

## The Role of Intellectual Exchange

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WE ARE IN A NEW era—an era of globalization. Globalization implies international interdependence, and since the end of the cold war the challenges associated with globalization have become much more pronounced. This era is a watershed in the history of humankind, comparable to the Industrial Revolution or even the Reformation in Europe. Yet, the impact of globalization is more widespread than other historical processes because it encompasses the whole globe and is felt more immediately the world over.

Globalization has brought about economic and political changes on an international scale. This has been made possible by technological breakthroughs and innovations, especially the rapid development of information and communication technologies, which have been exploited particularly by financial markets.

Beyond that, globalization has had a global influence in terms of the greater acceptance of new ideas and visions by increasing numbers of people around the globe. Because advanced technology and the financial world have been mainly organized and owned by the West, these new ideas and visions have been largely Western in origin. Although Japan has economic clout, its culture and value system are not globally oriented and therefore its influence has been limited.

Changes due to globalization are permeating not only the realm of economic development and the material well-being of so-called third world

or developing nations, but also the political, social, and cultural realms. Changes in these latter realms are more problematic for most of these countries, especially as such changes have been rapid and all-encompassing. Developing nations seem to have been unable to cope with such fundamental and rapid changes, as shown by the fact that their societies are reeling from the impact. In the effort to find ways to cooperate in resolving the crisis, which is not only financial or economic in nature but also political, social, and cultural, it is important to recognize its causes.

The main reason why the crisis has been compounded is because developing nations do not have the necessary institutions to deal with the tremendous economic growth resulting from the process of globalization, especially in the past decade since the end of the cold war. The East Asian developing economies have basically sound macroeconomic fundamentals and some good economic strategies, and the region has for some time promoted a model of economic development that incorporates high growth. However, they are lacking in institutions, especially in the political and social fields. Moreover, these countries' cultural values have been eroded to such an extent that a kind of a dichotomy now exists between the elite middle class on the one hand and the common people on the other hand.

In addition, these countries lack regulatory and monitory mechanisms in the economic sphere, especially in the financial and banking fields. They have been weak, especially in the rule of law and its judicial institutions as well as in good governance and democracy, which are prerequisites for participation in globalization processes. While it is true that volatility in international capital flows was the trigger of the crisis in the affected countries, it must be acknowledged that the crisis' dramatic impact is a function of the inadequacy and immature development of the national system.

Developed nations have also faced the onslaught of globalization. They have had to restructure their economies and welfare systems. Unemployment, especially of blue-collar workers, has become a major political problem, and unemployment is also increasing among white-collar workers. This has created real pressures in Europe.

Developed nations also are faced with the need to undertake adjustments in the political, social, and cultural fields. While such adjustments can be painful, developed nations are better able to undergo this process peacefully because they have much stronger institutions, including the rule of law and democratic political systems. Although the Anglo-Saxon part of the Western model also contains inequities, it can overcome these

through a process of policy adjustments and through lifetime education. Moreover, developed nations have political systems that are, despite certain deficiencies, stronger and more flexible because they are democracies.

Developed nations also have faced various economic crises in the past, and they are better equipped institutionally and have more flexibility politically to cope with them. Democracies, after all, are not immune to crises, but they are certainly more flexible and more transparent in dealing with them. The developing nations, by comparison, still have some way to go.

### COOPERATION AT THE GLOBAL AND REGIONAL LEVELS

It needs to be recognized, first, that recent dramatic changes, of which the financial crisis is a result, are part of a global problem; they are complex and go well beyond what has been felt in the financial field. These changes are a result of the globalization process. Therefore, efforts to deal with them must also be global.

Most urgent and foremost is the global responsibility of the Group of Seven (G-7) nations to prevent the world economy from going into a depression by taking care of their own economies, and to maintain healthy growth through expansionary policies instead of tightening the money supply. Japan, in particular, has to fulfill its role by doing so in the shortest time possible. On the positive side, the Miyazawa plan is an important initiative on the part of Japan to do more for the developing part of East Asia, especially the crisis-affected countries.

Both the G-7 and East Asian nations have to look into the problems of the global financial system, including the finding of ways to improve the existing Bretton Woods institutions. The financial crisis in East Asia has shown already that a good number of new issues and policies need to be dealt with globally, particularly as the so-called Latin American model for overcoming that region's crisis in the 1980s might not be appropriate for East Asia at the end of the 1990s. Also, there is a need to regulate the flows of short-term capital, sudden movements of which have had very destabilizing effects for East Asia.

