

Regional Institutions in East Asia after the Financial Crisis: Challenges and Opportunities

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The East Asian financial crisis that began in Thailand in July 1997 has not only provided the region with lessons for how to avoid similar crises in the future, but has also provided opportunities for improving the region's peace and security. The ASEAN Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC) have been regarded as the two most important regional institutions regarding security and economic issues respectively in the Asia-Pacific. Within these two institutions, the Association of Southeast Asian Nations (ASEAN) has played a significant role. The financial crisis has brought a deep impact on the region's economic security and political stability. Important is for ASEAN to take a flexible approach of engagement to regional affairs and to install concrete measures in these two institutions that will help prevent similar crises from recurring in the future.

KEYWORDS: ASEAN; ARF; APEC; AMF; East Asian financial crisis

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The oft-cited "Asian Miracle," a phrase used to refer to East Asia's rapid economic growth and prosperity, was hit hard by the financial crisis that erupted initially in Thailand in July 1997. The endemic financial prob-

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lems quickly spread to and deeply weakened the economic power of many countries in East Asia. A number of members of the Association of Southeast Asian Nations (ASEAN)—Thailand, Malaysia, and Indonesia in particular—have suffered greatly. In turn, the political stability, international status, and military modernization programs of the region's countries have also been adversely affected by the crisis. Many have had to cut further into their military spending, a budget which had heretofore expanded in the face of the reality that China has made no bones about its claims to sovereignty over the Spratly Islands in the South China Sea.

Since the financial crisis began in July 1997 in Thailand, the East Asian region has undergone dramatic political and economic changes. Former opposition leader Kim Dae Jung was inaugurated on February 25, 1998 for a five-year term as president of South Korea, completing the first transfer of power from a ruling to an opposition party in South Korean history. Suharto resigned as president of Indonesia on May 21, 1998, ending his thirty-two-year hold on power in Indonesia. The interim president B. J. Habibie decided not to run for the presidency himself. The newly elected Indonesian President Abdurrahman Wahid promised to usher his country into a new era. Joseph Estrada, the candidate for the opposition Struggle of the Nationalist Filipino Masses, having won the election, was sworn in as president of the Philippines on May 29, 1998.

The East Timorese, in a UN-organized referendum, chose independence on August 30, 1999. Before and after the referendum, East Timor was locked in violent conflict between the pro-independence militia and pro-Jakarta militia backed by Indonesian soldiers. Not until Jakarta requested UN forces step in on September 20 was order restored to East Timor. Although it may be premature to predict where these changes in East Asia's regional environment will lead, the political and strategic implications of the financial crisis should not be ignored. In particular, since the end of the Cold War, Asia has remained the only region in the world where military expenditure increased by 27 percent in real terms over the decade from 1989 to 1998.¹

¹SIPRI, "Military Expenditure 1999," available at <http://projects.sipri.se/milex/mex_trends.html>.

Despite its impressive economic growth and development over the past decade, and because of the region's diversity in ethnicity, religious affliction, political and economic systems, historical enmity, and territorial disputes, East Asia has often been regarded as a region full of potential violent conflicts. The financial crisis has even deepened the major concern regarding the likelihood of regional conflicts over various issues including territorial disputes in the South China Sea. To accommodate the new economic, political, and security situations in East Asia, nations in the region seem to have begun to embrace the idea that an American presence in the region should be regarded as a stabilizing factor.

This paper aims to identify some of the major political, economic, and security changes in the region after the financial crisis. The paper also attempts to draw out some of the lessons from the financial crisis and will also examine the strengths and weaknesses of the two most important regional institutions regarding security and economic issues—the ASEAN Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC)—in the aftermath of the financial crisis. Because ASEAN has played a significant role in both the ARF and the APEC, the paper will examine the Association's role during and after the financial crisis. The goal is to further explore the question of whether and how the financial crisis has brought countries in the region closer together in cooperation to deal with regional security and economic issues.

A Changing Political and Security Environment

The financial crisis has intensified rivalries between big powers in the region. China and the United States in particular seem to have reoriented their fundamental perception of and policies toward the region. Countries in the region in general, and those affected by the financial crisis in particular, were also eager to strengthen their relations with the big powers in order to ensure and hasten their economic recovery. To ensure the progress of its economic recovery, for instance, Thailand has cultivated its relations with China. With exports hampered by the financial crisis, Thailand asked China to import more of its agricultural products. Beijing has agreed to

barter Chinese goods, such as corn and chemical fertilizer, for Thailand's rubber and rice. Furthermore, China also agreed to let Thailand defer over a ten-year period payment on arms that Thailand would purchase from China.²

China had a few important strategic reasons for cultivating better relations with Thailand. First, China needs support in the ARF on issues such as Taiwan unification, the presence of American military forces in the region, and territorial disputes in the South China Sea. Second, from the Chinese point of view, Thailand could serve as an important bridge to the rest of Southeast Asia.³

Despite all the efforts that both China and Thailand have made to improve their relations after the financial crisis, however, there are still political and economic barriers to be overcome in order to improve Chinese-Thai relations in the future. For Thailand, China is not as strong and attractive as the United States as far as capital investment in Thailand is concerned, not to mention the fact that Thailand is a military ally of the United States. According to one report, the United States has invested 34.5 billion baht (US\$890 million) in Thailand since the start of 1998, whereas Chinese investors committed less than US\$15 million in the same period.⁴

With regard to the role of the United States in East Asia, bilateral security relations between the United States and Southeast Asian nations after the financial crisis have also undergone a significant change. For instance, in January 1998, Singapore and the United States signed a new military agreement in which Singapore would allow U.S. battle ships to dock in and use the facilities of the country's newly constructed naval port at Changi. In a military agreement between the Philippines and the United States, the Filipino government has agreed to allow U.S. naval vessels to dock or make port calls at its naval bases. Thailand, Singapore, Malaysia, and Indonesia have all held either a bilateral or a multilateral military exercise with the United States in the past year. The United States and In-

²Michael Vatikiotis, "A Friend in Need: Thailand Cozies up to China and India—with Strategic Implications," *Far Eastern Economic Review (FEER)*, July 10, 1997, 29.

³*Ibid.*, 29-30.

⁴Bruce Gilley and Shawn W. Crispin, "Gone Courting," *ibid.*, September 6, 1999, 20.

