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**Globalization and its Implications for  
Southeast Asian Security:  
A Vietnamese Perspective**

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## ABSTRACT

In recent years, globalization has emerged as one of the most widely debated issues among Vietnamese politicians and academics. Globalization is seen as facilitating increasing flows of capital, goods, services and ideas among East Asian countries, thus contributing to their high economic growth in the past decades. As Vietnam is located in this dynamic region and is in the process of renovation, it is clear that Vietnam would enjoy considerable benefits should it further integrate itself into the regional economy and profit from the positive aspects of globalization. However, Vietnam is aware that globalization also involves negative impacts as the recent Asian financial and economic crisis has clearly shown. Uncontrolled globalization may lead to social chaos, the decline of government control and the eventual decline of states' abilities to deal effectively with their security problems.

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# **GLOBALIZATION AND ITS IMPLICATIONS FOR SOUTHEAST ASIAN SECURITY:** **A VIETNAMESE PERSPECTIVE**

## **Introduction**

This study begins by reviewing the concept of globalization. It then proceeds to analyse how the Vietnamese understand this concept and its positive and negative impacts on the security of Vietnam and the region. Finally, it will explore ways of promoting the positive aspects of globalization while reducing its negative consequences.

## **Globalization: A New Phenomenon?**

Globalization is neither a new phenomenon nor a new trend in international relations or in the international political economy. Political scientists have long tried to comprehend the nature of globalization and to this end various definitions of globalization have been put forward.<sup>1</sup> One general definition comes from Anthony McGrew, who claims that

globalization is the multiplicity of linkages and interconnections that transcend the nation-state (and by implication the societies) which make up the modern world system. It defines a process through which event, decisions, and activities in one part of the world can come to have significant consequences for individuals and communities in quite different parts of the globe.<sup>2</sup>

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<sup>1</sup> For a detailed list of definitions of globalization, see Jan Aart Scholte, "The Globalization of World Politics," in J. Baylis and S. Smith, *et al.*, eds. *The Globalization of World Politics: An Introduction to International Relations* (Oxford: Oxford University Press, 1997); Martin Albrow, *The Modern Age* (Stanford, CA: Stanford University Press, 1996); David Held, *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance* (Cambridge: Polity Press, 1995); David Held, Anthony G. McGrew, David Goldblatt and Jonathan Perraton, *Global Transformations: Politics, Economics and Culture* (Stanford, CA: Stanford University Press, 1999); Eleonore Kofman and Gillian Youngs, eds. *Globalization: Theory and Practice* (London: Printer, 1996); James N. Rosneau, *Along the Domestic-Foreign Frontier: Exploring Governance in a Turbulent World* (Cambridge: Cambridge University Press, 1997); and Malcolm Waters, *Globalization* (London: Routledge, 1995).

<sup>2</sup> Anthony G. McGrew, "A Global Society?" in Open University, *et al.*, eds. *Modernity and Its Future* (Cambridge: Polity Press, 1992) p.16.

Another useful definition comes from William Tabb. According to this author, “globalization refers to the process of reducing barriers between countries and encouraging closer economic, political and social interaction.”<sup>3</sup>

Thus, globalization can be understood as a process of potentially global scope thanks to advances in transportation and telecommunications and as a concept which has a long history. Having observed the process of globalization, James Mittelman<sup>4</sup> provides three interpretations of the possible emergence of globalization. The first perspective argues that the process of globalization emerged at the same time as the origins of civilization some five thousand years ago when the first groups of people came into contact with one another through conquest, trade and migration. The second interpretation is that globalization originated with the emergence of capitalism and its industrialization process some four hundred years ago. The other interpretation is that globalization emerged quite recently (some decades ago) during a time in which capitalism fundamentally changed itself. In the 1970s, while coping with the consequences of the collapse of the Bretton Woods system and a severe energy crisis, many developed and developing countries adopted new strategies designed to foster more flexible, capital- and technology-intensive development. Technological advances helped to reduce social expenditure and facilitated deregulation and privatization, thus enhancing global competitiveness. Mittelman concludes that the period prior to the sixteenth century may be construed as a time of *incipient globalization*. A second period from the inception of capitalism until the early 1970s was an era of *bridging globalization*, while the period since the early 1970s comprises *accelerated globalization*.

Regardless of how the origins of globalization are understood, it is undeniable that it has attracted widespread attention throughout the world, particularly since the end of the bipolar world. During the Cold War, globalization received little mention in academic journals because the issues involved were overshadowed by the struggle for power between the two superpowers.

