



## **THE FORMS OF TRANSITION : GLOBALIZATION, THE ASIAN CRISIS & CHANGE**

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The Asia-Pacific region, and East Asia in particular, is in transition. Like the rest of the world, East Asia has been profoundly affected by globalization and liberalization. But East Asia also has been affected by the Asian crisis of 1997-98, which seems to have changed the foundations of societies in the region as much as globalization. The East Asian transition has therefore been profound and dramatic, although many of these transitions and changes are also valid in the other countries of the Asia-Pacific region as well.

### **GLOBALIZATION AND LIBERALIZATION**

The twin trends of neo-liberalism and liberalization, which began sweeping the world in the Reagan and Thatcher years, triumphed with the collapse of the Soviet Empire in the late 1980s and early 1990s. The Reaganite and Thatcherite revolutions brought sweeping changes to the mentality of the post-World War order, and with the liberation of the Eastern European satellite states and the collapse of the Berlin Wall, neo-liberalism was well on its way to ideological victory. But when the Soviet Empire ultimately collapsed under the weight of communism's inefficiency and China became progressively engaged in a new 'socialism a la chinoise' experiment, liberalism's triumph was complete.

A recent award-winning television series, 'Commanding Heights', based on a book of the same name by Daniel Yergin, emphasized that the most important phenomenon and transition of the post-War modern era was undoubtedly the free-market revolution that gripped the world in the 1990s. This touched off a frantic race towards globalization characterized by the massive and rapid global exchange of four key elements: goods and services, capital, ideas, and human resources. The IT revolution has been instrumental (by partnering with liberalization) in enhancing this process. The United States, Europe (including Russia, Eastern and Central Europe), Japan, parts of East Asia (including China), Australia and New Zealand, and the urban agglomerations of the developing world have been plugged into this

globalization process and network. On the other hand, half the world remains effectively marginalized by this same process; the rural worlds of Asia, Latin America and Africa remain in the dark shadows of globalization.

Never has there been such rapid exchange of these elements, and on such a scale, in the history of humanity. The massive exchange of goods and services has been realized thanks to the development of worldwide transport, logistics, and IT systems, as well as the deregulation of commerce through the previous GATT arrangements and now the WTO. Further liberalization is expected, although key developing nations are now clamoring for a fairer playing field. The rapid transfer of capital (both in terms of investments and speculative short-term capital) clearly has its roots in the development of financial liberalism on a worldwide scale. Furthermore, thanks to IT, there is now no need for the physical movement of capital across the world. The interdependence of stock markets and capital markets also makes capital flows more rapid, fluid and uncontrollable, often to the detriment of developing nations.

The circulation of ideas and information has become so great that we are all now plugged into a world information web or pool; no information can now be deliberately hidden or denied for long, as media giants feed information instantaneously across the globe. The information flows now ensure better accountability and transparency, and have the effect of aiding the flow of goods, services and capital around the world. The flow of human resources has been the slowest element to truly globalize, as formidable barriers to the free flow of human capital across the globe still exist. Experts and professionals may now criss-cross the globe without much problem, especially in the developed world, in search of better value creation. However, the movement of the lower levels of the labor pool and societal masses is still strictly monitored, especially when moving from developing to developed nations. The free flow of human capital will not come about as long as the globe remains 'divided' between the 'globalized' and the 'marginalized', especially with the more powerful developed world having the ultimate say on opening its borders to such flows.

### **THE ASIAN CRISIS (1997-1998): A TOTAL CRISIS**

The Asian crisis of 1997-98 has had many important political, economic, financial and social consequences on ASEAN countries and South Korea. Its effects are still being felt today. The six original members of ASEAN and South Korea suddenly faced a 'total' crisis of financial, economic, and then

social and political proportions. The economic and social fabrics of their societies were torn as bad loans, shaky financial systems, corporate bankruptcies, rising unemployment and plunging currencies suddenly engulfed them. Indonesia and Thailand were 'forced' into new political upheavals and reforms. Similarly, crucial political and social reforms are affecting the Philippines, South Korea and Malaysia. Even traditionally stable Singapore and Brunei face social reforms and a rethink of their futures. The crisis also aggravated ethnic and religious tensions and the uneven distribution of wealth within countries and within ethnic-cum-religious communities like Indonesia and the Philippines, and to a lesser extent, Malaysia and Thailand.