Indonesia held their regular Cooperation Afloat Readiness and Training (CARAT) military exercises during August 11-25, 1999. The joint military exercises, code-named CARAT-5/99, involved a total of 1,600 Indonesian marines and 1,500 U.S. Marine Corps personnel and three warships from the Seventh Fleet of the United States.⁵ The United States and Vietnam have also tried to improve their relations ever since both sides established diplomatic ties in 1995. As President Bill Clinton has espoused in his idea of a "New Pacific Community," Southeast Asia is important to the overall American strategy for maintaining peace and stability in the Asia-Pacific region.

In addition to the rivalry between the United States and China, intra-regional bickering may pose a challenge to the unity of ASEAN and to regional institutions. In April 1999, because of conflicts over fishing, the warships of Thailand and Myanmar (Burma) engaged in gunfire exchanges in the Gulf of Thailand.⁶ In addition to this, according to one report, Thai troops exchanged artillery fire with Myanmar soldiers because of the incursion of Myanmar troops into Thailand's Mae Hong Son province. Partly in response to Myanmar's border incursion in that region, Thailand and the United States began, on October 18, 1999, their month-long Balance Torch 00-1 joint military exercise in the province.⁷

Some Malaysians have expressed concern that any move by the United States to exploit its ties with Singapore to the detriment of other countries in the region could consequently endanger regional stability. Yet, according to Malaysia's Defense Minister Datuk Seri Syed Hamid Albar, the presence of the United States contributes significantly to the region's stability.⁸ Singapore's Senior Minister Lee Kuan Yew said in an interview that great disorder in Asia would occur should U.S. troops withdraw from the region. According to Lee Kuan Yew, not only would Japan rearm—

⁵"Indonesian Navy Began to Move," *Asia-Pacific Defence Reporter*, October/November 1999, 22-23.

⁶"The Royal Thai Navy: Progress or Stagnation?" *ibid.*, August/September 1999, 12.

⁷*Taiwan News* (Taipei), October 20, 1999, 4.

⁸Brendan Periera, "[Kuala Lumpur] Paper Raps [Singapore] Move to Allow U.S. Use of New Changi Base," *Straits Times* (Singapore), February 1, 1998, at <<http://www.singapore-window.org/80201st3.html>>.

perhaps even with nuclear arms—but China would also follow by strengthening its own arsenal as well. Under these circumstances, the region would be in disarray. To preserve regional stability, therefore, Lee also personally favors the presence of U.S. forces in the region.⁹

With regard to the question of East Timor, the killing of several hundred East Timorese by Indonesian soldiers and militia has received great attention in the international community. The Clinton administration imposed an arms embargo on Indonesia, and by doing so, tried to press the Jakarta government into allowing UN troops onto East Timor soil as a peacekeeping force to ensure the safety of East Timorese.

The financial crisis has also provided the United States with opportunities to strengthen relations with the countries of the region through economic aid. In particular, the United States has been able to provide economic aid to nations in the form of rents for their port facilities and joint construction plans. This development has generally been quite contrary to the belief that China has been gaining the upper hand vis-à-vis the United States in cultivating relations with countries in the region in the wake of the financial crisis.¹⁰ During the Asian financial crisis, China tried to project itself as a responsible member in the region by claiming to not want to devalue the *renminbi*. However, at the same time, China became more assertive in demonstrating its will to use force if necessary to resolve territorial disputes in the South China Sea. Some have suggested, therefore, that China's gain as a responsible regional power would diminish rapidly should China become more assertive in its territorial claims on the reefs and atolls of the South China Sea.¹¹ In July 1999, China agreed in principle to support ASEAN's initiative for creating the Southeast Asia Nuclear Weapon Free Zone. Moreover, China also agreed to discuss with ASEAN a code of conduct for the South China Sea and its disputed reefs and atolls.¹²

⁹"The Lion in Winter," *FEER*, November 11, 1999, 26-28.

¹⁰Paul Dibb, David D. Hale, and Peter Prince, "The Strategic Implications of Asia's Economic Crisis," *Survival* 40, no. 2 (Summer 1998): 5-26.

¹¹Amitav Acharya, "Realism, Institutionalism, and the Asian Economic Crisis," *Contemporary Southeast Asia* 21, no. 1 (April 1999): 7.

¹²Susan V. Lawrence, "Yearning to Lead," *FEER*, September 16, 1999, 18-19.

One of the major barriers that may lay ahead for the process of confidence building in Asian security is the vacillating relationship between the United States and China. China has made no bones about its unhappiness over America's interference in China's unification disputes with Taiwan and in issues involving the South China Sea. The bombing of the Chinese embassy in Belgrade in May 1999 by U.S.-led NATO forces has further damaged the relationship between the two countries.

However, ASEAN countries should not be too self-assured until China becomes more candid about its security strategy toward Southeast Asia. ASEAN will not be pleased to see that China dominates the region even though Southeast Asian leaders may not think that China is a threat to ASEAN. During the Cold War, China supported communist insurgencies in Southeast Asia and still has territorial disputes in the South China Sea with a number of ASEAN countries. Having achieved continuous and high economic growth in the past decade, China has become more confident in the development of its blue-water naval forces, a factor which would give China the capacity to project its forces offshore, in particular to conflicts in the South China Sea. Given all these factors, as far as the region's peace and security are concerned, ASEAN seems to have every right to express concern about China's intentions and long-term strategy toward the region.

The financial crisis seems not to have alleviated the disputes between a number of ASEAN members and China over the Spratly Islands and the unsettled reefs and atolls of the South China Sea. The disputed issues will also affect both the unity of ASEAN as well as the Association's relations with China. The Manila ASEAN-China summit in November 1999 has not reached an agreement on a code of conduct concerning the unsettled territories in the South China Sea. The proposed code would ask all the claimants to renounce the use of force or the threat of force over unsettled territories in the Spratlys. Reports have held that a main reason for the failure to achieve an accord was that China opposed the inclusion of the Parcel Islands into a multilateral dialogue suggested by Vietnam.¹³

Moreover, China has refused to treat the disputes over the Spratlys as

¹³Rigoberto Tiglao, "A Storm at Sea," *ibid.*, December 9, 1999, 24-25.

a multilateral issue. On the contrary, China has tried to resolve the disputes bilaterally.¹⁴ Yet before ASEAN members can take a unified stand to deal with China on the issues of the South China Sea, they may have to settle the differences between themselves on the very same issues first. In October 1999, the Philippines issued a protest to Vietnam over that country's construction of a three-story structure on Tennent reef, one of the Spratly Islands.

