1. Introduction

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Southeast Asia’s unique history, which covers some of the culturally rich nations of the world, has been shaped by both internal and international forces of change. The classical period of Southeast Asian history was marked both by the profound influence of forces external to the region and by a range of indigenous responses. Taken together, they shaped the elements for new forms of state and society, religion and culture, economy and commerce, labour relations and the environment.

The changing contours of colonialization altered the patterns of political authority and economic development, tying the Southeast Asian states to metropolitan powers in the process. Primary commodity production — ranging originally from spices to cultivated sugarcane, coffee, cocoa, coconut, rubber, and mining of tin and later oil — became the cornerstone of the colonial mode of production. Thailand escaped direct colonial rule but got absorbed into the capitalist world economy. Resistance to colonial rule had begun the very moment colonialism started. Although Japanese military intervention in 1941–45 provided the initial escape from colonization as Indonesia declared itself independent from both the Japanese and the Dutch, a larger army opposed to capitalist relations was to play a key role in shaping power relations in Southeast Asia. Communist insurgencies gripped British Malaya and the Philippines while communist forces gained control of Vietnam, Cambodia and Laos from initially the French and subsequently the Americans. It was only after the collapse of the Soviet Union that Vietnam, Laos and Cambodia gradually integrated into the capitalist world economy. Myanmar remains isolated from global economic forces, but its military-ruled economy has begun integrating with the Association of Southeast Asian Nations (ASEAN) since the 1990s.

Decolonization and the formation of independent states in the region heralded a shift in domestic and international politics, the nature of state—society relations, and the pace and direction of economic development. The post-colonial ruling elites in Southeast Asia sought to deal with the legacies of colonialism while at the same time dealing with political challenges that threatened social order. This often turbulent period in the
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region’s history (from 1945 to the early 1970s) was also inscribed by the impact of the Cold War, which dominated the international relations of Southeast Asia until the disintegration of the Soviet Union from 1989. This way the evolution of modern Southeast Asia was profoundly influenced by external and domestic developments. In fact ASEAN was formed in 1967 to strengthen ties among the free market economies to stem the potential political threat of a domino effect from communist Indochina and its impact on internal insurgencies. In addition to the geopolitical concerns to contain and defeat communism, the United States and its allies promoted free market relations in Southeast Asia.

Political alliances changed dramatically when the Cold War ended following the collapse of the Soviet Union as the former command economies of Vietnam, Laos and Cambodia quickly inserted themselves into ASEAN and the regional trade integration process that was begun in 1991, i.e. the ASEAN Free Trade Area (AFTA). Not only have developments involving the AFTA process signalled a shift away from strategic concerns associated with the Cold War to the primacy of national economic interests, but the process has also become an important platform for Southeast Asian countries to confront global governance mechanisms such as the World Trade Organization (WTO) collectively. Strongly connected with China but isolated by the United States and Europe, military-ruled Myanmar also formally obtained membership of ASEAN in 1997.

The integration of the Southeast Asian economies into the world economy, including the transitional economies of Indo-China and Myanmar, saw the introduction of development policies, which was led by capitalist economic accumulation but often with roots embedded in the social fabric of societies in each of the individual economies. As the early history of the region shows, a diverse set of ethnic groups who integrated following several spurts of major in-migration from other parts of Asia with wide-ranging cultures and religions characteristic of the populations of the nations often coloured government policies. Although ethnicity has remained a rallying point for strengthening unity as well as political support, especially in Indonesia and Malaysia, political leaderships in these countries have often relied upon hybrid cultures to achieve winning constituencies.

The transformation from feudalism to industrial capitalism in most of Europe was characterized by widespread factory-based proletarianization, but it also evolved alongside owner-farm crop and livestock farming and the guilds systems that reproduced capitalist relations differently as skilled tradesmen under the guilds system evolved in economies such as Germany, the Netherlands, France, Belgium and Italy, thereby reducing the valorization capacity of the bourgeoisie. Bloody Taylorization as well
as the defeat of facism in the Second World War gave rise to successful labour movements and industrial relations that created the welfare state in Europe – though its authority has been increasingly undermined since Thatcher became prime minister in Britain in 1979.

However, the pre-capitalist forms as well as colonial integration in Southeast Asia lacked the productive and later the welfaristic egalitarian dynamics essential to engender the conditions for even capitalist accumulation across the societies. The shift from peasants to proletariats as well as the various other forms it has taken in many parts of Southeast Asia has affected the majority of the people differently. Indeed, premature deindustrialization in the Philippines has continued to support the informalization of labour. The large majority of the populations – both paid workers and informal dwellers – continue to enjoy less representation from governments in most of Southeast Asia than the bourgeoisie. Underemployment and unemployment rates are high in the Philippines, East Timor, Indonesia and Myanmar. Hence, despite the trend improvements shown, poverty and inequality continue to deny a significant section of the population in the region, especially in Indonesia, the Philippines, Vietnam, Cambodia, Laos, East Timor and Myanmar, access to basic amenities.

The formation of nation states demarcated by colonial interests has left behind ethnopolitical divides that have coloured social relations in Malaysia and Indonesia. The national borders of Malaysia and Indonesia were largely defined by the British and the Dutch, particularly following the Anglo-Dutch Treaty in 1824 (Hall, 1981), whereas in Malaysia ethnopolitical tensions have often risen between the Malays, and Chinese and Indians, in addition to differences between the pribumi and the Chinese in Indonesia, where severe tensions have also led to separatist movements among the pribumis in Aceh and Irian Jaya. The birth of East Timor in 2000 is a direct result of these tensions. Although ethno-pluralism and multi-culturalism have become a dominant idiom and strategy of nation building in most of the countries, vernacular roots to narrow ethnonationalism have created polarized, truncated societies in Malaysia and Indonesia.

Separatist movements have also gripped Thailand, the Philippines and Myanmar. Muslim separatists in the southern Philippines and southern Thailand have cashed in on centralist policies and ethno-religious differences to wage a bloody campaign against government forces. Meanwhile a military dictatorship has kept a tight lid not only on political democracy, but on its ethno-regional differences with their historical roots going deep into British colonialism, with a potentially volatile explosion in the waiting if and when democracy is eventually restored in Myanmar.

Being resource rich, all but Singapore among the Southeast Asian
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economies began with commodity production as the driver of economic growth. The city state of Singapore embarked on industrialization and service modernization after its exit from the Malaysian pact in 1965. However, with the exception of Brunei, East Timor, Myanmar, Laos and to some extent the Philippines and Indonesia, industrialization has become the engine of growth in the other economies. Manufacturing became the leading sector among the primary and secondary sectors in GDP in Malaysia and Singapore, while it had become very important in Thailand by the 1990s. Indonesia, Malaysia, the Philippines and Thailand largely derived poor results from import-substitution strategies, but achieved rapid manufacturing growth on the back of multinational-driven export-oriented firms. The unprecedented financial crisis of 1997–98 affected Thailand, Indonesia, Malaysia and the Philippines seriously, and its contagion aggravated economic growth rates of the remaining Southeast Asian economies. The nature of integration of the region in the global economy left it vulnerable to the vicissitudes of both currency and capital market volatility. Although Thailand was the epicentre of the crisis, Indonesia faced the worst damage following the political fallout that accompanied the demise of the New Order regime of Suharto. Nevertheless, despite different policy packages implemented by governments, a decade later all the main economies showed signs of a fragile economic recovery, only to be sucked into the global financial crisis, fuelled this time by the housing and banking crash in the United States. Whereas a booming United States’ economy assisted quick recovery from the Asian financial crisis, the prime source of economic recession in Southeast Asia has resulted from exactly the opposite effect with a severe deceleration in exports.

Rapid growth and industrialization have also brought consequences on the social relations and environmental landscape of Southeast Asia. The transition from peasantry to capitalist relations has not been smooth, as the inability of some of the governments to generate sufficient numbers of jobs and subsistence wages in the formal labour markets have left significant segments of the populations in squalor. Indonesia and the Philippines, and subsequently Cambodia, Vietnam, Laos and Myanmar, face high levels of unemployment and underemployment. Although absolute poverty levels have fallen, Malaysia and Thailand have faced rising levels of inequality since the 1990s. Income inequality levels in Malaysia, Thailand, Indonesia and Singapore show a zig-zag pattern – increasing initially before falling over long periods and then worsening again from the 1990s (see Rasiah and Ishak, 2001). Indeed in Singapore income inequality has been rapidly rising in a sustained way since the late 1990s, which has prompted the government to introduce some major policy initiatives.

Labour movements – both legally and illegally – have strengthened as
well as weakened in the region. Low levels of union densities, authoritarian governments and exposure to casualizing global production networks have reduced the power of trade unions in the region (see Todd and Jomo, 1994; Rasiah and von Hofmann, 1998; Hutchison and Brown, 2001). Co-optation into mainstream politics has helped unions to participate in the development process in Singapore and Vietnam. Early authoritarianism followed by democratization in the Philippines and Indonesia since the fall of Marcos and Suharto in 1986 and 1998 respectively has not given similar representation in the development process. The often intense contestation for representation among rival unions has undermined the position of unions in the electoral process in Indonesia and the Philippines. Trade unions have been isolated from government policy making and hence have remained peripheral to the processes of development in Malaysia and Thailand. Trade unions are nascent, and their activities remain uncoordinated in Cambodia, Laos and Myanmar.

