

The Politics of the East Asian Crisis

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Authors of reports on East Asian developments in 1997 have had to split the year in two halves—with distinctly different stories. Not because Hong Kong became part of China on 1 July. That event preoccupied commentators for a long time before it happened, but was then quickly forgotten. No, the watershed was not the First, but the Second of July, when Thailand was forced to give up defending the peg of the bath to the dollar. The Thai currency plunged, and speculators started looking for other weak currencies to attack.

In the first half of 1997 the “Asian miracle” was still on. Academics, business leaders and politicians continued to debate the reasons for the extraordinary economic growth that many East Asian countries had achieved over the last 2-3 decades: Was it a state-led or a market-led growth? Was it due to sound macro-economics, or did “Asian values” play a role? After the 2nd of July, it did not take long before the Miracle, the Pacific Century, the Tigers and the Dragons, the NICs and the NIEs, became words in the discourse of yesterday. And by October, when stocks plunged in Hong Kong and South Korea, the Western-language press portrayed the growth figures of the recent past as just a smokescreen for reckless economic systems built on excessive ambitions, irresponsible lending, corruption and cronyism. Asia seemed doomed to resume its proper place in the underdeveloped world.

In the perspective of future historians, the image of East Asia from before 2 July will in all probability be more in accordance with long term trends than the gloomy picture we see today. The miracle was real, not all Asian growth countries have been badly hit, and growth in those who have is likely to resume. There is, however, no way of denying that several Asian countries are currently in the midst of a serious crisis. As is evident from the downfall of Indonesian president Suharto, the crisis has already had serious political consequences.

The politics of the East Asian crisis may be analysed on three levels: internally in each country, regionally, and globally. This article makes two points, and asks one question about the politics of the crisis—on each of the three levels.

National politics

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Although *the Asian crisis* is a crisis within the global financial system, it has taken specific national forms. A broad survey of all Asian countries reveals that the crisis is not after all an *Asian* crisis, but at most an *East Asian* crisis—with causes that are partly to be found within each nation itself (weak institutions, cronyism), partly in the way they have been integrated in the world market (rapid liberalisation of cross border capital flows without adequate monitoring), and notably in certain regional or global trends during 1993–97 (a rising US dollar, a sliding Japanese yen, increased competition from low-cost Chinese products, and an overflow of easily available, inexpensive short term loans to compensate for the lack of long term investment capital).

The “Asian crisis” is a crisis of certain East Asian countries

If we look at a political map of Asia, it is striking that the crisis has hit some countries while leaving others relatively unscathed. The countries which have been forced to accept huge devaluations of their currencies and to seek rescue from the IMF are Thailand, South Korea and Indonesia. The Philippines also agreed with the IMF on a small package after the currency crisis broke out in mid-1997, but has not really needed it. The Malaysian currency and stock market have also been badly hit, but Mahathir’s government has decided not to ask the IMF for help. Some other countries, notably Thailand's neighbours Laos and Cambodia, have felt effects of the crisis through decreased or withdrawn Thai and other foreign investments. Vietnam may be about to suffer the same effects.² Other countries have managed to survive with only a limited reduction of their economic growth. This is the case for the three predominantly Chinese countries Singapore, Taiwan and China.³ Even Hong Kong has done well, despite the plunge on its stock market in October 1997. The economic stagnation in Japan started in 1990, long before the current crisis, but the crisis in other East Asian countries has contributed to weakening the position of Japanese banks who are heavily exposed in the region. South Asia, Central Asia and West Asia have not been affected by the crisis. Their growth forecasts for 1998 are virtually the same as they were for 1997.

The core issue in the crisis is a colossal amount of private debt, resulting from the overflow of short term loans to finance long term projects. When the governments of Thailand, South Korea, Indonesia and Malaysia had to give up the defence of their currencies in July–October 1997 and accept huge devaluations, the local currency value of foreign debts increased tremendously, and at the same time the sources for new loans dried up. For many companies credit was simply not available to finance the servicing of the old debts or to continue normal economic activities. What is there to be done with the unpayable private debt? And how can the Thai, South Korean and Indonesian governments fulfill the harsh conditions established by the IMF for helping to bail out the local banks and companies? Will the policies prescribed by the IMF lead to unbearable social costs in terms of rising prices, increased unemployment, health hazards, a halt to education programmes, and dramatically decreased living standards? Is it reasonable that the creditor societies shall carry the whole burden of the debt problem while the banks who lended out the money are retrieving their money through intervention by the IMF?

² Many South Korean investments in Vietnam have been withdrawn or put on a hold, and the growth in Japanese investments has stalled.

³ The Singaporean economy grew 5.6 % in the first quarter of 1998 (*Financial Times*, 19 May 1998, p. 8). Growth was of course lower than in 1997, but for a rich country like Singapore to grow 5.6% at a time when the neighbouring countries are in crisis is impressive.

These questions are of course deeply political. The East Asian financial crisis has led to several national political crises, a regional political crisis as well, and a crisis of global financial politics. On the national level, the social elites have feared riots, revolts and chaos. So far, however, there have not been widespread revolts, except in Indonesia where a combination of IMF pressure, student demonstrations and food riots were needed in order to force president Suharto to resign on 21 May 1998. Malaysians do not seem to have perceived a need to replace their political leaders. Nor have Malaysians resorted to inter-communal strife of the kind that last happened in 1969 and which has been an important aspect of the crisis in Indonesia. The only violent episodes in Malaysia have been related to the expulsion of illegal immigrants of Acehnese Indonesian descent. Thailand and South Korea have both changed their political leaders through democratic mechanisms, in Thailand after a week of massive demonstrations in Bangkok August 1997, in South Korea as an effect of the presidential elections in December 1997. There is reason to believe that there will be further social and political tension in the months and years to come. The question is then how well the new and the old political regimes are equipped to handle rising tension, how legitimate they are, and how capable they are of leading their countries out of recession. What has happened so far gives reason to insist on the merits of electoral democracy. That system has proven its value in Thailand and South Korea.