The transition economies of the newer members of ASEAN (Vietnam, Laos, Cambodia, and Myanmar) were less exposed to the Asian crisis as the original members or South Korea. Still transitioning to free markets and open societies, they were not yet open to capital flows and international finance. Nevertheless, they also suffered in that the expected benefits of ASEAN memberships were undercut by the existing members' preoccupation with economic hardship and political chaos. Furthermore, these less-developed members were in the grips of their own painful economic and social transformation; a process that is far from complete today. Reforms are still ongoing and it remains to be seen whether these countries will eventually succeed in adjusting to the new globalized world.

The Asian crisis was indeed a total crisis for the affected countries. Beginning as a financial crisis, it soon became an economic one, It then evolved into a social crisis, which spilled over into the political realm as well.

The crisis began when currency exchange regimes came under speculative attack, beginning with the Thai baht in June 1997. On 2 July 1997, Thailand was forced to float the baht, which had been pegged to the US dollar, after its defense of the baht began to deplete the country's foreign reserves. As a result, massive speculative attacks were launched against other currencies that were pegged to the dollar, such as the Malaysian ringgit, the Philippine peso and the South Korean won. Though not pegged to the US dollar, the Singapore dollar was also affected. It was pegged to a trade-weighted basket of currencies and the Singapore dollar adjusted automatically downwards with its neighbors. By mid-August 1997, Indonesia was also forced to float its rupiah to save its dwindling foreign reserves. As a result, all of the attacked Asian currencies plunged; from Dec 1996 to Dec 1997, the baht fell (in comparison to the US dollar) from 25.6 to 48.2, the ringgit from 2.53 to 3.89, the peso from 26.3 to 39.9, the Singapore dollar from 1.40 to 1.69, the Indonesian rupiah from 2,363 to 5,495 and the Korean won from 840 to 1,695. Departing from orthodoxy,

Malaysia in 1998 imposed capital controls and pegged the ringgit to the dollar at RM 3.8 to prevent the further erosion of Malaysia's financial assets.

The Asian Crisis then became a full-blown economic crisis in all the affected countries. With the withdrawal or flight of capital from the affected countries, industries (not only the big conglomerates, but also small and medium sized enterprises (SMEs)) and the wider economy began to ground to a halt, as interest rates doubled or tripled over a few weeks and corporate and consumer confidence plunged. The Asian governments most affected appealed for monetary aid from the International Monetary Fund (IMF), related agencies and other governments. Thailand was pledged US\$17.5 billion, South Korea US\$55 billion and Indonesia US\$43 billion in bail-outs. In return the IMF forced the affected governments to impose austerity measures, reduce government deficits and seek to increase efficiency in the economy (in both the real and financial sectors) while loosening liquidity. with the arrival of bail-out packages. These measures were accompanied by efforts to restore health to the financial sector, via adjustments in fiscal, monetary and exchange rates policies, as well as structural reforms in the real sector, such as tariff reductions, domestic deregulation, the elimination of subsidies and some fiscal policies. The forced closure of ailing banks created a panicked withdrawal of savings from even healthy banks. Economies went into tail-spin, as industries and factories ground to a halt and hard-hit consumers tightened their belts. On the other hand, Malaysia decided against IMF aid and the Philippines was already under IMF assistance at the time the crisis began.

