

The East Asian IMPLICATIONS

BY MIKE M. MOCHIZUKI

Although the economic convulsions in East Asia have not taken on the proportions of a security crisis, it would be premature to dismiss the possibility. Reasons for concern abound.

In the first place, the economic woes besetting Asia's developing countries may provoke internal political and social instability that could spill over into the international arena. Most worrisome is Indonesia. Even before the economic crisis, Indonesian politics was entering a delicate transition phase. Questions about President Suharto's health had spurred popular discontent over authoritarian rule and, with it, speculation about democratization in a post-Suharto era. But before an orderly succession could be mapped out, the economic crisis toppled the main pillar of Suharto's political legitimacy: successful economic development. Austerity measures imposed by the IMF as the condition for Indonesia's financial bailout added to the explosive mix. After social unrest escalated into violent rioting in Jakarta in May, Suharto reluctantly stepped down and transferred the reins of government to B. J. Habibie, his chosen successor.

Indonesia's geopolitical importance cannot be overemphasized. It is the world's fourth most populous country. It has been a moderate force in the Islamic world. It has served as a valuable counterweight to China, especially in territorial disputes in the South China Sea. About 40 percent of the world's commercial shipping goes through one of the four key straits in the Indonesian archipelago, as does the bulk of the oil that Japan and South Korea import.

President Habibie must now walk the tightrope between restoring social order and pursuing economic and political reform. Lacking a firm political base of his own, he will have to rely on the military to wield power. Although hardly anyone expects Indonesia to go the way of Yugoslavia, with state collapse and civil war, few anticipate a smooth transition to

Mike M. Mochizuki is a senior fellow in the Brookings Foreign Policy Studies program. He is at work on Japan Reorients: The Quest for Wealth and Security in East Asia.

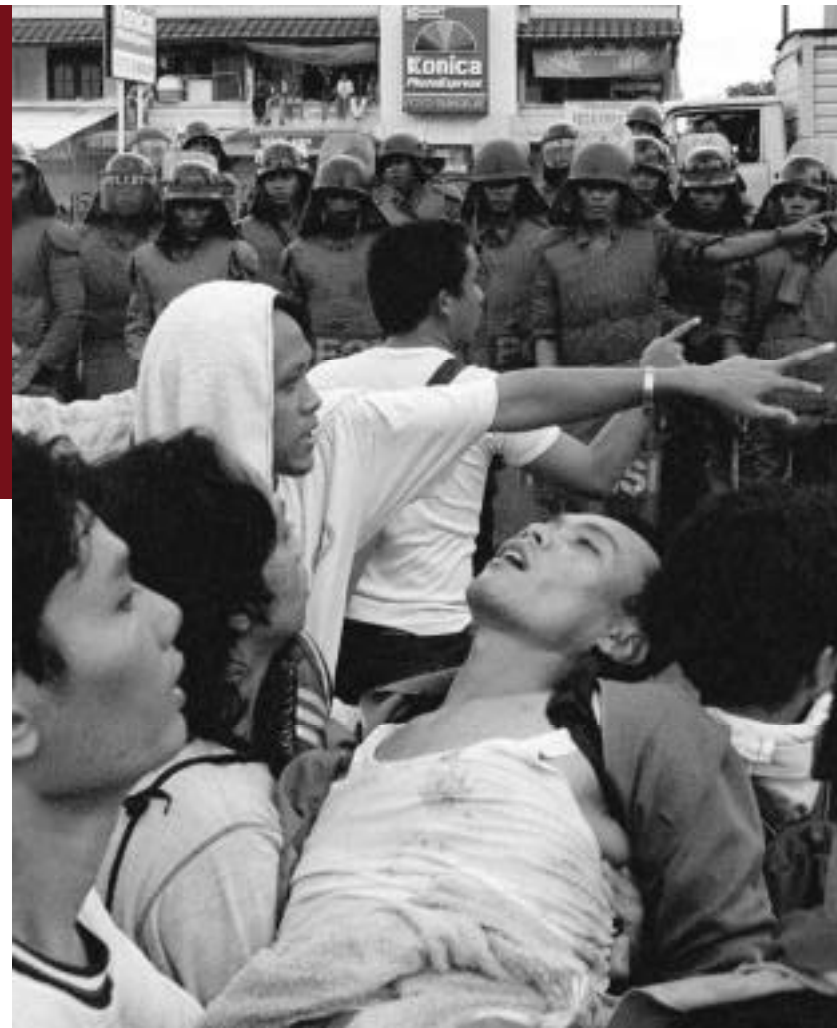
democracy. Economic stabilization may be the prerequisite for free and fair elections, but stabilization will be impossible unless the new government gains popular legitimacy by offering the hope of a more open political system. The very process of political liberalization, however, might unleash ethnic conflicts and separatist movements that will challenge Indonesia's ability to preserve national cohesion.

