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**HUMAN SECURITY AND ASIA'S FINANCIAL CRISIS:  
A CRITIQUE IN LIGHT OF ASIA'S FINANCIAL CRISIS**

Xavier Furtado

May 1999

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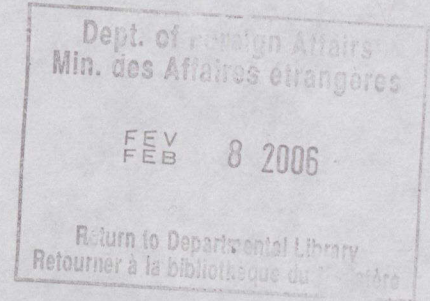


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# *The Conceptualization of Human Security in Canada's Foreign Policy: A Critique in Light of Asia's Financial Crisis*<sup>1</sup>

Xavier Furtado<sup>2</sup>

## **Introduction**

More than two years after the onset of Asia's financial crisis, several of the region's economies have been showing signs of recovery. As interest rates continue to decline and exchange rates around the region show signs of strength, many analysts have argued that the region seems poised to resume its journey towards economic growth and development. Improvements in the regional economy have caused some to believe that the worst is over and that standards of living and social conditions in Asia will continue their long march upward.

The complete story, however, is less sanguine. In some countries, industrial capacity continues to decline and private investment remains far from pre-crisis levels.<sup>3</sup> These persistent challenges promise even more unemployment and continued hardship. Coupled with the likelihood of continued inflation through 1999, there are few convincing signs that Asia's most troubled economies are on a *firm* path towards recovery. As a result, the declining social security/welfare situation resulting from the crisis is not likely to see any dramatic improvement.<sup>4</sup> Even if the region's most afflicted economies manage to post strong growth through the remainder of this year and into 2000, these economies will remain smaller than they were before the crisis for quite some time. Consequently, they will be less able to provide their citizens with the sorts of opportunities for economic advancement and human development that were available prior to the crisis.<sup>5</sup> The absolute number of people living either on or below the poverty line will remain large and the human security challenges posed by the crisis will persist. It is necessary for Canadian policy makers to remain vigilant and continue their close monitoring of the situation in Asia.

The purpose of this paper, however, is to go beyond the income-related effects of the crisis and draw attention to some of the more specific implications of the crisis on human security concerns in three Southeast Asian countries, Malaysia, the Philippines and Vietnam. Using the data uncovered during the fieldwork --- consisting of interviews/consultations with personnel from government, academe and non-governmental/activist groups as well as a review of primary and secondary data most readily available in these countries --- the author intends to provide a critique of how the Canadian policy establishment conceptualizes and articulates human security (as stated in the 1995 foreign policy statement, *Canada in the World*, hereafter also referred to as

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<sup>1</sup> An earlier version of this paper was presented to the 1998 annual conference of the Canadian Consortium on Asian Pacific Security (CANCAPS) in Victoria, B.C. and to the Vancouver branch of the Canadian Institute of International Affairs. Research funding was provided by the Canadian Centre for Foreign Policy Development and a CANCAPS Young Scholar Travel Award. The author would like to thank Allen Chong (Acadia University) and Marc Lanteigne (Asia Pacific Foundation of Canada) for their comments on earlier drafts of this paper.

<sup>2</sup> During the time of research and writing, the author was an assistant professor of international relations at De La Salle University (Manila) and a research consultant to the Asian Institute of Management. He is now with the Canadian International Development Agency. The views expressed in this paper are the author's own.

<sup>3</sup> Murray Hiebert, "Capital Idea?", *Far Eastern Economic Review*, July 1, 1999, p. 55.

<sup>4</sup> For example, see: Lisa Cameron, "Indonesia's Social Crisis", *Far Eastern Economic Review*, July 8, 1999, p. 24.