The Asian monetary crisis became a social one also as it unleashed a reform process that caused unemployment to increase dramatically. Indeed, 'democracy' and 'reforms' became buzzwords in the affected countries by 1998. In fact, the nexus of the Asian political economy shifted from the previous duopoly of big government-big business to a new triangular nexus of government-private sector-civil society (note that the new tripolar nexus has 'government' minus the 'big', and the 'private sector' replaces 'big business'). Conservative Asian societies were changing fast, as civil society strengthened in Thailand, the Philippines, Indonesia and South Korea. In this way, the Asian crisis gave civil society a push in the right direction, as democracy and reform took root in Asia. As unemployment and the lack of social safety nets threatened social harmony, civil society groups became increasingly assertive after years of centralized decisions by powerful governments. Civil society, comprising lobby groups (including labor unions, student groups and rights groups), Non Governmental Organizations (NGOs), and environmental lobbies, began taking governments to task openly on an array of issues. There

appeared a real need to redefine the 'contrat social a la Jean-Jacques Rousseau' between the governed and the governing in these societies . The social order had to change.

Finally, there was a crisis of governance. Democratic aspirations grew as strong as the calls for drastic economic and social reform. Decentralization gained favor as grass-roots democracy took root. Governmental accountability came under the spotlight and governments are now checked not only by a mushrooming of political parties and the development of a bolder opposition, but also by the rising demands of civil society and people's groups. Asian democracies became more complex political entities with multiple power centers. The crisis therefore contributed to reform of the political foundations of the affected countries. The successive Indonesian governments of Presidents Suharto, B.J. Habibie and Abdurrahman Wahid fell. Today, under Megawati Sukarnoputri, Indonesia has yet to find political stability. In Seoul, Kim Young-sam fell into disgrace due to the crisis, and was replaced by an opposition and dissident leader, Kim Dae-jung. In Thailand, Prime Minister Chavalit Yongchaiyudh fell from power after the collapse of the baht and was replaced by the more somber Chuan Leekpai. He was in turn replaced by Thaksin Shinawatra, who swept into power in January 2001 after campaigning against Chuan's slow economic reforms. In these countries, incumbents were swept from power as a more genuine democracy was installed but political and economic stability remain elusive. For many countries, political and social institutions need to be built or re-built. Even relatively stable Malaysia went through a political whirlwind during the controversial Anwar Ibrahim saga in 1998, which resulted in a resurgence of the Islamic opposition party PAS at the 1999 general elections.

It is undeniable that the trends of liberalization and globalization as well as the Asian Crisis have contributed greatly to the impetus for change and transition in Asia. These changes and transition could generally, and in most cases should, be considered irreversible as Asia develops further.

#### **EAST ASIA TODAY : FOUR CHANGES AND ONE FUNDAMENTAL TRANSITION**

The countries affected by the Asian crisis have seen dramatic change in four major clusters: finance, economics, social/civil society and politics. In effecting these changes, Asia has also embarked on a fundamental transition of the nation-state itself. Changes in the financial field in four areas are under way, although reforms are still far from complete because of vested interests.

First, moves have been made to consolidate the banking industry, from a myriad of small inefficient banks to a handful of stronger banking conglomerates. In general, the affected countries have timidly opened their financial sectors to both local and foreign competition, as in Singapore, the Philippines, and Thailand, though the Thai consolidation has been stalled somewhat by vested interests. Malaysia, meanwhile, has decided on a local consolidation before opening up the sector to international parties. The Indonesian financial scene is still a mess, reeling from bad and non-performing loans, which deters buyers. Only South Korea seems to have made significant progress toward consolidating its financial sector. The key to opening and cleaning up of the financial sector is how effectively financial authorities are in disposing of bad loans and confiscated assets, a process that has seen relatively limited success in Thailand, Indonesia and even Malaysia. But what is important is that East Asian countries have probably learned one fundamental lesson from the Asian crisis: that the management and implementation of financial liberalization must be sound and careful lest it invite the same problems that swarmed their economies in 1997.

