



## THE INSTITUTE OF INDO-PACIFIC STUDIES

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11<sup>th</sup> November 1995

### 'An Overview' - Opening Address by Mr. C. Gunasingham Chairman, Institute of Indo-Pacific Studies (IIPS)

Your Excellencies, Distinguished Participants and Guests

Let me, to start with, state the objectives of the Institute of Indo-Pacific Studies and of this Forum.

#### Our Objectives and Mission

We had, in fact, twin objectives in view. One was to create general awareness that the Indo-Pacific Rim is an International Region, that it is one of such Regions as are emerging in the world with the close of an era in which the international system had been a hegemonic euro-centred or bi-polar centred world system. The international life and relations of the Regions of pre-european international history lay submerged during that era of world history.

Our other objective was to help develop, promote and speed private enterprise-led business links and relations between the industrialised and industrialising countries of the Pacific Rim and the developing and less developing countries of the Indo-Pacific Rim. Apart from the independent value of the objective, we saw it as a step towards international regional formation in the maritime basin formed by the Indian and Pacific Oceans.

Taking the first of these objectives, we noted several factors that led us to postulate the emerging broad unity of the Indo-Pacific Rim.

#### The Geographic and Historic Factors

One was that the Indian and Pacific Oceans, unlike the Indian and Atlantic Oceans, are not disconnected or discontinuous bodies of water. From ancient times, maritime traffic plied the sea lanes between the Sea of Japan, the Persian Gulf and the Red Sea. In the sequel, the Asian littoral on the Indo-Pacific Oceans became a setting that carried the seeds of political, economic and cultural unity.

With the European Voyages of Discovery came Ocean-going maritime capability. This proved a new catalyst for the wider unity of the Indo-Pacific Rim. Aviation technology and Information technology are since contributing new and revolutionary dimensions to the process. They have opened a frontier that cannot help but more intensively network the societies of the maritime basin formed by the Indian and Pacific Oceans and make them part of an inter-active system of international life and relations.

The result of all this is the broad historical unity of the Indo-Pacific Rim. It is seen in the general diffusion of Hindu, Buddhist, Islamic, Confucian and Christian religious beliefs and philosophical systems through much of the Rim. No other part of the world is distinguished by this plenitude and diversity of religious and cultural influences. In none are states equally penetrated by the changes they experienced over millenia as part of the events of world development.

We observed further the eco-cultural unity of the lands bordering the Indo-Pacific Oceans. The natural habitats of open societies, of societies open to foreign trade, foreign relations and to maritime life, it is no surprise that when the Indo-Pacific Rim emerged from the shadows of the world colonial system, it resumed continuity with a past in which it had been one of the great cradles of pre-western capitalism.

#### Present Dynamics

We took account next of the dynamics that are presently contributing to the unity of the Indo-Pacific Rim.

First, we noted that in a collapsed and globalised world, often called a 'global village', small group associations of states for regional co-operation cannot for long viably withstand the pressures of global events. They must either expand, broaden, and become inclusive or over time become decreasingly relevant.

Certainly small group 'family' type associations of nations have their short-term value. They provide means by which in-group consensus is established and co-operation for common ends, including the security of the group, is assured under given conditions.

But, in the longer term, the value of such 'family' associations is no longer in the role they once played. Their value in a collapsed and globalised world is first as building blocks for the construction of an International Region and second as decentralised units and units of devolution in such an inclusive Region.

To verify and substantiate this point, we examined the facts of international regional formation in the world. What did this evidence disclose. To start with we took the case



of Asean first. It was one of the more successful of the regional groups that emerged in the last four decades.

We noted this grouping of late has been on an expansionist course. From an original family base of Five, it became a Group of Six. It is now a group of Seven. More important the seventh recruit, Vietnam, is a non-traditional entrant. It was a perceived threat once, a cause for the banding together of the Five nations in a regional grouping. And yet, despite the fact that it is a communist state still as well as being a country trailing far behind other Asean states in its stage and level of development, Vietnam's admission to Asean proved a politically accelerated process.

