“The root of the present crisis in Indonesia, which led to the resignation of President Suharto on May 21, was a fundamental loss of confidence in Suharto,” says Richard Baker, Indonesia specialist at the East-West Center.

After January 6, when Suharto presented a draft budget for 1998-99 that ignored market realities, he came to be viewed by international and domestic markets as part of the problem — if not the main problem, Baker says. As long as Suharto remained in power the return of Chinese-Indonesian flight capital and renewed flows of foreign investment into the Indonesian economy, which were required for recovery, were virtually impossible.

“Even with the change of leadership, Indonesians are in for a very rough time,” observes Baker. “For a minimum of one and more likely two or more years, the economy will be at rock bottom, with negative or at most no growth. Once economic growth resumes, it is doubtful that the growth rate will reach its previous level of 7-plus percent a year.”

Having been burned, investors will be more cautious in the future. Baker notes that economist Paul Krugman has projected future growth rates in Asia of 5-plus percent rather than the previous 8 percent levels. Some Indonesian businessmen see 4 percent as the minimum rate necessary to absorb new entrants to the labor force and attract new investment. That means Indonesia won’t be anywhere close to the robust economic experience of the past 25 years.

Despite this forecast, Baker says the government of Indonesia and the international community should be able to work out a package of measures designed to halt the economic meltdown and ameliorate the human suffering that has resulted. This package includes the International Monetary Fund agreement announced on April 8, which will have to be adjusted but remains fundamentally sound. Other measures are trade credits from major partners Singapore, Japan and the United States necessary to jump-start imports and production by Indonesian enterprises, and a $1.5 to $3 billion, two-year humanitarian assistance package being coordinated by the World Bank.

When Suharto was re-elected in March and appointed firm loyalists and other dependents to top military cabinet posts, the 76-year-old president appeared to be firmly in charge of the government. However, Baker notes that Suharto was no longer in control of events — or at the top of his own capacities. Student demonstrations, the May 12 riots in Jakarta, and defections of his own firm supporters, sealed his fate.

The situation remains volatile. Economic hardships, including inflation, loss of jobs, and scarcity of food and other essentials, mean that social tensions will persist across the country. The Chinese minority continues to be an easy target for attack.

If the Habibie government does not address political as well as economic reforms, student protests could easily resume. While the students alone lack the power to bring about political change in Indonesia, as demonstrated by Suharto’s fall when protests combined with splits at the leadership level, the student movement can be a potent force.

However, Baker believes that the Indonesian military still holds the key to political stability and evolution. “The general population has no real fire-power, and the opposition groups are not cohesive. As long as the military remains disciplined and unified,” he says, “it can maintain — if necessary restore — order and control.”

In this situation, Baker argues, renewed rivalries between the top military leaders, which Suharto had stimulated through his appointments in recent years, would pose the most serious threat to stability in Indonesia. “There were indications of conflicting views among the leaders over how to deal with the student protests,” Baker says, “and also of contacts by different military factions with elements of the student movement.”

These factors may partly explain the scope and duration of the protests.

Regardless of who governs Indonesia, the main lesson of the current crisis is that major institutional reforms and development are needed for...
Disposal of oil field wastes, medical waste management, drinking water contamination and textile industry waste problems were among the discussion topics at the eighth international conference of the Pacific Basin Consortium for Hazardous Waste Research and Management at the East-West Center, April 20-24. Sessions brought together hazardous waste management professionals to review progress and seek opportunities to accelerate research and the application of research results.

Among those making presentations were Kenneth Olden, director of the National Institute of Environmental Health Services; Teresa Harten of the National Risk Management Laboratory, U.S. Environmental Protection Agency; and Masaru Tanaka, chief of the Solid Waste Management Office, The Institute of Public Health, Japan.

Participants also addressed concerns about pollution prevention; physical, chemical, biological and thermal treatment; storage, handling, transportation and disposal; contaminated site characterization and remediation; bioremediation, risk assessments and management issues.