A second fundamental change has occurred in the way governments perceive financial regulatory frameworks. Before the crisis, Asian governments 'liberalized' the financial sector without adequate safeguards, allowing 'easy money' to pour in from international banks. In the case of Thailand, this 'easy money' was re-lent by local bankers at a premium for 'white elephant' projects in big cities. It was estimated that Thailand, Indonesia and Malaysia accounted for 25 percent of the world's private financial flows in the early 1990s—for example, US\$200 billion poured into Thailand during these wild days of easy capital and its half-successful financial liberalization. The corresponding regulatory functions and frameworks were poor or non-existent. After the crisis, the conventional wisdom placed a premium on a strong regulatory framework, not just liberalization at any cost. The crisis was thus a wake-up call to strengthen the financial framework and its regulatory functions.

Third, speculative capital such as hedge funds have, since the crisis, come under fire by governments, especially in Kuala Lumpur. Asian governments appear to clearly distinguish now the fundamental difference between foreign direct investment (FDI) and short-term capital, whose flow in and out can destabilize a country's financial system and economy. This shift in thinking is probably most acute in Malaysia, but can also be found in Thailand, Indonesia, and the Philippines. Malaysia imposed capital and currency controls in September 1998.

Fourth, the Asian crisis hammered the risk of cozy relations between bankers and authorities, and between big banks and conglomerates. South Koreans witnessed the lingering bond between the *chaebol* conglomerates, banks and the government clearly, as scandals erupted in the first family during the last days of the Kim Young-sam presidency. In Thailand and Indonesia, banks were also 'protected' or even 'managed from a distance' by politicians (or the military) and those close to power, for the benefit of political parties or the personal gain of the elite. The move throughout Asia is now for more transparency and accountability.

In the economic field, strategies have undergone fundamental change, at least in four areas. First, Asian countries now realize that their overdependence on exports for economic growth during the heyday of the Asian boom must give way to more balance between exports and domestic consumption. This does not mean abandoning exports as a source of national income and wealth, but to shake off the export-led mentality, in which wages are suppressed and incentives given only for exports at the expense of and detriment to domestic consumption. With the shift towards more democracy and participatory politics, consumers are now a more prized commodity than in the past. Domestic consumption can only increase with rising purchasing and consumer power; hence wages should also be increased in tandem, and not suppressed for the sake of attracting FDI destined for exporting industries alone. But a warning must also be sounded against building up a potential domestic demand 'bubble' for political or social reasons through increased public and corporate debt. In some ways, the Asian consumer faces better prospects now than before the crisis.

Second, Asians have had to rethink the place and role of the public (versus private) sector in the economy. Liberalization had called for a scaling back the public sector in a wave of privatizations, but the Asian crisis has also proven that when a crisis strikes, and with the quasi-absence of social safety nets, the private sector cannot deliver all the goods to ensure social and racial cohesion. A debate has begun, forcing governments and authorities to weigh the profitability of social services against the necessity of providing the minimum in social goods to the people. This reassessment of public versus private participation in the economy became a rallying theme in post-crisis Asia. Coupled with this debate is the issue of creating a larger regional economic entity based on an integrated production chains or networks and economies of scale within the region. Governments can play an important role in creating this new framework of regional cooperation and markets across Asia, which could then greatly benefit the private sector and its entrepreneurial drive. The

2003 announcement of an 'ASEAN Economic Community' is a step in this direction.

Third, there is debate over how much the government should be directly involved in the market in terms of production and industrial strategies. The debate centers on direct government involvement in controlling its national industries or conglomerates, as in the case of Singapore's Government-led Companies (or GLCs) under the Temasek Holdings umbrella, as opposed to the more nimble stable of Taiwan's SMEs. The slogan was 'more market and less government' in a 'small is beautiful' context. But it was also acknowledged that governments should not abdicate their roles in setting the appropriate regulatory framework for the private sector to operate in. SME development has been highlighted and the involvement of the private sector in formulating industrial strategies and policies has been strongly recommended.