Asean now targets three more nations - Myanmar, Cambodia and Laos. To a point, these nations are geographically and historically a part of both South east Asia and South Asia. They too are non-traditional entrants. Some may question the long-term stability of their political life and institutions. Despite this, together with Vietnam they are due for recruitment to Asean.

In other words, in deciding to become a Group of Ten, Asean is stepping out from the limits of a family association to become an association that more inclusively faces the needs of Asean for a security environment conducive to the growth and development of its member states.

How far this expansionist trend will go on is not altogether a matter for speculation. For one thing, Asean states are also members of Apec. For another, several of them are as much littoral or hinterland states of the Indian Ocean as they are littoral and hinterland states of the Pacific Ocean. In recognition of this reality there is a visible shift in trends already towards joining a newly forming Indian Ocean group for regional co-operation.

We next took note of the case of Australia. In the past it had been emotionally and in terms of its political objectives and economic interests a part of Europe. It was not unique in this because the same bias was evident through the developing world.

But, it is the same Australia today which is in the vanguard of regional discovery and formation. One of the promoters and founders of Apec, it is also one of the promoters and founders of an Indian Ocean group of states given to regional co-operation. In other words, from down under it has contributed significantly to processes that we might expect would in time bring to fruition an integrated Region, one that associates the Asia Pacific Region with the Indian Ocean Region.



Next we took account of Nafta. A Group of three at first, it is now a Group of Four whose constitution provides open-endedly for an Organisation that consolidates for its purposes the American continents. It is a development which, when it takes place, cannot help but bring into place another of the International Regions of the world.

International Regional construction, we observed further, was not a process limited to the Indo-Pacific Rim. Indeed, it is in high evidence in Europe. To illustrate, the European Coal and Steel Community by stages became the European Community. It then became a European Union including East Germany. It is poised now to probe its frontier with Eastern Europe. At the distance there is the more removed prospect that European expansion might come to embrace the rim societies of the Mediterranean. It would then take within its limits an area which was once the cradle of western civilisation.

We took note further of Associations such as Apec and the Indian Ocean Region (IOR). A major step away each from what we have called small group family associations, they seek to bring into regional co-operative relations a far wider and a far more inclusive reach of societies than has ever been the case before.

#### The Second Industrial Revolution

We next examined the objectivity and realism of our second objective - namely that of promoting business linkages and relations between the industrialised and industrialising countries of the Pacific Rim and the developing and less developing countries of a region as far flung as the Indo-Pacific Rim.

As part of our study of the matter, we observed that a second industrial revolution is sweeping the world, this time from the North Pacific. Unlike the first, which was a west to east movement with Britain as the first industrial nation, it is an east to west and south movement with Japan as the first industrial nation. The epi-centres of the revolution were, in fact, in states or territories off-shore of the Asian mainland. Japan began the revolution in the '50s. S.Korea, Hong Kong and Taiwan in the '60s. Singapore, not much later.

One of the features that further distinguished this revolution is the fact that its expansion was not a colonial expansion. The inter-dependence it forged was not the centre-periphery relation that tied the development of a dependent economy with metropolitan development.

We observed further that the process has not been stoppable. Far from being so, from its off-shore bases it now engulfs the Asian mainland. Major demographic and



territorial complexes such as India and China, medium and large states such as Thailand, Malaysia, Indonesia, Bangladesh, Pakistan and South Africa and small states like Sri Lanka are being drawn into it. It is a swathe cutting across the Indo-Pacific Rim. It is a dynamic that unifies the same Rim of states and societies.

We noted also the multi-dimensional consequences of this east to west, offshore to mainland, thrust of industrialising dynamics in Asia.

One consequence, we observed, was the dynamisation of a part of the Indian Ocean Rim which is also a part of the Pacific Rim. Among countries affected are Thailand, Malaysia, Singapore and Indonesia. Their emergence at different stages as four of the newly industrialising states of Asia meant that the new industrial revolution was already engaging the Indian Ocean Rim at its eastern end, that it was transforming and agitating conditions there and eroding the bases of any view that the two Rims are dissociated, separately developing regions.

Another relates to the original 'tigers'. We noted here one of the compulsions of their situation. It is their need to re-integrate with the Asian mainland from which they were breakaways. As breakaways they had pursued a path of separate, polarised and adversarial development from the path of development taken by the mainland.

