processing industries, manufacturing and tourism. Singapore has the biggest harbour in the world, and processes much of the oil and gas of Indonesia and Brunei. During the 1970s manufacturing was an important vehicle of growth, but local Singaporean industries are moving to the other parts of the Growth Triangle, the neighbouring Riau islands (Indonesia) and Johore province (Malaysia). Actually, there is little space left on the small island for domestic industrial growth. Heavy industrial investments are also deemed environmentally unsound, since they might destroy Singapore's image as a clean city and a commercial hub. Another reason why industrial investments have been dissuaded is that property prices have soared. Singapore thus needs to go global, and develop what Senior Minister Lee Kuan Yew recently called a 'second wing'.

Like so many other mature economies, Singapore has begun to invest overseas. In 1994, Singapore was the largest foreign investor in Vietnam, and was becoming an important investor in China as well. The strong Singapore dollar has allowed locally based companies to invest also in Europe and the US. Singapore maintains a high diplomatic profile, with Prime Minister Goh Chok Tong making thirteen official state visits in 1994, and with the French president passing through Singapore on his way to the Asia-Europe summit in Bangkok March 1996. Singapore may take over some of Hong Kong's role as a commercial and tourist gateway to 'Greater China' in 1997 when Hong Kong becomes a part of the PRC. Singapore is often seen as a model state by people looking for vigorous pragmatic leadership, discipline and strong organisational ability, not only in other Pacific Asian nations, but in Europe and America as well. Singapore is ruled by law, but is often criticised for hyper-regulation and authoritarian methods of preventing political opposition.

Politically, Singapore may be characterised as semi-democratic, and there are no signs that the present 'benevolent authoritarianism' will soon be loosened up. The opposition has been neutralised, and as long as the economy keeps growing, most Singaporeans seem to accept the state of affairs. One threat, however, is a cultural deprivation that recently has hit Singapore, and that might lead to social unrest. The government is aware of this problem, and has made attempts to inculcate the population with national pride. Like Brunei, Singapore is strengthening its defence, and is today the world's best client for Swedish arms. There are no immediate regional security threats, but if Indonesia or Malaysia were to enter a period of turbulence, Singapore's economic strength and strategic location would make it vulnerable.

THAILAND

Population 1995: 60 million
Projection 2015: 75 million

Twenty-five years ago the armed forces were in total control of the country's political life, and also held a strong position in the economy. Just as in other Southeast Asian countries, a growing middle class has challenged authoritarian rule. Still the military remains a central player in politics, with huge economic interests and control over a significant part of the mass media. Military culture still dominates politics, business and social life. The armed forces are highly privileged, and many officers see themselves as responsible for upholding national order. To institute genuine democracy it will be necessary to reduce military influence, tackle the problem of money politics, and endow the political system with more local democracy and popular participation. As it is, most political parties are in the hands of business groups, the military, and local patrons. Thailand's political structure is built on a balance between the King, the parliament and the armed forces. So far, the King has been able to mediate between civilian and military groups, as during the dramatic crisis of 1992. No one seems to be able to take over the King's unifying function as a moral force and a stabilising national mediator.

Thailand has established itself as a regional economic centre and, to the surprise of many observers, has had a steady and rapid economic growth. Skilled diplomats, business leaders with an ability to attract foreign capital, entrepreneurship, and the geographic position of Bangkok have all contributed to putting the country in an advantageous position. The large Chinese population – partly assimilated, economically powerful, and mostly urban – will be a strong asset in Thailand's dealings with China. During the last decade, Bangkok has shown a great ability to position itself in a world which is generally perceived as hostile. Thailand's regional role involves economically aggressive policies towards Cambodia, Laos and Burma. Its economic penetration of neighbouring countries may provide a basis for renewed border conflicts not only with the countries mentioned, but also with Malaysia.

To many observers Thailand's impressive record looks like a success in spite of itself. Governments are inherently unstable and often make short-sighted decisions, corruption is considered to be rampant, tourist earnings are based to a great extent on the buying of sexual services, there are great regional and social disparities, and there has been widespread environmental destruction with depletion of natural resources. Still, the economy has shown no signs of any slowdown, and social conditions have improved noticeably. It would seem, however, that the economic boom cannot go on forever if it does not become environmentally sustainable, and less socially and geographically skewed.

There is a danger that huge numbers of Thais will continue to suffer from poverty. This is even more the case for the country's ethnic minorities, the indigenous people. An increase in the number of unemployed educated youths can give ground for political instability. Thai women have, as in other parts of Southeast Asia, traditionally had a strong position in society. On the one hand, Thai women are now entering social spheres previously reserved for men. On the other, they are faced with the problem of being exploited as cheap labour. The exploitation of women from neighbouring countries will continue at an increasing

scale. Thailand will probably continue to be a main centre for illicit trade in women, and the AIDS problem will be severe.

VIETNAM

Population 1995: 74 million
Projection 2015: 104 million

In Vietnam there is national consensus on the need for economic growth. This is a matter of national pride both to the government and the population, and it is necessary for the government to deliver high growth in order to maintain its legitimacy. In order to achieve growth, Vietnam will need to accommodate foreign investors and avoid diverting scarce resources to its military forces. If high growth is not obtained, Vietnam will lag further behind its neighbours, and there will be widespread discontent among the population either leading to increased repression, fragmentation or a change of regime. But high growth also demands and entails a number of dramatic changes which make it difficult for the Communist Party leadership to maintain national independence, social stability, and political stability.

After a century characterised by French colonialism, independent nation-building, and a close alliance with the Soviet Union and Eastern Europe, Vietnam now seems to be reintegrated in the Chinese economic and political sphere. Chinese influnce is manifest in two different ways: First, Chinese capital from Taiwan, Hong Kong, Singapore and other countries already plays a crucial role in the Vietnamese economy. The Vietnamese government thus needs to stay on good terms with Chinese commercial networks. Second, Vietnam is exposed to an increasingly powerful mainland China, and no longer has any powerful allies to rely upon. The result is that a weakened Vietnam is once again becoming entangled in the cooperation patterns and conflicts of the greater Chinese world. What Vietnam must do if it wants to counteract this tendency, is to attract investments from other countries (Japan, USA, Europe), and promote the role of ASEAN in matters of regional security. Vietnam gained ASEAN membership in July 1995, but ASEAN is just an association of independent nations, not a power as such which can counterbalance Chinese influence.

Internal social stability may soon be threatened by rapid urbanisation, a decreased standard of public health services and education, and growing regional disparities which leave not only the highlands, but also north central Vietnam (the region from just north of Da Nang up to the Red River Delta) behind as poor minority regions. This threatens to cut the country in two parts: an outward-oriented prospering south which has conflicts of interest with the politically dominant north, and a neglected unruly central region. Central Vietnam is of great but contradictory symbolical importance since Hue is the traditional core of cultural conservatism and the Nghe Tinh region has a long history of peasant rebellions. If a recession should lead to widespread protest movements, they might rapidly gain support in Central Vietnam.

Political stability has so far been maintained through a triangular compromise where all three of the country's regions, as well as the three main institutional clusters (party, army, economic management) are equally represented in the top leadership. This triangular solution makes

it difficult to carry out radical reforms and will be hard to maintain during the generational shift that must come. The Party Congress in June 1996 is going to elect a leadership for the next five years. This election will give an indication of where the country is heading. The main political scenarios are: (1) maintenance of the triangular compromise and thus a kind of reactive, non-guiding leadership; (2) choice of a reform-oriented leadership open to the gradual introduction of open public politics; (3) state-led reform under a more cautiously authoritarian alliance of Party orthodoxy and army officers.

Appendix B
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