Several factors have contributed to the intensification of the globalization debate following the end of the Cold War. Firstly, the end of the Cold War greatly reduced the significance of ideology in international relations, thus paving the way for closer economic

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<sup>3</sup> William K. Tabb, “Progressive Globalism: Challenging the Audacity of Capital,” *Monthly Review* Vol. 50, No. 9 (February 1999), pp.1-10.

<sup>4</sup> James Mittelman, *The Globalization Syndrome: Transformation and Resistance* (Princeton, NJ: Princeton University Press, 2000), pp.18-19.

interconnectedness among states. States now prioritize economic development and economic cooperation rather than compete for power in the international arena. At the same time, many countries are fearful of lagging behind in this economic marathon, and have taken advantage of the achievements of the current scientific and technological revolution with the objective of further opening up their economies and promoting trade and liberalizing investment. This has resulted in a surge of global capital, technology, services and labor. Thus, globalization has been spurred by both economic and political developments.

Secondly, scientific and technological advances, particularly in the fields of transportation and telecommunications, have helped reduce transaction costs sharply, thus bringing together disparate parts of the world. In addition, through their participation in the global economy, transnational corporations (TNCs) and their branches have demonstrated that they, and not nation-states, are the key actors behind the accelerated process of globalization.

Thirdly, as states become more interdependent, they have increasingly discovered common problems to contend with. The recent Asian financial and economic crisis has shown that the same forces that have helped to produce economic prosperity in East Asia can also bring about catastrophic social consequences – witness the millions of workers fired and sharply plunging living standards. Moreover, as external military threats are no longer a major concern, most countries have intensified efforts to deal with non-traditional security issues of a global nature, such as illegal migration, drug trafficking, transnational crime and money laundering.

These factors are characteristic features of post-Cold War Southeast Asia, where the impacts of globalization on national and regional security have been increasingly conspicuous.

### **How the Vietnamese Perceive Globalization**

In Vietnam, the term “globalization” was not widely used until the mid-1990s. Before that, even after the start of the *Doimoi* (Renovation) process, official documents (including those of the Vietnamese Communist Party (VCP)) and academic journals mainly referred to “internationalization.” Only a few official documents or translated books offered a clear-cut definition of globalization, the causes of this phenomenon and the distinction between globalization and other concepts such as interdependence and integration. In *Globalization: Perspectives and Practice: International Experiences*, globalization is defined as “a very complex event

formulated by a combination of various factors whose important components are policies of world nations.”<sup>5</sup>

In recent years, a number of articles on globalization by prominent Vietnamese scholars have been published in various academic journals such as *the Communist Review*, *Asia-Pacific Economic Review*, *International Studies* and *World Economic Problems*. Vietnamese policy-makers have also referred to globalization on various occasions. In the keynote address at the 6th ASEAN Summit in Hanoi on 15 December 1998, Vietnam’s Prime Minister Phan Van Khai stated:

Developing countries, including ours, are faced with intertwined opportunities and challenges. Great achievements in science and technology have created boundless capacities for mankind, but at the same time challenged developing countries with the danger of lagging further behind industrialized and developed countries. Rapid economic globalization is bringing about greater market access and new partners for development, but also putting the weaker economies in a more vulnerable and disadvantageous position, and in an uneven competition.

He added:

The reality shows that international integration is a natural trend. Yet, liberalization of trade, investment, services and finance should take appropriate steps in line with each country’s level of economic development, with the pace of renovation and enhancement of macro-management capability.

Dr. Vu Dinh Cu, a prominent scientist and Deputy-Chairman of the National Assembly, equates economic globalization with the opening of economies, or the shift from closed or semi-closed to open economies. He also points out that globalization increases the gap between the rich and poor within states and in the world as a whole, leading to effects such as social unrest and tension, ethnic conflicts and illegal migration.<sup>6</sup>

Another perspective on globalization is provided by Dr. Nguyen Mai, a government official and former professor of economics. In the article “Economic Integration Into the World: Problems and Resolutions” in *the Communist Review*, he writes:

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<sup>5</sup> Institute for Central Economic Management, *Toan Cau Hoa: Quan Diem va Thuc Tie: Kinh Nghiem Quoc Te (Globalization: Perspectives and Practice. International Experiences)* (Hanoi: Statistics Publishing House, 1999) p.21.

<sup>6</sup> *Bao Nhan Dan (The People’s Newspaper)* (6 March 2000), p.3.

