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Dear Reader,

This year marks the 10th anniversary of the so-called Asian Crisis. The crisis started in July 1997 with a severe depreciation of the Thai baht. This depreciation triggered a domino effect and caused the plunging of currencies, stock markets, and other asset prices throughout East and Southeast Asia. Many businesses collapsed and as a consequence, millions of people fell below the poverty line. Thailand and Indonesia were the Southeast Asian countries most affected by the crisis. Though currency speculation was widely blamed as a major reason for the off-set of the crisis, the causes can be traced back to a set of interrelated problems. Excessive real-estate speculation by the local financial institutions in question, risky lending practices, inefficient business practices and over-reliance on the regulation of the state to protect institutions and industries from competition were the primary culprits.

The crisis triggered a series of reforms in the economic and political landscape and gave rise to a variety of regional initiatives and cooperative efforts in the years following the crisis. Ten years later, Asian economies have charted a strong recovery. However, it remains to be seen whether the weaknesses that caused the crisis have been successfully tackled and what challenges still lie ahead for Southeast Asian countries to achieve sustainable economic growth and democratic consolidation.

On 19-21 April 2007, the Cambodian Institute for Cooperation and Peace and the Friedrich-Ebert-Stiftung Office for Regional Cooperation in Southeast Asia conducted a conference on “Ten Years after the Asian Crisis: Assessing the Economic and Political Landscape in Southeast Asia” in Siem Reap, Cambodia. Participants were high-ranking academics. This edition of D+C presents selected papers that reflect the debate of the conference.

In his paper, Suthiphand Chirathivat lines out the causes and consequences of the 1997 Asian crisis for the region and analyses the policy responses, especially the role of international institutions like the IMF and the World Bank, as well as possible means to prevent a recurrence of the crisis. He argues that despite the recovery that the region has experienced since the end of the crisis, the crisis-hit economies are still facing downside risks from the global environment, such as the current configuration of global imbalances, the sharp rise in financial market volatility and the possible economic fallout that may occur. Policy responses to these challenges will differ from country to country because of the different degree of linkages to the global economy and the domestic institutions.

Julio C. Teehankee then examines the continuity and change in the political landscape of Southeast Asia ten years after the financial crisis. In the course of his paper, political change is viewed within the context of the continuation of the “development versus democracy” debate reformulated as “good governance versus populism”. In his eyes, there is a current trend towards the reinvention of developmental state and the reformulation of the “Asian value” concept. After the crisis the “good governance” concept became the primary institutional and policy prescription for preventing the recurrence of the crisis. It then, however, was turned into a means by some political actors to legitimize counter democratic movements, as happened in the Philippines and Thailand, or the “Asian values” like in Singapore.

In recent years new powers from the South have emerged as regional actors causing a restructuring of the international order. The growing self-consciousness of countries such as China and India reshaped the classical North-South division into a more complex dynamic structure. These emerging countries challenge the economic and political order, which was traditionally dominated by Western industrial powers. Their engine of growth is rapid economical development, resulting in a bigger clout on the regional and global level.

Over the last 20 years China has experienced an average growth rate of 9% turning the country into the 4th biggest economic power. The country’s officials insist on calling their growing clout a “peaceful rise” and have embarked on a diplomatic charm offensive. Besides China, India is another awakening giant in the region. Though substantial economic growth in the country set in later than China, the country has managed to reach a growth rate of 9% in 2006. India’s Services and IT industry have already achieved a world leading status. Both countries however have to cope with huge social challenges, the most pressing being the eradication of poverty. The fact that China and India remain home to more than half of the world's poor turns this into a daunting task.

Against this backdrop, the S. Rajaratnam School of International Studies and the Friedrich-Ebert-Stiftung Office for Regional Cooperation in Southeast Asia organised a conference on "Regional Perceptions of Asian Powers for Global Change" on 26-27 April 2007 in Singapore. Selected papers from the conference are included in this edition of D+C.

Zhongying Pang analyses China's interests as well as the perception of China as a rising nation. In his view, despite China's economic growth in the past decades, its transformation into a superpower is not yet finished and this process evokes difficulties and challenges, especially in respect of China's foreign policy and its good neighbour policy. Ummu Salma Bava, who argues that India is extending its traditional role as a prominent leader of the South to play a more global role, then presents the interests and motives that guide India's foreign policy and the strategies.

The following two papers deal with China and India's relations with Southeast Asian countries. See Seng Tan looks at China from a Southeast Asian point of view and concludes that it has been crucial to the strategic relations of the region's countries with China to manage their respective vulnerabilities and dependencies towards the latter. Because of its democratic system and due to historical reasons, India is in contrast to China, perceived by Southeast Asian countries as non-threatening. According to Hank Lim, with these strengths India can provide an enormous economic, technological and political leverage to Southeast Asian economies.

Tin Maung Maung Than adds another important element to the debate on the Asian powers by looking at the role of Myanmar and its foreign policy in the context of its relations with China and India. In the last 15 years the economic and political relations between these three states have grown considerably. In this process China has on one hand played the role of a potent shield against the Western punitive measures and a counterbalance to international pressure for political liberalization. On the other hand it has become increasingly involved in Myanmar’s economic and military development. The military regime has also been supported by an expansion of trade, investment and development assistance by India. Thus, although the military junta promised political and economic reforms to achieve the establishment of a democratic regime and market economy, little change has been seen.

Hans J. Giessmann takes up the issues covered in the preceding papers and provides the reader with a recapitulating overview of the debate by comparing China and India in respect of their interests and the way that they are perceived in Southeast Asia. Whereas India acts as a “benevolent power”, a power with hegemonic ambition but open to cooperation beyond South Asia, China shows more ambition to become a part of multilateral cooperation in the region.

The contributions of Ummu Salma Bava and Zhongying Pang were also published by the Friedrich-Ebert-Stiftung in the series “Dialogue on Globalization” in March and May 2007; Hans J. Giessmann’s paper will be published in the aforesaid series as well.

All papers and statements reflect the opinions of the individual authors. The Singapore office of the Friedrich-Ebert-Stiftung would like to express its sincere appreciation to all contributors to this edition as well as to ‘Dialogue on Globalization/Friedrich-Ebert-Stiftung’ for giving permission to re-print the above-named three articles in this edition of D+C.

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