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THE ECONOMIC AND POLITICAL GROWTH PATTERN OF ASIA-PACIFIC

*Papers and Proceedings of a Private Conference
organized by the Pacific Forum, Honolulu, and
the Institute of Southeast Asian Studies, Singapore*

Edited by: Lloyd R. Vasey
George J. Viksnins

Institute of Southeast Asian Studies
in co-operation with Pacific Forum



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PREFACE

The past year had witnessed dramatic developments in the international political and economic scene of the Asia-Pacific region. The full implications of these momentous changes for the future of the area were still unclear and had yet to be fully assessed. With this in mind, both the Pacific Forum and the Institute of Southeast Asian Studies felt that the time was now ripe for a small expert group of Asian and non-Asian industrialists, bankers, governmental policy-makers and informed academics to come together and informally exchange views on the changing international scene, assess the probable impact of these changes on the future economic progress, development and stability of the area, and recommend new directions for international cooperation. A specific focus of the meeting was the role of foreign investment in the new international environment of Southeast Asia.

The conference on "The Economic and Political Growth Pattern of Asia-Pacific" was well attended and stimulated considerable productive discussion. It also produced a set of interesting papers and reports which form the basis of this volume edited by Lloyd R. Vasey, Executive Director, Pacific Forum, and Professor George R. Viksnins of Georgetown University.

The Pacific Forum and the Institute of Southeast Asian Studies wish to thank the Honourable S. Rajaratnam, the Foreign Minister of Singapore, for delivering the opening address. They also acknowledge the courtesies and hospitality extended by the Goodwood Park Hotel, Ltd. (Singapore), Sime Darby Holdings, Ltd. (Eastern International Division), the Bank of America (Singapore), the Development Finance Corp. Ltd. of Sydney, the Korean Traders Association, the United Overseas Bank Group (Singapore), Minnesota Mining and Manufacturing Co. (Singapore), and Intervest Inc. (Singapore).

It is also fitting that the Pacific Forum and the Institute should record their gratitude to the individual participants in the Conference for their contributions. Finally, while wishing the authors all the best, it is clearly understood that the responsibility for facts and opinions expressed in the proceedings, reports and papers that follow rests exclusively with the authors, and their interpretations do not necessarily reflect the views or policies of the Pacific Forum or the Institute.

Kernal S. Sandhu
Director, Institute of Southeast Asian Studies

Lloyd R. Vasey
Executive Director, Pacific Forum

THE ECONOMIC AND POLITICAL GROWTH PATTERN OF ASIA-PACIFIC: An Introduction

The last quarter of the twentieth century promises to be a very significant time span in the history of the peoples of Asia-Pacific. In the political arena, the reconfiguration of the Indochina states has raised serious questions — at least in the minds of many outsiders — about the viability of neighbouring states. Even if the countries of the region can maintain their verve and avoid outright military conflicts, at least for the near-term future, the region still appears as a continuing battleground for competing ideologies. It is also economically a key area, and the struggle for influence among the major powers is certain to continue. The year 1976 itself, marked the end of a long and painful period of foreign military involvement in Indochina; the phase-out of U.S. facilities from Thailand in the spring of 1976 was the last step in the process of American disengagement, not entirely voluntary, from that particular area. While it may be too early to dismiss entirely the so-called “domino theory,” many observers are encouraged by the formation of a new spirit of national self-reliance and the emergence of increased regional cooperation in Asia-Pacific.

Some very rapid states in development have taken place — and, in the eyes of many, such flexibility is very important to the long-run political stability of the region. Another area of considerable strength is the very rapid growth recently experienced by most of the countries of the Asia-Pacific region; despite the world-wide recession in 1974-75, the beginning of 1976 found all of the ASEAN economies in a stronger-than-ever position. While political alliances and military

relationships may be becoming less clearly defined, the economic integration of Asia-Pacific into what might be termed the "Free Enterprise Market System" is proceeding apace.