These issues provide a basis for close cooperation between East Asian and G-7 nations. Both sides have a great stake and interest in strengthening and improving the international system based on international norms and institutions. This effort could begin in the Asia-Pacific Economic

Cooperation (APEC) forum, although in the end solutions should be found at the global level. The G-7 has already made some very basic and important proposals to improve the global financial system, and APEC must complement this effort by developing proposals for their implementation in East Asia. Preliminary ideas on this could be discussed at the East Asian Summit, consisting of leaders from the Association of South-east Asian Nations (ASEAN) and from China, Japan, and South Korea.

A second point to be made here regards the importance of regionalism and regional institutions in coping with globalization. The experience in managing interdependence gained from regionalism could be an important basis for managing the interdependence brought about by globalization.

Asia can perhaps learn from Europe on the role of regional cooperation and institutions in overcoming new challenges such as globalization, as Europe is much ahead of Asia in these areas. The "ASEAN way" that has evolved in East Asia to deal with regional problems appears no longer to be adequate. While the informal aspect could be maintained, it should be complemented by rules and institutions that can cope with such rapid and fundamental changes as those associated with globalization. A dense web of institutions and norms could strengthen the commitment of ASEAN members to dealing with the impact of globalization. This has been the experience in the European Union (EU).

Regionalism is also vital for keeping order and peace in the region. Asia can also learn from Europe in this regard, examining the kinds of policies, institutions, and norms that have been necessary to keep order and peace in Europe. Europe's efforts do not always work, as has been shown in the case of Bosnia. On the other hand, European policies have contributed to the constructive disintegration of the former Soviet empire. The Organization for Security and Cooperation in Europe (OSCE) has become an important institution in this regard and should be studied more seriously in the ASEAN Regional Forum (ARF).

Third, the problems caused by globalization are huge and complicated, and a corresponding sense of urgency is required to deal with them. As mentioned earlier, the impact of globalization has been very destabilizing, especially in developing nations, because its impact is being felt simultaneously in all fields of life.

In the meantime, the crisis in East Asia has become very serious and complicated, affecting each society in a negative way. Consequently, growing resentments and criticisms are being voiced in Asia about the sources of the crisis, which are considered to originate mainly from the West and

in particular the United States, particularly as it is the only superpower. There have been two kinds of reactions to the crisis by affected countries. One is to follow the advice of the International Monetary Fund (IMF) and the G-7, which means an even greater involvement in the global economy based on liberal capitalism. The other is a refusal to abide by international rules and to revert to an inward-looking attitude, as is the case with Malaysia. This change in Malaysian policy could be of a temporary nature; in any case, the Malaysian experiment should be closely studied. Hong Kong has also intervened in the market, but in a less dramatic way than Malaysia. Both governments' efforts are meant to prevent a deepening of the problems that have already brought about a lot of hardship to their people. Whether or not they succeed will partly define future developments in the international economic system.

In East Asia, most economies have maintained their open policies despite the crisis; it is now a common task to make those policies work. Cooperation is vital because these policies' success is important for the world.

In addition to improvements to the international financial system and infrastructure, other efforts should be given greater priority in regional and international cooperation. First is a social safety net program for the most deprived members in each society. This should consist of programs to meet food needs and public works programs to create temporary jobs. Here, gender issues particularly should be given attention. Without a social safety net, political and social unrest and possibly also sociopolitical explosions can be expected to happen, as has been the experience in Indonesia. Second is the need to develop programs in education and health, because there is a danger that a whole generation in the affected countries could be lost owing to inadequate health care and education. Third is to get each economy moving again. Here, a lot will depend on the policies introduced in the crisis-affected countries.

### COOPERATION AT THE NATIONAL LEVEL

There is a need at the national level to formulate a new development strategy that takes into consideration the impact of globalization. There is no viable alternative to participation in globalization, because there is no way that East Asian countries can isolate themselves and still develop well in the medium term. They have already become an important part of the globalized world, as shown by their strategies of development. Even

Malaysia is not willing to be kept entirely out of a globalized world. It has taken only temporary measures to control capital flows and overcome large fluctuations in its currency to get it back on track. Whether Malaysia will take the correct policy measures in addition to introducing currency controls is indeed being questioned.

The better their domestic strategies, the better individual countries will survive the impact of globalization. In the long term, East Asian nations must learn that they need to improve their strategies of national development. The myth of the East Asian "economic miracle" has made the countries of East Asia complacent. They have forgotten about Kondratieff's long-term economic cycles and the inevitability of corrections. When the crisis hit them, they were not prepared to implement the necessary policies immediately. That should never happen again.

An improved strategy of development means one consisting of an inclusive, balanced, and sustainable growth strategy. It would be much healthier for East Asia to grow at 5–6 percent annually instead of 8–10 percent, but with a strategy of development that is inclusive, balanced, and sustainable.

"Inclusive" means that all a nation's people, or at least a majority, can participate in and enjoy the benefits of development. Problems of social justice have become more critical as a result of globalization. Even developed nations have to face this problem of globalization.