Other states in the region are doing better at weathering the crisis politically. Last fall Thailand avoided a military coup and put in place a new government committed to implementing financial reforms to get its economy back on track. Upon his election as president of South Korea, Kim Dae Jung convinced his fellow citizens of the need to endure the immediate pain of austerity to lay the basis for a brighter future. The Malaysian government has so far succeeded in lowering economic expectations, despite President Mahathir Mohamad's charges of international financial conspiracy against his country. And in the Philippines, popular protests against economic liberalization have not damaged democratic processes. In fact, the newly elected president, Joseph Estrada, may be able to use his brand of populism to secure popular acquiescence to economic reform.

Much depends on how soon the economic situation can be turned around. If joblessness continues to rise sharply and food shortages worsen, social unrest will severely test these still fragile political systems.

TENSION OVER MIGRANT WORKERS

The economic crisis could also cause interstate tensions to flare over the flow of migrant workers. Until recently, with growth rapid and unskilled labor in short supply, Malaysia, Singapore, and Thailand often turned a blind eye to the illegal entry of foreign labor. Of Malaysia's nearly 2.5 million foreign workers—more than 20 percent of its labor force—about 800,000 are believed to be illegal immigrants from Indonesia. And some 1 mil-



lion unauthorized foreign workers, the great majority coming from Myanmar, labor in Thailand.

The regional economic woes have simultaneously lowered the tolerance of the more developed countries for illegal foreign workers and forced the downtrodden in the less developed countries to seek jobs and economic relief in neighboring countries. For Indonesians, the sharp drop of their currency relative to those of Malaysia and Singapore makes the prospect of working abroad even more attractive.

Singapore has cracked down harshly on illegal immigrants, and both Thailand and Malaysia are repatriating foreign labor. Thailand has already sent more than 100,000 workers back to Myanmar with many more to follow. This spring Malaysia deported boatloads of Indonesians to deter the influx of illegal workers. Indonesian authorities eager to preserve legal job opportunities for their citizens in Malaysia have so far refrained from openly protesting.

But in this tense socioeconomic climate, regional amity may not survive. The orderly repatriation process could yield to violence and widespread human rights abuses. Ethnic conflicts and links to organized crime may also complicate the handling

of migrant workers.

THE KOREAN CONFLICT

Another worrisome security implication of the East Asian economic crisis involves the Korean conflict. In fall 1994, the United States and North Korea averted a military confrontation over North Korea's nuclear weapons program by signing the so-called Agreed Framework. North Korea agreed to freeze its nuclear facilities and eventually to submit to thorough international inspections to determine whether it has abided by its commitments under the Nuclear Non-Proliferation Treaty. In return, the United States offered, in cooperation with South Korea and other countries, to build two new light-water nuclear reactors and to provide heavy petroleum in the interim. Seoul was to provide the bulk of the funds for building the reactors.

Although President Kim Dae Jung has vowed to honor South Korea's commitments under the nuclear accord, domestic politics may complicate matters. Burdened by IMF-imposed austerity measures, South Koreans may be reluctant to allocate the billions of dollars to build the reactors. Any sign that South Korea or the United States is reneging on its side of the bargain, however, could provoke North Korea to renewed nuclear brinkmanship. Moreover, if political and social strife should emerge in South Korea under the strains of austerity, North Korean leaders might be tempted to revive their sabotage and other hit-and-run tactics in a reckless effort to gain a political advantage over the South.