Military Expenditure

As the region's financial crisis deepened, military programs as well as arms acquisitions and training activities were reduced throughout the countries of Southeast Asia. In December 1997, the Thai government announced a 30 percent cut in defense expenditures for the year 1998. Thailand also canceled the purchase of eight F/A-18 Hornet fighters worth US\$392 million and has planned to make a 20 percent cut in military personnel by putting an end to military conscription. According to one report, whether the Royal Thai Navy can continue to maintain its effectiveness of operation in the Gulf of Thailand and the Andaman Sea will, to a large extent, depend on the assets and personnel that it needs for the operation. The financial crisis has made the Royal Thai Navy cut into a number of its programs.¹⁵ In the same month, the Malaysian government announced plans to reduce its defense budget for 1998 by 10 percent and defer procurement plans for various military armaments.

The Indonesian government has also cut its defense budget drastically, by as much as 50 percent for 1998, and was thus forced to cancel the purchase of Su-30 fighters from Russia and a number of submarines from Germany.¹⁶ Singapore, largely unaffected by the financial crisis, unveiled

¹⁴"Calming the Sea of Troubles," *The Economist*, November 6, 1999, 32.

¹⁵See note 6 above.

¹⁶Acharya, "Realism, Institutionalism, and the Asian Economic Crisis," 13; Graeme Cheeseman, "Asia-Pacific Security Discourse in the Wake of the Asia Economic Crisis," *The Pacific Review* 12, no. 3 (1999): 339-40.

its defense budget in February 1998, indicating a boost in the country's defense spending from 4.4 to 4.6 percent of the gross domestic product (GDP).¹⁷ Singapore considered that any reduction in defense spending would undermine its deterrence posture, especially at a time of uncertainty caused by the financial crisis.¹⁸

The crisis has forced some governments in the region to slash military budgets by up to 25 percent.¹⁹ However, Indonesia and Malaysia are the only countries that have made significant reductions in their military expenditures and they are not likely to increase their military expenditures in real terms in the near future.²⁰ Nevertheless, the share of GDP spent on military activities even went up in South Korea and the Philippines.²¹ Overall, military expenditures in East Asia between 1997 and 1998 increased from US\$115 billion to US\$116 billion.²²

Yet, reductions in military expenditures in countries affected by the financial crisis do not necessarily mean a strengthening of regional security. On the contrary, in safeguarding their own national interests, countries in the region have relied more on emphasizing military ties with big powers. The resumption of military activities in the region seems to have reflected this fact. Moreover, security issues, de-emphasized in previous ASEAN annual meetings, have regained importance in the Singapore 1999 ASEAN conference held by the foreign ministers of member states. The financial crisis has aroused concern over an altered balance of power in East Asia.

¹⁷S. Jayasankaran, "Malaysia Shuns Annual Military Exercise," *FEER*, September 3, 1998, at <<http://www.singapore-window.org/80903fe.html>>.

¹⁸Cheeseman, "Asia-Pacific Security Discourse," 342.

¹⁹Thaksina Khaikaew, "Arms Race Picks Up in S.E. Asia," *Taiwan News*, August 29, 1999, 7.

²⁰*SIPRI Yearbook 1999* (London: Oxford University Press, 1999), 287-88.

²¹*Ibid.*, 287.

²²Figures are at constant 1995 prices and exchange rates. See SIPRI, "Military Expenditure," at <http://projects.sipri.se/milex/mex_wnr_table.html>.

Changes in the Regional Economy

Having made such impressive improvement toward economic recovery by the fall of 1999, Thailand no longer needed to rely on further financial assistance from the International Monetary Fund (IMF). According to one report, Thailand has used US\$14.1 billion of the US\$17.2 billion emergency rescue packages offered by the IMF and other international financial institutions, including the World Bank and the Asian Development Bank.²³ The Thai Senate defeated measures for privatization and other legal regulations proposed by the Chuan Leekpai government. Such internal politics may keep Thailand from receiving further financial assistance from the IMF and hamper the inflow of foreign capital, both of which are considered important to Thailand's further economic recovery.²⁴

In 1998, the inflation rate in Indonesia reached 40.6 percent. Over 15 million Indonesians were unemployed and more than 80 million were living under poverty conditions in 1998. Indonesia has undergone a peaceful transition of political power, with President Wahid placing economic recovery as a top priority for his new government. The forecasts for the Indonesian and Malaysian trade balances in 1999 are around US\$24.6 billion and US\$18.1 billion, respectively.²⁵ South Korea is also on the way to a return of economic health. Still, the overall recovery of the region's economy will be an incremental process. The external debts of the affected economies remain at over several billions of dollars.

Non-ASEAN members have also felt the pain of the financial crisis. Suffering its own economic slowdown at home, Japan slashed its investment abroad by almost one half in 1998. Since 1995, Japan has taken US\$108 billion in bank loans and investment funds out of Southeast Asia. Moreover, Japan's direct investment in Thailand and Indonesia in 1998 was estimated to have decreased sharply from 71.66 percent and 75.45 percent

²³ *South East Asian Monitor (SEAM)*, November 1999, 7.

²⁴ Paul Dibb, David D. Hale, and Peter Prince, "Asia's Insecurity," *Survival* 41, no. 3 (Autumn 1999): 9.

²⁵ *SEAM*, November 1999, 3, 5.

for the previous year, respectively.²⁶ Many predict that Western countries may replace Japan as the top capital provider to many Southeast Asian countries in the future. Accordingly, Japan's economic influence in the region is considered to be on the wane in the region of Southeast Asia.²⁷

Even Taiwanese investment in China, compared to the amount invested in 1998, fell nearly 25 percent in the first nine months of 1999. The Investment Commission of the Taiwanese government approved 360 investment projects worth US\$867.5 million in that period. The reasons for this slowdown in investment in China included unstable relations between Taiwan and China and a worsening investment climate for China.²⁸ Taiwan has some 30,000 firms in China, investing over US\$40 billion over the past decade.²⁹

Taiwan's exports to the primary ASEAN countries including Indonesia, Malaysia, the Philippines, Singapore, and Thailand dropped 26.3 percent over the first five months of 1998. Given the fact that Asian markets accounted for about 48 percent of Taiwan's total exports in 1997, the percentage drop was substantial. In addition, the value of the New Taiwan dollar dropped about 20 percent. Nonetheless, Taiwan's financial institutions and economic system were left largely unscathed by the crisis. Unlike countries afflicted by the crisis that had rapidly expanded their financial markets over the years (which tended to provide speculators with opportunities for grabbing lucrative profits), Taiwan cautiously tried to avoid excessive expansion of its financial markets. According to Taiwan's Finance Minister Paul Chiu, "What we learned is that the financial sector should not expand quickly, but should grow at about the same pace as the economy in general."³⁰

Given the weakening of Japanese economic influence in the region

²⁶Chyungly Lee, "Impact of the East Asian Financial Crisis on the Asia-Pacific Regional Order: A Geo-Economic Perspective," *Issues & Studies* 35, no. 4 (July/August 1999): 129.