Globalization is a process of cooperation and struggle at the same time. International integration has connection with perception on national independence, sovereignty, security, socialist orientation and cultural identities. There is a concern about how to manage properly these important issues of the country in the process of international economic integration.

Referring to interdependence and the inter-relatedness of the national, regional and world economies, he stresses:

In such a world, there is a need to have new thinking on independence, sovereignty, national security and cultural identities.<sup>7</sup>

According to Nguyen Xuan Thang, an economist at the Institute of World Economy:

Economic globalization is the formation of open economy at the global level. The trend toward the shifting to market economy becomes popular for every national economy... The open economy requires governments to have new thinking on trade liberation, protectionism, and the promotion of international integration process by joining international, regional economic institutions; the need to reform internal economic institutions; the appropriate management of internal and external resources... Certainly, this is a very hard issue for many developing countries, especially for transitional economies, who cannot easily accept, in a very short time, economic concepts of “open market” and “open society.”<sup>8</sup>

The debate over globalization has also consolidated the shifting security paradigm on the part of those Vietnamese academics and policy-makers who have adopted a comprehensive approach to Vietnam’s security. As Vietnam experienced two long and fierce wars against France and the United States in the period after it gained independence in 1945, it is understandable that it long maintained a military approach to national security. In the past, Vietnam had no choice but to confront more powerful enemies. Therefore, the only way to ensure its national security was through military means.<sup>9</sup> However, this approach seemed inappropriate after the unification of Vietnam in 1975. In 1986, the Sixth Congress of the VCP decided upon the policy of *Doimoi*. Internally, the Party considered domestic issues arising from economic poverty to be major

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<sup>7</sup> Nguyen Mai, “Integration Into the World Economy: Issues and Solutions.” *Tap Chi Cong San (Communist Review)* No.5 (March 2000), pp.17-18.

<sup>8</sup> Nguyen Xuan Thang, "Globalization and Economic Restructuring in Developing and Transitional Countries." *World Economic Issues* No.5 (61) (1999), p.11.

<sup>9</sup> Institute of Vietnam Military History, *President Ho Chi Minh's Revolutionary Life and Military Ideology*. (Hanoi: People's Army Press, 1995), p.217.



threats to national security. Economic development, in this context, was seen as a way to address these issues and to enhance the country's ability to cope with external security threats.<sup>10</sup>

The changed perception of national security was further demonstrated in the first edition of *Vietnam's Defense White Paper* published in 1998. In this, perceived threats to national security were outlined at three levels. These were domestic threats (economic, political and social threats); external threats (sabotage under the pretext of the protection of human rights and democracy and violations of territorial integrity); and non-traditional threats (including migration, transnational crime, drug trafficking and environmental deterioration).<sup>11</sup>

Thus, Vietnam's national security, seen in the light of this new approach, is closely related to economic development as well as the external environment. In other words, Vietnam's security and prosperity is inseparable from the globalization process and the better Vietnam understands globalization, the more effectively it can deal with the forces of globalization.

In the process of integrating itself into the regional and global economies, Vietnam has begun to perceive global impacts on its security and economic development. The recent Asian financial crisis has had a serious negative impact on Vietnam's economy. The contagious effect of the crisis has resulted in the slowdown of its economic growth rate and reduced exports and foreign direct investment (FDI) which, in turn, have affected socio-economic security in Vietnam. The export growth rate declined to the single-digit range from 20-30 percent in previous years. FDI declined sharply because 70 percent of this came from crisis-hit countries. Consequently, Vietnam's growth rate has slowed down in recent years. The figure was 5.8 percent in 1998 and only 4.8 percent in 1999, a sharp decline from around 9 percent in 1996, the year prior to the crisis.<sup>12</sup>

Obvious signs of an economic recovery in the region were apparent by the end of 1999. As a result, in the first half of 2000, Vietnam experienced considerable progress in all fields.

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<sup>10</sup> For further details of *Doimoi*, see *Resolution of the VI National Congress of the Vietnamese Communist Party* (Hanoi: National Political Publishing House, 1987).

<sup>11</sup> Ministry of Defense, *Defense White Paper: Vietnam: Consolidating National Defense, Safeguarding the Homeland* (Hanoi: People's Army Press, 1998). pp.13-14.

<sup>12</sup> *Thoi bao kinh te Viet Nam (Vietnam Economic Times)* Special Volume: Kinh te 1999-2000 (Economy in the year 1999-2000), p.9.