The overarching influence of state–market coordinates of government policies in early accumulation generally excluded emphasis on the environment. The destruction of forests in Southeast Asia, to support logging, plantation agriculture and housing for profits, has continued unabated. Nevertheless a combination of rising middle-class pressure, international standards imposed on multinational firms operating in the region from 1989 (the Montreal Protocol) and the proliferation of eco-labels has helped bring environmental considerations into government policy making in the region. Until then, domestic efforts to strengthen environmental standards emerged in Indonesia, Malaysia, Thailand and the Philippines, but faced little enforcement. The cross-border movement of haze, particularly from Sumatra in Indonesia to Singapore and peninsular Malaysia, as well as Kalimantan in Indonesia to Sarawak in Malaysia, is a case in point where much talk has translated little into solutions. In addition, industrial emission and cross-border spillover effects of pollution had also become a thorny regional problem by the 1990s.

The economic and security significance of Southeast Asia in the world economy could not be overstated, as the region connects the East and West trade routes through the South China Sea and the Straits of Malacca. American interest in the region has remained paramount. Home to almost 550 million people, Southeast Asia commanded a GNP exceeding $700 billion and was the United States’ fifth largest trading partner in 2005. The United States and its allies spent a considerable period of time trying to stem the possible domino effect from communism. Although the threat of communist insurgencies is no longer critical, American political interest in the region has become important again since the emergence of terrorist threats in the southern Philippines, southern Thailand and Indonesia.
This brief introduction denotes the importance of the region itself but also implicitly shows the need for a careful analysis of political economic change. The next section discusses the main approaches used so far to understand and interpret the political economy of Southeast Asia. Most works have tended to limit analysis to the boundaries of nation states even when discussing globalization issues. This book brings four advantages over previous accounts of the political economy of Southeast Asia. Firstly, the book examines a wider range of socio-economic and political topics that are important to Southeast Asia than those attempted by others. Secondly, by allowing a free hand on the formulation of the political economy approach for the individual chapters the book recognizes the need to examine the various topics differently and hence the preference for a new political economy of Southeast Asia. Thirdly, by extending analysis to at least three nations in the region this book seeks to examine the interrelationships that capture the mediation of global and national interactions and interventions that have acted as the drivers of political and economic change in the region. Fourthly, the book captures the dramatic changes that have taken place in the region since the turn of the millennium. In doing so, this book seeks to complement rather than supplant the important contributions other scholars have made to understanding the political economy of Southeast Asia (notably Limqueco, McFarlane and Odhnoff, 1989; Rodan, Hewison and Robison, 1997, 2006).

THEORY AND SOUTHEAST ASIAN STUDIES

Most studies of economic development in capitalist Southeast Asia have relied on five approaches – the neo-liberal (e.g. World Bank, 1993), the state-capital approach (see Yoshihara, 1988; Jesudason, 1989; Jomo et al., 1997), the classical Marxist approach (e.g. Rasiah, 1988, 1997; Limqueco, McFarlane and Odhnoff, 1989; Rodan, Hewison and Robison, 1997), neo-Marxist approaches (e.g. Jomo, 1986) and structural functionalist and populist approaches (e.g. Kitching, 1982; Budiman, 1990). The first view is synonymous with the tradition of neoclassical economics and has had strong advocacy from the World Bank and the International Monetary Fund (IMF). The second has leanings to the developmental state approach (Johnson, 1982; Amsden, 1989; Evans, 1995), but the articulations capture the reasons behind slow growth and lack of industrial upgrading in most of Southeast Asia. Although the third and fourth line of thought emerged as a critique of the other two approaches, their definitional, relational and epistemological foundation has relied on a critical and a conflict-based perspective of social change. In their overall meta-theoretical vision, these
transhistorical and grand social traditions differ considerably, as the first and the second are Weberian, while the latter two belong to the Marxist tradition. The fifth school of thought captures the work of structural functionalist scholars who seem to have sought a simple but popular refuge in arguments to explain problems of capitalist accumulation and the interaction with political development.

Neoclassical

Driven by the belief that, if left alone to natural forces, markets (relative prices) will always clear and that rational economic agents will always optimize (see Lucas, 1978), neoclassical economists argue that efforts must be taken to avoid distortions in the market. Given information imperfections, Hahn (1984) went on to argue that governments should follow market signals to remove rather than introduce distortions to achieve allocative efficiency (Pareto optimality).

This argument has been contested by critics on the grounds that markets on their own will achieve only static efficiency and prevent the appropriation of dynamic gains in efficiency associated with increasing returns, complementarities and structural interdependence (see Kornai, 1962; Kaldor, 1979). Keynes (1936) had argued that economies will achieve equilibrium before full employment can be reached because of market imperfections, which will particularly be severe in developing economies characterized by demand constraints. Markets on their own will also prevent the appropriation of Schumpeterian innovation synergies, as in the absence of rents economic agents would prefer to imitate rather than innovate (see Schumpeter, 1942).

Pointing to the examples of countries faced with import-substitution and corruption (for example, Turkey, India and Pakistan), neoclassical economists responded by claiming that government failures are more severe than market failures and hence that the pendulum had swung permanently toward their side (Krueger, 1983; Sachs and Warner, 1995). Despite the use of interventionist instruments for a long time neoclassical economists had argued that the East Asian economies were more market-than government-driven by simply showing that these economies have been open, export-oriented and characterized by low mean tariffs (see also Belassa, 1982; World Bank, 1993).

Even when the World Bank (1993) conceded on interventionist forays by governments in Northeast Asia, it had argued that Southeast Asian development was driven essentially by market forces. Hill (1996) and Pangestu (1998) on Indonesia and Athukorala and Menon (1999) and Salleh and Sahathevan (1992) on Malaysia argued that liberalization had unleashed a
greater allocative role for markets, with the corollary of efficiency-oriented rapid growth and structural change in these economies. Using cost–benefit analysis, Warr (1987a, 1987b, 1989) concluded that the explicit and implicit subsidies provided to firms located in export processing zones merely distorted prices at the peril of dissipation of scarce resources in Malaysia, the Philippines and Thailand. Neoclassical works on Southeast Asia explain economic development on the basis of the increased role of markets. The methodology used to arrive at such a conclusion again relied on openness, liberal financial systems, high trade–GDP ratios and relatively low mean tariffs. This position is taken despite the fact that government in the most advanced country in the region – i.e. Singapore – has intervened selectively to take advantage as well as direct the composition, direction and pace of market development, including integration in global markets (see Rodan, 1989). Rasiah and Ishak (2001) provided evidence to argue that Malaysia has had a mixed experience, with interventions being responsible for both the successful and the unsuccessful experiences of growth and distribution in Malaysia. Rasiah (1998) went further to argue that Indonesia, Malaysia and Thailand have not intervened effectively to provide the institutional change necessary to engender catch-up in manufacturing in these economies.

**State-Capital**

The state-capital approach tends to examine economic development from the lenses of the role of the state in capital accumulation without addressing class relations. Because interventions successfully transformed Japan, Korea and Taiwan, these countries have been referred to as developmental states (see Johnson, 1982; Amsden, 1989; Wade, 1990; Johnson, Tyson and Zysman 1991; Evans, 1995).

Extending the arguments of Gerschenkron (1962), the state-capital approach examines the nature of interventions by looking at institutional development in the catch-up process. Development planning that takes on the role of governments as the key driver can be traced also to Chakravaty (1969, 1993) and Sen (1999). However, unlike evolutionary economists who do not confine themselves to one single master in driving development (see Nelson and Winter, 1982), state-capital advocates regard the state as the chief architect in the process. Interestingly, Johnson (1982), Fransman (1985), Amsden (1989), Wade (1990) and Amsden and Chu (2003) provide specific examples of state intervention in the processes of learning and innovation in Northeast Asia. Amsden (1989) went as far as to argue that the Korean state ‘got relative prices wrong’ to stimulate and quicken manufacturing firms’ movement toward the technology frontier.
Introduction

Similar approaches attempting to explain why similar industrial success to that of Northeast Asia has eluded Indonesia and Malaysia argue that the lack of support from the state in these countries has been caused by ethnic factors and misguided neo-liberal instruments or both. Hence, Jesudason (1989) argues that the Bumiputera-dominated government has failed to provide similar support to the predominantly Chinese entrepreneurs. Yoshihara (1988) argued that the Chinese have been reluctant to invest in risky and lumpy businesses on a large scale owing to the fear of ethnic tensions that could arise from indigenous-dominated governments. Jomo et al., (1997) go further to explain the contradictions of government policy to distinguish Southeast Asia from Northeast Asia. Rasiah (1998) argued that the very limited use of Northeast Asian-style interventions had largely been the cause of the lack of upgrading achieved in Indonesia, Malaysia and Thailand. Jomo, Rasiah, Alavi and Jaya Gopal (2003) present firm-level experiences to show cases of productive interventions that assisted the growth of some successful Malaysian firms. Also, whereas governments in Northeast Asia actively raised the share of human capital in their populations, the Southeast Asian economies other than Singapore have continued to face low levels of human capital development (see Rasiah, 2009). The successful use of tariffs and other support successfully assisted oil palm firms in Malaysia to reach the technology frontier (see Jaya Gopal, 1999; Rasiah, 2005). Pasuk and Baker (1994) make the case that unproductive rentier activities alongside liberal policies have restricted rapid growth in Thailand.