The Center serves as the secretariat of the Consortium, which was established to speed the conduct of research and its application to reduce cost and improve the effectiveness of managing hazardous waste. Members include governmental agencies, international organizations, private industry, and researchers in Australia, Canada, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Pakistan, Papua New Guinea, Peru, the Philippines, Saudi Arabia, Taiwan, Thailand, the United Kingdom and the United States.

Indonesia to realize its potential as one of the leading states of the region. Baker suggests that only a coalition government including technocrats, other experts, and various elements of the business and political elites, can bring about true recovery and resumed progress. “The Habibie cabinet incorporates these elements, but whether Habibie himself can inspire broad confidence and support remains to be seen,” he says.

“A period of order is also essential,” Baker adds. Violence and destruction would make the task facing the government even more daunting. “The security measures required would be stronger and the economic and international costs to Indonesia greater. The level of antagonism and distrust within the society would be higher, and the leaders would have to devote proportionately greater attention to stability and order rather than recovery and reform.”

(Richard W. Baker is a senior fellow at the East-West Center and a former U.S. diplomat with service in Indonesia).
China's participation in the global economy has increasingly influenced its domestic policy as well as its relationship with the world, observes Dru Gladney, a China specialist with particular interest in culture and nationalism. And as it becomes stronger economically, China is beginning to make progress in areas of particular concern to the United States, such as human rights and democratization. These changes can be traced to the mid-1990s when China became an oil-importing nation and began pursuing international trade agreements that tied it to the global economy in unprecedented ways. “Before, it could not really be scrutinized and held up to international standards, and there was very little leverage over China,” Gladney says. “Now that the world is becoming much more interdependent, there’s a little more pressure facing China when it wants to, say, join the World Trade Organization. So already we see some progress in China’s human rights as a part of its efforts to be part of global society. Although it certainly is not as much progress as many people would like.”

Globalization also has increased awareness that China is culturally complex as opposed to a monolithic China. “The old view of the Chinese as one people, one language, one race, no longer makes any sense,” Gladney says. “Nobody buys that argument, least of all the Chinese, and that then makes China more complicated and much more interesting to us.”

Democratic change is taking place at lower levels of government. “You see village elections where candidates who are not in the Communist Party, who are not necessarily hand-picked — the outside candidates — are winning,” he says. It’s Chinese-style democracy, very much related to native place politics and cultural continuities. “Those well-connected people with the most guanxi get elected, not necessarily those people that have the most money or the most political power or the best speaking style.”

In addition, an influx of young skilled professionals who received training in the West are returning to China because of economic opportunities. “That’s going to drive Chinese society and make it more pluralistic,” Gladney says. “They’re having an impact and that’s part of this globalization.”

But he is concerned about the breakdown of traditional and social institutions at a time of huge migrations of “floating populations.” Chinese are moving from rural to urban areas, north to south, west to east, from the interior to the borderland. This puts pressure on frontier minorities, local cultures and cross-border relations. The southeast coast is the most popular destination because of the booming business and financial activity. “It’s hard to find a Cantonese farmer who spends 90 percent of his time farming his field,” Gladney says. “Why? Because the land is too valuable.” Instead, the farmer subcontracts the land to migrants from Hunan or Anhui, moves to the city and opens a factory.

This dislocation raises concerns that many of the Chinese aren’t equipped to deal with the societal and cultural changes that come with globalization. “What’s happened in the last 40 years has been a deliberate attempt to break down some of the traditional and social institutions that intervened between the individual and the state such as the family, religious associations, grass roots organizations,” Gladney says. “Those institutions were very threatening to a centralized and Communist government. Although they’re coming back, they’re still very weak.”

(The Impact of Globalization on China’s Changing Society)

(Dru C. Gladney is an adjunct fellow at the East-West Center. He is currently Dean of Academics at the Asia-Pacific Center for Security Studies in Honolulu, Hawaii.)
APEC Energy Groups Meet at Center

Two APEC energy groups held meetings at the East-West Center in April. The Energy for Sustainable Communities Liaison Group, which has been organized under the APEC Energy Efficiency and Conservation Experts Group, held a biannual meeting, April 1-3. Among the objectives of the group are to facilitate the exchange of information on energy planning and development, leading to sustainable communities; and to assist member economies in developing resources for appropriate solutions and evaluating the progress of communities designed to be sustainable over time.