Economic growth regained momentum, reaching rates of 6.2 percent, while the industrial growth rate increased from 10.3 percent in 1999 to 11 percent.<sup>13</sup> Export growth also reached the double-digit level again, reaching 26 percent.<sup>14</sup> This is the first time in Vietnam's contemporary history that its economic development and security have been so closely linked to those of the region. Thus, a deeper understanding of globalization and its impacts, both positive and negative, can be expected to help solve Vietnam's problems, particularly the linkages between development and security and between integration and security.

The economic benefits of globalization for participating states, including Vietnam, are obvious. In terms of trade, globalization helps Vietnamese manufacturers to expand their markets. In addition to the local market, they now view the world as a unified theater for their exports and market development strategies.<sup>15</sup> Living conditions have also improved through globalization because companies have to offer customers goods of global quality if they do not want to be squeezed out of the global market.

In addition, market expansion - a result of globalization – encourages further FDI. Foreign investors bring in capital and technology to Vietnam while taking advantage of low labor costs and abundant resources. FDI, in turn, helps internal financial sources to function more effectively.

In terms of technology, globalization helps Vietnam gain access to advanced technology. Technology comes mainly to Vietnam via FDI by TNCs. TNCs are the dominant global suppliers of technology, and can move technology from less to more competitive countries.

In terms of human resource development, Vietnam can reorient its human development strategy so as to catch up with other regional countries in economic development. As Vietnam has abundant untrained workers while lacking professionals and expertise, it can tap into the world labor market by exporting its workers while hiring foreign experts in various fields through joint ventures and various cooperation programs with foreign countries.

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<sup>13</sup> *Bao Nhan Dan* (30 June 2000), p.5.

<sup>14</sup> *Thoi bao kinh te Viet Nam*, p.24.

<sup>15</sup> Vo Dai Luoc, "Impacts of Globalization and Vietnam's Responses." *Asia-Pacific Economic Review*. Vol. 22, No. 1 (March 1999), pp.3-4.

Vietnam's *Doimoi* process has brought about tremendous achievements. Vietnam overcame an extremely difficult period of socio-economic crisis in the late 1980s and early 1990s. In the first half of the 1990s, average economic growth reached 8.5 percent annually, making Vietnam one of the fastest growing economies in the region. Living standards have improved remarkably as the successful economic performance helped lift millions of people out of poverty. The number of people living below the poverty line declined from 58 percent in 1993 to 37 percent in 1998, and those who experienced food shortages from 25 to 15 percent during the same period.<sup>16</sup> Vietnam has built up a grass-roots democratic regime, creating more favorable conditions to secure the people's leadership. These, in turn, help maintain social stability.

On the other side of the coin, the forces of globalization are breaching national frontiers. This greatly reduces state control over economic affairs and renders states more vulnerable to the ups and downs of the international economic system.

Globalization can pose a serious threat to Vietnam's national security. Trans-border crimes may penetrate Vietnam via business activities. In addition, as one prominent figure put it, "Western life-style pragmatism and pornography can spread into Vietnam, thus demolishing our cultural identity. Hostile elements inside and outside Vietnam may also take advantage of new opportunities so as to carry out their peaceful evolution."<sup>17</sup>

As one of the developing countries of the region, Vietnam is now facing the same negative impacts of globalization on its security as most of its ASEAN neighbors. But these impacts pose more of a challenge for Vietnam as it has only recently shifted from a centrally-planned to a market economy, and has only started to learn how to do business and trade with outsiders. The shift to a market economy also means the shift to market education and health care in Vietnam, which used to be subsidized by the state. The lives of the poor are much harder under conditions of a market economy. The market economy requires workers to meet its demands, and those who cannot are left aside. Growing unemployment, uncontrolled migration to cities and new economic areas for jobs and a better life, plus the gap between the rich and poor, and between urban and rural areas, are all potential sources of insecurity in Vietnam.

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<sup>16</sup> *Bao Ha Noi moi* (New Hanoi Newspaper), Special Volume on the Year of Dragon, p.15.

<sup>17</sup> Nguyen Van Thao, "Some Thoughts on Globalization and Vietnam's Integration into the World Economy." *Information and Analysis* Vol. 263, No 1 (January 2000), p.15.

Thus, it could be said that globalization is a complex process as it brings about not only positive but also undesirable impacts. As a result, some academics and politicians have voiced their concerns about this process.