The main questions in this regard are: (1) Which factors explain that Southeast Asia was unable to emulate the most important parts of the development strategies pursued by the East Asian NICs? (2) Why have industrial firms in Southeast Asia failed to reach the global technology frontier? (3) Why did Southeast Asia not achieve a shift from low-value-added economic activities to high-value-added activities?

One answer stresses the following historical and contemporary factors which proved to be important in the case of East Asia: (1) the international realm, (2) the creation of an institutional framework of market-favourable conditions structured by the state, and (3) politically determined policies and industrial strategies with a simultaneous emphasis on import-substitution and export orientation and monetary nationalism (high savings and low exchange rates) (Schmidt, 1996: 199). Land and urban reforms, high investments in human development, low levels of inequality and poverty, and the politically determined facilitation of trade to the US market all prepared the way for the evolution of the Japanese miracle, the NICs and later on China’s unprecedented high economic growth rates. Furthermore, the first-generation NICs and Japan did not rely on FDI and were able to raise domestic capital accumulation orchestrated by the state.
None of these factors have been visible in Southeast Asian, although Singapore and Malaysia have made attempts to copy the state interventionist parts of the NIC strategy with varying results (Schmidt, 2000).

**Classical Marxist**

Despite the primacy of economic accumulation, classical Marxist analysis takes an interdisciplinary approach. This approach examines social phenomena from the unity of the three circuits of capital – money, productive and commodity (see Marx, 1956; Warren, 1980; Luxemburg, 2003; see also Jenkins, 1984; Rasiah, 1993). Because Marx was convinced that it is in capitalism that the forces of production reach their highest accumulation and efficiency, the emphasis is laid on technological transformation.

Consistent with Marx (1867), Warren (1980) argued that the nature of capitalist expansion – however destructive and painful – had opened the way for underdeveloped economies to create the conditions to govern and experience capitalist accumulation. Indeed, one can argue that Northeast Asia’s successes are examples of governments proactively absorbing technology to reach the catch-up phase. Although labour struggles went undocumented in the work of Johnson (1982), Amsden (1989) and Wade (1990), rapid increases in real wages ensured that standards of living at a larger scale improved.

Robison (1986) and Robison and Hadiz (2004) on Indonesia, Rodan (1989) on Singapore, Hewison (1989) on Thailand, Beresford (1988) on Vietnam, Hutchison and Brown (2001) on the Philippines, and Rasiah (1997) and Rasiah and Ishak (2001) on Malaysia examine the nature of power relations to explain the political economy processes behind accumulation in these economies. Rasiah (1987, 1988, 1996) had argued that global integration, far from causing de-industrialization and de-accumulation, was actually transforming the labour process in the electronics industry in Penang to support upgrading in the 1980s and early 1990s. However, owing to ethnic coloured policies and the lack of proper catch-up interventions the potential synergies had been dissipated by the second half of the 1990s (see Rasiah, 1999). Limqueco and McFarlane (1983) and Limqueco, McFarlane and Odhnoff (1989) discuss the impact of capital-relations on the labour process in Southeast Asia.

**Neo-Marxist**

Lenin’s account of monopoly capital, arising from combining the work of Hilferding (1912) and Bukharin (1929), arguably sowed the seeds for
Baran’s (1973) neo-Marxist account of capital accumulation on a world scale. By focusing on the circuits of money and commodity, neo-Marxists are opposed to capitalist organizations from developed countries operating in developing countries owing to their argument that such operations are directed at surplus appropriation in the latter for accumulation in the former. The world systems perspective used by Wallerstein (1979) and his followers allows accumulation in the periphery but only marginally. Because of its appeal, scholars from the developing world have in many cases tended to integrate neo-Marxist accounts with a nationalist ideological flavour. Hence, political, cultural and social dynamics are considered to be adapted or impacted through the channels of integration by capitalist forces from developed countries. The successful examples of Korea and Taiwan are argued by neo-Marxists as driven by the geo-political considerations of the global metropole (the United States in particular) seeking to thwart support for the communist block despite the miserable failure of the American-aligned Philippines.

Using the most incisive account of history to understand the forces of capitalist integration and exploitation, neo-Marxist analysis provides a detailed account of development in latecomer economies (Caldwell, 1968; Elliott, 1978). Indeed, Jomo (1986) provided arguably the most incisive class and nationalist analysis of Malaysia’s pre-colonial, colonial and post-colonial history. Constantino (1969, 1982) offered a nationalist account of the Philippines. Pramoedya (1980, 1992) through his novels expounded a similar account of Indonesia, criticizing the role of colonialism and divisive post-colonialist policies (Utrecht, 1972).

The articulation of the nature of integration, and the transition faced by the classes, has been a major strength of neo-Marxist works on Southeast Asia. However, the lack of emphasis on Marx’s and Luxemburg’s advocacy – in particular on the productive circuit – on the need to endure the pains of integration but with a focus on creating and driving the productive forces of accumulation reduced the capacity for accumulation-oriented policy formulation. If Northeast Asia achieved rapid growth and structural change on the back of largely local firms it was also driven by global integration – access to foreign sources of knowledge through imitation and licensing as well as domestic absorption and development, and exposure to foreign markets that provided the scale, scope and competition (creative destruction). Policy prescriptions of neo-Marxists tended to discourage integration in global markets. Even the transitional economies of Vietnam, Cambodia and Laos have recognized the problems with this and as a consequence have re-integrated into the capitalist system since 1989.
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Modernization, Nation Building and Populist Approaches

In contrast to dependency and other critical theory formations, modernization and nation-building theories (Pye, 1962; Geertz, 1963; Pye and Verba, 1965; Huntington, 1968) have had a profound impact on the evolution of studies of political economy in the region. In fact, these structural functionalist theories played a key role in the foundation of the study of Southeast Asia from independence and as prime mover during and after the Vietnam War to construct and rearticulate new regional and national identities. The basic ideas were based on the well-known dualities of backward–advanced, traditional–modern, rural–urban and not least authoritarianism versus democracy. And in many cases they served US foreign policy ambitions in the region. Even today the relative success of Southeast Asia in terms of high economic growth has led to a revision of modernization theory and a celebration of its success (Berger, 2003: 447).

In close connection to modernization and nation building, another set of approaches emerged in the 1980s and 1990s. Although some will argue that these approaches should be seen within a strict political science context, they do have important ramifications on the nexus between politics and economics.

They tried to explain the phenomenon of the importance of populism as a term explaining why various regimes in Southeast Asia can be characterized by their appeal to the will of the people or rather ‘against both the established structure of power and the dominant ideas and values of the society. . . . They involve some kind of revolt against the established structure of power in the name of the people’ (Canovan, 1999: 3; Laclau, 1977). Personalized politics through populist leadership and with important references to nationalism has re-emerged again and again in the region and thus is a very important social phenomenon which has been reflected in the literature. Like democracy itself, populism in various forms has ebbed and flowed throughout the twentieth century in the region (Rodan and Hewison, 1996; Rodan and Jayasuriya, 2006) and is important to consider as an explanatory factor which shows how individual politicians, leaders and parties cope with economic stagnation, crisis and the perils of globalization. Thus populism per se is a movement, a moment, and an analytical framework explaining the importance of personalized politics and populist reforms in the region.

Changes in the Political Economy Approaches to Southeast Asian Studies

Drawing from colonial records Marx (1853: 3–4) had argued that social relations in India were reminiscent of European antiquity, and that
colonization was a necessary phase to quicken the transformation to industrial capitalism – the transformation of the slave–master relations to bourgeois–proletariat skipping the feudal lord–servant relationship in the process. There is much debate on the impact of colonialism and capitalist integration on India. Bagchi (1982) and Griffin (1979) refer to the phase as ‘underdevelopment’, and the latter went further to describe it as ‘pillaging’. While acknowledging the destructive consequences initially Luxemburg (2001) and later Desai and Kumar (1982) argue that capitalist integration initiated under colonialism provided the conditions for the modernization of the forces of production under capitalism.

The Marxist notion of economic crisis and its different constructs have also produced divergent explications of development in Southeast Asia. Whereas the neo-Marxists, focusing on the circuits of commodity and money, considered that the mid-1980s crisis in Southeast Asia would undermine industrial accumulation, classical Marxists used the uneven and circular nature of capitalist evolution to dismiss such an assertion. Indeed, Rasiah (1988) had provided empirical evidence in the semiconductor industry – which faced a cyclical downturn in 1984–86 – to show a revival in the industry by pointing to rising investment and capital–labour ratios. Similarly the neo-Marxists and populists focused extensively on proving the deleterious effects of the labour process on workers and working conditions in the capitalist economies of Southeast Asia, while classical Marxists researched whether capitalist relations in these economies showed signs of shifting from the low road to industrialization to the high road to industrialization. Pyke and Sengenberger (1992) referred to rampant casualization of workers facing low wages, poor working conditions, low skills and monotonous, regimented and temporary work as the low road to industrialization. Ofreneo (2007) and Henderson and Phillips (2007) provide empirical evidence to argue over the re-transition to the low road to industrialization in the Philippines and Malaysia respectively.

