

Singapore and the Region

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Introduction

I was asked to share some of my perspectives about Singapore and the region. This will draw from my work not so much as a member of the Singapore Parliament, but as chairman of the Singapore Institute of International Affairs and of the ASEAN-Institutes of Strategic and International Studies. The SIIA and its partners play a role in what is called, "track 2" diplomacy. We offer analysis, criticism and suggestions to ASEAN. One of the major initiatives we have proposed in the past that was adopted is the ASEAN Regional Forum, now the main multilateral security dialogue in the region. I should say before I begin that my speech does not reflect the views of the Singapore government, especially not any jokes I might tell.

The Region Today

I was also asked, I should add, to say something good about the region. This may well be a short talk. Most believe that for the worst of the crisis is over for most countries in the region. Yet, if we watch only CNN, it would be very easy to throw up your hands about ASEAN at this moment. In Indonesia, there are no signs of a real and sustainable economic recovery. Troubles and conflicts flare up across the archipelago. Separatist movements in West Papua and Aceh are causes of concern. So too is the violence in the Maluku and West Timor. The fires in Indonesia that enveloped the region in clouds of haze in 1997 and 1998 have recurred, off and on, in 1999 and again this year, although with less intensity. Either the government cannot control these different situations or does not want to. I cannot decide which is worse. Indonesia is in the midst of great change and it is of course wrong to expect rapid growth and a return to the Indonesia of old. But even basic confidence and stability have yet to return. President Wahid's honeymoon period is over but yet there is no clear leadership and no clear alternative leader. More, recent anti-US sentiments are a cause of concern. These may signal a rise in narrow nationalism and xenophobia.

Elsewhere, the Philippines, initially spared much of the crisis, has new troubles with problems in the South have escalated and corruption allegations against President Estrada. Nor are the Philippines and Indonesia are not the only countries facing political and economic challenges in tandem. Nor are they the only ones with questions over their leadership. South Korea seems a more successful story of transformation after the crisis. However, even there, reforms seem to have slowed and while people are proud of President Kim winning the Nobel Peace Prize, a growing number see him as more popular abroad than at home. In some countries, there is open and often violent confrontation for change. In other countries, the needs for change and reform are more muted and disguised. This political upheaval has economic dimensions.

In Myanmar and much of Indo-China, the gradual opening promised in the 1990s has all but stopped. There is a palpable withdrawal from outside influence and the changes in economic and political upheavals that are likely to come. Trade and investment have suffered because of this.

The Context of X

Yet while these troubles are real, we must see them in context. First, some of the problems I have touched on are relatively containable and need not affect the region as a whole. Indonesia is an archipelago that stretches from London to the Hindu Kush. Troubles in one Indonesian island must be seen in light of this fact. It is a bit like wondering about troubles in Chechnya when you are sitting in New York. Even though there is increased interdependence in ASEAN and Asia, such problems need not be a contagion that will affect the whole region nor affect the financial capitals.

Second, we have to understand the crisis as a transformation of society and politics. The last two years have been short but intense. What has happened is not simply a blip on the chart of growth. We are not going back to what was before and resume things as nothing ever happened. Some things have broken and will not be the same again. This debate about the recovery is often made in terms of capital letters.

In the crisis, we hoped for a V shaped recovery. We feared either a U shaped recovery with a broader and longer bottom point. Worst, an L shaped pattern in which you got down and never come again. If you look at some indicators, and the relatively short 18-24 months of actual crisis, many argue that the V shape has been the outcome. That's the common view.

But let me add more letters. We should not however forget that in the English alphabet, V comes before W. Market fluctuations, often in response to external impacts, continue. Much, too much, depends on the USA. I myself believe that what we are experiencing goes beyond W. There is an X, the next letter.

The X represents the greater more diversity and complexity now between different countries and sectors and companies in the countries. Some are going to be down and stay down. Others may go down and up. Still other sectors are going to go up and may well keep going up. X is the coming pattern not only because we are emerging from a crisis but because we are entering a much more competitive global market place. In this regard, there is unlikely to be an Asian miracle in which all or nearly all of us prosper. There are going to be winners, true. But, with globalization and increased competition, more than ever, there will also be losers. The challenge therefore is to pick the winners or, indeed, be one yourself.

Winners and losers will, however, share the same societies or regions. How we adjust and accommodate each other in a world of starker differences will be another challenge. This is especially for countries. Unlike companies, there are limits on the rights of one to sue another or make a hostile takeover, and no court for a country to file for bankruptcy and judicial management. Cooperation remains the essence of international relations. In ASEAN, member states range from the rich like Brunei and Singapore to some of the poorest countries in the world, like Laos. This challenge of cooperation is therefore very real in the world of starker differences and global competition.