To set the frame of references for the Conference deliberations, the political speakers on the first day reiterated major themes. The first of these might be called the negation of the "domino theory." As the Hon. S. Rajaratnam noted in his Opening Address "... The usual approach of seeing Southeast Asia as a region divided between a monolithic, coherent, and a politically and economically dynamic bloc on the one hand and a fragmented, blundering, and conflict-ridden non-Communist area on the other has, in my view, no firm foundation." This theme was echoed by Dr. Kim Kyung Won of Korea, who pointed out that his country is growing so rapidly "... that there is no longer any room for serious doubt as to which side, South or North Korea, is going to be the winner in the competition" Non-Communist societies have been far more successful in achieving economic development and modernization, Dr. Kim continued, "... and, in the end, stability is linked more closely to the ability to grow and prosper than sheer military alliances or ideological orthodoxy."

A second theme concerned the importance of regional cooperation, i.e., the candid recognition that "united we stand, divided we fall." This argument was clearly enunciated by Dr. Thanat Khoman "... While ASEAN has so far chosen to adopt a low-key approach, in case of need and if the danger becomes more ominous and ascertainable, ASEAN may strengthen itself to meet the challenge. Although the organization may not be a match to Vietnam's juggernaut, it is endowed with an important political value and potential which the other side may be lacking. Learning our lesson from the Vietnam War, one is inclined to believe that, at least on certain occasions, the use of political means may be

as efficient, if not more so, than the military ones." The key role of the ASEAN organization was also stressed by Dr. Julius Tahija, Chairman of the Board of Caltex/Indonesia, who stressed the need for a greater private-economic contribution to the countries of ASEAN. (It was pointed out that the Pacific Forum may be useful in this connection.)

The third major factor taken up by the Conference participants concerned the U.S. role and the continuing close American identification with the viability of the area. While most observers agreed that a reduced, but potent, military presence would continue as the basic posture, the economic interests of American firms were predicted to increase over the long term. According to the Hon. John Holdridge, the American Ambassador to Singapore, the countries of Pacific Asia can attain their goals of political independence and economic development only if the existing balance of power in the region is maintained. This would require the U.S. to continue to carry the burden of leadership and provide a balance to the general rivalry between the U.S.S.R. and China; an effective U.S. military presence would continue, and also a certain amount of economic assistance (perhaps increasingly through multilateral aid agencies). Supportive themes were developed by representatives of the U.S. private sector; along these lines, Walter E. Hoadley of the Bank of America noted that a new sense of realism was entering the American political life. According to his assessment, there will be less willingness on the part of Americans "to go it alone" in foreign policies and programs, and the American electorate will increasingly want to know about "value received from foreign aid," particularly if we are talking about bilateral grant programs. According to J. A. Thwaites (of the 3M Company), there exists a great deal of misinformation about the activities carried out by the so-called multinational corporations, most of which are based in the United States. In particular, he pointed out that investments

by U.S. firms in the region were presently very low, and yet most countries in the Asia-Pacific region were heavily reliant upon foreign trade as their basic growth sector.

In the economic development of the Asia-Pacific region, significant changes have also been taking place. The non-Communist economies of ASEAN countries, plus the Republic of China, Hong Kong, and Republic of Korea have experienced extremely rapid GNP growth over the last five years. While many economists are beginning to question the advisability of setting up "Growth First" as a production goal for a country — as the Japanese participants at the Conference noted, their country is moving toward a "Living First" strategy in its latest economic plan — nevertheless, we should realize that most social and economic indicators are very closely correlated with the GNP level. This complex issue of national economic policy was treated in a very careful and sophisticated manner by the participants at the Conference. Of particular interest was the presentation made by Sixto Roxas of the Philippines who argued that rapid GNP growth very often accentuated "dualism" — by which we mean the uneven pace of development between the "urban enclave," which becomes more and more closely integrated into the free world market economy (in some cases becoming more "Western" than the West), and the rural "hinterland," where little change is taking place for the better. Mr. Roxas' proposal to redress this problem was accepted for further study.