On April 6-7, the Steering Group on Energy Standards, which reports directly to the APEC Energy Working Group, met to discuss and plan activities for 1998.

11 Journalists in 1998 Jefferson Fellowship Program

Six journalists from Asia and five from the United States participated in this year’s Jefferson Fellowship Program for mid-career journalists. They include:

- **Cai Hong**, an editor in the Opinion Department of China Daily, Beijing
- **Claudia Chang**, international assignment editor, CNN World Report, Atlanta
- **Chen Zhenping**, managing news editor, Jiefang Daily, Shanghai
- **Ruriko Hatano**, staff writer and editor, Yomiuri Shimbun, Tokyo
- **Supara Janchitfah**, reporter/writer, Bangkok Post
- **April Lynch**, staff writer, San Francisco Chronicle
- **Steven Scher**, public affairs director/senior producer, KUOW public radio, Seattle
- **Nasic Tamara Tamimi**, deputy chief editor, Daily Republika, Jakarta
- **Michael Taylor**, editor, Congressional Quarterly's East Asia Report, Washington D.C.
- **Alex Tizon**, staff writer/reporter, Seattle Times
- **Janice Yu**, columnist for Central Daily News and international editor for China Television Company, Taipei

The fellows spend four weeks at the Center where they meet with specialists and scholars; then travel for four weeks to meet with leaders in business and labor, government, education, the news media, the arts, and social and community organizations. Asian journalists travel to the U.S.; American journalists travel to the Asia-Pacific region.

Pacific Island Conference Secretariat Affirms EWC Ties

The Standing Committee of the Pacific Island Conference of Leaders unanimously endorsed the recommendation of a special study group that the Conference’s Secretariat remain in the East-West Center's Pacific Islands Development Program (PIDP).

Last year, the governments of France and French Polynesia offered to finance a move to Tahiti of the PIDP, which serves as both the Conference’s research arm and Secretariat. The Standing Committee expressed appreciation for the offer but determined that it would be in the best interests of the Conference of Leaders to continue its long-term association with the East-West Center, which has committed to continue support.

Cook Islands Prime Minister Sir Geoffrey Henry chaired the February 4-5 meeting at the Center.

Conference Showcases Business Opportunities in Pacific Islands

Participants from the U.S. and Pacific island private sector and governmental ministries responsible for trade and economic development met in Honolulu in May to showcase trade, business and investment opportunities in Pacific island nations.

The Business Opportunities in the Pacific Islands Conference featured discussions on priorities for economic growth and development, opportunities for overseas business and investment, and regulations pertaining to such activities. Conference sponsors included the U.S.-Pacific Island Nations Joint Commercial Commission and the JCC’s Secretariat, the Pacific Islands Development Program at the East-West Center.

EWC Co-Sponsors Japanese Performances in 9 U.S. Cities

Ten folk music and dance performers from Aomori, Northern Japan, completed a successful cultural exchange and performance tour co-sponsored by the East-West Center Arts Program in early spring. “Japanese Folk Music & Dance from Aomori” visited nine U.S. cities in February and early March. The 13 concerts reached an audience of more than 3,000 people, some of whom were introduced for the first time to Asian culture.

The concerts, featuring a lively, dynamic, less formal aspect of Japanese music and dance, were presented at co-sponsoring institutions in cities that included Honolulu, Seattle, Pittsburgh, Baltimore, Albuquerque, Santa Fe and Los Angeles.

Funding was provided by the Japan Foundation, the Ventura County Community Foundation in California and the Aomori Foundation for the Advancement of International Relations in Japan.
The Asian financial crisis has thrust China into playing a more responsible, leadership role in the region, observes Raymond Burghardt, U.S. Consul General of Shanghai. Chinese officials have carefully phrased statements that indicate the country is not going to devalue their currency in 1998, Burghardt told business leaders at an EWC Asia-Pacific Breakfast briefing sponsored by Bank of Hawaii in Honolulu in late February.