<sup>5</sup> "Attracting Attention: The Perception of Malaysia", *Far Eastern Economic Review*, July 8, 1999, p. 82.







financial crisis affect Canada's foreign policy. Towards the end, the paper will provide readers with an opportunity to reflect on the Statement's articulation of human security in light of the observations drawn from the author's research and how human security concerns are operationalized within the context of Canada's overall foreign policy.

## **Malaysia**

### Macroeconomic Decline

Malaysia has managed to avoid the intense social breakdown and extreme political turmoil that accompanied the crisis in other countries, such as Indonesia. However, despite Malaysia's relatively stronger position at the outset of the crisis, the economy has suffered considerably. The recession brought on by the regional downturn has raised unemployment levels and consequently raised the number of people in poverty. In the first quarter of 1998, the national economy (GDP) shrank by 2.8%. This was followed by a further contraction of 6.8% in the second quarter. By the end of 1998, the Malaysian economy contracted by some 7.5%.<sup>7</sup> As a result of the recession, lay offs and retrenchment are up considerably from previous years. From January to May of 1998, some 34,850 workers were laid off (87% of which were Malaysians, the rest were foreign labourers in Malaysia on legal work permits). This number exceeds the total number of lay-offs for 1996 and 1997 combined (26,636).<sup>8</sup> Although the economy is projected to grow by almost 3.0% in 1999, the new unemployment generated by the recessions in 1997 and 1998 will likely not be absorbed until 2001.

Closely tied to rising unemployment has been an increase in the absolute number of citizens who have fallen below the poverty line. In late 1998, when final figures were not yet available, the World Bank estimated that if the economy had remained flat in 1998 and did not contract, some 44,000 people would fall below the line of poverty. The World Bank also estimated that if the economy contracted by 5%, the number would rise to approximately 289,000. Unfortunately, even worse has come to pass. In addition to rising unemployment levels, the crisis also caused inflation to rise considerably. Inflation reached approximately 8.5 to 9% by the end of 1998, up from 2.7% the previous year. The largest price increases were seen in food (7.8%), healthcare (5.6%) and in rent and fuel (4.6%).

Despite the signs of recovery, unemployment and inflation continue to have an especially debilitating effect on poorer households. Food prices have risen faster than other components of the inflation index. Food also accounts for the bulk of the poor's expenditures, 45%, compared with some 35% for average households. In addition to its affect on household consumption patterns, the crisis will also take its toll on the poor (and the newly-poor) as households look to the government to provide social services at a time when it can least afford to do so. Already, the government has cut its budget in virtually all areas of public sector spending by approximately 30%. Even if the economy recovers through 1999 and into early 2000, the strain on the poor will continue unabated.

### The Anwar Trial and the Erosion of Civil Liberties?

Arguably, human security concerns in Malaysia go beyond the dismissal and imprisonment of Anwar Ibrahim, Malaysia's former Deputy Prime Minister. Press censorship,

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<sup>7</sup> "Economic Indicators" (provided by Goldman Sachs), *Far Eastern Economic Review*, October 28, 1999, p. 80.

<sup>8</sup> Economist Intelligence Unit (EIU), *Malaysia: EIU Country Report* (London: The Economist, 1998), p. 23.







[Nasional]. Because of him and his relatively more liberal outlook, there was room for critical discussion and it gave others like myself in the university and activist communities some freedom to disagree and debate the government's policy directives. With the way Mahathir has moved to discredit Anwar with these charges of sexual misconduct ... many of us are quite concerned. The spaces we have carefully carved for ourselves are in danger and may disappear, forcing many of us to either remain silent, go underground or hope that foreigners will articulate our concerns for us.<sup>10</sup>

While the Anwar trial is of concern to virtually all Malaysians, this specific community of activists and scholars see the Anwar affair as the beginning of more widespread erosion of debate and dissent in Malaysian society. Over the last 25 to 30 years, academics, researchers and activists critical of the Malaysian government have managed to carve limited spaces within which they and others could articulate views that are critical of Mahathir and/or various UMNO policies. How much longer these spaces (and, as a result, the personal security of those who exist in this milieu) can be guaranteed is unclear.<sup>11</sup>