But all this is changing. In 1997, Hong Kong becomes a part of mainland China; a virtually buccaneer colonial territory with a centrally planned political economy. Taiwan's reunification with the PRC, an issue touched by grave urgencies, is only a matter of time, of fast diminishing time. Neither is the reunification of the two Koreas a distant or remote prospect.

Singapore, once proudly acclaimed as a global island with the world as its hinterland, has to balance the globalisation of its economy with its regionalisation. It has also to balance policies designed to build its national economy by policies designed to build its external economy. In all this, the boundaries of regionalisation and external wing processes are no longer limited to areas once considered traditional. Instead, they extend over a wide sweep from China, the Philippines and Indonesia, to Vietnam, Myanmar, India, Sri Lanka and South Africa.

In the light of all this, it is not too much to say that the 'tigers' as we have known them in the past four decades or more might be an extinct species in the next two decades or more.

We took account also of the fact that these realities of change are affecting the development strategies of these early industrialisers. They are strategies no longer



nourished by the dichotomies introduced by the cold war, by the offshore-hinterland or the maritime-inland polarisation, by the ideological conflict and polarisation, by the clash of values on political and social system choices, by the coercive relation of industry to agriculture and of the domestic to the external economy. Indeed, as processes of re-integration gain momentum, a consensus on values, we considered, might be the unavoidable result. By the same token, as consensus on values grows re-integrative trends will gain momentum correspondingly. Hongkong and China, Taiwan and China, South and North Korea in this light are pairs of opposites whose coming together might be one of the high dramas staged in the next decade or two.

We reviewed also the development strategies of the developing and less developing countries of the Indo-Pacific Rim. Over the differences between them, we noted crucial common elements. Thus, whether it is a social market economy with Chinese characteristics, a democratic socialist market economy with Indian characteristics, an Islamic market economy or a social market economy with African characteristics, universally in these countries there has been an accelerating trend towards adopting market friendly, outward looking, as well as reducingly statist and welfarist strategies of development.

We reviewed also the development strategies of the industrialised and industrialising countries and saw a growing sensitivity to the social and human objectives of growth. Even the general reaction against welfarism has not affected this growing sensitivity to the need to democratise growth dynamics, make it a bottom up as well as a top down process and establish conditions in which there is more real and effective equality of opportunity.

#### THE INDO-PACIFIC CENTRE

From our review of both sets of data, we could not help but conclude that the main impediment to economic co-operation between the early industrialisers and the late-industrialisers, between the NIEs and the developing countries of the Indo-Pacific Rim has been to a point eroded by these changes in development strategies.

#### The Flying Geese

We recalled at this stage Professor Yamazawa's theory of 'flying geese'. According to this, the mechanism mainly responsible for increasing interdependence in the Asia Pacific has been "the transfer of industries, particularly manufacturing industries, from early starters to late comers". It had been a process by which industries such as textiles and steel moved "from the United States and Japan to the Asian NIEs, and from the Asian NIEs to Asean".



To a point the "flying geese" theory holds even as industrial dynamics moves further west from the NIEs of the Pacific Rim to the developing and less developing countries of the Indo-Pacific Rim as a whole. But the driving force for this growth of interdependence has a more diverse origin than the theory of 'flying geese' would make us believe.

The pull of the growing markets of the late comers is one factor. Their pool of surplus labour and even of knowledge based skills is another pull factor. The need to relocate, if not whole industries, the labour intensive part of the operation of industries is a third factor. Lower costs of doing business is still another factor. Then, there is the pull of the profits to be made by the external economies of the early starters as these grow in response to opportunity in the late beginner economies of the Indo-Pacific Rim. In other words, there are complementarities and comparative advantages arising in the very relation between the early starters and the late beginners that make for the interdependence of their economies and for their linked growth.