Most of the economies of Asia-Pacific have been showing spectacular growth in GNP, even "real" GNP, after a correction has been made for price changes. This fact was noted in the advertising copy developed by the *Wall Street Journal* for its new cousin, a joint venture between Dow Jones and several prominent Asian newspapers, and discussed in Prof. Viksnin's paper:

.... *Asian economic growth is spectacular. [From] 1969-*

1974 the GNP of nine East Asian countries grew at a rate nearly triple that of the world's industrialized nations – and almost four times that of the U.S. and this is real GNP growth – after eliminating inflation's effects! Examples of GNP growth: The Philippines, +34%; Thailand, +37%; Japan, +40%; Malaysia, +41%; Indonesia, +42%; Hong Kong, +58%; South Korea, +58%; Singapore, +72%; Taiwan, +143%. Today, trade between Asia and the U.S. exceeds that between the U.S. and the entire European Economic Community.

This economic expansion in Asia-Pacific has been led by very fast growth in the export trade of the various countries. Again, as is mentioned in the background paper of Professor George J. Viksnins, trade results for the area countries have been spectacular in recent years – Indonesian exports (principally in petroleum) have grown by a compound annual rate of nearly 60%. South Korea is not far behind, with a yearly growth rate above 50%. Singapore, Thailand, and Taiwan experienced export growth rates of about 40% per annum, and all of the other area economies showed yearly growth rates of more than 20% as well.

All of these countries seem to be doing quite well under present economic arrangements – though all problems of material well-being have not been solved by any means, the region has shown considerable economic strength, even under the rather difficult economic conditions which have plagued the world economy recently. It is, to some extent, puzzling to some outside observers, therefore, that leaders of the region have decided “to cast their lot” with the so-called Group of 77 countries. An excellent summary and a spirited advocacy of this position was presented at the Conference by Y. B. Datuk Musa bin Hitam, the Minister for Primary Industries of Malaysia.

The Minister provided the Conference participants with a brief recapitulation of the proceedings at the Nairobi meeting

of the United Nations Conference on Trade and Development, known as UNCTAD IV. It will be recalled that the United States' proposal for an International Resources Bank was not adopted. The Group of 77 or the "South's" own position focused on the creation of a "Common Fund" to carry out an "integrated program" of price stabilization (in order to avoid deterioration of the terms of trade relative to manufactures), and this would be done on a "commodity-by-commodity basis." The general notion of smoothing out fluctuations in commodity prices through cooperative governmental efforts received strong endorsement at the Conference in Singapore, particularly from the Japanese participants, Eme Yamasita and Tadayoshi Yamada. While for some commodities physical buffer stocks might be used, as is currently the case with tin, for others, producer-consumer agreements may suffice. In the discussion of these proposals, it was argued that it may be unnecessary, or even undesirable, to index raw material prices in a world that is rapidly running out of resources, and that private market forces, already at work in most commodity markets, would be sufficient to keep price fluctuations within reasonable bounds. Counter to those arguments, some conferees pointed out that American representatives tend to use free market arguments on a theoretical plane, when it is most convenient for their position, but forget all about the free market when faced with practical decision-making matters (e.g., using embargos, quotas, and other such direct control measures).

Despite the very rapid growth experienced recently in export earnings and even real GNP, many of the developing country representatives expressed concern about the dualism problem mentioned earlier. The very first point of the Committee II Report (chaired by Sir John Marks) on "Emerging Economic Patterns and the Impact on Economic Development" was that "... increased emphasis be given to the problem of promoting rural development and raising agricultural