NGO activists and analysts interviewed in Malaysia articulated three different strategies they could employ in response to the potential erosion of their political space. The first is to do nothing. Simply remaining quiet and curtailing their activism is seen as a legitimate response, especially among those who are concerned for their safety. The second option is to take their criticism underground and/or channel it through an emerging set of alternative fora for critical debate (such as the various artistic/performance groups that were emerging at the time of writing).<sup>12</sup> A third choice is to wait for foreign governments, agencies and international groups to articulate their concerns for them and/or provide funding for the creation of (often temporary) spaces for public debate and discussion.<sup>13</sup>

As stated in the introduction, the crisis was an exogenous shock to the (sometimes

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<sup>10</sup> NGO representative (wished to remain anonymous), interview with author, November 12, 1998; similar concerns were voiced to the author during subsequent interviews with artists and academics engaged in research and voicing views that were critical of UMNO.

<sup>11</sup> Some might argue that the *reformasi* movement as evidence of new and growing space within Malaysian society for the expression of contrary views. Sources in Malaysia, however, warn that the movement has not yet gained sufficient momentum to solidify into a credible political force against the dominant UMNO. *Reformasi* draws on a several different critical groups, many of whom are quite new to the work of political opposition and others who bring to the movement divergent (if conflicting) agendas. Aside from the potential for conflict and eventual defection, those who are concerned with the government's handling of the crisis may lack the resolve to stay the course once the economy improves and their economic concerns are met.

<sup>12</sup> Such groups include Artis Pro Activ (APA), a non-politically aligned collective of artists and performers which focuses on using artistic expression to promote public criticism and debate over what they see as the increasingly closed and undemocratic governance of Malaysia. There are other such groups and collectives, a number of which centre themselves around the Five Arts Centre in Kuala Lumpur.

<sup>13</sup> An example would be the Asia Pacific Peoples Assembly (APPA), which took place on November 11 and 12. APPA is very similar to the Peoples' Summit, which took place alongside APEC '97 in Vancouver. The Canadian government, through the Department of Foreign Affairs and International Trade, provided C\$60,000 to the organisers of the APPA to assist with conference overhead expenses and information dissemination activities.







unemployment noted earlier will ensure that wages do not keep pace with inflation. History shows that, working together, rising inflation and growing unemployment will contribute to a deterioration in the country's already poor income distribution.<sup>16</sup>

#### *Devolution, Fiscal Austerity and the Capacity of Government Institutions*

Much like Malaysia, Philippine society and politics was also undergoing significant changes prior to the crisis. Since the adoption of the Local Government Code (LGC) in 1991, responsibilities over several social services have been devolved to provincial and/or local government units (LGUs). In areas such as health care, where the process of decentralization has progressed furthest and its effects have been most pronounced, LGUs are now required to administer several programmes that were once the sole responsibility of the central government.<sup>17</sup>

Unfortunately, this has meant that in poorer municipalities, the quality of social services has deteriorated as impoverished LGUs find themselves without the management, technical and financial resources to provide quality social programming. As a noted health care expert noted in an interview,

While for some municipalities, the story on devolution is mixed, for many it's been quite negative. Aside from the pervasive resource constraints, decentralization resulted in a deterioration in the quality of coordination between different institutions/groups with different responsibilities. Under the centralized system, there was fairly close coordination between the district hospitals and the Rural Health Units [RHUs]. They would work together to serve people in their shared areas. Now, however, the district hospitals receive no support from the RHUs, leaving the district hospitals in a dismal state. They don't have enough medicines, not enough equipment and their supplies and logistics are often very poor, especially in the poorer communities. Also, they don't have the resources for to train their people; there are no resources for upgrading skills. This has compromised the ability of the system to gather adequate and reliable data on the state of health in the country and, ultimately, the system's ability to care for the people.<sup>18</sup>

The crisis, unfortunately, has exacerbated the situation because of the fiscal austerity that accompanied the regional financial turmoil. With the onset of the crisis, all Philippine government departments were forced to reduce their expenditures by 25%.<sup>19</sup> This has had a

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<sup>16</sup> Joseph Y. Lim, *The Social Impact and Responses to the Current East Asian Economic and Financial Crisis: The Philippine Case*, unpublished ms, prepared for the UNDP/Regional Bureau for Asia and the Pacific, July 1998.