²⁷Wayne Arnold, "Japan's Regional Influence Seen Waning," *Taiwan News*, December 26, 1999, 7.

²⁸*Ibid.*, November 9, 1999, 13.

²⁹*Ibid.*

³⁰See <<http://www.scmp.com/Special/AsiaChallenge/>>.

and the inability of APEC to deal with the financial crisis, the economic influence of the United States in the region has grown even stronger through its power in the IMF. Even the total percentage of East Asian exports to the United States has increased after the financial crisis.³¹ This indicates that the American market is as important to the East Asian economy as ever. The status of U.S. hegemony in the regional economy is also believed to have encountered no serious challenge from other countries in the region.³² Yet, the United States has not used its hegemonic capability to meddle with ASEAN's call for the economic integration of Southeast Asia.

At their December 1998 summit in Hanoi, ASEAN's leaders affirmed their commitment to regional economic integration, particularly to the ASEAN Free Trade Area (AFTA).³³ AFTA, set up in June 1991, aims to create a market of 450 million people in which there are no trade barriers and a free flow of goods, services, investments, and capital by the year 2020. With the entrance of Cambodia into ASEAN in April 1999, ASEAN now has ten members and has taken further steps to the attainment of the well-known "ASEAN Vision 2020," which was adopted at the ASEAN summit held in Kuala Lumpur in December 1997.

According to the leaders' statement of December 1997, "That vision is of ASEAN as a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies."³⁴ Secretary-General of the ASEAN H.E. Rodolfo C. Severino has said that the Hanoi Plan of Action and the Statement on Bold Measures are viewed as action plans for the early recovery of ASEAN's economies and the realization of the ASEAN leaders' Vision 2020.³⁵ The Hanoi Plan was agreed to in the

³¹Lee, "Impact of the East Asian Financial Crisis," 125.

³²Mark T. Berger, "APEC and Its Enemies: The Failure of the New Regionalism in the Asia-Pacific," *Third World Quarterly* 20, no. 5 (1999): 1023-26.

³³"ASEAN on the Road to Recovery" (Introductory Address by H.E. Rodolfo C. Severino, Secretary-General of the ASEAN, at the seminar on The Economic Crisis: Roads to Recovery, Kuala Lumpur, March 8, 1999), *ASEAN Economic Bulletin*, August 1999, 256-60.

³⁴*Ibid.*, 259.

³⁵For the context of the Hanoi Plan of Action, see "Hanoi Plan of Action," *ibid.*, April 1999, 106.

ASEAN summit of 1998.

The Role of ASEAN, the ARF, and APEC

ASEAN and the ARF

Since the end of the Cold War, the concept of multilateralism has also emerged in East Asia as a primary approach for dealing with regional problems. ASEAN, founded in 1967, has labored very hard to deal with regional problems without resorting to the use of force. Since the Association's inception, no ASEAN founding member has ever engaged in a military conflict with another. This fact again strengthens the principle of consultation and consensus that has underpinned the organization. Moreover, what has come to be known as the "ASEAN Way" has also been highly regarded as a "useful approach toward cooperative security in a non-Western and non-liberal setting."³⁶

ASEAN countries have been concerned about U.S. predominance in the region and in regional forums like the ARF. ASEAN countries realize that big powers still play an important role in shaping the region's security environment. To balance the power of a rising China, ASEAN countries have welcomed the continued presence of U.S. forces in the region. Yet, the military actions of NATO in Kosovo, led by the United States, were apparently in conflict with the ASEAN way of achieving consensus and principle of nonintervention in the domestic affairs of other countries. To prevent the United States and China from becoming too predominant or otherwise dwarfing the role of ASEAN in the region, the Association has allowed Russia and India to become dialogue partners as members of the ARF on regional security issues.

Not until the ARF was initiated in 1994 did the Asia-Pacific have a region-wide multilateral forum to discuss security issues of common concern to the region. The formation of the ARF has indicated that countries

³⁶ Amitav Acharya, "Collective Security and Conflict Management in Southeast Asia," in *Security Communities*, ed. Emanuel Adler and Michael Barnett (Cambridge: Cambridge University Press, 1998), 198-227.

in the region agreed at least implicitly that bilateral bickering and conflicts should no longer dominate interstate relations in the region. Since inception, ARF has attempted to work on the issues of sovereignty disputes on the reefs and atolls in the South China Sea—although progress has been slow. Among most of the claimants of sovereignty over the Spratly Islands, multilateral dialogue and cooperation seem to have replaced bilateral conflict as the commonly agreed approach toward territorial disputes. At the July 1999 ARF meeting in Singapore, for example, China agreed to consider a code of conduct proposed by the Philippines to regulate and facilitate maritime cooperation in the South China Sea.³⁷

Having traditionally focused on the discussion of confidence-building measures (CBMs), preventive diplomacy, and security cooperation, the ARF is regarded as being not institutionalized enough to deal with a region-wide socioeconomic crisis. However, many hold that economic development has been a pivotal force for stability in the region. The Chairman's Statement, issued on July 27, 1997 at the ARF's fourth meeting, stressed the importance of continuing economic growth and prosperity in providing the necessary foundation for regional peace and stability.³⁸ The fifth ARF meeting, held at the height of the financial crisis in Manila on July 27, 1998, was also reported to have discussed extensively the ensuing financial crisis. The forum stressed the impact of nonmilitary issues, including social and political problems caused by the financial crisis on regional security.³⁹ Regrettably, the ARF has not adopted measures to deal with regional economic issues that might affect regional security and stability. Many thus felt that the ARF should work with APEC to take measures for preventing similar economic crises from happening in the future.