#### Promoting Business Links and Co-operation

One of the great impediments to regionalism in the Indo-Pacific Rim is the absence of any governmental interest in promoting such regionalism. Certainly, bilateral exploration of common interests and complementarities is constantly taking place. Some are part of going regional and external wing strategies. Often such exploration of opportunity has been pushed by Boards of Investment of each country, some better provided and provenanced than others. While each country can acclaim its successes, not all can do so equally; worse, the regional dimension in co-operation is overlooked.

Another impediment is faint awareness that the developing countries of the Indo-Pacific Rim share many common problems. Thus, countries like China, Vietnam, Indonesia and the Philipines face development challenges that are not different to the challenges being faced by Myanmar, by the countries of the Sub-continent, and by eastern and south-eastern Africa.

China and India demonstrate this unity spectacularly. Both are territorially large continental states. Both have comparable population masses. In both poverty is a mass phenomenon. Neither can afford to squeeze out the agricultural sector nor can export specialisation afford to marginalise the domestic economy. Both have the task of ensuring growth is a socially deep process, that it does not lead to only enclave development, or widening the gap between backward and advanced regions. Both have a tradition of social responsibility, one owing to the nature of communist systems and the other to the nature of competitive multi-party democratic political systems.



The fact that China is a Pacific Rim State and India an Indian Ocean Rim state does not detract from this commonality of the challenges facing them.

In the absence of a political will backed by a supporting vision among the states of the Indo-Pacific Rim, the task of promoting the closer integration of the economies of the International Region of the Indo-Pacific Rim becomes a responsibility of private enterprise. In its perception of arising opportunity in the Rim, its knowledge and information on markets, on market niches, on economic agents with whom collaborative relations can be established, will depend the extent to which inter-dependence can be built up Indo-Pacific wide. On such private enterprise-led growth and development will depend also the extent to which the flag would follow trade leading to the growth of inter-governmental institutions for promoting accelerated growth and development in the Rim as a whole.

Private enterprise-led growth and development does not mean that contribution to such growth would come from MNCs and large enterprises. As part of social and regional deepening of the process in a region marked by sharp income disparities and high levels of mass poverty, it will mean also the growth of small and medium enterprises whether farms, industries or services.

#### Concluding Remarks

I know there are many in this part of the world, including those at high decision making levels, who would be dismissive of several of the ideas I have expressed. They would be dismissive of the idea of an International Region embracing so far flung, so diverse and so inclusive as the Indo-Pacific Rim. They would not see eye to eye with me when I speak of an integrated regional setting which includes both Rims of the Indo-Pacific Oceans.

For them, moreover, many of the rim states of the Indian Ocean are marked by grave instabilities in their political environment. Both inter-state and intra-state conflicts scar their landscape badly. Worse, several of these states have competitive multi-party political systems whose general proclivity for divisive politics destabilise them, prevent the emergence of strong leadership, undermine prospects of good government and encourage populist courses. Such systems and traditions of government and politics send chills down the spine of countries in the Pacific Rim where diametrically opposite conditions prevail.

While these are not wholly untrue reflections, they bespeak of conditions that are rapidly disappearing. A quick survey of the Indo-Pacific scene should show the historic acceleration events have assumed. In the early '70s came the so-called oil



crisis. It transformed conditions in a part of the Indo-Pacific Rim; with the touch of Midas converting a group of low income countries marked by the historic poverty of their conditions into a group of high income countries with a weight in the world they did not have before.

In the early '80s came another historically momentous change. It marked China's dramatic re-entry to the world stage, bringing the weight of over a billion of the world's population on to that stage and resuming its participation in world trade and international trade-led division of labour.

The early '90s marked another giant transformation. It was the emergence of India, a country almost as populous as China, whose resumed participation in world trade cannot help but have Indo-Pacific wide as well as global implications.

A further landmark development was the emergence of South Africa in the same period of the '90s from the dark night of Apartheid. It had been an international untouchable before this, one forced to withdraw from world trade. Australia's Asian reorientation marks another of these historically significant changes.

Together and by themselves these are changes that make the Indo-Pacific Rim the most dynamic component of the global economy. Those who see for the Asia Pacific that role are already discussing the past.

There is a great deal more that I could say on the theme of this Forum. But, this is only an Overview. Greater depth and breadth of knowledge would come, we hope, from the discussions at the Forum as it unfolds.