<sup>17</sup> For more see: Government of the Philippines, *Local Government Code of 1991* (Manila: Government of the Philippines, 1991); World Bank, *Philippines Devolution and Health Services: Managing Opportunities and Risks* (Manila: World Bank, 1994); "Turning Point in DOH's Strategic Direction", *DOHVOLUTION: Health in the Hands of the Filipino People*, First Quarter 1994; Department of Health, *Responding to Questions on Devolution of Health Services*, Parts 1 to 3 (Manila: Department of Health, 1993).

<sup>18</sup> Dr. Warlito Vicente, Dean, Davao Medical School Foundation, interview with author, October 20, 1999. Prior to his appointment as Dean of the DMSF, Dr. Vicente was Executive Director of the IPHC. During that time, he worked with several LGUs in Mindanao in providing training and helping them confront the challenges of devolution. In his current position, he continues to work as a consultant and advise the DOH as well as international bodies on health care management issues in the Philippines.

<sup>19</sup> This statistic as well as the data cited in the following paragraphs came from discussions the author had







## Vietnam<sup>23</sup>

As the currency crisis continued through the remainder of 1998, Vietnam received very little attention from both journalist and academic communities until the World Bank released its report, *Vietnam Rising to the Challenge: An Economic Report*, in late 1998. Obtaining reliable statistical data on the social welfare/human development issues in the wake of the crisis in Vietnam is very challenging, thus making an analysis of the situation difficult. However, it is possible to take some of the information that is now trickling out of Vietnam and combine it with other forms of more anecdotal evidence in order to arrive at an understanding of how the crisis has impacted the country's economy and what some of the potential human security impacts could be.

Vietnam has been undergoing profound changes to the governance and structure of its society. The economic restructuring and reforms that began with the process of *doi moi* (literally 'renovation') in 1986 have altered the political, economic and social environment in which Vietnamese people (80 percent of whom are rural and tied to the agricultural sector) try to meet their basic needs. Much like the other two countries examined above, the crisis was an exogenous shock that lay itself on top of Vietnam's own internal transformation. As in the case of both the Philippines and Malaysia, the human security implications of the crisis in Vietnam are subtle; understanding them hinges on being able to see how the crisis interacted with the dynamics of change that are unique to Vietnam at this time.

### Security and Insecurity: Objective Evidence

Because of the difficulties involved in obtaining reliable and impartial data in Vietnam, any attempt to learn more about social welfare issues must rely on the use of proxy variables and/or more anecdotal forms of evidence alongside more objective data. By confirming sources and cross-validating reports, one can begin to assemble a credible picture of the contemporary situation.

At the time of writing, the Vietnamese economy has managed to escape the debilitating economic/income-related effects of the financial and fiscal crisis that have plagued many of its neighbours. There are a variety of reasons which have contributed to this, many of which have to do with the economy's relative isolation from the global economy. Vietnam's relatively low dependence on foreign capital, the non-convertibility of the *dong* as well as the existence of several sets of regulations protecting vast areas of the domestic economy from international competition have provided Vietnam with some temporary respite from the crisis.<sup>24</sup> These factors, combined with the fact that some 80% of the country's population is rural and remains tied to agricultural production, has meant that, for the time being, most peoples' livelihoods have remained intact. At the time of writing, the bulk of the country's farmers were relatively unconcerned by the regional financial crisis. If anything, some of them have seen their wealth

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<sup>23</sup> I am indebted to a several individuals in Vietnam for their assistance with this section of the paper. I owe a debt of gratitude to Virginie Saint-Louis and Peter Hoffman at the Canadian embassy in Hanoi, Robert Glofcheski and Vu Quoc Huy at the UN Development Programme (Hanoi), Mila Rosenthal, PhD candidate at the London School of Economics and Ms. Nisha Agrawal, Chief Economist at the World Bank's offices in Hanoi.

