Edited by
Kristina N. Gaerlan

TRANSITIONS TO DEMOCRACY

in East and Southeast Asia

G. Luis Igaya
Dorothy Guerrero
Carmel Abao
Charles Santiago
M. Nadarajah
Regina Abesamis
Mastinah Saleh
Joel Rocamora

ISBN-971-8841-05-9

National Book Store
TRANSITIONS TO D 17703
971-884-105-
00
WORLD AFFA
PHILIPPINE

Transitions to Democracy

In East and Southeast Asia

The essays in this volume are efforts to understand the processes of transition to democracy in five countries — Indonesia, Malaysia, Philippines, Thailand and South Korea. The common concerns running through the essays include the Asian financial crisis, the institutionalization of formal democratic processes such as a competitive party system, the struggle among political, economic and bureaucratic elites, the intervention or non-intervention of the middle class and popular classes in the political process, and the role of civil society actors.

Written from a southern and progressive activist perspective, these essays are important contributions to the "political science" of democratic transitions. The book tackles many contested terms associated with democratization as well as the role of the state and the market in these challenging times. While analyzing what has been achieved by the five countries in their processes of democratization, the writers also explain why so much remains to be done in terms of deepening democracy.

PERPU

INSTITUTE FOR POPULAR DEMOCRACY
FOCUS on the Global South
ARENA

Editor
Kristina N. Gaerlan

Foreword
Walden Bello

Contributors

G. Luis Igaya

Dorothy M. Guerrero

Carmel V. Abao

Charles Santiago

M. Nadarajah

Regina S. Abesamis

Mastinah Saleh

Joel Rocamora

Book Designer
Larry F. Lopez

N. 156
PERPUSTAKAAN
KONSORSIUM PEMBARUAN AGRARIA

TRANSITIONS TO DEMOCRACY

in East and Southeast Asia

KPA

Transitions to Democracy
in East and Southeast Asia

Copyright © 1999
Institute for Popular Democracy (IPD),
Transnational Institute (TNI),
Focus for the Global South (FOCUS), and
Asian Regional Exchange for New Alternatives (ARENA)
All rights reserved.

Published by the Institute for Popular Democracy
Quezon City, Philippines

No part of this book maybe reproduced
in any form or by any means
without permission from the publisher.

Inquiries should be addressed to
the Institute for Popular Democracy,
#45 Matimtiman Street, Teachers' Village,
Quezon City, Philippines
Tel.: (632) 921-8049/(632) 434-8859
E-mail: outreach@mozcom.com

Edited by *Kristina N. Gaerlan*

Book and Cover Design by *Larry F. Lopez*

ISBN-971-8841-05-9

CONTENTS

Acknowledgements vii

Asia Democratization Consortium Members ix

Foreword: x
Asia's Diverse Democratic Transitions
by Walden Bello

Chapter 1 - Philippines 1
The Political Economy of the Philippine DemocraticTransition
by G. Luis Igaya

Chapter 2 - South Korea - 1 59
A Tiger Changing Stripes: Post Development,
Transitions and Democracy in South Korea
by Dorothy M. Guerrero

Chapter 3 - South Korea - 2 105
Beyond Bread and Butter: The Demand
for Democracy in South Korea
by Carmel V. Abao

Chapter 4 - Malaysia 149
The Anwar Debacle and the Potential
for Democratic Reforms in Malaysia
by Charles Santiago and M. Nadarajah

Chapter 5 - Thailand 183
A Break in the Cycle: Democratization in Thailand
by Regina S. Abesamis

Chapter 6 - Indonesia 209
An Incomplete and Uncertain Transition:
Indonesia After Suharto
by Mastinah Saleh and Joel Rocamora
with An Open Letter to Young Friends in 249
Indonesia (*an epilogue)* *by Joel Rocamora*

About the Authors 259

Acknowledgements

Long and fruitful years of partnership led to the making of this book. Since 1995, the Institute for Popular Democracy (IPD), FOCUS for the Global South (FOCUS), Asian Regional Exchange for New Alternatives (ARENA) and the Transnational Institute (TNI) have worked as a Consortium to jointly undertake a Democratization Project – the View from Below, involving research, analysis, publications and conferences. This book *Transition to Democracy in East and Southeast Asia* forms the final part of Phase I of the consortium. The consortium is planning more activities and publications in the very near future.

The content of this book was initially presented in the conference "Democratic Transition in East and Southeast Asia in an Era of Regionalisms and Globalization" held in Manila on December 1-3, 1998. The chapters benefited tremendously from the discussants of each country case study during the conference and those who gave comments to the respective authors: Benny Subianto (Indonesia), Subramaniam Pillay (Malaysia), Francisco Magno and Gene Pilapil (Philippines), Martin Hart-Landsbergh and Hee-yeon Cho (South Korea), and Naruemon Thabchumpon (Thailand).