“I think that it wasn’t that hard a decision,” Burghardt said. “First of all, they had a choice. Other countries didn’t have a choice. Economic fundamentals don’t argue for them to devalue.” Another reason was a concern that if China devalued its currency, it would simply trigger another wave of devaluations in the region that would undercut any gains, he said. And this would create a need for China to devalue again.

“I think that the Chinese are enjoying the fact that they are looked upon as a regional leader and as a country which can play a responsible leadership role,” Burghardt suggested. “And as they enjoy that role, that will encourage them to take responsible positions even if they’re sometimes difficult.”

Burghardt, a career foreign service officer, assumed duties in Shanghai last June. The Consulate General in Shanghai represents U.S. interests in the East China region, including the provinces of Zhejiang, Jiangsu and Anhui. From 1987-89, Burghardt was political counselor in Beijing.

“One of the things you see, over a period of 20 years, is that central control has been greatly loosened in China,” he said. “The provinces, the cities, even individual enterprises and people have much greater control over their lives and much greater power of decision-making than was true even 10 years ago, even five years ago.”

Shanghai is functioning more and more like a megalopolis and the East China region is one of the most prosperous regions of China. “The region since 1992 is the engine driving the development of China,” he added. “We see CEOs come into Shanghai all the time to make deals who never even bother to go to Beijing because the decision-making power is now there (in Shanghai), whether it’s with the state enterprises or the local governments.”

While American embassy officials prepare for President Clinton’s state visit to China, Burghardt said they are also watching with great interest economic and political developments in the region and how they affect China.

“One of the things that struck us when the crisis first started in Thailand last October and going into the beginning of this year, was the initial Chinese reaction was one of denial,” Burghardt noted. He said Chinese officials were saying, “‘We’re different, it’s not going to affect us. We have strong reserves. We have long-term debt. We’re not going to be affected.’

“What we’ve noticed in just the last three or four weeks has been what I would call a ‘new honesty’ in discussing the issue,” he said in February. The financial crisis has forced China to look at how it will be affected and illuminated problems within the country. There has been recognition of domestic business problems, including that there is a real estate bubble in Shanghai, where there is a glut of new office buildings. “We also get admission that there’s going to be a cooling off of economic growth in Shanghai as well as the rest of China in 1998,” he said.

In reply to a question about the long-term roles of Shanghai and Hong Kong, Burghardt noted that Shanghai’s mayor, Xu Kuangdi, has said that the city can’t compete in the foreseeable future with Hong Kong as an international financial center. “Shanghai is a national financial center,” Burghardt said. “That’s the role it’s carved out for itself. It’s the chief financial center of China. The stock market is there and a very important branch of the People’s Bank. It’s still a pretty big manufacturing center.

“More and more you have to look at Shanghai and the East China region as a whole,” he added. “We’re seeing very interesting trends in which the heavier industry is moving out of Shanghai and to the surrounding area. The Chinese have done a good job on infrastructure development, which is another reason which helps to insulate them from the regional crisis. They’ve been smarter in terms of infrastructure investment and that helps them to keep growing.”
managed government liberalization of the financial sector, governments — to accurately assess risk. The resulting collapse of domestic and asset values (real estate, stock market prices) and currencies is a phenomenon already seen in the 1990s in Europe, Latin America, and now Asia. Governments, international organizations and domestic banks must coordinate efforts that should include: easier access to information in the financial industry, increased government oversight of private financial institutions, more flexibility in exchange rates, greater control by public authorities over the short-term flow of capital among countries. Finally, private companies that take excessive risk in financial markets should be forced to bear the costs of their own actions.


As the most serious casualty of Asia’s financial turmoil, Indonesia is experiencing economic and political crises that raise the specter of a general collapse. As the government, military, students, and other players maneuver for a seemingly inevitable transfer of power, the eyes of the world focus on a country that until recently has received less attention than its strategic value to the region and the U.S. demand. The author reviews the key factors in the country’s decline and prospects for the future.