Democracy has made a difference

Thailand and South Korea were able, shortly after their crises erupted, to change leadership through democratic mechanisms, and this has since played a significant role in preventing social conflicts. The governments which these two countries had before the crisis could not have asked their populations to accept hardships in the way the present leaders do. In Indonesia, however, Suharto's authoritarian New Order regime lacked mechanisms for peacefully providing a successor other than the one he chose himself (in January 1998 he chose his close friend Jusuf Habibie as vice-president, and they were both elected on 11 March). The difference in regime type between Indonesia and Thailand/South Korea has given the latter an enormous advantage, in terms of rapidity and cost of political change, in terms of popular support for governmental reforms, and notably in terms of international support. Both popular and international support for Suharto's regime in Indonesia were questionable already at the time when the crisis erupted. Still it took more than half a year before he was forced to resign. This period could have been used to repair damage and prevent the crisis from deepening, and also to counter the country's serious environmental crisis (forest fires and haze). The great advantage of a democratic system is that it makes it possible to change leaders swiftly, and in a non-violent way.

A democratic system, however, has weaknesses as well, and they may become more apparent if the crisis drags on. Democratic leaders have to worry constantly for their popularity and this makes it difficult for them to implement and maintain unpopular but necessary policies. Thailand and South Korea have already "used up" the main advantage of the democratic system. If president Kim Dae Jung and prime minister Chuan Leekpai fail to bring their countries out of the crisis, another change of leaders will hardly provide the same impetus for reform and the same popularity as the first change did. The Thai and South Korean leaders also have to maintain a frail alliance of several political parties in order to keep a majority in the National Assembly. This makes it difficult for them to make quick or tough decisions. If the population grows impatient in South Korea and Thailand, their leaders will get into the same dilemma that Suharto was unable to tackle. On the one hand,

he had to satisfy the IMF by removing subsidies on rice and fuel. On the other hand, this was exactly the measures that would provoke social tension: Rice is Indonesia's staple food, and fuel is essential in a country with a highly mobile work force and few means of public transportation. The student movement used the price rise for all its worth in their propaganda, blaming the decreased living standards on Suharto rather than the IMF. And Suharto twice bowed to the pressure and reintroduced the subsidies he had promised the IMF to remove. Suharto's dilemma contributed to his demise. But the same dilemma is felt by the democratic leaders of Thailand and South Korea and may become more acute.

Democracy will continue to make a difference, but it is not *certain* that democracy will continue to benefit from the difference. The reasonably well-advised and stably authoritarian or semi-democratic governments of Singapore, Malaysia, Vietnam, Laos and China *may* be more able to carry through radical, sustained reform policies than their democratic neighbours Thailand, Taiwan, South Korea, the Philippines and Japan. It is even possible to argue that the South Korean crisis in 1997 was an indirect effect of the country's democratisation. The authoritarian government until 1987 had been able to manage an economic system based on competition between a limited number of privileged chaebols (conglomerates) who had always been able to borrow excessively for their capital-intensive industrial projects, but did not have their own banks and were under strict financial control by the central government. The home market was protected from international competition, and there was no free movement of capital over the borders. When Korea was democratised, Korea's financial system was liberalised and opened up much too quickly for flows of capital across the border. The chaebols continued to borrow excessively, but the central government lost its ability to monitor and control the flow of capital.⁴ Thus the country ran into a situation where it became vulnerable to speculation and capital flight.

In the world today, however, due to the liberalisation of world trade and financial transfers during the 1980s–90s, and the rapid advances of information technology, many states are no longer in a position to carry out their own financial policies. These nations are more or less forced to abide by certain global standards, in order to position themselves on the global market and satisfy the main global players. The main international player in the Asian crisis has been the International Monetary Fund. Through frequent missions and also permanent offices in each of the crisis-affected countries the IMF has tried to influence the policies of each. Thus the IMF has played a direct role within each nation's decision-making process. This has led to friction between the dogmatic culture of a tightly organised, cosmopolitan organisation, and various national leaders with their own political and business cultures to rely upon. One of the advantages of having a democratic system today, is that it makes it easier to obtain endorsement from the IMF for one's economic policies.

Will national cultures prevail?

Will the IMF manage to reform and standardise the financial practises of a string of Asian nations who just until recently boasted their "Asian values"? Will the IMF manage to expand its transparent world system to Asia, or will national cultures prevail? To answer these questions we must first look at what the conflict is about. What is it that the IMF wants Asian governments to do?

⁴ See "Korean banks", leading article in *Financial Times*, 22 May 1998, p. 11.

The most immediate demands are that they must practise sound macro-economics. In a debt crisis this means high interest rates and reductions in public spending. In the macro-economic domain, the East Asian governments have long tried to satisfy the rules presented to them by the IMF, the World Bank and other global institutions, and they have received praise for their policies in this domain. The social costs of carrying out sound macro-economic policies, however, increase tremendously when there is a debt crisis. This is well known from Latin American experiences in the 1980s. One basic difference between the Latin American and Asian debt crises, however, is that the debt in Latin America was mainly public whereas the debt in East Asia is predominantly private. The crisis in Latin America could be overcome through sound macro-economic policies. The same is not the case when the debt problem is private. The IMF has therefore demanded far more comprehensive structural reform programmes of the Asian governments than it did of the Latin American ones.

IMF wants a reduction in the number of banks, so that only a small number of clearly solvent ones remain, and they must in turn be regulated by a strong and independent central bank. The IMF further advises its client governments to dismantle the whole system of *crony capitalism*, i.e. close cooperation between political and business leaders, based on kinship or friendship: Certain companies obtain monopolies, or at least a privileged position, within a certain sector, and in return they help certain politicians with donations and other kinds of support. The IMF wants to draw a sharp line between business and government. The obligation of the government is not to promote any particular companies or any particular sector, but just to regulate the market: provide a *level playing field*. One means of doing so is to privatise state owned enterprises, something the IMF is advising for instance the Vietnamese government to do. In South Korea the wish of the IMF is to see the dissolution, or at least restructuring, of the eight dominating conglomerates (*chaebols*), the reason being that such big units tend to obtain privileged access to political leaders. The IMF generally warns against “distorting the market” and wants the states to avoid heavy taxation. It is not enough that governments ensure a level playing field for their own national companies. The market must be international. Foreign investors must have full access. No states, not even the least developed ones, should protect their national markets against foreign competition, but integrate fully in the global market by removing tariffs and other obstacles to imports, allowing a free flow of capital across the borders, ensuring full convertibility of their currencies and allowing nationally owned companies to be bought up by foreign investors. Finally there is the main point on the IMF’s current agenda: *transparency*. Individual states should not have national secrets in the economic domain, but open their financial and economic systems to international scrutiny. The IMF itself as well as the general public should get as much information as possible about the financial affairs of each individual state in order to allow the market to react swiftly to new information and thus avoid the kind of surprises that cause economic crises.