Some Good News

After all that, what good news can I offer you? First, in post-crisis Asia, democracy is now an undeniable factor. Into the 1990s, many had propounded "Asian values" as part of the region's economic miracle. The crisis exposed the corruption, cronyism and poor governance that often hid behind that label. Democracy is of course no panacea. Indonesia, the prime example of transition, continues to face a historic transformation in politics and its economy. If she can consolidate democracy and provide good governance, this would be of great consequence. With Thailand and the Philippines, the ethos of governance in ASEAN would shift. Together with Japan, South Korea, Taiwan and India, a considerable balance of Asian societies will be visibly democratic for the first time in history.

The second good news is that there is an increasing recognition of the problems and challenges, and a greater recognition of interdependence and the importance of cooperation. ASEAN plans in economic cooperation aim to keep group relevant, united and competitive. Despite the crisis, for example, the ASEAN Free Trade Area has advanced its deadlines. The headlines has emphasized the Malaysian

decision to protect their motorcar industry, and this has been a setback, but this should not disguise the fact that AFTA has helped in a wide range of sectors. Domestic reform by the different countries is the key to further advance in such schemes. Where reforms are stalled, regional cooperation must inevitably slow.

However, there are examples where regional cooperation has advanced. One example is the establishment of an ASEAN Troika of ministers as a means to give more timely response to urgent needs. Another are the recently announced plans to address the issue of drugs in Myanmar. The drug problem is now recognized to affect neighboring states in ASEAN as well as China. An action plan by these states within a UN framework. can be a good start not only to deal with the issue, but to enter into a coherent, firm and disciplining form of engagement with that country. The third and strongest sign of increased regional cooperation is the ASEAN plus 3 process, by which the ASEAN-10 meet with the East Asian 3 of China, Japan and South Korea. Building on an earlier ASEAN framework, these 13 countries of North East and South East Asia have come together to agree on the Chiang Mai initiative. There will be surveillance and peer review of macro economic and financial policies. There are also arrangements for short term currency swaps to try to deal with currency fluctuations. The region has been united by the contagion of the crisis. It will now use these measures to head of a possible recurrence of one of the crisis' trigger factors.

From this, ASEAN will be more of an institution and Asia more of a region. No one should pretend there are no difficulties. But too many fail to see the efforts made to address the challenges and the underlying potential of ASEAN and Asia.

What Can We Do Together

What can our countries do in this context, separately or together? Foreign investment and trade in business will be critical for recovery. Yet it may perhaps also be criticized. In this context, preaching and forcible intervention might be avoided. Engagement, investment and trade will be more welcome. More than that, however, may be needed and can be helpful to strike a balance between disinterest and banging the table themselves to demand reforms. Companies and business leaders should recognize the leverage of incentives and the responsibility of their investments.

Take for example, the fires in Indonesia. Their primary cause is not the weather or an act of God. They are the result of deliberate actions and policies to emphasize plantation development and logging. Larger companies profit. Corruption closes the official eye to the illegal use of fire. There is international demand for palm oil, logs and forest products, and there is often regional and international funding involved. In these circumstances, international financiers, traders and investors are well placed to choose their investments in companies that will not use fires and cause pollution. They should do this for ethical reasons, and for the people of Indonesia and the region who suffer from the pollution. They should also see the risk to their own reputations if found out by environmentally conscious groups and investors.

Singapore as a Partner and Coalitions of the Willing

What can Singapore do in all this? We are after all, only a small island on the edge of a large continent. Singapore will of course work to make ASEAN better. It will also do what it can in the larger multilateral fora of the Asia-Pacific and in world bodies, such as the WTO and UN. We try to provide good ideas for ASEAN. We will soon serve on the UNSC. But we must be realistic about what a small state can do. We should therefore see that bilateral relations and arrangements can help the larger, multilateral processes. This is the belief that has led us to first study and now begin to negotiate the Japan-Singapore Economic Partnership Agreement. It was my privilege to serve on the study team for this and join in some of the recent meetings between the two PMs. This partnership with Japan is of course not our first. Nor will it be

our last. We have signed with New Zealand and there are possible discussions with Canada, Mexico, and may be South Korea and Australia too.

It is my belief that this bilateral can help not just the two countries involved, but Asia and even the world trading system. The larger institutions that are stalled, the emergent X of diversity I see in the region coming out of the crisis, and the doubt of others about reform and future direction: All of these will make coalitions of states who are willing and able to go forward in advance increasingly important. I hope that we will find good partners and friends among the many countries represented in the room to go forward together.

Simon SC Tay is chairman of the Singapore Institute of International Affairs and member of the Parliament, nominated by the public and confirmed by the President. He teaches international law at the National University of Singapore. Currently, he co-chairs an eminent persons group on ASEAN-Japan relations and also chairs the network of ASEAN-Institutes of Strategic and International Studies. The World Economic Forum (Davos) has listed him as one of 100 Global Leaders of Tomorrow.