An emphasis on "balanced" implies that the South Korean model of development, where the economy is developed first and then followed by political development later, is already passé. An appropriate new strategy of development must from the beginning include political development and social justice. While it is not possible and not necessary to immediately have a mature democracy in place, flexibility must be built into political systems in addition to a sufficient degree and sense of representation as well as the guarantee for some freedoms. Also, a civil society must exist for there to be oversight and control by the people.

"Sustainable" means that from the beginning the strategy should include concerns about limitations of resources and the environment. One important aspect that should be included in the strategy is the cultural aspect of development. Globalization has been misunderstood because there has not been sufficient public education on what it means for individual nations and societies, on its benefits and dangers. A certain dichotomy has been created between the elites who have already taken part in globalization and the common people who are being left out. This

could be overcome if there is inclusive development and social justice, as well as massive efforts in educating and training the common people to enable them to participate in the globalization process.

Another experience in the East Asian region that has hampered understanding of the real issues in the strategy of development is the debate on East Asian values. This has diverted the attention of East Asian leaders away from the need for strong institutions, good governance, transparency, and the rule of law or regulatory norms, all of which must be based on open and flexible political systems.

### THE ROLE OF INTELLECTUAL EXCHANGE

In addition to being all-encompassing and fundamental, globalization has two other, perhaps even more important, characteristics: the rapidity with which its impact and change have spread; and the complexity of the process of change, which inevitably has engendered a sense of disorder.

Changes in the past decade have been so rapid, especially due to technological innovations, that there are real worries that the process could get out of hand and that the state has no more control over globalization. The Internet is a clear example. The all-encompassing, rapid changes have also resulted in a situation where states no longer have a grasp on how to cope with the changes.

The authority and the power of the state have been eroded, but have not been totally eliminated. More to the point, the state is no longer the only actor taking care of the societies that have been influenced and changed by globalization.

States have been complemented and to a certain extent balanced by regional institutions on the one hand and by nongovernmental organizations (NGOs) and groups in society on the other hand. That is why intellectual contributions have become so critical. At the end of World War II, the genius of John Maynard Keynes was able to come up with comprehensive ideas on how international economies and international finance had to be organized and institutionalized. These ideas were supported by a convergence of opinions among the victorious governments. The situation nowadays is totally different and the problems are more complicated than those of about a half century ago. Also, conditions are constantly changing very fast and there is not enough convergence of opinion among the world leaders, because the world has become more divided and diverse.

In addition, the problems are so varied that one intellect could not possibly encompass all the problems and formulate a comprehensive solution to them.

That is why a network of intellectuals and their exchanges, as well as cooperation, will become highly critical factors in understanding the problems and finding solutions to those problems.

The intellectual exchanges at the intraregional and interregional levels involving East Asians, which have made a great contribution to the establishment of a regional order and regional institutions, could promote stability, peace, security, and welfare in the region.

At the lowest level, there is ASEAN-ISIS (Institutes of Strategic and International Studies), which has become a track two institution for intellectual exchanges among academics, think tanks, NGOs and civil society at large on the one hand and government officials of ASEAN countries on the other hand.

ASEAN-ISIS has developed the idea of the ARF as an extension of the ASEAN Post-Ministerial Conference in a cooperative and comprehensive security approach, where like-minded and unlike-minded countries can come together and create confidence-building measures and preventive diplomacy among themselves. Ultimately, this process should develop into a conflict-resolution mechanism.

Together with other think tanks in Asia Pacific, ASEAN-ISIS has sponsored the establishment of the Council for Security Cooperation in Asia Pacific (CSCAP) as a track two mechanism for the ARF. ASEAN-ISIS also supported the idea of the Pacific Economic Cooperation Council (PECC) as a tripartite track two mechanism, where academics/intellectuals, businesspersons, and government officials in their individual capacities can cooperate toward the creation of a Pacific community. This has resulted in the establishment of APEC as the government vehicle for economic cooperation in the region and for creating a Pacific community in the long term.

Then there is the Council for Asia-Europe Cooperation (CAEC) as a track two effort to support the Asia-Europe Meeting (ASEM). While ASEM is still at the beginning of its activities, more track two support is needed. ASEAN-ISIS is supporting and participating fully in CAEC activities.

In all of these intellectual exchanges, ASEAN-ISIS not only is actively involved but also has been a founding member and has undertaken many initiatives and efforts. As well, Japan has been an active partner, cofounder, and main supporter in all of these intellectual exchanges.



In the case of PECC, Japan was an early proponent through the support of Prime Minister Miki Takeo and Prime Minister Ohira Masayoshi. In the establishment of the ARF and CSCAP, Japan was one of the initial supporters and cofounders, as was also the case with the CAEC.