Taken together these points constitute a radical, liberal programme for creating a global market where all governments perform the same kind of regulating role, but refrain from governing the market or trying to influence it in certain directions.⁵

On several points the IMF’s programme clashes with the national political and business cultures of the nations who receive the IMF’s advice or who are obliged to meet IMF conditions for coming to their aid. Some of these business cultures have deep historical roots. The countries of Asia, as in the rest of the world, have had different ways of organising the relationship between state and business, sometimes reflecting historical

⁵ I’m not sure what the IMF thinks of governments who actively try to promote their own business interests abroad, a practice which has certainly increased in the 1980s and 90s, but if the IMF economists are consistent, they should really be against this kind of political distortion as well.

compromises between various ethnic or religious groups, social and political ideologies, and also between geographic regions. Such compromises – and the institutions established under the compromise – have a complicated history and can be deeply entrenched in national cultures. Once one starts to touch them, it can have a range of unforeseeable consequences. In the countries of Asia, just as in Africa, Latin America and Eastern Europe, there will be some who benefit from the kind of reforms recommended by the IMF, while others stand to lose. The latter will have a tendency to see IMF advice as a Western (or Northern) attack against their own national, religious or regional values.

Let me take a quick look at how some Asian countries relate to IMF advice. *Japan* has not of course needed financial support from the IMF, but is the single largest contributor to the IMF's rescue packages for other East Asian countries. Japan has preferred to let the IMF construct and define the aid packages rather than trying to impose its own recipes on other Asian governments, or letting the Asian Development Bank do so. This may have something to do with the fact that Japan has itself suffered from failed economic policies in the 1990s. The Japanese no longer have faith in their own model. Japan has also become a target of IMF criticism. The IMF has joined the United States, the European Union, the OECD, and the other members of the G7 in demanding of Japan that it boost its economy through the same means used in Western countries, namely reduced interest rates and cuts in taxation. Since the interest rate is already only 0,5%, however, the main demand has been for cuts in taxes. The Japanese have repeatedly explained that this is unlikely to help. If taxes are reduced in Japan, the individual households will save more, not spend more. In bad times, Japanese households save whatever they can save. The whole Japanese miracle was to a large extent based on the willingness of Japanese households to save much more than in Europe and America, and to leave their savings with domestic banks. This fact has not been included in macro-economic calculations, but can be learnt from talking to any Japanese. The only sure way to boost demand in the Japanese economy, and thus to enhance imports from other Asian countries, is to increase public spending in sectors with a potential for multiplication effects. Public spending, however, is exactly what the macro-economists do not want. Public spending distorts the market. Thus the Japanese government is forced to do something that every Japanese knows will not have the desired effect.⁶

The current pressure against Japan makes sense only as part of a long term programme to “normalise” Japan, standardise its economic system, prevent it from continuing to be a collective actor on the global market and integrate its own market with the global system, so that Japanese and foreign companies can freely compete. This also demands a change in the Japanese attitude to unemployment. Unemployment has been more or less unacceptable in Japan, just as in some other nations where social responsibility is a virtue (i.e, Scandinavia). Unemployment in Japan is on the rise. Two recent news items have something to say about the difference between the USA and Japan. One was a triumphant news in May 1998 that unemployment in the USA had been brought down to its lowest level in 28 years: 4.3 per cent. The other was a few weeks earlier, when it was reported that unemployment in Japan had reached a disastrous all time high: 3.9 per cent. In Japanese business culture, layoffs and unemployment have been socially unacceptable whereas in the US they are seen as natural

⁶ There may be a chance that the current reform programme (the *Big Bang* as it is called) will lead to a change of the whole Japanese pattern. If the country's financial crisis significantly reduces people's confidence in domestic banks, and it becomes easy as well as socially acceptable for households to invest their savings in lucrative international funds, then the financial basis for Japanese companies' domination of the national economy will dwindle. The Japanese domestic economy will thus have to be globalised, but may first go through a deep crisis.

ingredients of a system based on free competition of individual human beings. In Japanese culture, it has been self-evident to defend the national economy against outside competition through various mechanisms, and the removal of such mechanisms has been undertaken only as a concession when the pressure from the US has been too heavy. The subsidising of agriculture has been even higher in Japan than in Europe, and it was a big concession when Japan accepted in 1993 to open its borders to the import of foreign rice. To keep up agriculture is seen as essential for the preservation of a traditional landscape and some of the most crucial symbols of the Japanese way of life. Crucial values are thrift, hard work, and loyalty to one's workplace. This set of values has contributed to the Japanese miracle, and has drawn admiration worldwide. It is less than ten years since a stream of Western books were published about how one could learn from Japan. Nowadays, the global liberals feel nothing but contempt for the Japanese model. The Japanese are urged to transform their economy radically and adjust themselves to the global (American) way.

In many respects South Korea resembles Japan, but at the same time the Koreans deeply resent Japan because of memories from the colonial past. Today the two countries are competitors on the world market, and the recent reductions in the value of the yen are frustrating the South Korean attempts to overcome the crisis through increased exports. In addition to sharing with Japan many of its typical cultural features, the Koreans have the same industrial structure as Japan had before the Second World War, with a small number of family owned business conglomerates dominating the economy. At the urging of the IMF the chaebols have come up with plans for restructuring which, however, do not seem to satisfy the IMF. The rapid South Korean growth over almost thirty years has to a great extent been achieved by the chaebols who have been able to operate with extremely high debts relative to their assets. This has been possible partly because of their size and mainly because they have enjoyed government protection. Without this structure of taking what any university-trained economist must consider to be excessive risk, I find it improbable that South Korea would have achieved such growth as the country has had since 1961. If restructuring is to be made in accordance with the IMF's principles, South Koreans may never again enjoy the very high growth they have been used to. The economy may grow again, but never as rapidly as when the big companies were allowed to invest excessively. The question is then what the business elite in South Korea will think about the IMF when, after some years, they see that growth is lower than in the past while foreigners play a greater role in the country. I think South Korean business leaders will try to forge new alliances with leading politicians and revive the traditional way of doing things. We must also remember that the country has a strong tradition of labour militancy.⁷ Business leaders and workers may cooperate in making life difficult for foreign investors and in promoting the interests of the main national companies. Although Kim Dae Jung is himself a dedicated liberal, I do not believe there will be a "level playing field" for foreign and domestic enterprise in South Korea.