<sup>24</sup> This is by no means an original observation. For more, see: UNDP, *East Asia: From Miracle to Crisis: Key Lessons for Viet Nam* (Hanoi: UNDP in Viet Nam, November 1998), pp. 47-48.







One such area is health care. Before the beginning of *doi moi* in 1986, Vietnam had an impressive health care infrastructure which provided extensive coverage through a relatively dense network of central, provincial and district hospitals as well as commune health care centres. Even well into the early 1990s, Vietnam had 170 commune health centres per million which compared favourably coverage elsewhere in Asia.<sup>29</sup> Through the late 1980s and early 1990s, however, Vietnam's health care system has encountered growing difficulties. Because the fiscal austerity imposed by *doi moi* meant that the government was no longer able to support these centres and the attenuating public health programmes.

With virtually no resources coming from the now defunct commune cooperatives, local health provision has suffered dramatically. The use of contraceptives among lesser-educated women has dropped, resulting in birth rates that are significantly higher by international standards. Approximately 40% of all children remain malnourished; predictably, malnutrition is significantly higher in rural areas than in urban centres. Some 65% of the sick now opt for 'self-treatment', which includes obtaining and using medication without consulting and guidance from a trained doctor. As expected, this phenomenon is especially acute among the poorest of the poor; around 70% of the poorest quintile choose self-medication as compared to 55% among the wealthiest. In the context of the crisis, where all government ministries have been required to reduce discretionary spending by 40%, the situation is likely to worsen.

The growing gap in Vietnam's health care system highlights a potential role that Canada might play in helping Vietnam confront the effects of the crisis. Rather than focusing its efforts on poverty alleviation, Canadian policy in Vietnam should broaden its focus so that over the medium- to long-term it can help to prevent 'poverty exacerbation'.

#### Human Security and Insecurity: Subjective Views

As with both the Philippine and Malaysian cases, the implications of the crisis have gone beyond the realm of income/poverty and government spending. Because some 80% of the population lives in rural areas and is relatively isolated from mass media, the impact of the regional crisis is virtually unknown to many in the country. Combined with government controls on the dissemination of information, many Vietnamese people have very little conception of how the crisis could diminish their own expectations and livelihoods over the next few years. In order to gauge this, one must draw on examples of individual or group behaviour that reflects (either implicitly or explicitly) some assessment of the future.

Borrowing behaviour is one such indicator. Arguably, decisions to borrow are based on some expectation as to whether or not the future will continue to deliver sufficient prosperity to allow the borrower to pay back the loan. Normally, it is difficult to gain access to reliable information in the banking sector. However, the Vietnam-Canada Rural Finance Project, a relatively new micro-credit lending scheme established by Développement international

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UNDP in addressing important social sector priorities, in particular poverty alleviation. This is something of a unique problem encountered by aid agencies operating in countries where the state has a strong role. Because the Vietnamese government requires foreign agencies to direct their efforts through the state apparatus, there is very little room for donor agencies to redirect their efforts towards the local level and engage directly with non-state actors to confront various human security challenges.

<sup>29</sup> China, for example, has only 63 health centres per million while Indonesia has 32 and Thailand has 141.







elements of the social transformation (information dissemination, public exchange/debate) have not proceeded fast enough thus compromising the ability of Vietnamese people to perceive exogenous/systemic threats to their livelihood that are just over the horizon. This leaves the human security of the Vietnamese population unclear and in a potentially precarious state.

