

Singapore April 13, 2004.

Guest Lecture at Insead Tuesday April 13, 2004.

Topic: Asian-European relations in a Global Context.

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Prelude.

The One - big - new international trend.

Internationalisation - globalisation - internationalism under pressure.

1) TEACHER : "Boys, can you give an example of Globalisation?"

Answer : "Yes, Sir. It is Princess Diana!"

Question : "...How???"

Answer : "An English Princess with an Egyptian boyfriend crashes in a French tunnel driving a German car with a Dutch engine, which was driven by a Belgian driver, who was high on Scottish whiskey, followed closely by Italian Paparazzi, treated by an American doctor, using Brazilian medicines.....
And now, **dead !**"

2) Since 1945 global politics and global economics have moved in one and one direction only: more Globalisation, more internationalisation, more internationalism. This is understandable because the model launched by farsighted statesmen in the late 1940s was coherent and based upon three concepts supporting each other: a social welfare system and in some cases a welfare state, collective defense, economic internationalisation. It worked admirably until the 1990s. Now it is under pressure.

For many people globalisation has primarily or in most cases been seen as an economic phenomenon. This may be right or wrong but many people look at it that way. They may feel that their cultural identity is under attack but as long as globalisation offered the one big advantage of higher economic growth and consequently higher living standards, it was still worth it.

This was so during the 1990s, but not any more. There are now increasing doubts about whether globalisation can continue to offer higher growth and this uncertainty has given rise to question marks about the virtues of globalisation and explains why the model is being challenged. Its uncontested status as the only model is gone.

Under the pressure of transnational forces, supranational enterprises and international organisations a new model seems to be emerging based upon intervention undertaken by the international community and/or coalitions of nation states, institutionalisation to shape an international decision making process and a common set of values to define when, how and to what extent it is legitimate to intervene.

2) A coalition is shaping up consisting of

- political leaders from a number of semi-developed countries such as Malaysia, Thailand, Indonesia all questioning the conventional wisdom that globalisation is good for their countries
- political leaders from developed countries adopting a nationalistic not to say populist policy (Berlusconi from Italy, Koizumi from Japan, maybe Putin from Russia). And what about George W. Bush?
- activist such as the Attac movement inside the developed countries rejecting globalism
- a large part of the population in the developing nations putting the question about globalisation 'where is the beef for us?'
- outsourcing hits the elite troops of globalism.

The decisive question is whether this coalition, a hot pot, a fragile combination of forces being against and not for something will gather sufficient steam to stop or even roll back internationalisation or globalisation.

Globalisation has one and only one advantage. It provides higher growth. When that fails to materialise a number of reservations and misgivings arise. And that is exactly what is happening.

I. The Global Context.

Key Sentence: The cold war ended in 1990. The cold war's geo-political structure and the way world politic and economics worked ended in February/March 2003.

!) The global trends.

- More egoism, more self centred attitudes, more nationalism. DAMN THE OTHERS.
- lower economic growth
- multilateral trade policy loses steam. FTAs. New players.
- social disparities inside and between nation-states
- new security threats: Minorities inside nation-states, social upheavals, religious fervour

2) The US has thrown multilateralism over board and chosen unilateral multilateralism.

- US as megapower but no international institutionalisation reflecting this new phenomenon
- prevention and pre-emption, but what about other countries
- coalition of the willing
- rewards and punishment
- new US economic policy with the shining label WHO CARES

3) Already now the following seems to be abundantly clear

- NATO forget it fellows
- US restructure its global military positioning. Saudi-Arabia and Germany out. Iraq in
- US a continental and a maritime empire - at the same time; never seen in history before
- Europe out of the American focus, Asia in.
- What about UN? Wait a moment.

4) Besides political and moral problems these trends may give rise to a number of analytical problems.

- US cannot pay for its role as a megapower ref deficit on balance of payments and the public finances. Savings in US close to nil compared with 4,8% of GNP in average for the 1990's and 7,6% for the 40 year period 1960 - 1999. Mismatch between policy objectives and ability to pay for the party.
- USA is starting to become a secluded nation-state. Not compatible with a global empire.

II. Challenges for Asia.

1) Institutionalisation.

- politically there is a strong need for reconciliation between China and Japan. It is not forthcoming. China is the rising power. Japan is a sullen inward looking power. India on its way.
- Economically China and India must be integrated in an Asian context allowing for the advantages of the strong economic growth in these two countries to be shared with the rest of the pack.
- Japan must try to get on board again

There are two models on the table

The first one is tabled by Japan. Weak political structure. Drawing US and Australia into the picture. Not free trade at least not encompassing agriculture. Ref EFTA in Europe.

The other one is proposed by China. For the East Asian countries and among the East Asian countries. Free trade in principle. Ref EEC in Europe.

2) Economic model.

First let us look at the predictions for growth from 2001 – 2010 (average growth per year).

China 6 - 8%.

Korea, Malaysia, Thailand 5 - 7%.

Taiwan 2 - 5%.

Singapore, Hong Kong, Indonesia 2 - 4%.

Japan 0.

Until the mid-1990's all East Asian countries were on one and the same economic model. Growth by export.

Since the financial crisis and the repercussions on their economies at least three models have emerged.

The first one is export oriented. Singapore, Hong Kong, Taiwan.

The second one is more emphasis on domestic demand. Thailand, The Philippines, Malaysia, Indonesia.

China is somewhere in between. Korea also

The third one is stagnation. Japan. Why? Manufacturing economy parallel to Germany, Sweden Switzerland.