South Korea and Japan are fairly easy countries to relate to for the IMF since they are ethnically homogenous. The state can therefore make the same laws and rules applicable for all citizens. Not so in Indonesia, an ethnic melting pot where the politically dominant Muslim majority has never played much of a role in the country's business life, except in the last years of the Sukarno era (1959-66), when state managers took over the foreign owned enterprises and drove them into bankruptcy. Some 70-80% of all registered capital

⁷ When planning for large strikes in May 1998, the second largest South Korean trade union group (the Korea Confederation of Trade Unions) defined the following goals: dissolution of the chaebols, tripling of unemployment funds through increased taxation, renegotiation of the 1.12.97 agreement with the IMF. *International Herald Tribune*, 23-24.5.98, p. 17.

in the country is said to be controlled by the culturally suppressed ethnic Chinese representing around 3% of the total population, but some 20–30% in the major cities. Suharto never did anything to help Muslims expand their opportunities in the country's business life, with the exception of his own family. He seems to have preferred to leave the economy in the hands of the politically impotent Chinese rather than developing an indigenous business class with political aspirations of its own. The system by which the Suharto family and the ethnic Chinese divided the modern sector between themselves while the Army played an officially recognised political role in keeping the country together (*dwifungsi*) was not a system with much appeal abroad, except perhaps in Burma and in certain countries of Central Asia. Suharto's system, however, did not inhibit economic growth. For a long period there was rapid economic growth in Indonesia, also in agriculture, and the state made sure that a significant part of the population benefitted from economic growth. Millions were lifted out of poverty. The arrangement between Suharto and the wealthy Chinese Indonesians was Suharto's specific form of an ethnic compromise that any Indonesian government will have to strike in its own way. Suharto's family-based system is now likely to soon be dismantled, but if the Suharto family's privileged position is simply removed without any provisions for a new kind of ethnic compromise, then the result will be that the ethnic Chinese, perhaps with the addition of some big transnational companies based in Japan, the USA and Europe, take over the whole modern sector. This would be the logical outcome of a strict implementation of IMF standards. Macro-economic textbooks do not take ethnic factors into consideration. An alternative solution might be that the Army took over the Suharto family's business interests, but this is hardly what the IMF wants. There has been a clear tendency among younger Indonesian officers to want professionalisation of the army in its proper military role rather than a continuation of its dual function. The behaviour of the IMF in Indonesia is, I think, an extreme example of how the East Asian crisis gave a central political role to an organisation with few qualifications in political affairs. The United States and Japan have wanted it this way. Neither of them wanted to take responsibility for an Indonesia policy and therefore left the Indonesian crisis to the IMF. There is an old saying that war is too serious to be left to generals. I think we may now ask if economic restructuring is not also too serious to be left to macro-economists. In January, the IMF forced Suharto to sign an agreement he had barely read and which in reality obliged him to dismantle the economic system on which his rule was based. Since it was extremely unlikely that Suharto would actually do so, the logical follow-up to that agreement would have been to force Suharto out of power. His main goals at the time were no doubt to defend his reputation as father of national development, remain president until he was sure of getting a successor who would organise a respectful funeral, and to safeguard the fortunes of his family. These goals were of course in conflict with the IMF programme. Thus it was obvious that Suharto was not going to play along with the IMF. Still the IMF did not and could not take direct action to force him out of power. The IMF had weakened Suharto's position, but now gave him time to organise his defence. He proceeded to rid the administration of the most dangerous Western-inspired technicians and selected a new cabinet dominated by his relatives and closest friends. Only after Suharto had consolidated his position in March did the IMF attack again, complaining that Suharto had not fulfilled his promise to undermine his own position. The wrestling between Suharto and the IMF continued although everyone knew that the solution the IMF really wanted was Suharto's resignation and the coming to power of a new, pro-IMF team. Then the students and the hungry looters intervened, and mounted an indigenous anti-Suharto movement. Shortly before Suharto was forced to resign, the IMF team fled the country. It is a paradox that what angered the students and the poor Indonesians most, were the price rises on rice and fuel which Suharto had been forced by the IMF to implement.

Malaysia has not been obliged to resort to the IMF. In Malaysia interference from the IMF might have been socially even more disastrous than in Indonesia since the ethnic compromise in Malaysia, the so-called *bumiputera* (sons of the soil) policy, is a much more elaborate compromise than in Indonesia. It is essential to create balance between the country's two main communal groups, the Malay Malaysians and the Chinese Malaysians. To give special economic advantages to the *bumiputera* is of course in conflict with the standard economic philosophy of providing a level playing field, but this policy has contributed to the rise of a Muslim bourgeoisie in Malaysia, the class which Indonesia is lacking. In addition the *bumiputera* policy has secured ethnic peace for almost twenty years. Malaysia has in the same period become a modern industrial country. I think it would threaten the ethnic peace in Malaysia if a single-minded global organisation were to obtain too much influence. Before essential structural reforms can be carried through, it is essential that the domestic population itself is convinced that reforms are needed. Happily for the Malaysians they do not depend on the IMF, but can now observe the reform process in other countries and adopt the reforms they themselves feel are necessary.

In the Philippines and Thailand the conflict between national culture and IMF policy is not as acute as in the other countries I have mentioned. After dismantling President Marcos' version of crony capitalism in the People's Revolution of 1986 the Filipinos started to work closely together with the IMF, particularly under Fidel Ramos' rule from 1993. Economic liberalism has now become a matter of consensus in the country and was not at all debated during the 1998 electoral campaign, leading to the election of the new president Jose Estrada, who takes over on 30 June. The adjustment of the Philippines' economic policy to satisfy global standards has laid the foundation for a long term, but probably not very rapid growth. Although Estrada is a populist who has made strong promises to advance the cause of the poor, he is unlikely to break with the IMF-Ramos tradition in economic management. Neither in the Philippines nor in Thailand is it necessary to strike political compromises between the ethnic Chinese and the ethnic majority group. This is because the Chinese have been assimilated. The Philippines and Thailand also do not have the same kind of strong nationalist sentiments as Korea which may sometimes turn xenophobic. Thailand, with its many small enterprises, and with a tradition (up to 1993) for an independent and professional central bank, is rather close to satisfying IMF standards. The IMF and the middle class in Bangkok are in general agreement. Both want to rid the country of its endemic, mostly rural-based, political corruption and align the country with the global, liberal trend.