### **Policy Critique and Recommendations**

The countries examined in this paper serve as valuable case studies from which Canada's foreign policy community can draw useful lessons. As noted near the outset of this paper, some of the findings support and reinforce the Canadian government's conceptualization of human security (as articulated in *Canada in the World*), while the remaining evidence poses both informational and conceptual challenges to how the drafters of the Statement understand, articulate and seek to operationalise the notion of human security in Canada's foreign policy. Some of the quantitative and qualitative data uncovered during the author's field work highlights new areas that are rarely explored (in either the literature on the crisis or on human security) but should be addressed if Canada is to achieve a comprehensive, fully-integrated policy strategy that assists the vulnerable in achieving human security.<sup>32</sup>

### General Critique/Assessment

Overall, the Statement does not account for the potential havoc that exogenous shocks to the international economic system can wreak on human security concerns and how Canada's aid and foreign policy could be shaped to help others address these types of challenges when they arise. Moreover, as the quantitative and qualitative data presented in this paper point out, financial and economic turmoil has effects that often go beyond mere income/standard of living concerns and exacerbate existing political tensions and/or governmental transformations in the developing world that may threaten human security on their own. This conceptual gap in the Statement is surprising. Asia's economic turmoil is not the world's first experience with financial instability and its debilitating economic and social effects; the 1994 Mexican peso crisis and the Latin American debt crisis of the 1980s should have impressed upon the drafters of the foreign policy statement the importance of accounting for financial and economic instability in a framework that explicitly places human security as a worthy and achievable objective for Canada's foreign policy.

### Malaysia

Canadian policy towards Malaysia has been centred on helping the country enhance its capacity to achieve its economic growth and development objectives. While the current economic climate in Malaysia (and the region more generally) would suggest that these efforts are of merit, more attention should be given to those components of Canada's strategy that are intended to help people meet their basic needs. It is likely that the remainder of 1999 (and possibly into the year 2000) will see continuing desperation among the poor and the newly-poor.

The Malaysian case provides an example of how human rights and civil liberties have been affected by the political change wrought by the crisis --- an added dimension of human security that has not been explored in the available literature on the crisis. While the link between civil society, human rights and human security is accounted for in the Statement, *Canada in the World* is less clear on how it should be operationalised.

While the Statement does note the importance of providing support to civil society, it

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<sup>32</sup> Ostensibly, a more cohesive policy approach is the objective. See: *Canada in the World*, pp. 25 and 45.







The Philippine case is a useful and instructive one for Canadian policymakers on a number of fronts. The empirical data provided in this paper point to possible changes in Canada's strategy in the Philippines. In the context of the crisis and the trend towards the decentralization of social services in the Philippines, the Canadian government should consider refocusing its strategy. While the promotion of good governance and nurturing the private sector (as prescribed in CDPF) are laudable goals, more attention should be put towards assisting local governments in confronting the more basic challenges they face as a result of decentralisation --- challenges that have been exacerbated by the fiscal austerity of the financial crisis.<sup>36</sup>

At a more general level, the Philippine case also points to a conceptual gap in how the Canadian government understands the potential threats to human security. Those portions of *Canada in the World* that address explicitly the notion of human security do not adequately account for widespread trends and dynamics taking place in the developing world.<sup>37</sup> The movement towards devolution and decentralization, for example, is not unique to the Philippines; decentralization has been occurring (and will continue to take place) in several developing countries (a function of globalization and the growing importance of transnational linkages).<sup>38</sup> This points to the importance of capacity building and institutional strengthening, especially at the local level. While the Statement does address these specific concepts, it does not account for the more general phenomena that drive and create the need for capacity building/institutional strengthening initiatives. If Canadian policymakers are to have a comprehensive understanding of the potential threats to human security that are likely to emerge over the short- to medium-term in the developing world (and then devise strategies to meet these challenges), their framework must be altered to more explicitly account for these sorts of important shifts and changes in public administration and governance.