To avoid both over-institutionalizing and interference by third parties, some ASEAN members have suggested that the proposed High Council

³⁷Robin Ramcharan, "ASEAN Regional Forum: A Pitfall in Pacific Asia's Security?" *World Affairs* 3, no. 3 (July-September 1999): 77.

³⁸"Chairman's Statement: The Fourth Meeting of the ASEAN Regional Forum," Subang Jaya, Malaysia, July 27, 1997, at <<http://www.dfat.gov.au/arf/arf4.html>>.

³⁹"Chairman's Statement: The Fifth Meeting of the ASEAN Regional Forum," Manila, July 27, 1998, at <<http://www.dfat.gov.au/arf/arf5.html>>.

should be established. According to the articles of ASEAN's Treaty of Amity and Cooperation in Southeast Asia (TAC), the High Council of Representatives from contracting parties can convene and offer appropriate means to resolve disputes among member states. ASEAN members can bring disputed cases to the institution for assistance whenever bilateral negotiations fail. Such a High Council would be viewed as an attractive instrument by the International Court of Justice.⁴⁰

With their respective limitations, however, APEC and the ARF were unable to work together on the problems of the last financial crisis in the region.⁴¹ It may become more difficult for ASEAN to develop functions for preventing economic crises in the future if its traditional approach to consensus and noninterference in dealing with regional issues is to be upheld. Thai Foreign Minister Surin Pitsuwan suggested that member states should adopt a policy of "flexible engagement," which would permit member states to discuss the internal affairs of other ASEAN members if those issues were affecting the well-being of other members.⁴² Apparently, human rights records will be on the top of the list for open discussion if the new approach of "flexible engagement" is to be adopted. Yet, the Thai Foreign Minister's suggestion was unfortunately echoed only by the Philippines. U.S. Secretary of State Madeleine Albright has noted that the "Asian approach" remains the best and most effective way to security building in the region. She nonetheless disagrees with the notion that friendly assistance and advice to member countries should be viewed as interference in another nation's internal affairs. In her open statement to the fifth ARF meeting, Albright stated: "When we give assistance and candid advice to a neighbor experiencing an environmental crisis, as we have to Indonesia, we are not interfering in an internal matter, but dealing with a regional threat."⁴³

⁴⁰Ramses Amer, "Conflict Management and Constructive Engagement in ASEAN's Expansion," *Third World Quarterly* 20, no. 5 (1999): 1044.

⁴¹Dibb, Hale, and Prince, "The Strategic Implications of Asia's Economic Crisis," 18.

⁴²*Facts on File*, August 6, 1998, 535.

⁴³Madeleine K. Albright, "Opening Statement" to the Fifth Meeting of the ASEAN Regional Forum, Manila, July 27, 1998, at <<http://www.dfat.gov.au/arf/5opstat2.html>>.

With regard to regional diplomacy, ASEAN has long been perceived as embodying unity. To give but one example, China welcomed Indonesian President Wahid in his visit to Beijing in early December 1999 with it in mind that Indonesia has been a leader of ASEAN since its original inception.⁴⁴ China views ASEAN as playing an important role in maintaining the stability of the region and for that reason China needs strong ties with Indonesia to ensure regional stability. Furthermore, both sides agreed that human rights issues should not take precedence over the primacy of national sovereignty. Moreover, Myanmar, Cambodia, and Malaysia have either withstood criticisms of their human rights records or have upheld their own stances on human rights.

East Timor foreign minister-designate Jose Ramos-Horta opposed giving Malaysia command of UN troops in East Timor on grounds that Malaysia itself has poor record in upholding human rights for East Timor. He has also indicated that East Timor does not want to be part of ASEAN but would rather prefer to be part of the South Pacific Forum.⁴⁵

APEC

The APEC, established in 1989, was also criticized for its inability to deal with the financial crisis even though according to experts on economic affairs in the Asia-Pacific region, APEC was not created with the management of financial crises in mind.⁴⁶ Rather, APEC was created to promote economic cooperation among its members and to promote free trade in the Asia-Pacific through consensus achieved on an informal basis. Not until 1993 at the organization's inaugural summit in Seattle did members agree to establish a Committee on Trade and Investment aimed at the liberalization of trade and investment in the region. Since then, regional economic cooperation has become more institutionalized. Even though the financial crisis was regarded as having a great impact on the region's stability and security, APEC still makes regional economic cooperation its top priority.

⁴⁴FEER, December 16, 1999, 18.

⁴⁵Michael Richardson, "East Timor Leaders Oppose a Malaysian-Led Forces," *International Herald Tribune*, November 3, 1999, 1.

⁴⁶Matt Miller, "Where's Plan B?" FEER, December 4, 1997, 16.

Particularly before the 1997 financial crisis, many regarded APEC as a driving force toward establishing what President Bill Clinton had espoused a "Pacific Community." Nevertheless, as suggested by Ambassador Timothy Hannah, Executive Director of the APEC Secretariat, "APEC is not a rule-based grouping. Nor does it have a major resource funding."⁴⁷ During the financial crisis, APEC leaders met in Vancouver in November 1997. Yet, few programs with any substance were discussed during the annual meeting. APEC leaders simply acknowledged that the IMF would still remain as the main institution to deal with the region's financial crisis and asked APEC members to provide additional funding for the IMF's rescue packages.⁴⁸ The IMF, under the influence of the United States, still played an important role in pressing economic reform and trade liberalization in those crisis-inflicted countries. The November 1998 APEC meeting also failed to produce programs with substance to assist those debt-ridden countries.⁴⁹

APEC is now a group of twenty-one member economies. According to Ambassador Hannah, "APEC's present membership accounts for 55 percent of total world income [and] 46 percent of global trade."⁵⁰ APEC still plays an important role in promoting economic growth and trade integration in the Asia-Pacific region. Yet, in order to prevent similar regional economic crises from occurring in the future, helpful would be if APEC could form a standing committee to monitor the overall economic performance and development of the region. Many believed that economic development and the telecommunications revolution are powerful forces for the democratization of a country. Given the importance of China to the region's security and stability, some have argued that only by pursuing a policy of constructive engagement with China will the world's most populous country evolve toward democracy. As an organization whose primary objective is the promotion of regional economic liberalization, APEC is

⁴⁷Timothy Hannah, "The Role of APEC in the Asia-Pacific Region," at <<http://www.aped-sec.org.sg/whatsnews/speeches/specch11.html>>.

⁴⁸Miller, "Where's Plan B?" 16-17.