productivity in the Asia-Pacific region.” A number of speakers reiterated the need to modernize and develop the agricultural base, involving, to the extent that it is possible to do so, private sector institutions in such an effort. The use of tax incentives and disincentives in the corporate sector, greater utilization of trading companies already familiar with the geographic area, and cooperative organizations were all ideas brought forth in the discussion. How to turn petroleum profits into rural development is a serious concern for policy-makers in Malaysia and Indonesia — while foreign exchange is available for new projects, on a per capita basis the amount is still rather small. Difficult questions of efficiency and equity remain, even if one has seriously decided to allocate more resources to the agricultural sector. Yet, despite this growing realization that dualism must be addressed explicitly, it was pointed out by Dr. Augustine H.H. Tan of Singapore that the recent ASEAN Economic Ministers’ meeting made significant steps toward real regional cooperation, but this was done by approving an **industrial** investment project for each member country. While the projects are at least in agriculture-related fields, the point raised by Dr. Tan is well taken — we do play increasing lip service to the significance of the agricultural sector in the development field, but the best talent and the biggest budgetary allocations go to glamorous projects in industrial and technical fields.

As leaders of multinational corporations and other business ventures, many Conference participants showed considerable interest in the foreign investment field, particularly in recent changes in regulations governing joint ventures. While industrial development may have to be de-emphasized somewhat, so as to provide a better balance for agricultural development, all participants agreed that foreign capital and technology would continue to play a significant role in the economic development of the ASEAN countries. As Com-

mittee III (headed by Clifton D. Terry) on "Investment Policies and Proposals" concluded, the "... world-wide need for investment capital can be expected to exceed the presently identifiable supply. If this be true, then the countries of Asia-Pacific must recognize the need to create a truly competitive posture if they are to receive their fair share of available investment capital." The specifics of recent foreign investment trends in the region were discussed in the panel concerned with "Directions for Foreign Investment" by Messrs. Bywater, Tan, Thwaites, and Yamada. On the part of the recipient country, it was stressed that government actions should be clear and consistent, made within a reasonable time frame, and, above all, avoid retroactive application of administrative initiative. The problems of "unconventional practices" and "extraordinary charges" were privately discussed in a frank and open manner. One participant mentioned the development in many countries of "bureaucratic capitalism" — where bureaucrats oversee and regulate most of the decisions made by the capitalists, and force the capitalists to become bureaucrats in order to protect themselves. As far as foreign investor behavior is concerned, it is important for each subsidiary operation to become a good corporate citizen of the country in which it functions first, and view itself as a branch of an international business firm second. The problems of encouraging minority investments by foreign investors in joint ventures were discussed; it was pointed out that a number of governments are setting general quantitative goals to assure majority local ownership, but that these percentages could be modified somewhat on a case-by-case basis. While the OECD code governing foreign investment (brought up by J. E. Bywater) was extensively discussed at the Conference, it did not become a formal recommendation. It was indicated that further study and consideration was needed, since the Code had been approved by the OECD itself just very recently, and it was suggested

that a regional code to coordinate the ground rules on foreign investment may be more appropriate.

The perennial issue of food shortages was high-lighted in a paper circulated in advance of the meeting by K. Y. Chow who suggested an innovative regional concept of cooperation. His proposal was endorsed in principle and has been referred to the ASEAN Secretariat.

As a way of summarizing the conclusions of the Conference, we can take up briefly the conclusions reached by Committee I (with Eric Khoo at the helm). The Committee pointed out that recent political events had "... created an atmosphere of unpredictability which brings both opportunities and dangers to medium and small countries." In many of the area countries, the incumbent élites have tended to turn inward and pursue more nationalistic policies in the economic area. Ironically, however, national development and economic growth can only be achieved by links with outside markets and sources of investment capital. The Committee report went on, however, to warn that the U.S.S.R. and the PRC are competing with each other to subvert the economic and financial system which has emerged in the "free world" countries. At the very least, as was noted in the expert commentary provided by Louis E. Saubolle, area countries should be aware of both China and Vietnam as potential commercial rivals. Both countries have large and well-disciplined labour forces, as well as a diversified resource base; while China's infrastructure remains rather inadequate, Vietnam inherited a well-maintained infrastructure and can probably begin exporting both agricultural and industrial goods in the very near future. Whether such commercial competition will be all that the Asia-Pacific countries will need to consider remains the overriding question. U.S. interests and influence in the region should continue to grow and develop in the near future, and the overall tone of the Conference wound up as guardedly optimistic.