### Vietnam

Canadian assistance to Vietnam is centred on four key objectives: economic and administrative reform; poverty alleviation; private sector development and the promotion of good governance and civil society. Canada's aid program in Vietnam, however, has met with little success. As pointed out by CIDA officials in Hanoi, the programme has failed in a number of respects, most specifically in the areas of poverty alleviation and promoting good governance and civil society.<sup>39</sup>

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<sup>36</sup> In this regard, Canada may have much to share with the Philippines. Canada's own efforts at navigating the potentially treacherous waters of the decentralisation and developing a federal structure with shared powers and responsibilities may be a useful model for Philippine officials to examine.

<sup>37</sup> The closest that *Canada in the World* comes to addressing these sorts of dynamics is on page 45 under the heading "Guidelines for Effective Programming". While there is no specific reference to devolution, the Statement does note that programming should be based on, among other things, "Knowledge of Local Context". While this may be adequate for a general policy statement, a more specific listing of key themes and dynamics that could alter the human security equation in developing countries would be useful in arriving at a clearer understanding of the potential threats.

<sup>38</sup> The existing literature on decentralization and its impact on health care is extensive. See: Anne Mills *et al.*, eds., *Health System Decentralization: Concepts, issues and country experience* (Geneva: World Health Organization, 1990); G. Arbona and A.B. Ramirez de Avellano, *Regionalization of health care services: The Puerto Rican experience* (Oxford: Oxford University Press, 1978); P. Vaughan *et al.*, "The importance of decentralized management", *World Health Forum*, vol. 5 (1984).

<sup>39</sup> Peter Hoffman, Head of Aid, CIDA Section, Canadian Embassy, interview with author, Hanoi, February







section) that might have otherwise been missed. Not only does the data presented in this paper point to the immediate and medium-term economic/poverty-related effects of the crisis, but the author's examination of human rights concerns in Malaysia and the challenges to state-run social services in the Philippines and Vietnam enables readers to go beyond the economic dimension of human security and see clearly other concerns and issues that impinge on human security.

The sorts of dynamics and concerns noted in this paper are likely to sustain themselves over the medium- and long-term. The domestic issues and transformations discussed here will continue to play themselves out --- Prime Minister Mahathir has been re-elected; the Philippines continues to grapple with the challenges of the 1991 Local Government Code; and Vietnam's renovations are far from over. Furthermore, these sorts of transformations --- and the challenges they present --- will affect other countries that are presently at different stages in their political and economic development. Countries like Indonesia will undergo several different sorts of domestic changes and reforms<sup>41</sup>; much like those in Malaysia, the Philippines and Vietnam, they will have human security implications all their own and, should another regional crisis erupt, we can expect to see several of the same sorts of dynamic effects noted in this paper. In larger and poorer countries like China and India, the horror stories could be endless. At a more systemic level, financial crises akin to the one that has gripped Asia are likely to happen again in Asia and elsewhere. Economic and financial crises are unavoidable. As more governments choose to liberalize their economies in order to cope with the pressures of globalization, they are also choosing to accept the volatility that tends to accompany increased economic liberalization.

The approach used in this paper highlights some of the long-term transformations that are taking place in the developing world. These changes, driven by external as well as internal phenomena, can have severe effects on human development and security concerns throughout the developing world. These are the sorts of challenges that Canadian policymakers must address if they wish to devise a robust foreign policy that can meet human security challenges well into the future.

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*to Parliament: Canada's Participation in the Regional Development Banks 1996 and 1997* (Ottawa: Minister of Public Works and Government Services Canada, 1998).

<sup>41</sup> Iyanatul Islam, Special Advisor, UN Special Facility for Indonesia's Recovery (UNSFIR), discussion with author, September 22, 1999, Jakarta, Indonesia. In particular, Dr. Islam pointed to the Indonesian government's plans to decentralise several sets of powers and responsibilities to provincial and local governments once the election was completed.







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