What about Vietnam? This country is also now under attack from the IMF and commentators in the international press demand more rapid IMF-inspired reforms. After the South Korean chaebols lost their status as models for Vietnamese development, the Vietnamese communist leaders were bewildered. They now seem to move closer to China and to emulate the Chinese model which is seen as suitable since it also has its origin in a society with remnants of a centrally managed planning economy. Hanoi feels the pressure from the IMF, the USA and Europe for reforming the country's economic structure, and the government knows that structural reforms are needed. But it is difficult to privatise state owned enterprises (or "equitise" as the Chinese and Vietnamese call it) without creating conditions similar to those in Russia, where a small number of former bureaucrats have taken over the country's main economic assets and use them for conspicuous consumption. Some Vietnamese decision-makers feel that Westerners are trying to drive them into a Russian situation. So far Vietnam has also not suffered severely from the impact of the crisis elsewhere. Economic growth has slowed down, but there is still significant growth.

Many of the reforms on the IMF agenda are seen as necessary by politicians, governments and business leaders in the East Asian countries themselves. Still we should not close our eyes to the occurrence of a drawn out contest between opposite cultures: the IMF's global transparency on the one side, the historically and culturally based structures on the other. Who will win? My guess is that the IMF's programmes have received sufficient momentum to transform the Asian economies, but not altogether in the direction desired. The programmes will be both resisted and distorted, and each country's political and business culture will continue to manifest themselves. Local leaders will try to win back what they lose in the crisis, and forge new alliances between themselves. Two kinds of changes are likely to have lasting effects. The first is a concentration of the financial sector into a smaller number of banks who will have more prudent lending practises than in the past and be under stricter control from the central banks. Thus it will be more difficult to mobilise capital for investment projects. The second change is an increase in foreign ownership both in the industrial and the service sector. This means that the global culture contest will also take place locally. There will be tension and competition between business groups based on local knowledge and companies competing on the basis of global professionalism.

Regional politics

It has been argued above that the "Asian crisis" should be seen as a series of national crises, but this is not the whole story. The "end of the Asian miracle" is also a regional political crisis. How has the economic downturn affected the ability of East Asians to forge a regional block with an ability to join North America and Europe as the third corner in a global power triangle?

On 4 May 1998 the Vietnamese prime minister Phan Van Khai received ASEAN's new general secretary, Rudolfo Severino in order discuss preparations for the 6th ASEAN Summit in Hanoi in December 1998. Phan Van Khai told Severino that ASEAN should "help its members overcome the present financial crisis and continue their socio-economic growth at a higher rate." How can it be that Phan Van Khai's wish for a more active ASEAN is so unlikely to be fulfilled? Why has ASEAN not already been more active?

Under the long growth period in Asia a series of attempts have been made to create regional or cross-regional organisations in the Asia-Pacific. The first and most successful regional organisation has been ASEAN, which was created in 1967 and which now includes nine out of ten Southeast Asian nations (Cambodia will join once it has got its own house in order). ASEAN's success is not so much due to practical achievements, however, but to its ability to maintain regional peace and to institute good manners in inter-state relations. The weakness of the association is that it represents only Southeast Asia and not include the greater powers of Northeast Asia: China, Japan, Korea and Taiwan. This is a serious weakness also because the Southeast Asian economies are generally more integrated with the East Asian economies than they are with each other.

Malaysia's ambition has been to include both Japan and China in a purely East Asian organisation (the East Asian Economic Caucus), but prime minister Mahathir Muhammad has not been able to convince the other Asian nations that this is a good idea. ASEAN has, however, developed a system of dialogues with external powers, and in 1993 created the ASEAN Regional Forum (ARF) which organises annual security talks among a number of countries in and outside the region. As an alternative to Mahathir's unsuccessful plan for a regional

Caucus, Australia, the USA and Japan initiated APEC (Asia Pacific Economic Cooperation), an organisation cutting across the Pacific. It too has its annual summits, focussing on economic matters. The European Union responded to APEC by instituting its own series of summits with ASEAN and its dialogue partners under the heading ASEM (Asia-Europe Meetings). As we see, a complicated global and regional organisational architecture has emerged, providing diplomats and experts with ample opportunities to waste their time on meetings. Most nations see it as necessary to participate in several parallel organisational processes because there is no way of knowing which will ultimately prove to have been important.

The striking feature of the architecture is the absence of an association encompassing all of and only East Asia. The East Asians are clearly disadvantaged by not having an organisation to match the European Union and the US-dominated North America.

How have the existing organisations in the Asia-Pacific manifested themselves during the crisis? All of them have held summits, APEC in Vancouver in November 1997, ARF in Kuala Lumpur in December 1997 and ASEM in London in April 1998. All have discussed the Asian crisis, and ideas have been tossed around for various kinds of regional solutions, in line with the wishes of the Vietnamese prime minister, but the conclusion after all these meetings is clear:

Asian regionalism has been paralysed

There has been much talk about ASEAN solidarity, and the state leaders have made frequent visits to each other. They have avoided the tendency for horses to bite when the barn is empty, and this may be a significant achievement in itself. But they have not been able to mount a regional response to the crisis. The ASEAN secretariat in Jakarta has not taken major initiatives. The APEC summit launched some ideas about how to prevent financial crises, but agreed to leave the action to the IMF and the World Bank. The Asian Development Bank (ADB) has kept a low profile. The ASEM in London was filled with assurances from Blair, Chirac and others that Europe would stand by Asia, and not be a weather friend, but not much emerged in practical terms, except a mutual trust fund. Generally the scene has been left to the global institutions, the IMF, the World Bank, and the G7 (with Russia G8). Globalism has triumphed over East Asian regionalism, and this at the same time as the European Union creates its Euro zone, and prepares its expansion into Eastern Europe.

Why then have East Asians not used the crisis to exert themselves regionally? Part of the explanation is mental. The whole idea of the Emerging Asia was based on the foundation of rapid economic growth. When the growth was interrupted, the foundation for Asian pride slipped from under the feet of the East Asian leaders. The main explanation for the weakness of Asian regionalism, however, is more basic: a lack of economic clout. The only country in the region with sufficient economic weight to institute a regional solution is Japan, but Japan has preferred to make its financial contributions through global arrangements, without assuming the burden of actual power. Japan's reward for contributing a lion's share of the IMF aid packages has been to be scolded by Western leaders and commentators for lack of leadership and inability to boost growth in the Japanese economy. During the first months of the crisis there was much talk about pegging local currencies to the yen instead of the dollar, and about creating an Asian basket of currencies. The old talk of a yen zone resurfaced. But these were unrealistic ideas. Japan was simply not interested—or capable of—playing a role independent of the USA. Instead, over the last months, the Japanese economy has itself become part of the Asian crisis. It is now in a state

of recession. When the leaders of the G8 countries met in Birmingham in May, the economic situation in Japan would have been on the top of their agenda had not India made nuclear tests and riots broken out in Jakarta. As it were the Japanese question receded from the public view, but continued to preoccupy financial analysts. Japanese banks and some companies are now in a financial situation where they feel compelled to withdraw capital from other countries in the region rather than contributing to pull the region out of its crisis. And the fact that Japanese banks are heavily exposed in Indonesia does not improve their situation.