By integrating into the regional and global economies via participation in various cooperation programs and organizations such as Asia Pacific Economic Cooperation (APEC) and the ASEAN Free Trade Area (AFTA), Hanoi is required to gradually reduce tariff and non-tariff import barriers and provide TNCs the same privileges as local companies. Consequently, cheap foreign goods will flood the Vietnamese market and hundreds of thousands of local workers will be laid off since inefficient firms will be shut down. The state is now facing a dilemma: either to resort to protectionist policies and retreat from its obligations or to proceed with its commitment to further integrate into the world economic system. In the first case, Vietnam's economic growth will lag behind. In the second, it will have to face the consequences of globalization, which are severely challenging to the national economy in the event that they are not well managed.

Vietnam's solution is to proceed with its commitments while exercising limited, selected and short-term protectionism.<sup>18</sup> This solution stems from the agreement that Vietnam should integrate more actively into the regional and global economic systems and bring into play the advantages of globalization while at the same time, reducing its disadvantages. The threat of lagging behind in the world economy appears increasingly severe, especially at a time when the world is shifting to a knowledge economy stage, requiring countries to make greater efforts to keep pace with advances in economic development. This reflects the common assumption that national development and security cannot be attained in isolation from the development and security of the whole region as well as the entire world.

In short, globalization is indeed a process that has profound impacts on all countries regardless of their size. Vietnam has, therefore, embarked on a two-pronged strategy. On one hand, it is promoting *Doimoi* and opening up to the outside world. On the other hand, Vietnam is

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<sup>18</sup> See: Le Dang Doanh (Director of the Institute for Central Economic Management Studies), "International Integration: Opportunities and Challenges for Our Economy," *Tap chi Cong San (Communist Review)*, No.9 (May 1999), p.40; Cao Sy Kiem (VCP Central Executive Committee Member and Deputy Director of Central Commission on Economy), "Globalization: Opportunities and Challenges in Vietnam's integration into the world and regional economy," *Tap chi Cong San*, No.7 (April 1999), p.17; and Nguyen Xuan Thang, p.16.

aware of the dangers this process might bring, such as the danger of peaceful evolution, the danger of derailing from the socialist path, and the danger of corruption and red-tape. These challenges could, as far as Vietnamese leaders are concerned, dilute the Party's leadership role. However, the prevailing view is that Vietnam should move ahead with globalization while trying to reduce the costs involved.

## **Globalization and Southeast Asian Security**

### **The Positive Implications for Southeast Asian Security**

Like other regions, globalization in Southeast Asia has brought about positive consequences. Without globalization, there would hardly have been the regional economic miracle between the 1970s and mid-1990s, which was closely associated with export-led industrialization. It could be argued that globalization has helped enhance Southeast Asian security and cooperation. Various aspects of the regional impact of globalization will be addressed in the sections that follow.

### ***Enhancing Regional Cooperation***

The idea that interdependence creates economic incentives to avoid war goes back at least to the seventeenth century. This rich literature includes writers from Kant and Cobden to Woodrow Wilson, Cordell Hull and contemporary liberal theorists.<sup>19</sup> Globalisation has led to an unprecedented degree of interdependence among East Asian countries in general, and Southeast Asian countries in particular, and has provided the Association of Southeast Asian Nations (ASEAN) members incentives to cooperate. Moreover, globalization, in addition to regional cooperation within the context of ASEAN, has been transforming relations among regional states. In Southeast Asia, deeper economic integration through various programs - such as the ASEAN Industrial Project (AIP), the ASEAN Industrial Complementation, the ASEAN Industrial Joint Venture (AIJV), the Preferential Trading Agreement (PTA), regional "growth triangles" and AFTA - has reduced the potential for conflict.

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<sup>19</sup> David Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985).

### ***Enhancing National and Regional Stability and Security***

The economics-security relationship has been invoked by various scholars to explain a wide range of security issues during the Cold War and even before that.<sup>20</sup> With the end of the Cold War, the issue of economic security has drawn even more scholarly attention. Economic development is seen as an effective instrument in addressing serious social issues and as a necessary condition for increasing military capability. Greater national and regional stability creates an environment conducive to economic growth and *vice versa*.

The forces of globalization have helped produce impressive economic achievements in ASEAN -- from 1970 to 1996, both in terms of quantity and quality. During that period, the gross national product (GNP) of ASEAN countries grew at an average annual rate of 6.6 percent, making ASEAN one of the fastest-growing regions in the world. This is quite remarkable since other developing countries achieved a moderate growth rate of three percent during the same period. ASEAN's sustained high growth rates have been reflected in the increase in the total GNP of the countries which later formed ASEAN from only US\$ 21 billion in 1961 to US\$ 120 billion in 1979, US\$ 172 billion in 1984 and US\$ 269 billion in 1986. It was estimated that by the year 2000 ASEAN's combined GNP would exceed US\$ 500 billion.<sup>21</sup>

It is interesting to note that ASEAN members attained these achievements in tandem with their enhanced security. The linkages between ASEAN's rapid economic development and regional stability clearly demonstrate the important role of globalization in enhancing national and regional security.