⁴⁹Murray Hiebert and Shawn W. Crispin, "Slow Train," *FEER*, November 19, 1998, 20-21; Berger, "APEC and Its Enemies," 1016-18.

⁵⁰See note 47 above.

regarded as a main instrument for integrating China.⁵¹

The Prospect of the Proposed Asian Monetary Fund

The IMF has extended loans to both Thailand and Indonesia. The IMF demanded that countries receiving loans from the Fund control economic growth, readjust their financial structure, decrease government spending, and reduce trade barriers. Because the IMF dictates policies of economic reform as a precondition, the IMF has become one of the main forces for economic and political instability in debtor countries.⁵²

In the past, tensions often existed between the IMF and borrower countries. The latter would criticize the IMF for the often stringent conditions attached to the loans, arguing that these demands would have a deep impact on the recipient's economic policies. For example, in a situation in which the IMF was apparently satisfied with South Korea's economic reform programs and South Korea was permitted to receive financial assistance packages from the IMF, then South Korean President Kim Young Sam conceded that his country had lost its economic sovereignty.⁵³ A research report released by the Council on Foreign Relations in the United States has called for the reform of the IMF aimed at encouraging crisis prevention efforts and promoting fair burden-sharing among debtors and creditors.⁵⁴

In September 1997, at a G-7 finance ministers' meeting, Japanese Finance Minister Hiroshi Mitsuzuka proposed the creation of an Asian Monetary Fund (AMF) as a means of dealing with the region's economic

⁵¹Tsutomu Kikuchi, "Toward Multilateral Initiatives: Can Japan and Australia Cope with an Emerging Asia Pacific?" in *Peace Building in the Asia Pacific Region: Perspective from Japan and Australia*, ed. Peter King and Yoichi Kibata (Sydney: Allen & Unwin, 1996), 20-24.

⁵²Wei Zhong, "Financial Crisis and New Changes of International Relations in Southeast Asia," *Dongnanya yanjiu* (Southeast Asian Studies) (Jinan University, Guangzhou), 1999, no. 2:50-51.

⁵³*Ibid.*, 38.

⁵⁴A Council on Foreign Relations Task Force, "The Future of the International Financial Architecture," *Foreign Affairs* 78, no. 6 (November/December 1999): 169-84.

crisis without yielding to the demands of austerity programs and economic restructuring programs attached to IMF loans. Despite the fact that Japan's initiative to create an AMF was welcomed by governments in Southeast Asia, the proposed AMF was not permitted to materialize for various political and economic reasons. Representatives from the United States, Europe, and the IMF were opposed to the idea on grounds that the large pool of money would become a target for speculators and might reduce incentives for affected countries to undergo the restructuring needed for their economic systems.⁵⁵ In particular, American officials argued that the proposed AMF's large pool of funds (US\$100 billion) would not only prevent governments from undertaking the economic reforms necessary to avoid recurrent crises, but would also expand Japanese influence in the region at the expense of U.S. interests.⁵⁶ Even though the idea of the creation of an AMF was again discussed before the November 1998 APEC meetings, the plan is nevertheless unlikely to materialize without support from the United States.

The 1998 ASEAN meetings, which were convened from July 23-30 in Manila, focused primarily on the past year's economic crisis. This was the first time that ASEAN ministers issued a statement urging both donor countries and international financial institutions to pay close attention to the social impact of these demands for economic restructuring in member countries receiving aid and loans. ASEAN ministers were particularly concerned about the plight of the underprivileged in societies where the governments had to carry out the lender's demands for economic readjustment.⁵⁷

The Asian financial crisis has also put bilateral relations in the region under considerable strain. The U.S.-Japan alliance is a case in point. The United States was dissatisfied with Japan's approach to assisting afflicted economies during the financial crisis. The United States would rather see

⁵⁵See "Chronology of the Asian Currency Crisis and Its Global Contagion," at <<http://www.stern.nyu/~nroubini/asia/AsiaChronology1.html>>.

⁵⁶Christopher B. Johnstone, "Strained Alliance: U.S.-Japan Diplomacy in the Asian Financial Crisis," *Survival* 41, no. 2 (Summer 1999): 125-26.

⁵⁷*Facts on File*, August 6, 1998, 535.

Japan open its markets and reform its economy than see Tokyo provide external assistance. On the Japanese side, Japan indeed felt that its emergency packages to countries afflicted by the financial crisis were not properly evaluated. The Japanese government, through bilateral ties and multilateral institutions such as the IMF, has to date provided a total of US\$80 billion in aid to those countries.⁵⁸ However, Japan was still seeking support for an AMF during the third ASEAN Informal Summit from November 27-28, 1999 in Manila. These ten ASEAN members met with Chinese, Japanese, and South Korean leaders, and by such a move South-east Asia and Northeast Asia were brought closer together.

Two major reasons can be attributed to the restored economic stability of countries affected by the financial crisis. First, international financial institutions such as the IMF, the World Bank, and the Asian Development Bank (ADB) have provided loans sorely needed by Indonesia and South Korea for the recovery of their economies. After the Indonesian government approached the IMF and the World Bank for financial assistance on August 8, 1997, the IMF along with the World Bank and the ADB approved a US\$23 billion financial assistance package to help Indonesia to stabilize the rupiah on October 31, 1997. Meanwhile, the U.S. government also agreed to loan Indonesia US\$3 billion to back the loan from the IMF and to stabilize the Indonesian currency. At the time, the Indonesian currency had depreciated in value against the U.S. dollar by 34 percent since the financial crisis had begun in July 1997.

Supported by the World Bank and the Japanese, West European, and U.S. governments, the IMF agreed to provide South Korea with a rescue package of US\$57 billion after South Korea decided to seek financial assistance from the IMF.⁵⁹ Second, a democratic and accountable government was regarded as a fundamental condition for economic recovery in countries afflicted with chronic financial troubles. The facts that both the Chuan Leekpai government of Thailand and the Kim Dae Jung government in South Korea were able to bring economic stability back to their respec-

⁵⁸Johnstone, "Strained Alliance," 125.