Interesting accommodations between indigenous leaders and state institutions have emerged over the last century in the Pacific region. Almost everywhere in the Pacific, people continue to talk about the importance of “chiefs” and about the legitimacy — and illegitimacy — of their contemporary political practices. The interplay between custom and democracy, for example, has occasioned an ongoing debate throughout the region. This book explores relations between “chiefs” and states in Western Samoa, Tonga, New Zealand, Fiji, Rotuma, the Federated States of Micronesia, the Marshall Islands, Vanuatu, the Solomon Islands and Tana Taraja (Indonesia).

This is the second volume in the EWC-sponsored series, Contemporary Issues in Asia and the Pacific, published by Stanford University Press.


In the more advanced economies of East and Southeast Asia, health and living standards have improved dramatically in recent decades. Sharp declines in fertility, combined with rising life expectancies, will eventually produce unprecedented population aging, commonly measured as the proportion of the population age 65 and older. Signs of population aging can be observed in several countries of the region, with the process most advanced in Japan.

Traditionally in Asia, care for the elderly has been a family responsibility. Just as the numbers of elderly are poised to soar, however, several factors may reduce the ability or the motivation of Asian families to care for the older generation. Can Asian governments step up to the plate? Government? Should they? Recent financial crises highlight concerns that governments in the region will not have the resources to assume major responsibility for elderly care. At the same time, there are signs that working people in Asia are saving money to support themselves in their old age. How successful will they be?
A two-year research project of family life in the United States, Japan and South Korea reveals how economic change and cultural values have influenced attitudes toward marriage, childbearing, roles of husbands and wives, and intergenerational relationships in three different societies.

“Japan and the United States are highly industrialized societies with very different cultural values concerning family life,” observes Minja Kim Choe, an East-West Center scholar involved in the collaborative project. “On the other hand, Japan and South Korea, while sharing a similar set of cultural traditions, are at different stages of industrialization. The three-way comparison allows an understanding of how economic change versus cultural values influence family life.”

Choe and Karen Oppenheim Mason, director of the Center’s Program on Population, reported on their studies of “Work and Family Life in Comparative Perspective” at policy seminars in Tokyo and Seoul at the end of April.

Joining them in presentations were other members of the research team: Larry L. Bumpass, University of Wisconsin at Madison; Yong-Chan Byun, Korea Institute for Health and Social Affairs; Ronald R. Rindfuss, University of North Carolina at Chapel Hill; and Noriko Tsuya, Nihon University.

Among the findings presented at the seminars at the University Research Center at Nihon University and the Korea Institute for Health and Social Affairs:

- More young people in Japan and the United States are postponing marriage. In Japan, the average age at first marriage is 27.2 for women and 30.5 for men; in the United States it is 25.7 for women and 28.3 for men. In addition, in Japan one-fifth of all persons, aged 20-27 who have never married, are uncertain they want to marry, compared to 5 percent in the U.S.

- There is an increasing tendency among married women in Japan and South Korea to have fewer children, in part because of the high economic and psychological cost of providing a “successful” education for their children in their societies’ highly competitive educational systems.

- The relationship between a wife’s education and her probability of being employed differs in each country. In the United States, wives with a high level of education are considered to prefer to work more than other women and have a higher rate of employment than women with less education.

In Japan and Korea, women with a high level of education are less likely to be employed than women with a low level of education. This is probably because highly educated women are likely to be married to men who are highly educated and have high incomes. For these wives, it is less beneficial to work because their potential earnings are low (much lower than for men) and the cost of childcare and domestic responsibilities are high.

One exception is college-educated women in Korea, who are more likely to be employed than high school graduates. The cost of private arrangements for childcare and domestic help is relatively low in Korea compared to Japan. As a result, college-educated women in Korea may be able to afford to pay for this help and choose to work.

- In all three countries, men tend to hold more traditional attitudes than women about marriage, including about the roles of husband and wife and intergenerational obligations.

- In Japan and Korea, there is an expectation that adult children will take care of their elderly parents. This arrangement of different generations living together is an accepted norm, especially with regard to the husband’s parents.