A number of studies have tried to discuss conceptualizations of Marx on the Asiatic mode of production and Oriental despotism, and Weber’s concepts of patrimonial bureaucracy. It is intriguing to note the merchantism on the basis of commodity exchange that existed in Southeast Asia well before the successful supplanting of feudalism with capitalism in Europe (Reid, 1990a, 1990b). The classical Weberian investigation of whether the cultural elements of the Protestant ethic could be found in Islam, Hinduism and Confucianism has also been a recurrent theme. Attempts to link Confucianism with Protestantism extended beyond explications of
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successful development in Japan, Korea, Taiwan and China, but also the Chinese diaspora in Southeast Asia (see Bolt, 2000). Evaluations of the nature of social relations emerging in East and Southeast Asia often manifested themselves in the investigation of similarities and differences that existed between the West and Asia, and the ways in which each could be conceptually brought into relationship with the other. More specifically, Marx, Weber and their contemporaries tried to explain why industrial capitalism and an industrial bourgeoisie had emerged in Southeast Asia prior to Western intervention (Wertheim, 1995; King, 1996: 171). Why there was a lag to take off by Asia at the time Europe began to take off remains a controversy without closure.

Once some cultural sociologists had linked the so-called Weberian achieve-oriented Protestantism equivalent in Confucianist capitalism following the successful development of Japan, Korea, Taiwan, Hong Kong and Singapore, there began the search to explain Southeast Asia’s paradox. The Chinese have also integrated with Southeast Asia, and only cut out from leadership roles in politics in Brunei, Indonesia and Malaysia. Yoshihara (1988) attempted to explain Chinese participation in less risky and small business ventures rather than in dynamic and lumpy industries’ enterprises by arguing that the ersatz capitalism they helped promote was a direct response to the uncertainties they faced from native leaderships. Jesudason (1989) had argued that ethnic policies restricted the emergence of a vibrant Chinese bourgeoisie in Malaysia. Several scholars had begun working seriously on the merits of Chinese networks and their impact on capitalist accumulation (see Chirot and Reid, 1997). Gomez and Jomo (1997) examined whether indeed Chinese ethnic networking existed in Malaysia, though the conclusions drawn from shareholder structures did not provide the rigour required to draw accurate conclusions.

There have also been attempts to contrast Southeast Asia’s accumulation with that of Japan, Korea and Taiwan and to some extent Singapore (also located in Southeast Asia). Whereas until the financial crisis of 1997–98 the neo-liberal verdict glorified the success of the Southeast Asian economies as being more noteworthy for imitation elsewhere than those of the Northeast Asian economies owing to the apparent role of markets (World Bank, 1993), dirigiste and developmental exponents pointed to the effective use of industrial policy as the reason why the industrial bourgeoisie is deeply rooted in the latter while being shallowly rooted in the former (see Fishlow, Gwin, Haggard, Rodrik and Wade, 1994; Jomo, 1996; Rasiah, 1998). Interestingly, the very neo-liberals who considered Indonesia, Malaysia and Thailand as salutary examples of market-led liberal economies turned against this story to claim that government-led cronyism and corruption accounted for the financial crisis. Although no
country in the world has a totally liberal or closed regime, some neo-
liberals have continued to point to selected examples of interventions
such as quasi-currency pegs as the cause of the Asian financial crisis (see
McLeod and Garnaut, 1998). Yet the fact of the matter is that the orderly
coordination of trade and investment involving currencies of highly open
economies is not viable in the presence of liberal capital markets.3

The discipline of political economy has undergone significant changes
over the years. Whereas the classical political economists such as Smith
(1776), Ricardo (1981), Mill (1844), Marx (1867), List (1885) and Marshall
(1890) examined jointly the principles, American economists had detached
politics from political economy by the early twentieth century. Subsequently
American mainstream scholars, anxious to provide an alternative to the
Marxist theoretical approach, switched emphasis from unearthing the
root causes of unequal development to examining how capitalism should
shape politics, society and culture. Rostow (1960) led among the early
American-driven non-communist initiatives to arrest the then overwhelm-
ing interest in Marxist thought. The global influence of pax Americana has
been felt strongly even in Southeast Asia so that political economy has
become largely an exercise in public policy and the financial and indus-
trial institutions promoting economic growth in capitalist societies. The
basic assumption is that this is a presumptively benign process whereby
the neutral state rationally, following Weber, bestows rewards and inflicts
punishments on private and public capital in the course of making policy.
Thus the logic is that the best person wins, it is only business, nothing
personal, but X gets the capital and Y does not. This type of so-called
objective social science based on neoclassical theory draws on evolution-
ary (Darwin, 1859) as well as liberal (Hayek, 1979) fundamentals of a
particular polity that enables the development of the best elements in the
most optimal way. As mentioned above,4 it provides one of the founda-
tions of societal evolution within modernization theory, and is based on a
static understanding of the socio-economic system that neither recognizes
nor appreciates the complexity, non-linearity and open nature of human
societies as well as the dynamic forces that drive social change (see Marx,
1867; Schumpeter, 1942; Polanyi, 1957; Nelson and Winter, 1982). North
(1994) arguably went far to address how institutions – including political
and social – mediate to influence economic outcomes, but his line of
argument remained stuck to a stylized model of rational outcomes with
markets as the superior institution. Nelson’s (2008) evolutionary concept
of institutions is preferred here, with its dynamic, non-linear and uneven
effects. Markets are seen by Nelson as only one of the many institutions,
and the configuration that determines political economy outcomes in par-
ticular times and physical spaces cannot be generalized.
The joint influence of political economy factors has certainly been part of Southeast Asian studies, but nevertheless, with the notable exception of the debate over moral versus market-based peasant behavior (Scott, 1976, 1985; Turton, 1984, 1989; Gravers, 1989) and the rather substantive work on capital–state relations, research by Southeast Asianists has been relatively weak and largely failed to address theoretical concerns of international political economy (Doner, 1991: 819). Furthermore, scholars focusing on the region have been preoccupied with modernization, structural functionalism and cultural factors in the study of politics; the predictable consequence has been that Southeast Asian studies in general did not contribute satisfactorily to the general field of international relations (Keyes, 1992: 16).

While each theoretical explanation contributed to the understanding of Southeast Asian development and political economy, these studies have focused on distinct and sometimes narrow subjects with only a limited level of explanatory power (Schmidt, 1997). In the late 1980s some observers noted that Southeast Asia had acquired increasing importance in world affairs, yet the degree and quality of much of the research on the region often did not enable one to address the most important aspects of its current and future development (Taylor and Turton, 1988: 1).6 Another scholar noted, ‘In a region like Southeast Asia, where relevant knowledge about local society is still limited, it is understandable that academics as well as bureaucrats feel that the main task of scholarship is to fill in the blanks rather than to test the framework’ (McVey, 1995: 3). As a result, much political economy scholarship on the region has aimed at providing solid workaday examinations without challenging creatively existing theoretical conjectures. For that matter, such questioning may be thought to be not only unnecessary but subversive by those in power (McVey, 1995: 3).7

This changed to a considerable degree with the emergence of the Murdoch school (Rodan, Hewison and Robison, 1997, 2006), which saw a new critical scholarship on a whole variety of issues related to the political economy of Southeast Asia. However, in most cases this valuable scholarship was devoted to single-country studies, but with important exceptions some aspects of a more interdisciplinary and transnational nature have also been touched upon, and recently especially after the 1997 financial crisis hit the region international political economy has been incorporated into various contributions (Jaysuriya, 2008).

This book attempts to fill the gaps identified above by investigating the regional aspects of comparative politics and economics and how they have affected various important aspects of development and social change in Southeast Asia, which is done implicitly through an interdisciplinary
meta-theoretical perspective of comparative political economy of regionalization. The intention is to shift attention away from an artificial division between state and market, and look at internal and external social agencies and institutions as they evolve along transnational lines. There is an attempt to break with the market–government (dichotomy) debate that observes the supremacy of one over the other. In so doing the authors of the individual chapters have been told to introduce whatever novelty of approach is necessary to give a better political economy account of the region but with a focused analytical perspective on the increased scope, diversity, fluidity and non-conformity of regional and transborder aspects of the political economy of Southeast Asia. Hence, the vantage point taken in each of the subsequent chapters is expected to be different so as to provide the bricks and mortar to construct a coherent political economy story of the region by emphasizing transnational aspects of the evolution of the region. The book is an attempt to complement and in some cases contrast with the burgeoning literature already covering the formal and institutional aspects of Southeast Asian security, diplomacy, and trade-related matters (Macintyre, 1994; Acharya, 1997; Bowles, 2002; Alagappa, 2003) and is thus a new approach focusing on uneven social change and the heterogeneity, pluralistic and multi-dimensional processes in the region. The transnationality of the new political economy in Southeast Asia argues that it is important to examine the heterogeneous linkages and interactions among states, markets and civil society (Hettne, Inotai and Sunkel, 1999/2001; Schulz, Söderbaum and Öjendal, 2001: 2).