These intellectual exchanges and cooperation in the form of track two discussions have laid the groundwork for the establishment of regional institutions and for creating a regional order, which in turn will lead to the creation of a regional community in Asia Pacific, East Asia, and South-east Asia. Due to the current financial and economic crises, however, the role of ASEAN-ISIS in the years to come will be limited.

This is because, first, ASEAN itself has become more inward-looking owing to the crisis, the generational change of its leadership, and the problems of absorbing its new members. Therefore, ASEAN governments will not take any new initiatives to strengthen the greater East Asian and Asia Pacific regional institutions such as APEC, ARF, and ASEM. Without a vibrant, dynamic, and outward-looking ASEAN, support for the ideas of ASEAN-ISIS will also be limited. It also needs to be recognized that on its own ASEAN does not have the resources and capabilities to deal effectively with the new challenges of globalization as discussed above.

Second, the East Asian region itself is going through a crisis, and here especially the crisis and malaise in Japan are very limiting in terms of taking new initiatives and continuing existing ones. This is true not only with regard to efforts at economic rehabilitation and reflation of the East Asian economies, but also in the support for regional institutions at the track one (intergovernment) and track two levels, namely, APEC-PECC, ARF-CSCAP, and ASEM-CAEC. The participation of Japanese scholars and academics in such regional matters also seems to have declined to a certain extent.

Third, at the global level there is a lack of leadership, partly because U.S. leadership is wounded internally. Moreover, the EU still has a long way to go before it can assert the necessary leadership, and Japan continues to be in a domestic malaise.

On the other hand, because governments are all under siege owing to globalization and face various problems resulting from the new and fundamental challenges affecting every field of life, intellectual exchange has become much more vital and important.

First, intellectual exchange at the regional and interregional levels has to be strengthened and become more active and creative, because there is a need to think anew and come up with innovative ideas on how to organize

the region and the countries in it after the crisis is over. Such intellectual exchange must focus not only on how to resume development and growth but also, importantly, on how to develop better for the future with the goal of preventing another dramatic crisis from happening. The agenda should also include the creation of more humane and democratic societies in each member country. There is also the need to think anew about the global economic order, with discussion focusing not only on tampering with and adjusting old institutions but also on the introduction of new policies and regulatory norms for a better future.

Although existing regional track two institutions can provide the venue for the intellectual exchanges at the regional and interregional levels, they also need to pay more attention to two agendas in order to remain relevant in the future. The first is relating to and cooperating with other academic institutions to develop more basic academic research capabilities and to undertake joint research in the future. Such an agenda is needed to sustain the policy-oriented efforts of the track two level of cooperation. Second is outreaching to track three NGOs, especially those that are more mainstream and less ideological and that might be willing to cooperate with track two activities and institutions.

Track two institutions need to outreach to civil society in every nation, which can play an important role in facing globalization. At the global level, the networking that the Japan Center for International Exchange (JCIE) and the Brookings Institution have begun with the full participation of ASEAN-ISIS members on new security issues is a good example of how intellectual exchange can be organized globally. Similar efforts will be important to help enrich our experience in organizing intellectual exchange at the global level in the future.

## CONCLUDING REMARKS

While governments are preoccupied with the current crisis and various emergencies, it might be that only civil society, especially think tanks and academics, can take the lead in and keep thinking about the future development of national societies, the region, and the globe.

In the face of globalization, an immediate and urgent mission for think tanks and academia is to promote and strengthen and to make use of existing networks involving second or third (academic) tracks, as well as to create new ones that can broaden ongoing intellectual exchanges. The

main task is to provide new ideas and to sustain the public's interest in and governments' support of international and regional cooperation. Only if we cooperate do we have a fighting chance to face these new and complex challenges.

Here, Japan's role is important because it has the financial wherewithal to organize the region. In addition, Japan needs and is willing to become an integral part of the East Asian and Asia Pacific regions. ASEAN also has an important role to play, as it has gained a lot of experience in networking in the regional context. China is also an important member of the region and should be fully involved. The more China gets involved regionally and multilaterally, the better it will be for the region. South Korea has always had an important role to play with its original ideas and inclination to be part of a greater region strategically.

In the end, to have a greater impact and to overcome the limitations of ASEAN in the recent crisis, the East Asian region's track two and track three institutions have to take the lead in the creation of new ideas and in proposing new programs to face the challenges of globalization in cooperation with other regional partners. While ASEAN-ISIS will remain an important partner, institutions in Japan, China, and South Korea should also develop partnerships to become the primary driving force and nucleus of track two and three activities in East Asia and Asia Pacific. The annual East Asian Summit should be the intergovernmental forum at which new ideas are delivered. This would complement, and not substitute for or compete with, ideas that are being developed in and through APEC, ARF, and ASEM.