OPENING ADDRESS

S. Rajaratnam

From time to time I am asked whether, in view of the decline of European and American power in Southeast Asia, the non-Communist states comprising ASEAN would not eventually go the way of Indochina. What I propose to do tonight is to give a more detailed answer than I have done hitherto. It is essentially an optimistic one. It is not wishful thinking – a case of whistling in the dark.

I would however like to preface my optimistic evaluation of ASEAN's prospects by conceding that the ASEAN countries have entered a period of instability and turbulence. These derive from many sources, and not simply, as most political analysts imply, as a result of American military withdrawal from the region and the emergence of Communist régimes in Indochina. These latter two are contributory factors but even without them the ASEAN states would be encountering many of the social, economic and political problems they face today.

So the first point I would like to stress about the apparent turmoil in ASEAN states is that it is not peculiar to ASEAN states. Political and economic instability is global in dimension. There are very few states in the world, Communist or otherwise, which are not filled with a sense of uncertainty about their future simply because the world system which embraces us is itself out of control. There are many other regions of the world about whose future I would be more uncertain than I would be about ASEAN. Compared with the turmoil in the Middle-East and in Africa the ASEAN states, in my opinion, are a haven of relative stability and tranquillity. ASEAN's instability is largely seen in terms of the challenge of Communism.

If so then I would worry more about the prospects of a Communist take-over in Western Europe than I would of a Communist take-over in ASEAN. In ASEAN countries there are, as compared with some countries in Western Europe, strong and stable governments – a number of them backed by democratically elected and decisive majorities. All of them, as compared with some Western European régimes, have not found it necessary to enlist at least the goodwill of Communists to keep themselves in power. In ASEAN, if the Communists come into power it would have to be through armed violence simply because the established governments are far more positive about their non-Communism and because in those ASEAN states where the democratic process obtains, the electorate has steadfastly refused to vote Communists into power. A striking example of this was the recent elections in Thailand. Much has been written about the possibility of Thailand going Communist. There may be a great deal to worry about in Thailand in this respect but the fact nevertheless remains that the Communists and pro-Communists suffered a crippling electoral rout.

By way of contrast Communists have been making impressive headway not through armed violence but through the democratic process in a number of Western European countries, notably Italy. In my view we should at the moment worry more about the Communist problem in Western Europe than about a possible Communist take-over in ASEAN. In Western Europe there is a strong possibility of Communist régimes emerging constitutionally and democratically in some countries and there is very little one can do about a constitutional take-over by Communists.

As a matter of fact, as far as Singapore is concerned, it is not the Chinese or the Russians who are now creating difficulties for us in our efforts to contain the Communists but an articulate group of noisy European pro-Communists

who appear to have infiltrated the Socialist International and in particular the Dutch and British Labour parties. At least the Russians and the Chinese are honest about their attitude towards Communist insurgencies. As Communists they admit ideological sympathy for struggling Communists everywhere. But they also assure us they would not interfere in the domestic affairs of other countries and if we lock up and conscribe our Communists they would make no protests.

So far the Russians and Chinese have kept their word. But European pro-Communists posing as non-Communist socialists have not only become advocates of the Communists in our region but also demand by way of resolutions and threats that detained Communists should be freed unconditionally. It occurs to me that the European Marxists for all their anti-imperialism today manifest the traditional arrogance of the European towards lesser breeds. The European Marxists, like the older but at least honest imperialists, believe that they have not only a mission to rescue Asians from incompetent and native leaders but also a divine right to interfere in the heathen's domestic affairs.