### ***Improving Human Security***

Rapid economic development in the context of globalization has improved the status of some ASEAN members. Among ASEAN states, Singapore has joined the "First World Club" while Thailand and Malaysia are considered newly industrializing economies (NIEs). Sustained high economic growth has in turn been translated into impressive social development in these

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<sup>20</sup> Stuart Harris and Andrew Mack, "Security and Economics in East Asia," in Stuart Harris and Andrew Mack, eds. *Asia-Pacific Security: the Economics-Politics Nexus* (Australia: Allen & Unwin, 1997).

<sup>21</sup> S. Jayakumar, Foreign Minister of Singapore, "Southeast Asia: Future Development and Challenges," paper presented at Georgetown University, Washington, DC, 22 April 1996.

states. Poverty has been reduced substantially both in terms of breadth (the number of the poor) and depth (the severity of poverty). Industrialization has created millions of new jobs in ASEAN countries. It has not only reduced the actual unemployment rate but has also restructured ASEAN economies along more modern lines. Life expectancy at birth, infant mortality and literacy have all improved. Of the five original ASEAN members, Indonesia had achieved – prior to the “meltdown” of 1997 - the most remarkable results in reducing the number of people living in poverty. From 1975 to 1995, this fell by 82 percent. In absolute terms, the head-count declined from 64 percent to 11 percent in 1995. Malaysia, meanwhile, reduced the number of absolutely poor people by nearly two-thirds between 1980 and 1995.<sup>22</sup> However, Thailand had the largest proportional reduction in the same period, from 8 percent to less than 1 percent.<sup>23</sup>

Though the recent Asian economic crisis has placed a strain on ASEAN and set the region back a few years in terms of its development, we cannot deny ASEAN’s success in improving human resource development and human security. Thanks to their impressive economic performances, there were no major social disturbances in ASEAN countries from the 1970s until the economic crisis. This illustrates the close relationship between globalization and the economic prosperity of ASEAN members on the one hand and human security on the other.

In sum, as the direct and indirect factors behind the economic miracle of ASEAN members over the past few decades, the forces of globalization have greatly contributed to regional security and stability. This in turn has forced ASEAN members to grasp the positive aspects of the globalization process so as to strengthen their own security and speed up the process of development.

### The Negative Implications for Southeast Asian Security

While globalization can produce positive results for states that adopt prudent policies, it may at the same time be destructive, particularly to small and weak states. Even middle-sized powers like Thailand, Malaysia and Indonesia still have a hard time coping with the forces of globalization. As Mr. Badawi, Deputy Prime Minister of Malaysia put it,

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<sup>22</sup> The figure is excerpted from the keynote speech by Y.A.B Dato’s Seri Abdullah Haji Ahmad Badawi, Deputy Prime Minister of Malaysia at the 14<sup>th</sup> Asia-Pacific Roundtable Conference, Kuala Lumpur, 24-27 June 2000.

<sup>23</sup> The World Bank, *East Asia: The Road to Recovery* (Washington, DC: The World Bank, 1998).

globalization has not been all good for the security and well-being of the peoples and the nations of the region or for those elsewhere for that matter. In some respects globalization in fact places our well-being and security at great risk.<sup>24</sup>

Though not explicitly mentioned, his statement actually refers to the 1997 financial and economic crisis that swept through Southeast Asia. Even though the worst of this has passed and some ASEAN members are now in the process of recovery, consequences of the crisis are still being felt in some countries. The crisis may only be a side-effect of the ongoing process of economic globalization, but the inaction of some ASEAN members at the time of the crisis shows how destructive the forces of globalization can be.

### ***Globalization and ASEAN's security Vulnerability***

The recent financial and economic crisis in Southeast Asia is a dramatic example of the vulnerability of ASEAN economies to global economic shocks. Moreover, it also shows how quickly a member's economic difficulties can translate into political instability, thus posing a serious threat to the security and stability of the entire region.