The comparative political economy of Southeast Asia advanced in this book is twofold: the first examines how states and markets mediate in the creation and governance of institutions and economic development across the region in the face of local, national and global forces. The second examines the interaction of local, national and global transnational actors and institutions in shaping the political and economic history, civil society, environmental state, industrialization, absolute and relative poverty, and the transition of social relations from pre-capitalist to capitalist forms of production.

ANOMALIES AND PROBLEMS

It is worth introducing a few highly contested accounts of development and social change in Southeast Asia here. Whereas there is now consensus over the rapid development and structural change that has occurred in Japan, Korea and Taiwan, there is still debate over the drivers of growth in Southeast Asia.
Jacobs (1971) found in his comparative study that Japan and Thailand not only had escaped colonialism, but also showed a high degree of cultural homogeneity and a strong national identity. Both countries also prevented direct colonization in identical ways: Japan’s system of ministries and agencies came into being well before its political parties, constitution or parliament. Differing from those of the United States, these ministries were not created for civil servants to regulate private agents or to supply jobs for party loyalists, but rather to guide Japan’s forced development targeted at checking incipient colonization by Western imperialists (Jacobs, 1971: 3–4). The administrative and bureaucratic praxis was characterized by a vertical administration (Johnson, Tyson and Zysman, 1989: 187). Interestingly, many observers at that time were sure that Thailand would develop while Japan would not (Jacobs, 1971: 4). One intriguing question is of course why did the opposite happen? Japan developed and became an economic superpower and since the 1980s has become second only to the United States. A related question which applies to the other Southeast Asian states as well is whether it is possible to explain this anomaly by focusing on internal factors such as the role of social and political stability, cohesiveness and the strength of the state apparatus or whether external elements such as the indirect influence of colonial powers, and after the Second World War the role of the US and later of Japan itself, should be given more prominence.

The significance of openness and closeness of particular economies has become even more pressing since the 1980s because of the impressive economic growth rates of East Asia over the past 30 years. It is well known that Japan’s ascendancy has been nothing short of spectacular. The subsequent growth of the high-productivity, high-wage economies of South Korea, Taiwan, Hong Kong and Singapore prompted an intense debate on whether there is indeed an East Asian growth model. The early explanatory model came in the form of Akamatsu’s (1962) flying geese model. Quite apart from its scholastic merits and demerits, this model faded away when Japan experienced an economic slowdown over the period 1989–2002. What is left now is the same old neo-liberal–dirigiste debate, which has continued to attract followers despite their diametrically opposed arguments. The dirigistes have argued that strong governments (the master) have been pivotal to interventions that got relative prices wrong (in relation to factor endowments) in the short run to drive sustained catch-up in Japan, Korea and Taiwan (Johnson, 1982; Fransman, 1985; Deyo, 1987a; Freeman, 1987; Amsden, 1989; Wade, 1990; Chang, 1994; Amsden and Chu, 2003). Market apostles insist that price-distorting interventions are neither possible nor plausible in engendering rapid growth and structural change (Belassa, 1982; World Bank, 1993).
The World Bank (1993) conceded that interventions were indeed rife in the Northeast Asian economies but argued that they will no longer be possible and that the potential for government failure is much more severe than that for market failure so that the so-called market-friendly options assumed by Malaysia, Thailand and Indonesia are better examples to follow. Despite their superior economic endowments at the time policies were implemented to drive economic growth, all three economies have not only recorded far slower growth than the Northeast Asian economies, but also demonstrated little catch-up in manufacturing, which drove Fishlow, Gwin, Haggard, Rodrik and Wade (1994) to state that the World Bank had ‘perfected the art of paradigm maintenance’.

Between 1993 and 1998 neo-liberal arguments condemning state intervention as the cause of the slowdown and subsequent crash in Southeast Asia were rife. Using a totally false proposition (see Nelson, 1994; Romer, 1994; Vaitos, 2003; Rasiah, 2004) – i.e. total factor productivity (TFP) that was estimated originally by Solow (1956) using the growth accounting framework – Young (1994, 1995) had argued that the low TFP growth rates achieved by the East Asian economies (including South Korea, Taiwan and Singapore) simply showed that these economies have grown through factor inputs rather than technical change. Drawing on these findings, Krugman (1994, 1995) had argued that the interventionist policies in the Northeast Asian economies had simply produced Stalinist-type growth through perspiration rather than inspiration – something that cannot be sustained over the long run. The financial crisis of 1997–98 was interpreted by such followers as being the cause of rentier policies that painted governments as corrupt and ill equipped to lead markets. Consistent with Stiglitz’s (2000) position, Krugman (1999) was to dramatically shift his opinion to accept Keynesian arguments on financial liberalization of capital and currency (despite the use of the currency peg among Southeast Asian economies) markets as being the cause of the financial crisis that gripped the East Asian economies in 1997–98 (see also Keynes, 1936). UNCTAD (1996) had already warned over the bubble that had grown from rising deficits in trade and debt accounts, which was exposing Korea, Thailand, Indonesia and the Philippines to financial collapse from the late 1980s. Indeed, the Asian financial crisis merely exposed the weaknesses of neo-liberal views as growth rates in the real sectors of Malaysia, Thailand and Indonesia slowed down significantly from the mid-1990s owing to fundamental problems with technological change – though Indonesian growth rates collapsed also because of a political fallout.

Whether through the use of local capital or foreign direct investment, rapid growth in East Asia relied on integration in global markets and value chains driven by transnational corporations. Global markets have
The new political economy of Southeast Asia

also been critical in technology imports – embodied in machinery and equipment, and the tacitness acquired through employment abroad, licences and imitation – to Southeast Asian economies. FDI infl ow has traditionally been high in Singapore as well as in Malaysia and has become important in Cambodia, Laos, Vietnam, Indonesia, Thailand and the Philippines since the 1990s. Whereas access to technology enjoyed by local firms via licensing, duplicative imitation and later creative imitation from transnational corporations dominated learning and innovation in Japan, Korea and Taiwan (see Fukasaku, 1992; Kim, 1997), transnational affiliates continue to provide the main external market links to drive manufactured exports in the Southeast Asian economies. As argued earlier, simple market–government dichotomies cannot explain adequately these trends, and hence the book seeks to explain how the different modes of governance – especially government and markets – have mediated effectively and ineffectively to produce the existing political economy outcomes. If pre-capitalist social bonds that evolved under the guilds system have remained important in Europe, old socio-cultural elements as well as new ones (including political) have emerged to co-exist in some cases but integrate in other cases to colour capitalist transformation in Southeast Asia. Pro-Bumiputera policies and Chinese business networks have been significant in Malaysia and Indonesia.

TOWARDS AN INTERDISCIPLINARY APPROACH

There is a long and well-established field of research explaining the political economic determinants behind an understanding of the role of the state and patterns of economic policy making in Japan and the newly industrialized countries, and the interplay of internal and external factors to engender economic growth and welfare. However, this is not the case in the Southeast Asian context, where, in contrast, most scholars have laid emphasis on the role of the markets and explanations of economic growth have been based on narrow political and culturalist conceptualizations drawn from a nation-building perspective.

While interdisciplinary approaches have continued to grow, much of these developments have been limited to specific cases so that the spheres of social upheavals, investment and currency flows and the environment in Southeast Asia have been dominated by narrow disciplinary lenses of analysis. Even if sociology is broadened to include anthropology, political science, economics and history, a recent survey concluded that, in comparison with studies of other regions of the world, the sociological literature on Southeast Asia is not particularly extensive or distinguished, the
Introduction

sociological materials are still patchy and we have not seen the emergence of many strong and distinctive schools of study or important internationally recognized academic programmes in particular universities or institutions (King, 1996: 148). Neither do prospects give cause for optimism. As McVey (1995: 7–8) puts it,

We can expect that Southeast Asian studies of the future will devote more attention to the urban sector, to labor as well as industry, and also to the media and modern culture. All this implies a larger place for sociology. Until recently, the most promising response has been the rise of political economy as a way of explaining Southeast Asian arrangements not least a variety of approaches based on country studies which have attempted to explain the rise of the middle class as a potent force and also a whole range of issues dealing with industrial strategy, accumulation of capital, and class interests and power.