The joker. The resource-based economy is back on track. (Australia).

Conclusion: Economic models and economic policies used to be convergent but is now becoming more and more divergent.

3) Two main problems:

- social losers, mainly for China and the South East Asia countries.
- Immigration. Japans choice.

4) Key sentences for Asia.

- economically driven nations and societies
- finding it difficult to get integration among themselves going
- and even more to safeguard their global interests
- political systems in many countries not capable of rising to the challenges.

III. Challenges for Europe.

1) How to deepen and widening the integration at the same time. Can it be done.

- deepening
- widening

Is Europe over-institutionalised while Asia is under institutionalised?

Is the EU perceived as an irritant instead of a problem grinder?

L'Europe a deux vitesses or demi vitesses?

2) The abundantly clear need for restructuring of the European economies and European industry has not yet materialised.

- 3) No common foreign and security policy. In fact Europe is split.
- 4) Not knowing how to deal with the US.
- 5) Not knowing how to deal with immigrants from a foreign culture.

Key sentences for Europe

- strong administrative and political structures
- weak economies suffering from lack of adjustment and probably too rigid regulatory systems within nation-states and to some extent sponsored by the EU
- fully committed to its own ambitions and objectives
- difficult to shoulder some of the global burdens in this context and equally difficult not to do so.
- Ageing population.

IV. The Nation-State.

Exactly because the cold war organisation has disappeared, the players, the actors, the structures embedded in that structure has gone.

The foundation for that structure was the nation-state. And the nation-state is dying. It is performing the act of the dying swan but with much grace!

One of the problems for Europe-Asian relationship is that the nation-state is playing a different role. In Europe it exercised cultural imperialism but was tolerated because it also provided the political infrastructure for first industrialisation and second participation in the economic internationalisation. Now when industrialisation is on its way out so is the nation-state. And the EU is the gateway to the international economy. In Asia the nation-state is protecting the minorities against the threat of cultural imperialism by the majority while at the same time being the vehicle for participation in the international economy because Asia does not have something like the EU.

More generally the concept, notion and idea of the nation-state as the framework for the political structure is not clearcut anymore.

The nation-state is losing out as the sole provider of services to the citizens and controller of the economic life. The citizens start increasingly to look to other service providers and those who cannot afford to do so is left out. The business life is scrutinizing conditions offered by competing nation-states and if they don't like the smoke they get out of the kitchen. If we look closely upon it the classical nation-state possesses three vectors of sovereignty: Money, Army, Jurisdiction. Globalisation has removed money from its armour. Jurisdiction is being undermined by internationalism. So what is left is the army and even the army is under attack in Europe with the talk about a common foreign- and security policy.

The three geographical blocks so to speak: Europe, North America, East Asia operates on different levels of the curve determining the status of the nation-state.

Europe has more or less maybe tacitly but it has come to terms with the fact that the nation-state is of diminished importance and the services offered by the nation-state plus the institutional framework (rules, regulations etc) have to be provided by somebody else. That is one of the driving forces behind the European integration.

Asia has not. The nation-state is a very living concept in East Asia being taken very seriously by all actors on the stage. In many cases it is regarded as not only the main provider but the sole provider.

So one of the problems for Europe-Asia relationship is the different outlook upon the role of the nation-state.

US is relying upon the entrepreneurial system and the army to keep it together and is when the facts are on the table actually a weak nation-state. Very few basic services are provided by the nation-state. Not many controlling functions are performed by the nation-state.

V. Europe - Asia.

The political choice for Europe and Asia is whether we should let the real world take the lead so to speak and shape the institutional framework afterwards or whether we should shape the institutional framework first to guide the substance. In principle a political and economic question of whether the market forces should show the way or whether there are somebody around who is wiser than the market forces.

Suppose we choose to behave sensibly and rationally. No need to make such a wise choice but let us suppose that an attempt is being done. How would it look?

- 1) Avoid to be against and in this context against is against the US.
- 2) Focus upon maintaining internationalism. Both Europe and Asia is more much more dependent upon internationalism than the US. Neither Europe nor Asia can choose unilateral multilateralism. We have to choose multilateralism.
- 3) Drive hard for multilateral solutions. Doha round leading to Cancun. The role of the IMF and the World Bank. Many, many other international institutions where the present US policy has left a vacuum to be filled by yes why not a coalition of the willing which could be the Europeans and the Asians. Try to force the US back to multilateralism.
- 4) Stronger growth is called for. Presently the global economy is on divergent trends with US growth of about 4% but disequilibria, EUROland with about 1% growth and not yet suffering from disequilibria, Japan 2% growth and strong disequilibria.
- 5) It goes without saying the US is not doing anything about this even if it is not sustainable. By doing nothing the US shifts the burden of adjustment to Europe and Asia and in a disorderly way.

- 6) A number of developing nations is suffering from too low growth and being bypassed in the international trade system. Let us open the door for them.- otherwise further liberalisation cannot and will not be implemented.

By implementing such an agenda (road map!) Europe and Asia could do something where we have common interests.

I do not believe we should be more ambitious and/or try to reach for the moon in fx foreign policy where the common interests are difficult to find.

In short.

We will have to adjust to the fact that for a foreseeable future there will one and only one preponderant power the US. Our main task is to keep multilateralism floating under these difficult circumstances.

The alternatives are not very attractive to say the least.

- One mega-power running the show
- Regionalisation of the world with a leader of the pack in each of the three major regions
- Revival of the nation-state
- Chaos

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