It should be noted that just months before the crisis, ASEAN had still been considered the fastest-growing group of states in the dynamic Asia-Pacific region and the most successful examples of regional cooperation among developing countries. Many observers praised the macroeconomic policies and good fundamentals of most ASEAN members. By then, Malaysia, Thailand and Indonesia were considered "tigers" and "success stories" of the East Asian economic miracle.

The crisis can be blamed in part on external factors, namely the globalization of financial markets in the 1990s. It should be recalled that at that time, Japan and some major Western countries (with the exception of the US) were in recession. There was also massive global liquidity, with over US\$ 420 billion in net private capital flows going to East Asia, including the ASEAN countries, where interests rates and rates of return were much higher. The countries of ASEAN was considered to be among the most attractive emerging market borrowers, "with a history of rapid economic growth, high savings and investment rates, disciplined fiscal positions

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<sup>24</sup> Badawi, *Op cit.*



and growing integration with the world economy.”<sup>25</sup> However, some basic weaknesses in the ASEAN economies were not taken into account by lenders. The lack of an “early-warning” system, combined with imprudent policies, led financial institutions to overlend to some ASEAN countries without paying due attention to their credit-worthiness.

### ***Globalization and its Impact on Human Security***

As mentioned above, economic globalization can greatly enhance the well-being of states. But disruptions of financial and economic activities can seriously harm human security, thus creating conditions for social unrest. As a result of the crisis, unemployment rose sharply and many workers lost their jobs. Real wages declined steeply and school dropout rates soared in the most affected countries. Poverty levels in Indonesia, the country worst hit by the crisis, are very alarming: one out of four Indonesians lives under the poverty line. The country is still struggling to find a way out of the resulting social, economic and political crisis. As Indonesia accounts for nearly 40 percent of Southeast Asia’s population and as it is located in the center of the region, social unrest there can quickly spread throughout the rest of Southeast Asia. Therefore, the possibility of a second Southeast Asian crisis originating from Indonesia cannot be ruled out.

### ***Globalization and the Erosion of ASEAN States’ Sovereignty***

As the process of globalization is considered inevitable, all states want to participate in order to reap the benefits it is thought to offer. Engaging in economic activities requires states to make economic and political commitments to each other. They also cannot exert supreme authority over TNCs and have to take into account the regional and international environment when drawing up plans for national development.

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<sup>25</sup> Morris Goldstein, *The Asian Financial Crisis* (Washington, DC: Institute for International Economics, March 1998) (accessible at <http://www.iie.com/news98-1.htm>).

<sup>26</sup> *Bao Nhan Dan* (21 October 2000), p.1.

The erosion of ASEAN members' sovereignty occurs when one or more members encounters an economic crisis severe enough that they are unable to resolve it without the assistance of financial institutions. In this case, the power of states over their own economic affairs is even more restrained. Examples include the International Monetary Fund's (IMF's) recent interventions in Thailand and Indonesia in response to the crisis.

### ***Globalization and ASEAN Disunity***

It is difficult to analyse the impact of globalization on ASEAN unity and disunity as there are both positive and negative sides to this question. With the former, globalization forces ASEAN members to pursue new forms of cooperation. As a result, interaction among ASEAN members is increasing. This may facilitate further interaction by enhancing the familiarity of the actors involved, thus consolidating the Association's unity. On the other hand, the more countries interact, the more differences between them may arise. Thus, globalization is a potential source of disunity among ASEAN members.

Under globalization, any policy decision in one country may affect many others, and any domestic issue may have an impact on international relations. There seems to be no clear boundary between domestic and foreign policies. The financial crisis and the increasing number of global and transnational issues resulting from the globalization process highlighted ASEAN disunity at national and regional levels. When some countries failed to achieve sustainable growth, their domestic consensus was challenged. In some countries, opposition parties and prominent figures came forward to challenge national leaders over economic policy. This caused division and disunity within the states concerned as people were forced to take sides.

At the regional level, differing approaches to the fundamental principles of ASEAN (particularly the principles of consensus and non-intervention) in the changing regional and international environment may encourage regional disunity over the future development of ASEAN. Indeed, ASEAN disunity at the regional level now constitutes one of the biggest challenges facing the Association.

## ***Globalization and the Emergence of New Threats in Southeast Asia***

Rapid economic growth in the region has led to a growing reliance on energy exploitation and energy imports. The search for alternative energy resources and the increased use of energy have also exacerbated environmental degradation. In addition, expanding industrialization and urbanization -- plus advances in transportation and information technology (IT) -- have been accompanied by problems concerning national cultural identity and sovereignty, thus having direct and indirect impacts on national and regional security.