Interdisciplinary political economy is critical to the questions of how and why development strategies and economic policies in particular localities, nations, regions and countries change. This study complements existing cross-national studies of development strategy and choices from other regions, such as Northeast Asia, Africa and Latin America, by looking at the evolution of strategy over time in the late-industrializing Southeast Asian context. The findings suggest that different mechanisms in the international system have delayed capital accumulation in certain countries in Southeast Asia. Although these economies range across least developed (Cambodia, Laos, Myanmar and East Timor), lower-middle-income countries (Indonesia, the Philippines and Vietnam), upper-middle-income economies (Malaysia and Thailand) and high-income economies (Brunei and Singapore), they expose at the same time a number of important problems and contradictions which cannot be resolved without careful and collective scrutiny. Some of these economies rely almost exclusively on resources (for example, Brunei and East Timor). Myanmar has faced trade sanctions from the United States since 2001. Malaysia is by far the most industrialized if the share of GDP is the measure used, while Singapore enjoyed the highest-value-added manufacturing operations in 2005.

Since the middle of the 1980s most Southeast Asian countries have had a distinctive break with more traditional development strategies towards what is referred to in the literature as liberalism aimed at rationalizing the allocation of resources and reliance on an open export-oriented industrialization (EOI) strategy accompanied by deregulation and privatization of the construction, utilities, service and financial sectors. The mid-1980s was characterized by a global economic crisis – fuelled by third world debt – which affected all the export-oriented economies of Southeast Asia with varying consequences. Both manufacturing (especially electronics)
and commodity (including rubber, tin, oil palm and petroleum) prices fell sharply (see Jomo, 1990). Governments in Malaysia, Indonesia, the Philippines and Thailand liberalized their financial markets, devalued their currencies and took on a more aggressive strategy to attract foreign direct investment (FDI) (see Rasiah, 1998). Some of these developments had become unavoidable, as the rising unemployment and a severe balance-of-payments crisis culminated in the International Monetary Fund (IMF) dishing out its usual ‘one size fits all’ structural adjustment package in the mid-1980s to the Philippines, and in addition to Indonesia, Thailand and Korea following the financial crisis in 1997–98. In some countries, such as Malaysia and Thailand, efficiency arguments were advanced to mask privatization initiatives. Indeed, privatization had become a haven for rent seeking among political elites (see Pasuk and Sungsidh, 1996; Gomez and Jomo, 1997). The comparative political economy framework used in the book is expected to unravel a number of significant aspects of the interlinkage between the world economy, the state and various opposing actors in the domestic context which have hitherto been overlooked.

While being hard-pressed into quick-fix solutions during moments of crisis, states also have a long-term obligation to deliver a range of services to their people. Hence, the state as one of the main objects of research is a key analytical political economy instrument used in this book (Skocpol, 1985; Jessop, 1990). Whatever the form of the state in Southeast Asia, politics plays a determining role in economic development in creating the conditions for industrialization and setting up external trading and outward investment links. The level and nature of political development also provide the space within which civil societies operate to influence government policy on press freedom, distribution and the environment. The mediation and translation of politics, culture and other societal instruments through institutions and institutional change into economic development were articulated by North (1994) and Nelson and Winter (1982).

The interventionist state was at the heart of successful industrialization in the developed economies of the United Kingdom, the United States, Germany, Australia, Japan, Korea and Taiwan (see Hamilton, 1791; List, 1885; Gerschenkron, 1962; McFarlane, 1981, 1984, 1996; Johnson, 1982; Deyo, 1987a, 1987b; Amsden, 1989; Wade, 1990; Reinert, 1994; Chang, 1994, 2003; Amsden and Chu, 2003). The state in Korea and Taiwan has been characterized by the implementation of a deliberate and coherent industrialization strategy, which required governing the market (Amsden, 1989; Johnson, Tyson and Zysman 1989; Wade 1990). The Japanese prototype of a capitalist developmental state (CDS) as the prime mover of development had its theoretical origins in the German historical school of thought and the practice of latecomers such as the United States and
Germany. This strategy is sometimes referred to as economic nationalism, handelspolitik or neo-mercantilism (List, 1885; Johnson, 1982; Foster Carter, 1985; Senghass, 1985). The central pillar in this theory and praxis is not that states intervene in the economy. All states do. Therefore, the interesting research agenda is on how they intervene, and the nature of the politics behind the intervention. Consistent with Gerschenkron (1962), Johnson’s (1986, 1987, 1989) analysis of Japan, South Korea and Taiwan constitutes a fruitful contribution to the explanation of the hyper-growth economies, and could prove to be a useful instrument to observe how latecomer economies catch the wave of capitalism to develop against the underdevelopment dictum associated with dependentistas and world system theories. Despite the devastating critique of Palma (1978, 1981), who reduced the dependency approach as one bereft of epistemology, this school has continued to drive populist work. However, this book seeks to examine development and social change from a more holistic perspective to appropriate the synergies political economy as an interdisciplinary field can offer and hence broaches a wider range of topics that include poverty, distribution, the environment and civil society.

The need for other theories to complement the institutionalist approach is clearly demonstrated in the case of Thailand, as for example the international dimension is absent in the narrowly defined concept of the CDS. The explanation of soft authoritarianism and capitalism combined with a developmental elite reigning and creating political stability as well as governing the market through an inherent technocratic and bureaucratic meritocracy has to be, because of its descriptive specification of institutional arrangements, combined with a comparative analytical perspective (Wade, 1990: 26; White, 1988).

Southeast Asian countries are extremely diverse and heterogeneous in culture, religion, language, history and geography, but what they share in common is capitalist market economies and post-colonial nation-building projects. They are also faced with the same tasks of dealing with political succession and economic growth, with the state as the primary actor in international and domestic affairs. However, the important question of capacity versus autonomy of the state has to be left open for further research and empirical falsification (Crone, 1988; Wurfel and Burton, 1990).9

Also, social political struggles in Southeast Asia cannot simply be presented as a dichotomy of class struggle using orthodox Marxian lenses, as the distinction between classes, the owners and the workers has transformed to many different forms. Marxist analysts have absorbed these changes and hence offer a wide array of options for examining development and social change. Part of these developments took place even as
Lenin (1948) advanced the role of the vanguard in leading the cause of the proletariats – which also became the basis of the Bolshevik revolution in Russia, which eventually gave birth to the concept of the middle class in Marxist analysis. For a long time Marxist scholars driven by praxis believed in the middle class to bring social change in capitalist economies. It is the failure of the middle class to effect developmental social change that led many neo-Marxist scholars away to join the post-modernist school. Indeed, the problems of defining the middle class – especially the boundaries separating it from the bourgeoisie and the labouring class – have undermined rather than improved Marxist efforts to seek an effective agent of social change.

Another interesting element worthy of mention here that has a relationship with contemporary development theory is the Poulantzas–Miliband debate. Whereas Poulantzas (1973, 1974, 1978) analysed social reproduction using an interdisciplinary framework by examining the economic, social, political and ideological conditions of accumulation and examining the role played by capitalist state institutions on class relations, Miliband (1979) argued that the state is an instrumentalist invention of the capitalist class and political elites to serve their interests. Elements of state autonomy can arise in Poulantzas arguments on the state going a step further than the state-capital developmentalist school to include class relations. Such a postulation also lends weight to Evan’s (1995) arguments on captured and autonomous states. However, the overriding effect of class- elitist-led political leaderships on development in Southeast Asia also reveals the impact of dominant interest groups, which is also consistent with Polanyi’s (1957) arguments. Far from taking any one as *sine qua non*, these approaches are used to generate as much as possible a more informed framework for examining Southeast Asian political economy in this book.\(^\text{10}\)

The institutional framework of governance in Thailand, Malaysia, Indonesia and the Philippines is heavily influenced by their colonial past (Huynh Cao Tri *et al.*, 1988). Despite the absence of Western colonialism, capitalist integration led to the formation of a colonial-style, centralized, functionally differentiated bureaucracy. The kingdom of Siam adopted certain practices of internal colonialism in order to escape external colonialism (Girling, 1981). This observation can be generalized to some extent, as the Southeast Asian political structures are partly historical and colonial products but also heavily moulded by state elites (Crone, 1988). This cleavage between historically determined modern (state elites) and traditional (colonial) factors in the institutional framework explains, partly, the weak state capacities achieved in these countries (Huynh Cao Tri *et al.*, 1988).
Globalization and the new information technologies are eroding long-standing socio-economic, cultural and political boundaries in East and Southeast Asia. Programmes of economic liberalization and transitions to democracies are transforming the parameters of public policy; and there are significant differences between strata, classes, generations, time and spatial perspectives across the region on the outcome of these basic transformations. These tendencies also open up new avenues for growth and enhanced individual wealth capacities, but also create new forms of unevenness and exclusion.

Democratization and decentralization might lead to greater demands for public welfare provisions and renewed challenges to the nation state to meet these demands.

What is clear is that Southeast Asia can best be understood as a historical product both of long-standing regional dynamics and of the specificities of the distinctive political economies that constitute it. Obviously, some of these processes of change have been subjected to considerable scholarly scrutiny. But these developments have so far been examined in a fairly circumscribed manner: the rich historical studies of the region offer either accounts of a particular period or synoptic surveys (Hall, 1981; Reid, 1990a, 1990b, 2000; SarDesai, 1997); international relations scholarship has largely been concerned with security issues and the character of formal regional institutions (Acharya, 2000; Beeson, 2002); and, political science and political economy texts have mainly focused on domestic-level studies of the contemporary dynamics of change (Rodan, Hewison and Robison, 2001; Funston, 2002; MacIntyre, 2002). At present, there exists no work that brings together in a single textbook the different dimensions that explain the political economy of Southeast Asia using interdisciplinary lenses. This book seeks to fill this void with contributions from experts who have a research and publication record consistent with interdisciplinary approaches. All chapters seek to cover the region as a whole, with a historical backdrop to locate the analysis.