If Japan cannot take up the mantle of regional leadership, what about China? Can China assume the role as East Asia's regional power, the champion of Asian values?

"Greater China" relatively strengthened

China has reinforced its position considerably both before and during the crisis. China contributed 1 billion USD to the IMF package for Thailand in August 1997, and also promised a contribution of 300 million USD to the third Indonesian package of April 1998. The greatest Chinese contribution to stability in Asia, however, has been Beijing's willingness to resist the temptation to devalue the Chinese currency, the renminbi (or yuan). The institution of a uniform exchange rate in 1993 meant a significant devaluation of the currency, and this contributed greatly to the boost of Chinese exports in the following years. Since the regional trouble started in July 1997, however, China has stuck to its promise not to devalue once again. Beijing has received much praise for this both in the east and the west. It has been critically important for defending the value of the Hong Kong dollar, whose peg to the dollar survived the crash on the stock market in October 1997. During the first half of 1997, there was much talk about all the problems China would have with Hong Kong after its inclusion in the People's Republic. This has come to nothing. China has also managed to improve its relationship with Taiwan. In March 1998 the Taiwanese president Lee Teng-hui proposed joint action between Taiwan and the PRC to help Southeast Asian countries in crisis. It is generally important to note that the other Chinese countries, Taiwan and Singapore, have also strengthened their regional influence. Singapore has not lost its role as the regional hub for transnational corporations, many of whom are now actively considering the purchase of Asian companies in trouble, and Taiwanese companies are busily buying up assets throughout the region.

It seems safe to say that "Greater China" has strengthened its relative position in East Asia by managing so well economically. Such a shift in the inter-regional balance of power may soon have political consequences, also in the field of security. Singapore, Taiwan and the PRC may continue their military modernisation programmes whereas the countries that have been hit by the crisis have to cut their defence budgets. That Thailand was the first country in the region to acquire an aircraft carrier (actually a helicopter carrier which may be transformed into an aircraft carrier) may now not have much significance. Thailand can probably not now afford to use the carrier.

Despite the relative strengthening of "Greater China" it is important to underline that China does not have a potential for assuming the kind of economic leadership that Japan could have taken up.⁸ China simply does not have sufficient economic means. With its much greater population, the Chinese GDP remains only a

⁸ Panda Yatsko and Shada Islam, "Dispelling the Myth. China isn't ready to assume Japan's mantle of leadership", *Far Eastern Economic Review*, 16 April 1998.

third of the Japanese. Japan has for many years had a surplus of capital which it could use to invest abroad. China has an enormous need for capital.

The conclusion, thus, on this point, seems clear: Within the East Asian region there has been a shift in the balance of forces towards the Chinese states, but they do not have a sufficiently strong resource base to exert regional leadership. Nor are they able to cooperate effectively on the regional scene as long as the conflict between mainland China and Taiwan continues. Thus neither ASEAN, nor Japan, and not even China are able to assume leadership within a self-assured East Asian region. The crisis has been left to the global institutions.

Is there still scope for a regional solution?

Until the crisis has been overcome there does not seem to be much scope for an independent regional agenda. Only if the crisis is prolonged and US-style macro-economics are discredited through failure may the East Asian powers see a need for a regional approach to the crisis. Three scenarios would then seem possible:

1) A conflict emerges between the IMF with its US and European backers on the one side and one or more of the crisis countries on the other, and this leads to a popular movement demanding a new set of policies. This movement turns critical of the “West” and anti-globalistic. Thus a momentum is created for the kind of regional politics promoted by Mahathir’s Malaysia. One sign of a possible Asian solidarity along such lines was the pressure that Japan and Australia put on the IMF in March–April 1998. They urged the IMF to be more conciliatory in its dealings with the Suharto regime. Then a student movement arose inside Indonesia, however, effectively removing any prospects of regional solidarity behind Suharto.

2) The international pressure on Japan to reorient its economic policy leads to radical political change in Japan, a change that also involves a new and more assertive profile in foreign affairs. Japan redefines itself as an Asian power, either in rivalry or co-operation with China, and reduces significantly its dependence on the USA. One sign that a change of this kind might be under way would be if Tokyo permitted the population on Okinawa to shut down the US bases there. Today it remains impossible for any serious Japanese politician to plead for a closure of the US bases, but this might change.

3) China continues its rapid economic growth and becomes more assertive in regional politics. Through diplomatic and economic means it gets support from other countries for a policy defying US global hegemony. Such policies might even gain the acceptance of Japan.

None of these three scenarios seem likely in a short or even medium term perspective. It seems most likely that East Asia will continue to lack the ability to assert itself independently, and that the “Washington consensus” will continue to exert its strong influence in East Asian affairs.

Global politics

The Asian crisis represents a triumph for macro-economic globalism, with the IMF as the main actor. The Asian crisis has interrupted the challenge of “Asian Values” to the liberal American model. Alan Greenspan, the chairman of the Federal Reserve, made the following arrogant statement in April 1998: “My sense is that one consequence of this Asian crisis is an increasing awareness in the region that market capitalism, as practised in the west, especially in the US, is the superior model.”

In a leading article on 17 April 1998, the British *Financial Times* expressed its support for Greenspan’s view. He was right and ought to be proven right, but the journal was not so sure that the world would be convinced by the truth—for the following reasons:

Firstly, the limitations that a responsible global liberalism imposes on the sovereignty of individual states are likely to be resisted within most nations, not only Malaysia and Korea, but also the USA.

Secondly, people in other cultures who see an enterprise not as a set of time-limited contractual obligations, but as a long-term community dislike the form of shareholder capitalism, which may be found in the USA. In many countries there is general contempt for the fluidity of relations in the American immigrant society.