The European Marxists, I read in the newspapers yesterday, have also prevailed on the Japanese Socialist Party to send a protest note to Singapore demanding the release of, to quote them, "political prisoners." The Japanese Socialists have hitherto shown no interest in Singapore's "political prisoners." One assumes therefore that the Japanese Socialists have been roped in somewhat belatedly to create the impression that this European-led agitation on behalf of the local Communists has Asian backing too.

The dishonesty behind this agitation can be seen from the terminology these pro-Communists use. They demand the release of "political prisoners" — never, what is in fact "Communist detainees" who would be and have been re-

leased the moment they disavow the Communist policy of armed insurrection.

I have dwelt at some length on European Marxists primarily as a corrective to the prevailing belief that the Communist threat to ASEAN countries comes only from the Soviet Union, China or from the Indochina states.

The other point I want to make is that though there are many disturbing developments within ASEAN, they, seen in the context of world-wide instability, are more manageable and more reassuring than the convulsions many other regions of the world are now going through. By these standards I would rate the ASEAN region as among the safer and more stable places in the world.

Having said all this, I would like to assess prospects for ASEAN countries within the context of developments in Asia and particularly Southeast Asia. It is true that what has been termed the post-Vietnam period has been marked, within ASEAN states, by a more assertive Communist insurgency. Certainly in Northeast and Southern Thailand the insurgency movements give an impression of growing strength.

In Malaysia there are now at least two parallel Communist organisations competing for influence but nevertheless agreed on a common objective – the violent overthrow of the established government.

In the Philippines, too, an irredentist movement, though contained, nevertheless contributes to the mood of uncertainty in the ASEAN region.

Apart from the Communist threat there are other domestic causes – economic dissatisfactions, racial and religious polarisation and a host of other factors – which intensify the impression of growing instability within the ASEAN region.

All these have been highlighted with dismay or satisfaction in newspapers, learned publications, speeches or books. I was recently in Bangkok at an Asian business briefing

organised by the Financial Times. A great many of the speeches dwelt at length on the less reassuring developments within the ASEAN region since the end of the Vietnam War. A great deal of what was said was both true and necessary.

Yet at the end of the meeting I felt that only one side of the coin has been studied. The unstated assumption was that in a Southeast Asia now divided between a Communist bloc of Indochinese states and the ASEAN countries, the latter was in a process of disintegration while the former was consolidating and growing in strength. The contradictions and conflicts within ASEAN were freely and frankly analysed but what was hardly touched upon were the contradictions and conflicts, either actual or potential, within the Indochinese states themselves. The usual approach of seeing Southeast Asia as a region divided between a monolithic, coherent and a politically and economically dynamic bloc on the one hand and a fragmented, blundering and conflict-ridden non-Communist area on the other has, in my view, no firm foundation.

It is true that in the freer atmosphere that obtains in ASEAN countries our shortcomings and deficiencies are not hidden from public scrutiny. Newspapers discuss them quite freely. Visiting journalists and academics have any amount of data readily available on which to base their friendly or unfriendly alarm about our shortcomings.

In the closed societies of Communist countries we can make judgement only on the basis of data provided by the Communists and these not unsurprisingly convey a picture of growing strength, solidarity and predictable advance in all fields of human endeavour.

But when you look at the facts, ASEAN is far more united, if somewhat loosely, than the Indochinese states. ASEAN is a regional organisation and one formed voluntarily out of a recognition of common interests. It has

existed for eight years and though it might not have moved towards regional consolidation as fast and as decisively as many of us would have liked it to, the areas of regional co-operation have widened progressively over the years.

True there are differences and even dissensions within the association but these have never been allowed to get out of control or endanger the organisation. Far more than people realise, ASEAN has succeeded in compelling its members to balance national interests with the imperatives of collective interests. ASEAN solidarity is both directed and institutionalised. Many routine problems which before ASEAN would have been discussed and disposed of in purely national terms are now increasingly discussed and resolved in ASEAN terms. Not a month passes without some ASEAN group or committee, governmental or non-governmental, meeting in one of the ASEAN countries to deal with some problem or other. Maybe some of the meetings are inconclusive but the point I want to stress is that over the years, perhaps without some of us realising it, an ASEAN, regional approach to problems has crept into our thinking.