The main aim of the regimes in the region has historically been to strengthen or retain political and social stability to sustain improvements in the standards of living of the people. However, efforts to expand elitist accumulation, illegal migration and logging, human and drug trafficking, and even piracy involve vested interests, including the military and economic activities that lead to environmental damage, and are some of the immediate security problems the region has been encountering.

Far from introducing a multiplicity of disciplines loosely without any cohesion in a shell, this book seeks to use the lenses available from them to examine development and social change in Southeast Asia. Trying to understand political economy in an interdisciplinary perspective rather
than confining analysis to particular disciplines is in itself a satisfactory theoretical edifice. Interdisciplinarity is readily identified by the conjoining of the names of more than one discipline, such as anthropology, sociology, politics and economics. It is the failure of single disciplines to explain social phenomena effectively that has driven scholars of common disciplines to more holistic and cross-fertilizing interdisciplinary approaches. Nevertheless, interdisciplinary approaches have been unavoidably constrained by the core disciplines individual analysts have been exposed to.

Methodologically, comparative political economy analysis is often employed with selected slices of the national contingent historical paths as units of comparison. What is new and what is provoking is the argument that the dichotomy in development theory between the modernization and dependency or inter-dependency traditions is claimed to build on an artificial confrontation between the Weberian and Marxist approaches to political economy, which in fact might complement rather than conflict with each other. As we have argued earlier, wide divisions exist even within Marxist approaches (see Jenkins, 1986; Rasiah, 1988, 1995).

In reality what is happening is far more complex. A body of studies has grown combining comparative historical method with insights of radical political economy, which has provided a cogent attack on a variety of substantive issues. These interdisciplinary approaches are eclectic in their methodology, but share a number of characteristics that have distinguished them from earlier works: (1) the realization that political and economic development cannot be fruitfully examined in isolation from each other; (2) showing sensitivity to international factors (without determination); (3) consideration for historical and national contingency; and (4) application of a comparative framework (Evans and Stephens, 1988/89: 713–14). These studies neither offer a theoretical paradigm in the strict sense of a set of axiomatic relationships that constitute a sequence of testable propositions nor can be used to generate universal predictions of developmental outcomes. This new eclectic political economy shares some working hypotheses about the likely political and economic consequences of different patterns of interaction between states and classes. It also shares common assumptions about what problems are most central to the study of development and social change, and what factors should be taken into account in order to understand social outcomes (Evans and Stephens, 1988: 740).

Besides the inspiration from both Karl Marx and Max Weber, the ontology of this approach builds to a large degree on such scholars as Gerschenkron (1962), Polanyi (1957) and Moore ([1967] 1981), and shares the assumptions linking economic models and political forms, classes of varying strengths coming together in coalitions, compromises and
conflicts. This approach suggests analysing the historical specificity of economic development models in accordance with the evolution of the world system, state strength as a variable, and the state as a historical actor but embedded in the domestic context and to varying degrees dependent on external factors beyond the jurisdiction of classes and state managers. All these suppositions are important themes to varying degrees in these authors’ contributions. 

Dependency and world system theories also influenced the new comparative political economy framework, especially at the methodological and conceptual levels suggested by Frank (1967), Baran (1973), Wallerstein (1974, 1979) and Amin (2004). These theories built their argumentation around historical case studies that included an integrated examination of local and international actors. At both local and international levels, they emphasized interests rather than norms and values, economic and political structures rather than cultural patterns. Taking into consideration the historical structural approach and associated dependency of Cardoso and Faletto (1979), the importance of class alliances and conflicts that cross national boundaries is clear. The new element, however, is the non-deterministic influence of the international context in shaping these alliances and conflicts within national boundaries (Evans and Stephens, 1988/89: 719). Although a non-reductionist perspective is a necessary point of departure, regulating relations with the external world has been a persistent theme of any late-industrializing state. The state as the gatekeeper between intrasocietal and extrasocietal flows of activity is a most important criterion in any assessment of its strength. The state is strong to the degree that it is capable of acting autonomously and enjoys the capability to check clientelist and foreign pressures.

ARGUMENTS OF THE BOOK

Proceeding to the next step in analysing the correlates of development and social change in Southeast Asia, the interdisciplinary political economy framework adopted in this book considers the socio-economic character of government elites, and their relations with the capitalist class, foreign capital and the other classes. Previous writings on political development in Southeast Asia only partially explained this problematic (Anderson, 1972 on Indonesia; Wilson, 1962; Riggs, 1966; and Siffin, 1966 on Thailand; Lande, 1965; and Wurfel, 1959 on the Philippines; and Milne, 1978 on Malaysia). Jomo (1986) offered arguably the most impressive class account available on Malaysian development, but the central arguments have tended to understate the significance of capitalist transformation.
Jesudason (1989) and Yoshihara (1989) provided an excellent explanation of why the entrepreneurial Chinese failed to make the transition to the technology frontier in Malaysia and Southeast Asia respectively, but their instruments have been overly confined to ethnic lenses. Gomez (2002) attempted an antithesis to their arguments by claiming that Chinese business networks have not been a dominant feature of capitalist accumulation in Malaysia, but his methodology of examining shareholder structure failed to provide the rigour required to dismiss the presence of ethnic networking.

By far the most convincing account of the political economy of Southeast Asia appears in Rodan, Hewison and Robison (1997), though it originally underestimated the external environment for domestic accumulation, did not examine social change at a cross-regional level and also did not specifically take into account the inner contradictions within labour and other categories situated in the rural and urban sectors. However, recent work, especially after the financial crisis, has made important contributions covering these issues thoroughly (Robison, 2006; Hewison and Robison, 2006; Rodan, Hewison and Robison, 2006). Limqueco, McFarlane and Odhnoff (1989) fill this gap, though their coverage is spatially limited owing to the obvious paucity of data. Nevertheless, to a large extent Limqueco, McFarlane and Odhnoff (1989) and Rodan, Hewison and Robison (1997) approach the problem using some of the best instruments of political economy, but examine six countries individually and regional relations in three other chapters. Limqueco, McFarlane and Odhnoff (1989) complement this with a rich account of the labour process in Southeast Asia. This book does not seek to supplant their very rich work. Instead it aims to provide an alternative but complementary way of examining the topics. This book approaches the problem by taking Southeast Asia as a whole as the unit of analysis and attempts to examine each political economy question by examining the nature of interface, integration and interrelations it has had within and with the rest of the global capitalist economy. By doing so, this volume seeks to capture the impact of global political economy forces on the political economy of the Southeast Asian economies.

Although each individual country in the region has a specifically defined government and has in place electoral processes or other machinery that keeps or appoints governments, and hence it enjoys the autonomy to absorb or counter global forces, the nature of investment, trade and currency flows on the one hand, and regional alliances, social and cultural intercourse, and movement of labour and people show that the region is very much integrated, suggesting that the causes and consequences of a number of economic, social and political upheavals are broader in nature. Hence, an attempt to examine these issues through the lenses of
Southeast Asia rather than its component countries is expected to offer a complementary picture to what already exists on Southeast Asia’s political economy.

As a number of scholars have also shown, using a radical political economy perspective helps the understanding of some key dimensions of economic development in Southeast Asia. On the one hand, favourable coalitions supporting export-oriented industrial development policies were able to contain, suppress or outmanoeuvre other groups opposed to such policies and have been used to explain the success of the newly industrializing economies, including Singapore (Deyo, 1987a, 1987b, 1989; Haggard and Chen, 1987). Something similar happened in Southeast Asia since the 1960s, where peasant organizations, the working classes and trade unions have been excluded from effective political action, but that was not the case for the business sector, at least in the Thai context (Schmidt, 1997). Empirical information from workers (Limqueco, McFarlane and Odhnoff, 1989; Hadiz, 1997; Hutchison and Brown, 2001) provided an impressive account of the impact of capitalist integration on the labour process in Southeast Asia.

Instead of exploring the similarities and differences between Southeast Asia and Northeast Asia, this volume seeks to build a political economy of the former purely from the vantage point of its evolution. Economic nationalism, and its ideological legacies, has constituted a far more significant political constraint upon governments in Southeast Asia than in the Northeast Asian economies, regarding both the importance of foreign capital and most strikingly the economic role of the Southeast Asian Chinese minorities (Mackie, 1988). In short, the role of the state in Southeast Asia has included both an accumulation function and a legitimation function (Linqueco, McFarlane and Odhnoff, 1989), but whether this is sustainable or not is a matter of investigation, and especially in terms of autonomy, capacity and welfare; in other words, it is an empirical question.