Moreover, economic integration among Southeast Asian countries, spurred by globalization, has led to an illegal migration problem. Loosening border controls have facilitated population movements from low-wage areas and countries to high-wage ones.

Finally, globalization can be blamed for increasing transnational crime. The enhanced channels for transportation resulting from globalization provide greater opportunities for organized crime networks and terrorists to engage in activities such as drug and weapons trafficking. This has been a big security challenge to Southeast Asian countries.

### **Future Trends in Globalization and Regional Security**

On the eve of the new century, the process of globalization continues to evolve as a result of ongoing technological progress. The introduction of advanced technology, especially IT, into all aspects of life continues, particularly with the internet becoming increasingly popular. This links all corners of the globe, thus accelerating the globalization process. In this increasingly globalized world, external intervention in internal affairs will be a dominant trend. Seen from the perspective of security, this will have a major impact on Southeast Asian countries and ASEAN as a whole, challenging the principle of non-intervention and such Asian important values as social order and loyalty.

Since the late 1990s the development of ever-larger TNCs appears to prove the earlier prognosis about their importance in contemporary international relations. The power of TNCs transcends national boundaries, threatens to further erode government control over their individual economies, as well as their politics and security.

Trade liberalization and the opening of domestic markets are also producing fierce competition among developing countries. The promotion of trade liberalization will be to the disadvantage of less developed Southeast Asian states, as more developed countries focus on their relations with each other and with developed economies outside the region. This might well widen the gap among countries in the region and cause disagreement, suspicion, mistrust and division within ASEAN over the Association's initiatives and future direction.

The progressive shift to the global "knowledge economy" is based on developments in science and technology, especially in IT. ASEAN countries are generally weak with regard to research and development (R&D), particularly in IT. In recent years we have witnessed both individual and collective efforts by ASEAN countries to develop IT in order to adapt to changing requirements. Every ASEAN country, including Vietnam, is concerned with the development of their software industry and technology. Among ASEAN countries, more developed states like Singapore and Malaysia will help less developed ones like Vietnam, Laos and Cambodia in developing IT. However, whether ASEAN countries can successfully catch up with the rest of the world is not yet clear. Despite the "digital divide" that limits the access of the poor to IT, ASEAN countries still face the challenge of catching up and the issue of information security that will, directly or indirectly, affect their national economic development, sovereignty and comprehensive security.

Most ASEAN countries have experienced impressive economic performances. Energy security will be a major concern for these states. Asia as a whole is expected to be the biggest oil consumer in the world during the first two decades of the 21<sup>st</sup> century. Recent oil price rises were described by Thai Prime Minister Chuan Leekpai as a burden for poor people and a threat to Asia's economic recovery.<sup>27</sup> As a result, the search for alternative sources of energy will be enhanced. In this regard, the share of water in the Mekong River is very important for riparian states because its exploitation as a source of power and for economic purposes by some countries might be at the expense of others, thus serving as a potential source of conflict in the region.

### **In Lieu of Conclusion: Towards Greater Joint Efforts by ASEAN Members**

The preceding discussion shows that non-traditional security issues, rather than traditional ones, are becoming increasingly important in the context of Southeast Asia.

Globalization means different things to different people, and even those who have enjoyed its benefits are still cautious about its prospects. However, as globalization has now become the dominant trend of the international economy, all Southeast Asian countries have to learn how to deal with it whether they like it or not. Theoretically and practically, globalization brings both positive and negative impacts to Southeast Asian security. Some countries in the region may benefit more than their neighbors. In several cases, as shown by the 1997 financial crisis, individual members were not powerful enough to defend themselves from the destructive forces of globalization. However, as the economic prosperity and security of individual ASEAN members are interconnected, the security or economic well-being of some affected countries may have direct and profound impacts on the entire region. Therefore, it is necessary for the region to cooperate in maximizing the benefits of globalization while minimizing its harmful effects.

Establishing a regional network to study the multifaceted impacts of globalization on regional security could be useful for ASEAN. This network should comprise prominent economists and security experts from individual member countries who could then submit quarterly reports of their studies, including recommendations, to ASEAN leaders for their consideration. In this regard, research within the framework of the program on non-traditional security issues in Southeast Asia could be a good start.

The established members of ASEAN should develop practical projects to assist the newer members, such as helping the latter with human developmental research, as well as establishing programs to facilitate their speedier integration into ASEAN, in order to bridge the development gap between these two tiers of states. In economic and security terms, a strong ASEAN can thus help countries in the region to successfully cope with the impact of globalization.

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