As the nexus of the Asian political economies has shifted from a duopoly to a tripolar structure, governments in Asia have been forced to give the rising 'true' private sector (via SMEs) a greater role in setting the direction of the economy. This would also ensure the decoupling of big business from authorities, and its accompanying cronyism, collusion and nepotism, as highlighted by the experience under President Suharto of Indonesia. Furthermore, with the rise of democracy and people's participation in the economic strategies and direction of the country, labor has increased its bargaining power in the corporate world, becoming one of its most important stakeholders. A recent Business Week article highlighted the fact that one of the major shifts in capitalism in the next ten to twenty years could be a shift from 'market and managerial capitalism' to a more 'managed capitalism', where stakeholders other than the management play a greater role. Asia will be no exception in this business trend.

Finally, it became clear that governments, in abdicating their strategic roles over business and the economy, should encourage more basic entrepreneurship and creativity, based on a higher level of education, research and human resource development (HRD). Asians in general tend to value education, and there has since been a revival in the promotion of education in all East Asian societies in order to raise the general level of knowledge of the entire population. This is also in line with creating a population of better-informed and more discerning consumers and actors in the economic and social life of the country. It is clear that the services sector would also grow as the purchasing power of the population increases. Education, health, leisure and lifestyle trends would be the new pillars of a new Asian economy, in order to supplement manufacturing, industry, infrastructure and 'hard' logistics.

In the social and civic arena, Asian governments have seen important shifts and changes, in at least four areas. First, as stated earlier, the rise of civil society in Asia appears irreversible. From Indonesia to the Philippines, Thailand to South Korea, and Japan to China, peoples' movements have emerged to claim a voice and role in society. In some cases, as in Indonesia and South Korea, the Asian crisis helped unleash the power of civil society groups, whereas in others, increasing wealth and economic development have contributed to its rise as a powerful social force, as in China or even Japan. It has amounted to a willingness by the people to express themselves more after years of control and government-led economic expansion and growth. In many cases, Asian civil societies are still considered tame in comparison to their Western counterparts. But those in the Philippines, Indonesia and Thailand can get boisterous and rowdy at times. Unlike many of their Western counterparts, most Asian civil society groups and NGOs are still very issue- or interest-based (such as opposing specific projects for environmental reasons or lobbying against human rights abuses or trade union claims) and have not necessarily transformed themselves into formidable politico-social forces. However, the labor movement has become a formidable force in South Korea, just as NGOs are now more listened to in Indonesia and Thailand.

Second, the rising civil society has also come to realize that it has a greater role to play in the new tripolar nexus, together with public authorities and the corporate sector. This civil society will in time wield a greater and more far-reaching role as not only voters and consumers of social goods for the authorities and the political establishment, but also as consumers and individual shareholders in the corporate world and private sector. It is this dual role that the emerging civil society and citizenry is learning to play in Asia. This is forcing the government and private sector to 'reconnect' themselves to the people. When well organized, civil society groups could thus wield enormous power and influence, especially when domestic consumption is now clearly emphasized in Asia by both governments and the corporate world.

Third, as education rises further and is emphasized more forcefully in the development of societies, the role of intellectuals will inexorably increase as compared to the role of businessmen, in the future direction of the country. Asia has in the past placed granted great authority to business conglomerates and top businessmen, but it can now be envisaged that intellectuals, the intelligentsia and academia in general will rise in importance as Asia looks for ideas and creative thoughts to develop further. This trend may also gain impetus from the moral questions concerning 'unbridled capitalism' that have been raised in the wake of the Enron and Arthur Andersen corporate debacles

in America. This could in turn help steer the governments of Asia towards a shift in mindset that gives more priority and accord more value to intellectual exchanges and debates. The intellectual space in Asia should open up in the coming years, as Asian societies open up further.

