

# Asia Is Still Our Future

WALTER F. MONDALE

In one of the few recent books on Indonesia, *A Nation in Waiting*, author Adam Schwarz writes: "With over 180 million inhabitants, Indonesia's population trails only China, India, and the United States. And yet . . . Indonesia is all but invisible to most of the West and only scarcely better understood in Asia."

This year, that otherwise low

profile rose dramatically as stories about the economic crisis in Indonesia became a fixture in the international press. In early March, when I traveled to Jakarta as President Clinton's special envoy to President Suharto, I had the opportunity both to witness and to participate in the world's new-found interest in Indonesia.

Everyone is now well aware of the economic troubles in Indonesia and throughout much of

Asia, a region heretofore known for its awesome economic growth.

Beginning last summer, turmoil in the Asian financial markets pushed that region into its most serious crisis in decades. With stunning and unexpected speed, the crisis drove many economies, especially Thailand, South Korea, and Indonesia,

from robust growth to recession—at a time when Japan's economy had been in the doldrums for most of the 1990s.

The crisis in Asia was triggered by vulnerabilities in the economic and political systems of these countries—including chronic overcapacity in production, expensive but unneeded infrastructure projects, rampant corruption, massive corporate and bank debt, and overdependence on foreign capital. The problems proved much worse than anyone anticipated and, when exposed, caused a rapid erosion of confidence in the Asian economies.

We suffered the rude discovery that the financial systems which had fueled the early dramatic economic growth of these nations proved inadequate when it came to managing the much more complex and sophisticated economies that had developed.

The rest, as they say, is history.

What happens next in Asia is a matter of great concern. My years as U.S. ambassador in Japan convinced me of the centrality of Asia to the future interests of the United States and the world. Asia constitutes an ever larger share of the global economy, and it has been a rapidly growing market for American exports. Despite this current setback, Asia is still our future.

The main actors in Asia's economic recovery must be the Asian nations themselves, especially Japan (with an economy twice that of the rest of Asia combined). But,



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as the largest economy in the world and one that itself belongs to the Asia-Pacific region, the United States must do its part to ensure that this drama will not have a tragic ending.

I am old enough to have lived through three major wars fought by Americans in Asia. If the region's economic problems persist, they could feed into social unrest, political instability, economic rivalries, and territorial disputes. All would exacerbate the potential in the region for serious confrontation, even armed conflict, that would inevitably affect American interests.

We also have a moral obligation to see that the people of Asia are not left to the mercy of economic troubles not entirely of their own making. After all, many in the West—governments, investors, the media—helped foster the environment for Asia's sharp reversal of fortunes. Eager to proclaim Asia an economic miracle, we all too gladly overlooked the region's vulnerabilities and helped overheat its investment climate. Now, as many in the West are quick to declare Asia an economic disaster area, we run the risk of unwisely deserting these countries, many of whose economic fundamentals remain solid.

In response to the crisis, the International Monetary Fund and the major economies of the world have urged the troubled Asian economies to take steps to restore stability and establish the foundation for sustained economic recovery.

Full recovery in Asia will require vigorous American leadership, especially in multilateral institutions such as the IMF. The IMF's financial assistance has provided much-needed breathing room for Asia's economies and has been essential leverage in persuading these countries to accept major domestic reforms. The reforms, if fully imple-

mented, offer Asian economies their best chance to resume impressive growth on a sustainable basis.

But America's hesitant, miserly posture in meeting our commitments to the IMF threatens to put the vulnerable Asian economies at further risk. It also undercuts America's indispensable leadership role throughout the world. Experts can argue about details, but to the extent that the IMF needs to improve its procedures and programs, the United States is better served if we keep our credibility and voice within the institution by making good on our commitments to it.

It does neither Asia nor the United States any good for us to withhold support for the IMF in the midst of a crisis. As Treasury Deputy Secretary Larry Summers recently noted, it makes as much sense as canceling a life insurance policy after being diagnosed with a serious illness.

In addition to U.S. leadership, full recovery in Asia will require a growing and more open Japanese economy. Just as the open, growing U.S. market proved crucial to Mexico's recovery several years ago, Japan must provide the same leadership for Asia.

The basic challenge posed by the economic turmoil in Asia remains: will these nations move ahead with market-oriented reforms and accept the discipline that comes from international competition and integration with the global economy? Or will they simply tinker around the edges of the problem, leaving in place the "crony capitalism" that led to their troubles? This is not a minor question. Real reform will mean not only making big economic changes, but also departing from deeply entrenched political and cultural practices.

Blessed are the uses of adversity, Shakespeare once wrote. If Asia's financial crisis does lead to funda-

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mental reform, it may well prove a blessing in disguise. Reform would not only restore stability and ensure recovery from the crisis, but also put these nations on the path to sustainable economic health. In turn, this would promote a more open system of global trade and finance that would be a boon for the United States and the rest of the world as well. ■