Thirdly, the same lack of responsibility towards a collective which characterises the fluid, contractual relations of the American type is seen by many as the main reason for the unstable situation that unleashed the financial crisis in the first place. To people with such attitudes the American kind of capitalism seems dangerously unsafe.

And lastly, the long growth in the US economy during the 1990s may prove itself to be a bubble. If it bursts, then confidence in the American form of capitalism will vanish.

There is a great deal of wisdom in these four warnings from the *Financial Times*. Many nations will want to retain or develop their own kind of political economy, with a basis in their own culture, while at the same time adjusting their policies to the need for being able to compete on the global market. It seems worrisome that historically defined differences in terms of cultural, economic and political systems are so poorly understood by today’s key global institution: the International Monetary Fund (IMF).

The politicisation of the IMF

The International Monetary Fund is no longer an agency with the limited task of assisting governments in acute financial stress. It has become a global political actor with a programme for the standardisation of national economic structures and policies. For Latin Americans and Africans the political role of the IMF is not new, although in Africa it is the structural reform programmes of the World Bank which have been most in focus. Since the end of the Cold War, the IMF has played a significant role in providing the premises for the rapid liberalisation of the economies of Russia and other Soviet successor states. It is the Asian crisis, however, which has really put the IMF at the forefront of the global institutions,⁹ with the World Bank safely behind, and with an interesting shift in the division of labour between these two sister institutions. A few years ago the main difference between the IMF and the World Bank was that the IMF was responsible for immediate support to countries in acute financial problems whereas the World Bank with its developmental agenda gave advice and

⁹The World Trade Organisation is of course also a crucial global institution, but not a big actor in times of crisis.

support for long term structural reform. Under the Asian crisis the IMF has set conditions for its massive bailouts involving radical structural changes. The role of the World Bank has then been reduced to establishing aid and investment programmes targeting the poorest population groups, the same people who suffer most from the measures undertaken by governments on the advice of the IMF. The IMF prescribes cures and the World Bank tranquillisers. This new division of labour seems to have provoked some conflict between these two highly different bureaucracies. The World Bank has over the last two decades built a big organisation with some interesting debates between officials and consultants representing several scholarly disciplines. The World Bank has developed a certain capacity for critical reflection on its own policies, and allows outsiders to know about internal disagreements. The IMF has a far more streamlined bureaucracy, dominated by macro-economists. The IMF has been compared to the Vatican during the medieval period, a strong and doctrinaire organisation sending out missions to all those kings or nations who want to avoid being banned. The IMF emphasises that it provides comprehensive, science-based messages to national governments. In order to defend its scientific credentials it conceals internal disagreements. The strengths of such a profile are forcefulness, clarity and ability to act. The weakness is a lack of understanding for the political aspects of its own activities and for the likely social, cultural and political consequences of what it is doing. It is not only in relation to Indonesia that the IMF has played an openly political role. It demanded of all presidential *candidates* in South Korea that they sign the agreement of 1 December 1997, a move that may have influenced the result of the elections two weeks afterwards. The IMF also asked for similar promises from the candidates in the elections of the Philippines.

The IMF has in fact become the main tool in the hands of globally oriented elite groups in North America and Western Europe in their attempt to streamline the economic structure of the world, using the financial system as their vantagepoint. The overall task of the IMF is to force through reforms that can pre-empt and prevent global crises in the future. The idea is to create a kind of institutionalised supervision of all national governments in order to make it impossible for them to carry out irresponsible financial policies. In order to institute a monitoring system the IMF needs as much information as possible about the finances of every single government. Together with the WTO, the World Bank, OECD and the G7 the IMF intends to create a world system where trans-national banks, companies and investors can operate freely across national borders without the risks that would logically follow from such freedom.¹⁰

The most important catchword for this global reform programme is “transparency”. The idea is that as much information as possible, primarily about financial matters, should be available not only to the IMF and other responsible monitors, but to the general public, so that the global market can react swiftly to any new signal of strength or weakness in a given economy. Through swift adjustments of currency values and interest rates it will then be possible to prevent the kind of lending spree which has led to bank crises in some Latin American, Scandinavian and Asian countries since the mid 1980s. It is noteworthy that the IMF mainly intends to create a system that can monitor governments, not trans-national banks or corporations. The IMF intends to become a kind of global financial police, and the target is irresponsible governments, not the major actors in the global market place. The logical long-term outcome of such policies is the creation of a liberal global state. The proposals made to the G7 meeting in Birmingham in May 1998 by the IMF chairman, Michel Camdessus, for an

¹⁰ The Financial Times has criticised the latest G7 summit in Birmingham for not going far enough in direction of a new global financial regime. According to the Financial Times the world now needs a global central bank (“lender of last resort”) and a set of rules for how to treat national bankruptcies (leading article 12.5.98, p. 15).

extended power structure including all the nations represented on the board of the IMF, is a part of the IMF's global reform programme.

The accelerated political globalisation which has taken place during the Asian crisis has already led to three kinds of resistance, which we shall probably see more of in the years ahead:

First there is the kind of criticism which has arisen in the United States in opposition to president Clinton's proposal to transfer an additional 18 billion USD to the fund of the IMF. This resistance is based on different arguments. There is a self-interested right wing objection to spending American money on irresponsible countries abroad. There is also a moral left wing objection to spending public money on bailing out irresponsible banks. And there is the "moral hazard" argument saying that if the IMF continues to bail out governments and banks, then the latter will not be exposed to a proper risk and thus will behave irresponsibly again once another occasion arises. It has been argued that there would never have been an Asian crisis if the IMF had not bailed out Mexico in 1994-95. The people behind this first kind of criticism are a coalition of American Republican isolationists, left wing populists, and dogmatic economic liberalists. Some of the right wing critics have made a point of the fact that the IMF is led by a French socialist.