Fourth, the Asian crisis brought about a period of introspection in the region. There is a feeling of Asian vulnerability, and hence a whole debate of returning to 'Asian roots' has begun. This has sparked a regional debate on Asia's future identity and culture, as a region and as a civilization. As Asians search for 'inner strengths' from their past and their old civilizations and long histories, many are looking for answers in 'things Asian' and the Asian '*art de vivre*', as opposed to the Western fads that had continuously influenced Asia for more than a century. Asian societies have, in a way, turned inwards to look closely at themselves in this, context, probably also as a negative reaction to globalization and cultural uniformity. However, this return to Asian roots is also accompanied by a certain 'loosening up' of Asian societies, as they grow 'in less conformity' and embrace some individualism and creativity as well. The trend of 'Asian-ness' (but less conformity) should be healthy, if it is not tainted by undue Asian arrogance or pride, as epitomized by the previously raging debate on 'Asian values', which was eclipsed by the Asian crisis.

Finally, in the political field, four new trends have emerged in Asia. The first of these is the cry for democracy and reform that has resonated across Asia since the crisis. Prime Minister Mahathir Mohamad of Malaysia faced serious challenges during and after the Anwar Ibrahim episode from the latter's supporters and other disenchanted Malays. Even in China, calls for more democracy could be seen on Chinese websites, although they were officially discouraged. It is clear that Asia has embarked on a new phase of democratic aspirations after years of intellectual and social 'containment' of the people; today the people of Asia are beginning to challenge years of thinking and policies characterized by a 'government knows best' mindset.

Second, increased popular and local-level assertiveness has resulted in moves towards decentralization and devolvement of power to local levels. Indonesia enacted decentralization laws in January 2001 although preparations for the move were lackluster and left much to be desired. Unfortunately, this has resulted in a rather messy transfer of power downwards and in conflicts of interests between the different levels of authority and competence. A similar experience is taking place in Thailand (with 'chief executive officer governors' in the provinces) but on a more modest scale. Malaysia, meanwhile, is experiencing a power struggle between federal and state authorities, especially when the latter are controlled by the opposition, as in the case of Kelantan and

Trengganu, which are in the hands of the opposition PAS. In some cases, there are also genuine concerns that decentralization and devolvement of power could lead to increased corruption (as in Indonesia), as multiple power centers now exist on the same level.

Third, it is nonetheless clear that public accountability has become more important in Asia, especially with the increasing power of the media, or the 'fourth estate'. Political and corporate scandals have erupted across the region, as the media exposes them, with disastrous consequences for politicians, high-level bureaucrats and corporate chiefs. The media has acted hand in hand with civil-society groups and NGOs to expose errant individuals and organizations, although not all media and journalists are impartial, neutral or non-politicized. The new-found powers of journalists in the Philippines and Indonesia have at times also destabilized societies, especially when they touch on religious or ethnic issues. However, there is no doubt that public accountability has increased from South Korea to Taiwan, and from Indonesia to Thailand, thanks to the free (but at times, 'not too responsible') media spawned in these countries.

Lastly, Asian countries and societies are re-defining the concept of power and politics. The days of the Chinese ancestral cult and Javanese kings are fast fading away, as new democratic aspirations from the 'common people' increase and test the old traditional concepts of power in Asia. This would require a new mindset in both the people and those elected to lead. The desire for short-term gains could drop in importance as Asian leaders look towards political visions and public service to hold public office, though this shift would be slow and hazardous. A new concept of power and politics is inevitable however, as politicians sever their close links to corrupt business and vested interests. They would also understand progressively that they cannot cling to power indefinitely, especially as the concept of hereditary power in Asia recedes. Power shifts and political successions would then become 'normalized' and political transitions smoothed in Asia.

#### **THE ULTIMATE TRANSITION OF THE ASIAN NATION-STATE**

Finally, the last transition is that of the Asian nation state. There are also four aspects in this transition.