But the picture is not completely bleak. Since the election of Kim Dae Jung, Seoul has become more energetic about reaching out to Pyongyang to revive the North-South dialogue. The economic troubles in South Korea may also make North Korea less apprehensive about dealing directly with its southern adversary. The time may now be ripe for Seoul to present a bold initiative that offers Pyongyang a plausible way out of its disastrous economic plight. For example, in exchange for concessions on security issues—adopting confidence-building measures, participating in agreements to reduce military forces, and pulling back military assets from the demilitarized zones—North Korea could gain foreign aid and investments as well as removal of various commercial sanctions. Given South Korea's own financial difficulties, however, both Japan and the United States would have to contribute substantially to such a deal.

SLOWING PROGRESS TOWARD REGIONAL SECURITY

The economic turmoil in East Asia also threatens to halt multilateral security dialogues. In 1994, the ASEAN Regional Forum (ARF) was launched as the first government-level multilateral dialogue on security issues for the entire Asia-Pacific region. Skeptics greeted the initiative as a mere "talk shop" lacking in substance. But in just a few years, ARF has moved beyond the annual perfunctory dinner meetings of foreign ministers to convene working groups on issues such as confidence-building, preventive diplomacy, peacekeeping operations, and managing and resolving regional conflicts. Based on these intensive discussions, ARF was steadily moving toward serious official talks to codify and operationalize common security norms to enhance mutual trust.

The regional economic crisis threatens ARF's momentum. With East Asian governments devoting most of their human resources to economic issues, multilateral security dialogues now get scant attention. Some countries lack the funds to field strong delegations to ARF-related gatherings and do the spadework on behalf of this fledgling institution. The same financial shortfall may derail the so-called Track-II dialogues—those involving nongovernmental regional security experts—that have been critical in nurturing consensus on security matters in the diverse and geographically expansive Asia Pacific.

Regional leaders must recognize that the recent economic upheavals make it more imperative than ever to forge a regional security community. Ironically, with governments forced by financial crisis to rein in their military modernization programs, the timing may be just right to promote greater transparency about military policies. The opportunity should not be missed.

MAJOR POWER RELATIONS

Finally, the East Asian economic storm raises uncertainties about relations among the major powers of the region—China, Japan, Russia, and the United States. In recent months, the relationship between Japan and the United States has been strained. Many U.S. policymakers and opinion leaders blame Japan for contributing to Asia's financial mess and accuse it of not doing enough to help resolve the crisis. And without disagreeing with many of the policy prescriptions pushed by Washington, more and more

Japanese are becoming resentful of heavy-handed U.S. pressure on Japan to stimulate domestic demand and deregulate its economy. As the U.S. trade deficit with Japan begins to soar again, bilateral economic issues could become politically explosive, especially if the American business cycle heads downward. Though not grave enough to imperil the U.S.-Japanese security relationship, such frictions could deplete the reservoir of goodwill between these two countries.

Thus far the economic crisis has not harmed U.S. relations with China and Russia. Beijing has in fact scored diplomatic points by promising not to devalue its currency, and Washington and Moscow are still working hard to maintain a cooperative relationship despite the eastward expansion of NATO. But these are not grounds for complacency. Although China may have escaped the East Asian contagion, its financial system remains shaky. Russia is still struggling to revitalize its economy, and the financial problems in East Asia may inhibit the flow of much-needed foreign capital into Russia. Given the fragility of democratic institutions in Russia and the difficult political transition still ahead for China, prolonged economic stagnation in East Asia that has an enervating effect on the world economy as a whole will make it that much harder to establish the domestic political foundations for great power cooperation.

Viewed more optimistically, the security risks from the regional economic turmoil may in fact be impelling the major powers to push ahead on improving bilateral relations. Washington and Beijing appear eager to keep their relationship on an upward track. The recent decision to resume the cross-strait dialogue between China and Taiwan will further ease U.S.-Chinese tensions. Not to be left behind diplomatically, Japan and Russia have agreed to develop jointly the disputed "northern territories" and sign a peace treaty by 2000. Japan and China have also revived their ties after a period of tension over China's nuclear tests and Japan's decision to strengthen its defense partnership with the United States. This diplomatic pattern of "concerted bilateralism" could give the region the necessary resilience to weather the East Asian economic crisis in a spirit of cooperation rather than conflict. ■