This book builds upon the contribution and tradition of this comparative political economy approach and in particular on the analysis of the politics of alliance, which form the basis of policy making in developing countries. However, the concept of associated dependent development has to be combined with explanations of how the international political economy interacts with and influences economic policy formulation and policy making in latecomer economies. On the other hand, two more concepts (descriptive and Weberian) have to be elaborated. One is related to the institutional perspective, and the other to the question of capacity versus autonomy of the developmental state.13

Therefore, the outcomes of economic policy making in Southeast Asia...
are to a certain degree a function both of internal class constellations and of the workings of foreign capital, technology and markets. Trade alone does not show sufficiently the differences between Southeast Asia and Northeast Asia, as most of the countries are heavily immersed in export-oriented manufacturing. Unlike Japan, Korea and Taiwan where the prime source of foreign technology came in the form of imports, licensing and imitation from multinational corporations, the Southeast Asian economies have relied much more on the direct operations of multinational corporations (or FDI). Hence, the Southeast Asian economies have been dependent on FDI, while the Northeast Asian economies of Japan, Korea and Taiwan have not.

The volume addresses the typical focus on the transformation of Southeast Asian economies from reliance on the primary sectors of agriculture and mining to industry, as well as the effects of development policy on poverty and inequality, industrial relations practices, economic and political crises, the environment, civil society space and regional trade alliances. The volume examines the emergence of new social and political pressures from industrialization without much technological progress, more complex crises, the use of sophisticated instruments in the labour process and increased awareness of the environment.

These considerations must be complemented with a regional and trans-border focus on transnational actors and institutions and policy issues and problems which have a wider impact on spatial configurations.

STRUCTURE OF THE BOOK

Following this introductory chapter, the subsequent chapters examine the different dimensions of development and social change using an integrated political economy approach. Like all fields in the social sciences where subjective elements prevent the adoption of a common-path-dependent approach, each chapter is presented using what the authors deem as the right framework for capturing development and social change in the most effective way.

Rajah Rasiah examines in Chapter 2 industrial promotion initiatives and industrialization. Focusing on the countries of Indonesia, Malaysia, Philippines and Thailand, the chapter argues that eclectic industrial policies targeted at promoting industrialization and attracting transnational corporations helped the countries generate industrial investment and employment, but the lack of focus on technological upgrading has left the countries entrenched in low-end, low-value-added activities.

In Chapter 3 Chris Dixon reviews the extent of the recovery from the
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1997 financial crisis. It is stressed that the Bretton Woods institutions saw the crisis as internal in origin rather than rooted in the operation of capital at the global scale. Policy prescriptions stressed liberalization, particularly of foreign ownership regulation, and reform of corporate governance. The overall aim was the ‘Westernization’ of Southeast Asian business and regulatory systems. It is argued that, while there has been some significant liberalization of foreign ownership and a degree of corporate reform, the distinctive Southeast Asian business systems remain largely intact. The question is whether unreformed and still heavily protected Southeast Asian business can in the long run retain its dynamism. China has become an increasingly important driver of regional growth and integration, a situation many of the Southeast Asian countries are far from comfortable with.

Anis Chowdhury and Iyanatul Islam examine in Chapter 4 the inequality experiences of a group of Southeast Asian economies with the question of whether they were really worthy exemplars of ‘shared growth’. Focusing on Indonesia, Malaysia, the Philippines and Thailand, which are diverse both regionally and ethnically, the chapter provides a historical account of inequality trends in these countries and concludes with an assessment of horizontal inequality as well as its political and social ramifications.

In Chapter 5 Rene Ofreneo and Peter Wad show how the uneven and relatively weak industrial relations (IR) and labour market institutions and conditions have shaped the accumulation process in the region, especially in economies depending on transnational corporations (TNCs). Ofreneo and Wad explore the relationship between TNCs and labour unions, with a specific focus on export economic zones (EEZs). They show that there are areas where the unions have managed to survive and remain viable despite the anti-union environment in the region, and they propose a wider collaboration between labour and civil society in order to strengthen bargaining and a popular base of the labour movement.

David A. Sonnenfeld and Arthur P.J. Mol investigate in Chapter 6 the environmental impacts of recent urban and industrial development in five Southeast Asian countries, and compare successes and failures of environmental policy making and reform in those countries. The chapter investigates the extent to which recent economic development in these countries has been accompanied by environmental improvements and/or deteriorations, and identifies sites of improved environmental performance. Using available and newly gathered data, the chapter draws substantive and methodological conclusions on the political economy of urban and industrial environmental reform in Southeast Asia, and sets out an agenda for future studies in the region and more generally.

In Chapter 7 Johannes Dragsbaek Schmidt focuses on the competing
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Theoretical definitions and assumptions about civil society, democratization and social change. The chapter then explores the attempts by civil society actors to affect conflicts over resources and distribution of welfare in Southeast Asia; the third section focuses on the conflictual relationship between civil society organizations (CSOs) and the state and various types of regulations, laws and contractual relationships, and finally the need for social reform is emphasized as one important type of social resistance against the downsizing of the social and public sector’s provision of collective goods.

Sanchita Basu Das and Aekapol Chongvilaivan in Chapter 8 examine the political economy rationale behind the proliferation of free trade agreements (FTAs) in six Southeast Asian countries, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The authors recognize the potential benefits that can emerge from the elimination of tariff and non-tariff barriers and its positive impact on intra-regional trade and foreign direct investment (FDI), but also argue that burgeoning FTAs remain rather patchy and may ultimately become a stumbling block to deeper and wider economic integration, particularly the ASEAN Economic Community (AEC) and East Asia Integration (ASEAN plus China, Japan and Korea).

NOTES

1. See the discussion of the relationship between these perspectives in the introduction of Henderson and Appelbaum (1992).
2. However, interventions in automotives and steel have not been directed at creative globally competitive firms and hence the unproductive rents involved have dissipated economic efficiency in Indonesia and Malaysia. Liberal policies have attracted large-scale electronics assembly to Malaysia, the Philippines, Thailand, Indonesia and Vietnam, but the lack of productive interventions has restricted upgrading in these countries.
3. Keynes (1936) had argued that liberal capital and currency markets would be disastrous to economies.
4. Hayek’s (1979) emphasis on democracy must, however, be recognized as important.
5. This approach is what we have chosen to dub the ‘Murdock school’, which bases its theoretical and empirical analysis on Ralph Miliband’s conceptualization of state-capital relations.
6. One simple explanation refers to the institutional and political constraints and historical circumstances of sociological inquiry in the region (King, 1996).
7. However, since the student uprising in 1973 Thailand has been the exception that confirms the rule. It remains intellectually the most stimulating case in the region, and Thai critical discourse has to a considerable degree been shaped by indigenous and not foreign analysis (McVey, 1995: 4).
8. Using the flying geese model, Kojima (1975) had argued that Japan’s foreign direct investment was trade creating while that of the United States was trade diverting. Ozawa (1995) also used this framework to examine Japan’s trade and investment synergies in East Asia. While acknowledging the powerful investment and trade flows that...
have absorbed and driven growth rates among the lower-order wedges in the flight of geese, Gore (1996), Rowthorn (1996) and Rasiah (1998) argued otherwise, making the point that technological discontinuities and crisis have allowed particular sectors in the lower-order countries to skip certain phases or leapfrog over higher-order wedges of geese (countries).

9. Thus to be precise we do not intend to pursue the concept of the autonomous state (*beamtenstaat*), but to explore the nature of the state and its relationship with social groups, forces, actors and institutions at the domestic as well as the international level.

10. Conner’s (1973) account to differentiate capitalist ownership in corporations to distinguish the directors who effectively control the means of production from the shareholders who own them is an illuminating example in understanding capitalist accumulation in industrial capitalism.

11. This proposition indicates that this book is an attempt to complement the view of the state-capital approach of the Murdoch school which sees capitalist power stemming from the very indispensability of the capitalist class as the machine that drives the economy. In this sense the capitalists exert a veto power over the state, whose leaders, although exercising a degree of autonomy, must always consider the consequences of policies which threaten the flow of investment (Hewison, 1989: Ch. 1 and 212–13; Robison, 1992: 87).

12. It was these works which established the basic parameters within which most subsequent political analysis has been conducted, although in some cases those studies have been modified by important later works, such as Crouch (1978, 1984) and Girling (1981).

13. Capacity and autonomy indicate that the state formulates and pursues its own goals. However, these concepts require a specific kind of sensitivity, because the state’s autonomy from society is not a fixed structural feature. Rather it changes according to situational variations. Therefore, state autonomy, along with the actions and decisions by political elites and policy makers, should be probed historically and case by case. Likewise the capacity of the state means the ability to formulate and implement policy along predictable lines (Skocpol, 1985: 9). Thus analysing the state in relation to socio-economic contexts is also testing state capacity. The capacity of the state includes various aspects, and will be conceptualized in Chapters 2 and 3. Here it is enough to mention that, in a Weberian framework, it would include everything from military and financial (i.e. fiscal) resources to a skilled and highly motivated bureaucracy, the strength of legitimacy and authority of political leadership, and historical and geopolitical location in the world context. The capacities of the state mean the ability of the state to implement goals, especially over the actual or potential opposition of powerful social groups or in the face of recalcitrant socio-economic circumstances (Skocpol, 1985: 9).

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