First, Asian countries will have to come to a new understanding on national sovereignty in the new globalized context. Because of globalization, the nation-state needs to be re-defined in terms of its prerogatives and power. Many Asian leaders have understood that their effective control over a myriad

of policies and decisions has been reduced significantly, from monetary control to trade policies, the environment and security issues. Many are battling the surge of clandestine migration and workers across borders (as in Malaysia's attempts to crack down on Indonesian and Filipino migrants), just as they counter the trade of drugs, small arms and women (between Thailand and its Indochinese neighbors and Myanmar, for example). Terrorism and the spread of HIV have also caused serious concern among Asian leaders as they try to contain such scourges. Without doubt, borders appear more porous today with the advent of IT and the work of triads, mafias and gangs, who have also become more powerful and sophisticated in handling cross-border traffic.

Second, there is the concept of national security defined in terms of subversion, terrorism and separatism. Asian states are now faced with increasing security risks, which have either grown out of their colonial heritage or their failure to build national entities and identities. Many Asian nation states are fragile in terms of institution-building and disparate in terms of population, religion and ethnicity. This fragility is a cause for concern as the potential for intra-state conflict is high across Asia. Unfortunately, national institutions have not been built and consolidated since independence and direct challenges are posed by multiple subversive or separatist groups. The transition of nation-states in Asia would therefore mean a re-definition of the nation and the need for a new 'contrat social' between people and authorities, without which the nation is doomed to further instability. The three principal institutions of the executive, the legislative and the judiciary (as in French philosopher Montesquieu's 'balance of powers'), as well as auxiliary institutions such as the legal, police, and security apparatus must be put in place to serve the people and the nation as a whole. Nation and institution-building would thus constitute the key to national security and to the critically needed transition to 'modern' nation-states in Asia.

Third, Asian nation-states will have to contend with soft power as much as hard power in the new global context. Habitually, states have relied on hard power (military and political power) to project might and influence, but in the present context of globalization, soft power (culture, economic and intellectual power and influence) has increased in importance. Asian nation-states will have to learn that they can increase their role and place in the world by focusing not only on hard power issues alone, but by also emphasizing the build-up of soft power to gain a better foothold in the world of tomorrow. China is building up its soft power well, as it realizes that it cannot match

American hard power at this point in time, just as Thailand has always been fully engaged in cultural diplomacy and soft power.

Last, Asian nations will probably need to redefine inter-state relations within the region. Asian regionalism has been absent as Asian countries have tended to look West for trade, investments, ideas and expertise (managerial as well as in science and technology) from colonial times to the present day of American 'hyper-power'. Asian regionalism could be a new form of transition for Asian countries as they seek to overcome national sovereign issues and cross-border problems, as outlined above. Asian nations would thus need to 'think regional' probably more in the coming years as the mindsets of Asian leaders and people shift towards the region as their 'larger nation' of the future. It is not a case of chauvinism or Asian arrogance, but an East Asian entity within the present 'ASEAN + 3' framework would definitely be one of greater prosperity and stability for the whole Asia-Pacific region.<sup>1</sup> Asians would therefore have to think beyond their individual nation-states, which would also be in full transition towards the future.

## CONCLUSION

The forms of transition under way in Asia are indeed varied and diverse, encompassing financial, economic, social and political spheres. The international trends of liberalization and globalization have provoked these transitions in Asia, but it was the Asian crisis that gave these transitions further impetus and force. Although these changes seem irreversible, the fundamental transition for Asia will only come when the Asian concept of the nation-state gives way to a 'larger-nation state' (as in expanding and increasingly integrated Europe) beyond present borders. That should be the ultimate transition and goal for East Asia in the next twenty years or so, and it would clearly be one with enormous implications for the region and the world.

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<sup>1</sup> 'ASEAN+ 3' is the grouping of the 10 ASEAN states with China, Japan and South Korea.