The second type of resistance has so far been advocated mainly by the government of Malaysia, who has been able to express its views freely because it has not itself been obliged to resort to the IMF. The Malaysian form of resistance is directed against the attempts of the IMF to impose a Western form of government on nations with different cultures, and to use the crisis as an occasion to interfere in the internal affairs of other countries. Malaysia has also tried to blame international speculators rather than irresponsible governments for the crisis itself. It wants international reforms that can set limits to the free movement of irresponsible, speculative capital. The Malaysian form of criticism is well known from intellectual quarters in Africa and Latin America, and from the solidarity movements on the European left, who for a number of years have criticised the neo-colonialism of the IMF and World Bank's structural reform programmes in developing countries. This has been a rather hopeless criticism since governments in heavy debt have not really had an alternative. This also is the case today in Asia. There has so far been little criticism of the Malaysian kind, notably – I think – because the Asian countries are in dire need of IMF help to bail them out. When, however, the crisis is overcome, and the East Asian countries again get their heads above the water, we are likely to see more criticism of the IMF as a tool of westernisation.¹¹

The third form of resistance, or criticism, comes from globally responsible democrats. They realise the need to create mechanisms for regulating the global capitalism so as to pre-empt and prevent crises, but they see a problem in the fact that institutions like the IMF are themselves not quite transparent, and far from representative of the world they are set to monitor. And they want far more public debate about the policies of global institutions. Some of them now fear the emergence of a strong global framework around the major economies represented in the G8 which may take over some of the obligations that should really be taken care of by a reformed United Nations. This third form of criticism will enhance the emerging debate about a new global "architecture".

¹¹ A book was recently published in Malaysia, accusing "the West" of "using economy instead of gunboat diplomacy to dictate unfair and unequal treaties": Lim Kok Wing and Yee Mee Fah, *Hidden Agenda* (presented in *Far Eastern Economic Review*, 21.5.98, p. 28).

Need for global political reform

The annual meetings of the IMF and the World Bank in February 1998 and the G7 finance minister meeting and summit in Birmingham in April 1998 gave considerable attention to the question of a new “global architecture”. There is agreement among the major economic powers on the need to reform the institutions created in the wake of the Second World War. The General Agreement on Tariffs and Trade (GATT) has already been transformed into the WTO which deals not only with trade in goods, but also services, and in the question of globally recognised property rights. But what about regulating global financial flows? A discussion is clearly needed, not only among the great powers, about how the IMF and the World Bank should be organised in the next century. How much global power should economists have? What kind of economists should it be? How should decisions be made within these organisations, and how can the member states, or possibly the United Nations, gain more influence on their decisions? There may be a need for a global constituent assembly to discuss the division of powers on the global scale, both between executive, legislative and judicial powers and between the national, regional and global levels. Such a constitutive assembly would need to address several different needs:

- A need for institutions to supervise the action of national governments and interfere when they are carrying out irresponsible policies. This is the main preoccupation of the IMF.
- A need for global institutions to monitor the activities of trans-national banks, corporations and financial speculators. This is an obvious concern for globally oriented socialists and social democrats.
- A need for a globally oriented public opinion, expressed through high quality open-minded international media and through a range of non-governmental organisations.
- A need to ensure that international governmental organisations are representative of their member states and accountable for their policies—not only formally.

The debate has already started. It may seem utopian to want to reform the world system, partly because it will demand change also in the structure of the United Nations. Still this cannot be avoided. The ongoing technical and economic globalisation will force us to implement global policies. But the kind of architecture to emerge will depend on the power relations between the USA as the world’s only superpower and the great powers of the various world regions, not the least China.

Will we see a Sino-US partnership?

In global affairs the European Union is today the only likely candidate to a partnership with the USA based on equality. Russia and Japan are in different kinds of crises, which are not likely to be quickly overcome. The only other power than the European Union which may have the capacity and desire for joining the USA as superpower in the first few decades of the 21st century is China. It can base its ambitions on its huge population, its extremely rapid economic growth since the late 1970s, and on the fact that the current Chinese leaders have been remarkably successful in their economic and foreign policies. The Chinese have managed to ensure the succession of the first generation of communist leaders without much conflict. China has also improved its relationships with Russia and is now pursuing an active policy in Central Asia with the twin aims of providing energy for the Chinese economy in the future and avoiding revolts among the Islamic populations in the north-

western Chinese territories. There is much economic co-operation between China and Japan although the political relationship remains difficult. A new generation of Chinese diplomats has forged closer relations with the ASEAN countries. China has contributed to the aid packages for Thailand and Indonesia and has assured Indonesians that ethnic strife in Indonesia is an internal Indonesian matter, which may not give ground for Chinese intervention. The state of affairs in the Chinese relationship to Indonesia during the crisis leading to Suharto's resignation is remarkable given the fact that the two countries have been seen as natural, geo-political enemies who through 23 years up to 1990 did not have diplomatic relations. The prospects for establishing multilateral talks about the conflict in the South China Sea now seem a little bit more promising than in the past. China has also improved its relations with Taiwan since the crisis of February-March 1996, and India's nuclear tests in May 1998 did much to further strengthen China's ties with Pakistan. The most important of all, however, is that China has managed to gradually improve its relations with the USA, a global rapprochement meant to be sealed under president Clinton's visit to Beijing in June 1998. The current leadership in Beijing has seemingly defined as one of its major goals to become recognised by the USA as an equal partner in global affairs.¹² Some statements made recently even indicate they may have understood China's need to gradually democratise its political system in order to secure long term political stability and improve the country's standing abroad. Two goals are even more important than improving the relationship with the western powers: internal stability and continued economic growth. It is of tremendous importance for China that the Asian crisis should not be allowed to become a China crisis. The danger is there. China is meeting more severe competition on its export markets. The building boom of the last decade, notably in Shanghai, has led to many wrong investments so that many finalised buildings now are not being used. China's financial sector is in a mess. Its banks have made colossal loans to unprofitable state owned enterprises. Urban unemployment is growing, and will grow even more if Beijing carries out its plans to equitise (privatise) the state owned enterprises. But China is trying to compensate for these negative trends by making huge public investments in the country's infrastructure. This is a bold and risky policy, involving enormous financial challenges. It may in time contribute to making the "China crisis" even more severe than it would have been had it broken out today.

If president Jiang Zemin and prime minister Zhu Rongji, however, continue to be successful with their policies, if China manages to construct a new infrastructure for the enormous country, manages to prevent social turmoil, and to ensure a continuation of the country's high economic growth, then China shall probably have its best chance since the 17th century, perhaps even the 15th century, to assert itself in Asia and beyond.

¹² A rare glimpse into the likely realpolitical philosophy behind China's foreign policy aspirations was given in a book published in Hainan in 1996, which was subsequently banned because it could provoke fears of China abroad: Cai Jianwei (ed.), *Zhongguo da shanlue: lingdao shijie de lantu* [China's Grand Strategy: A Blueprint for World Leadership], Hainan chubanshe, Haikou. See John W. Garver's essay about the book in *The China Journal*, no. 39, January 1998, pp. 61-66. The book calls for improvements in Sino-American relations and emphasises the need to "absolutely avoid confrontation with the entire west".