

Some participants questioned if the China-Japan relationship was as pivotal to Asia's future as the China-US relationship, but all agreed that China is an important variable in any equation. Insofar as the US policy towards China is driven by domestic considerations, the run up to the 1999 US Presidential election, which will likely coincide with a growing US current account deficit, will be an important test of that key relationship. A deteriorating relationship would have implications for China's accession to the WTO, and the level of American support for China's bid. This in turn would have implications for China's willingness and ability to play by global rules of trade and investment.

After the Crisis

Despite the very serious nature of the current crisis, participants felt that the medium to long term prospects for Asia remain very positive. Some of the possible outcomes of the crisis include:

- A quantum leap in the quality of Asia's financial infrastructure and a much more competitive environment for financial services. The major American and European financial institutions stand to benefit the most from these changes to the financial landscape. Asian banks will have to ramp up their capabilities dramatically in order to compete in this tougher business environment. The corollary to this point is that changes in Asia will further encourage the current wave of bank mergers, which could leave the world with a relatively small number of global banks in as little as 10 years.
- An end to labour bottlenecks, giving investors in Asia a chance to raise their hiring standards and improve the quality of their human resources.
- A more China-focused Asia will emerge, but it remains unclear whether China will play by global standards more than it has in the past. It was emphasised that this variable can be influenced by western industrialised countries, and that Canada may have a particularly useful role to play by continually engaging China and encouraging it to play by global rules.