⁵⁹Shalendra D. Sharma, "Asia's Economic Crisis and the IMF," *Survival* 40, no. 2 (Summer 1998): 36-38.

tive countries were both considered cases in point.⁶⁰

According to ADB President Mitsuo Sato, some countries in the Asia-Pacific region will soon face difficulties in economic restructuring from a centrally planned to a market system with massive capital flows between private and public sectors. Against this background, the Asian Development Bank Institute (ADBI), with the support of the government of Japan, was created in December 1997 in Tokyo. The ADBI, a subsidiary body of the ADB, has an executive director, advisory group, and staff. The Institute's major objectives are to conduct research on many basic development issues and to provide advice to developing countries for their policy decisions.⁶¹

Opportunities to Strengthening Regional Cooperation

The Asian financial crisis has created more room for great powers such as China and the United States to maneuver in the region. Yet, there are worries that the security situation in the region has become more complicated. For fear of being saddled with conflicts caused by the rivalries between great powers in the region, Southeast Asian leaders felt that ASEAN did not need superpower involvement to guarantee the security of the region. Moreover, these leaders have asked the great powers to respect the spirit of the Zone of Peace, Freedom, and Neutrality (ZOPFAN), an accord signed by ASEAN leaders in 1971.⁶²

In fact, major regional economic organizations and security forums should work together. There should be consultation meetings held between the two on a regular basis. Major factors that are seen as imminent threats to stability and security in the region should be discussed at these types of meetings. Before the sharp devaluation of the Thai currency in mid-1997, reports held that senior IMF officials, including Deputy Managing Director

⁶⁰Ibid., 47.

⁶¹Mitsuo Sato, "ADB Institution Inauguration Statement of Press Conference," at <<http://www.adb.org/News/Speeches/sp971219.asp?id=1>>.

⁶²See note 8 above.

Stanley Fischer, repeatedly warned the Thai government and others in the region about serious economic issues and urged them to take measures to prevent an impending economic crisis.⁶³

In addition, some have argued that if regional institutions are to function effectively in the prevention and resolution of regional conflicts and disputes, they may have to take more concrete measures. As suggested by U.S. Assistant Secretary of State Stanley Roth, the ARF needs to be more institutionalized by setting up "a permanent clearing house or some type of secretariat to track, coordinate, and record the ARF's work." Regional institutions such as ASEAN and the ARF were largely criticized for their passivity in addressing the financial crisis. According to one report, however, the Asian financial crisis has made the ARF sessions in 1999 the most open and candid seen since the ARF held its first meeting in 1994.

Evidently, the "ASEAN Way" of noninterference in each member's internal affairs was particularly challenged by the financial crisis. A few members of ASEAN, Thailand in particular, called for the holding of more candid talks regarding regional issues that might intervene in other member's internal affairs. Supported only by the Philippines, the Thai proposal failed to get the approval of all ASEAN members. Facing these challenges, ASEAN has achieved a consensual approach known as "enhanced interaction." The new approach means "members are now free to raise issues regarding a country's internal affairs as long as these issues have an impact on other countries."⁶⁴ To achieve regional stability and security, members of the ARF may need to yield some degree of national sovereignty on issues that may affect the welfare of other members.

ASEAN members have tended to regard regional security in terms of a more traditional political and military perspective. Thus, issues such as environmental problems, refugees, illegal migration, and corruption were generally treated as internal affairs regardless of the fact that these issues usually affect the welfare of other countries. Countries suffering from the financial crisis have also encountered more political and social problems at

⁶³Sharma, "Asia's Economic Crisis and the IMF," 27.

⁶⁴Frank Ching, "ASEAN at a Crossroads," *FEER*, August 13, 1998, 35.

home. Increasing illegal immigration due to the rise of the poverty rate and unemployment has become major problems which, if not handled properly, could affect political stability and economic recovery in the region.

Malaysia and Thailand have been home to illegal workers and immigrants from Indonesia and Myanmar respectively. Of Malaysia's 2.5 million foreign workers, about 1 million are illegal immigrants (mostly from Indonesia). There have been riots reported in the camps of illegal workers in Malaysia. As of January 1998, about 80 percent of Thailand's 1 million illegal workers were from neighboring Myanmar.⁶⁵ The problem of illegal immigration has been considered a serious source of interstate tension and regional instability.⁶⁶ The problem of illegal migrant workers could worsen the condition of an already ill economy.

The crisis-afflicted Southeast Asian countries will be unable to absorb a large number of its returned nationals working abroad both legally and illegally. Social unrest that might be sparked due to domestic economic difficulties becomes a major problem of these countries, with sudden shifts of migrant workers possibly causing strains on relations between the host and home countries.

The ARF held its sixth meeting in Singapore on July 26, 1999 and recognized that the financial crisis had a significant economic, political, and security impact on the region. The Chairman's Statement at the meeting called for the ARF members to continue to pay attention to the security implications of the financial crisis in the region. Moreover, the ARF meeting also stressed the importance of the regional economy to regional and national stability and asked for continued restructuring and policy reforms.⁶⁷

The ARF should consider holding sessions for confidence-building measures concerning disputes over the unsettled territories in the South China Sea. In fact, as suggested by some observers of the region's security affairs, China cares most about the security and availability of resources (such as energy) which are needed for the country's sustained economic

⁶⁵Ibid., January 22, 1998, 22-23.

⁶⁶Acharya, "Realism, Institutionalism, and the Asian Economic Crisis," 11.

⁶⁷"Chairman's Statement: The Sixth Meeting of the ASEAN Regional Forum," Singapore, July 26, 1999, at <http://www.asean.or.id/politics/pol_arf6.html>.

development. At a time of regional uncertainty, many fear that Chinese behavior directed toward protecting its claims of sovereignty over the disputed territories in the South China Sea may make the PRC become more aggressive than ever before. Despite being a nuclear power and having a strong army, China still lacks a strong blue-water naval force necessary to back up sovereignty claims. Moreover, because economic development is still at the center of the Chinese policy agenda, China will certainly take a cautious approach to handling territorial issues so as to ensure its access to the vast potential energy resources estimated to exist in the South China Sea. For the present, China is considered unlikely to disrupt the secured sea lanes currently protected by the United States and from which the PRC also benefits. Thus, before regional forums can function and deal with regional issues more effectively, there will be more intensified interactions between the big powers (such as China, Japan, and the United States) and regional organizations (like ASEAN) to secure the various interests in the region.⁶⁸

Economically, the financial crisis has also provided Southeast Asian countries with opportunities to restructure their overall economic institutions. The overexpansion of capital markets in Southeast Asia, considered by many to be the precursors of the financial crisis, resulted in many bad bank loans. The ratios of bad loans to total loans in the banks of Thailand, Indonesia, and South Korea were 36.5, 15, and 30 percent, respectively, as estimated in 1998. The total amount of these three countries' bad loans reached US\$189.2 billion.⁶⁹ The financial crisis provided an opportunity for countries in the region to clean up their banking systems and reduce their reliance on fair-weather investment from abroad. Having done so, countries in the region may be able to develop more sophisticated and transparent capital markets which, in the long term, should contribute to healthy political and economic development.