In the United States, however, there is a long tradition of parents and adult children maintaining separate households and independence. This is evident in the number of public and privately sponsored programs that allow the elderly to live independently, including “meals on wheels” programs, home health care and retirement communities that provide a range of services.

The policy seminars also included experts from the three countries, who were invited to participate in the seminars as discussants and panel members. “On one hand, the seminars were designed to disseminate the major policy-relevant findings of the research effectively to government officials, legislators, non-governmental organizations, other experts and the concerned public,” Choe explained. “At the same time we solicited input from them for final preparation of policy recommendations.”

In July, there will be another presentation at the World Congress of Sociology in Montreal.

The project is partially supported by a grant from the Center for Global Partnership of the Japan Foundation in New York.
Asia's economic miracle is in trouble.

But while recent events in Asia are certainly more than mere “glitches in the road,” as President Bill Clinton has called them, the Asian miracle is not necessarily over. The region’s economic troubles indicate only that the easy part of its economic transformation has ended. Asian leaders have guided their countries through rapid economic growth over the last two decades, privatizing state assets, attracting foreign investment, increasing savings, and strengthening exports, but now they must face a more difficult second generation of challenges. These include deepening economic reform, combating corruption, widening political and social inclusiveness, and assuming greater environmental responsibility.

These new challenges are primarily those of the “other Asia” — that large, excluded sector of the region that has not uniformly benefited from the economic expansion of the Asian miracle. This is where most Asians live: it is rural and poor and suffers from the traditional economic and social problems of the Third World, and it is where policymakers must focus their energies and resources. Bringing the other Asia into the mainstream of growth will require difficult choices — choices that will determine whether historians decide that what happened to Asia in the latter half of the 20th century indeed was a miracle or merely a myth.

With countries across East Asia suffering through their worst economic crises in years, what was supposed to be an explosion in demand for petroleum products is now sounding more like a sputter.

The result is a critical — and potentially devastating — development for the world’s oil companies.

With oil demand in the United States and Western Europe expected to remain flat for the foreseeable future, oil producers were banking on Asia. Now they’re being forced to dramatically revise their great expectations downward.

Last year, the Asia-Pacific economies soaked up more than one-third of all new barrels of oil that came onto world markets, according to Kang Wu, a fellow with the Honolulu-based East-West Center. In other years, world oil demand would have actually fallen if not for Asia.

This year, oil demand in the region is expected to grow at a mere 1.5 to 2 percent, said Dennis Eklof, senior director for Cambridge Energy Research Associates, a Massachusetts-based consulting firm.

Last year, despite tumbling currencies, crashing stock markets and panicking bankers, oil demand in the region grew 3.8 percent, Wu said.

That demand growth was primarily because of “buoyant” demand in China and India, Wu said.

If those two countries — which have been little affected by the Asian financial crisis so far — are excluded, demand in the region grew by less than 2 percent.

SINGAPORE — A senior U.S. commander has expressed concern that Indonesia could be on the verge of social and political instability.

In unusually candid comments, the commander of U.S. forces in the Pacific, Admiral Joseph Prueher, said that the Indonesian authorities had many problems to grapple with and that the nation’s institutions were weaker than they should be to cope with those problems.

“And so I worry about the stresses and strains on the government,” he said in a speech Monday to the Royal United Services Institute for Defense Studies in London.

“It’s a really tough situation,” Admiral Prueher said, Reuters reported. “Even if all the good decisions are made, there is trouble ahead. There is no economic and political stability. We’re trying to work in an economic, political and military way to be as supportive as we can to try to bring this back in line.”

Two of the three U.S. aircraft carriers now in the Gulf off Iraq, accompanied by escorting ships and submarines, reached there from the Pacific through the Malacca strait.

“The United States,” said Charles Morrison, a regional security specialist at the East-West Center in Honolulu, “has a major interest in doing everything it can to ensure a peaceful political transition in Indonesia.

“There’s a deep concern in the U.S. military about the potential for instability in Indonesia because of its size and strategic location. There is no way for American naval forces to move easily between the Indian and Pacific oceans without going through, or very close, to Indonesia.”