As far as I know there is no comparable regional association in Asia. So the picture of a disparate, disunited and contending ASEAN bloc has far less substance, in fact.

Economically ASEAN is far more dynamic and has reached a higher level of modernisation than the states of Indochina. This is not due to any fault on the part of the Indochinese states. They had known no real peace since the end of World War II. They were subjected to the devastation of a protracted war for independence. They had no opportunities or the energy to concentrate on solving the economic problems. Now that peace has come to Indochina I have no doubt that its people can, if they so will it, achieve as much for themselves economically as we in ASEAN, in happier circumstances, have been able to do for ourselves.

As far as the ASEAN countries are concerned, there is nothing we would like better than enter into mutually fruitful economic relations with our Communist neighbours, provided our neighbours do not feel any compulsion to convert us to their faith. The ASEAN countries have no desire to rescue the people of Indochina from Communism. Nor do we want anyone else to feel that they are under an obligation to rescue us from our non-Communist way of life.

But as of now ASEAN countries are economically far ahead of our neighbours and I believe we can maintain this lead if we do not do anything foolish. I believe that if the decisions reached by the ASEAN Heads of State and Government in Bali earlier this year are translated into action, the next few years, provided the world economy recovers its poise, would see ASEAN thrusting forward economically far more rapidly than ever before, during the next few years.

The other concern about ASEAN is internal security. The post-Vietnam period has undoubtedly seen a revival of Communist activity. But as I said in a speech I made last night (and which I do not propose to repeat here) there have been many occasions in Southeast Asia when Communism re-emerged stridently forward only to collapse again.

The present resurgence of Communism is due to the recovery of their morale in the wake of the Communist victories in Indochina and the disarray of non-Communist powers as a consequence of their defeat in Vietnam.

The shock was no less great for the non-Communist countries of Southeast Asia. Overnight the assumptions on which their confidence and political vision were based melted away. There was confusion and uncertainty as to how they should react to these dramatic changes in the Southeast Asia political scene.

The indigenous Communists took advantage of this momentary confusion. The Communists who, as revealed by Samad Ismail, had been secret adherents of the "domino theory" no doubt felt that they should strike back while its adversaries were in confusion and disarray.

But it is my belief that after the momentary confusion ASEAN countries are recovering their poise. No domino has fallen. A year ago because the Thais were faced with serious domestic political problems the prognosis then was that Thailand would be the first domino to fall.

It has not; and my impression, talking to Thai leaders, is that though they are going through a difficult period, the country will not go the Communist way.

In my view the Communists in ASEAN countries would once again be contained because they have moved too soon and showed their hands too soon. They threw the challenge not because they believe the countries of ASEAN were ripe for revolution but because they thought that a successful Communist revolution in Indochina must spark off Communist revolutions in the rest of Southeast Asia.

This is not the first time that Communists have fallen victims to what is their version of the "domino theory". Trotsky subscribed to a similar theory when the Russian Revolution succeeded, and he came to a sticky end.

There may be discontent and conflicts in some ASEAN countries but these do not constitute a revolutionary situation. For a revolutionary situation to appear there must be a near breakdown of the social, political and economic system. The people must be reduced to utter despair when they become convinced that any system is preferable to no system.

This is not the condition in which ASEAN states today find themselves.

Therefore by striking too soon, the Communists have merely alerted relatively strong non-Communist govern-

ments in ASEAN to the threat the Communists pose. The challenge can therefore be met by the non-Communist governments of ASEAN from relative positions of strength. This will require courage, imagination and determination on the part of the non-Communists. Given these qualities and an awareness of the Communist threat, Communism, as many times before, can be contained and reduced to a perennial police problem.