With regard to the region-wide economic issues, the ASEAN finance

⁶⁸Evan A. Feigenbaum, "China's Military Posture and the New Economic Geopolitics," *Survival* 41, no. 2 (Summer 1999): 71-88.

⁶⁹Rong-yung King, "Impact of the East Asian Financial Crisis on Taiwan, Mainland China, and Cross-Strait Relations," *Issues & Studies* 35, no. 4 (July/August 1999): 97.

ministers meeting in Jakarta on February 28, 1998 established the ASEAN surveillance mechanism, which was agreed upon at the second Informal Summit in Kuala Lumpur on December 5, 1997. The ASEAN surveillance mechanism proposes to monitor not only the development of individual ASEAN economies but also developments in the international and regional economy that might affect the region. Not surprisingly then some have suggested that this mechanism should include Japan and China, given their importance in the Asian financial activities.⁷⁰ Moreover, the surveillance mechanism has been understood to have the capacity to provide recommendations that actions be taken at both the individual and regional levels.⁷¹ According to Hadi Soesastro, an expert on Asian affairs, "[T]he crisis has opened up a window of opportunity for the region to become more open to collective monitoring and review."⁷²

The Asian financial crisis has also created room for diplomatic maneuver, which, if handled carefully, may strengthen cooperation among nations in the region. Japanese Prime Minister Keizo Obuchi's visit to Cambodia, Laos, and Thailand in January 2000 was viewed as Japan's move to closely engage with Southeast Asian countries after the financial crisis. That Japan had fallen behind the United States as Thailand's second largest foreign investor after the crisis, however, had prompted Prime Minister Obuchi to promise Thai Prime Minister Chun Leekpai more Japanese investment. In addition, Japan provided over half the total sum of foreign aid going to Laos and Cambodia. Japan, distancing itself from U.S. policy of nonengagement with Myanmar, has also provided substantial financial and technical assistance to that country.⁷³ For example, in 1998 Japan lent US\$20 million to Myanmar for repairs to Rangoon's international airport. After the financial crisis, Japan reentered the regional economic affairs scene with a new investment approach that emphasized "human resource development" instead of pursuing single-minded economic growth. Japan

⁷⁰Hadi Soesastro, "ASEAN during the Crisis," *ASEAN Economic Bulletin*, December 1998, 377.

⁷¹*Ibid.*, 374.

⁷²*Ibid.*, 376.

⁷³Shawn W. Crispin, "The Personal Touch," *FEER*, January 27, 2000, 24-25; Nayan Chanda, "Yes to Burma," *ibid.*, December 2, 1999, 10.

has also pledged US\$20 million to the ASEAN Foundation, which was established by ASEAN members in 1998 with the aim of addressing social issues arising from the financial crisis. The overall Japanese policy toward Southeast Asia was seen by regional experts as a move to counterbalance, for both economic and strategic reasons, growing Chinese influence in the region after the crisis.

ASEAN's influence in APEC may become weak in the future. The idea for the creation of an East Asian Economic Group, which was originally initiated by Malaysian Prime Minister Mahathir Mohamad and was presented to a post-ministerial meeting of ASEAN in 1991, was indeed intended to establish an Asian trading bloc without the participation of the United States. However, the idea was unable to materialize, mainly because of the Group's perceived exclusiveness, and its name was later changed to the East Asian Economic Caucus (EAEC) in October 1991.⁷⁴ Moreover, the EAEC was incorporated into APEC at the summit in Indonesia in November 1994, which was made up of ASEAN members, China, Japan, and South Korea. Still, Taiwan and Hong Kong, also members of APEC, were excluded from the EAEC on the pretense that the exclusiveness was regarded as "catering to Beijing's sensitivities."⁷⁵

Conclusion

The Asian financial crisis has added to the strength of the argument that, defined broadly, economic prosperity and security are indeed growing more intertwined. Countries in the region have tended to imagine that national security could only be enhanced by military means. In the past decade, many countries in the region have embarked on programs of defense modernization, including increased military expenditures and advanced weapons procurement plans. Moreover, economic growth and prosperity have become viewed as necessary means to underpin the foun-

⁷⁴Berger, "APEC and Its Enemies," 1020.

⁷⁵Ibid., 1021.

dations of military security. The financial crisis has challenged both this conventional perception and resulting policy practices. Indeed, the impact of the financial crisis on the social and political situation in afflicted countries was no less serious than the impact the financial crisis has had on the military.

Yet the impact of the financial crisis on ASEAN, the ARF, and APEC in terms of regional conduct still remains to be seen. On January 12, 2000, for example, Premier Hun Sen of Cambodia rebuffed ASEAN's advice concerning his country's democracy and human rights record. Hun Sen was quoted as saying "the group should pay more attention to its own economic problems." Apparently, the advice was regarded as a reaction to the arrest of a journalist affiliated with Prince Norodom Ranariddh's royalist Funcinpee Party and other crackdowns on opposition newspapers on January 8, 1998.⁷⁶ As this case illustrates, the enlargement of the ASEAN membership pool may increase more intra-ASEAN disharmony if compromise on important issues cannot be achieved.

In addition, the financial crisis has also cast grave doubts on the utility of multilateral regional forums such as ASEAN, the ARF, and APEC. The principle of noninterference in members' internal affairs, long held dear by ASEAN members, has also been challenged by the region's effort to prevent and manage a major crisis. To strengthen confidence in regional forums and institutions, important is to install in these institutions effective mechanisms for monitoring the overall development of the region to better prevent the recurrence of such crises in the future. For the sake of moving the region toward the materialization of the concept of cooperative security, now may be the right time to consider interinstitutional cooperation between ASEAN, the ARF, and APEC. After all, the ARF and APEC are the region's most important and largest forums and institutions for dealing with security and trade issues respectively. Given all these challenges, the financial crisis has not only provided the region with lessons for how to avoid similar crises in the future, but has also provided opportunities for improving the region's peace and security.

⁷⁶*FEER*, January 22, 1998, 13.