We wish to express our gratitude for the financial support provided to members of the Consortium, especially to the Bread for the World (Germany) which financed this book. The rest helped in the other aspects of the Consortium's work: Ministry of Foreign Affairs-Democratization Programme (Ireland), HIVOS, ICCO, Netherlands Organization for International Development Cooperation (NOVIB-Netherlands), International Centre for Human Rights and Democratic Development (ICHRDD-Canada), TROCAIRE (Ireland), NCOS (Belgium), Oxfam America and the Friedrich Ebert Stiftung (Germany).

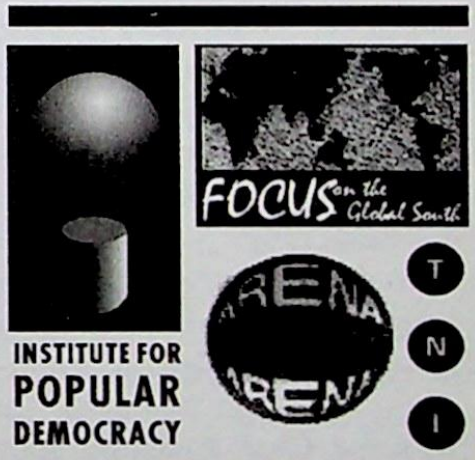
For the initial reading and content editing of all the chapters we wish to thank Joel Rocamora, Walden Bello and Dottie Guerrero. Our deep gratitude goes to the editor, Kristina Gaerlan for her patience in checking what activist analysts often neglect to explain like jargons and citations, and for pointing out portions that needed further clarifications. Thanks for the fund-raising efforts of Joel, Walden, Brid Brennan, Pietje Verveest and Jeannie Nacpil. We must also acknowledge Larry Lopez for designing the cover. We are deeply grateful for the vigilant and patient management of Dottie Guerrero during the various phases of this volume's publication. Lastly, we also appreciate the technical assistance of the Institute for Popular Democracy Outreach Department and Administrative staff, and for their provision of delectable snacks during meetings.

Asia Democratization Consortium

Asia Democratization Consortium Members

The Institute for Popular Democracy (IPD) is a research institute serving social movement groups and development Non-Government Organizations (NGO) in the Philippines and abroad. IPD is engaged in formulating alternative frameworks and policies on democratization and development and helping to build the intellectual and political capacities of progressive forces toward the accumulation of power and intervention in open politics and other arenas of civil society.

FOCUS for the Global South is an autonomous organization affiliated with the Chulalongkorn University-Social Research Institute and committed to strengthening the capacity of organizations of poor and marginalized people to better understand the impact of the globalization process on their daily lives and struggles. FOCUS is dedicated to improving critical analysis of regional and global socio-economic trends and articulate democratic, poverty-reducing, equitable, and sustainable alternatives that advance the interests of the poor around the world, especially in the Asia-Pacific region.



The Asian Regional Exchange for New Alternatives' (ARENA) goal is to build and sustain a community of concerned Asian scholars, intellectuals and activists that will spearhead a process of social awakening and thereby contribute to the people's struggle for a new, just and more humane social order.

The Transnational Institute (TNI) is an international network of activist scholars committed to critical analyses of the global problems of today and tomorrow, with a view to providing intellectual support to those movements to steer the world to a democratic, equitable and environmentally sustainable direction. TNI is officially registered as a foundation under Dutch law since 1973.

Foreword

Asia's Diverse Democratic Transitions

by Walden Bello

The essays in this volume are efforts to understand the processes of tran-sition to democracy in five countries — Indonesia, Malaysia, Philippines, Thailand and South Korea. The common concerns running through the essays include the institutionalization of formal democratic processes such as a competitive party system, the struggle among political, economic, and bureaucratic elites, the intervention or non-intervention of the middle class and popular classes in the political process, and the role of civil society actors.

On the one hand, these essays are important contributions to the "political science" of democratic transitions. On the other, they are written from a progressive activist perspective, where the stress is not so much on praising what has been achieved so far but to figure out why so much remains to be done in terms of deepening democracy.

The contributions to this volume were written in the aftermath of the Asian financial crisis in mid-1997, when a "second wave of democratization" swept East Asia, following a "first wave" in the 1986-'92 period that saw the establishment or reestablishment of constitutional democratic processes in the Philipppines, South Korea and Thailand.

The aim of this introduction is to place the experiences analyzed here within the larger context of the continuing challenge of democratization in the region, and to do so from an activist standpoint. It also seeks to highlight the fact that while we in Asia face common challenges in our advocacy for democracy, there are different priorities in different countries.

Phasing Out Authoritarianism

In Indonesia, Burma, Malaysia and Singapore, the key challenge is to end dictatorships, whether by the military or by the party, or to break with authoritarian modes of governance.

In the case of Burma, democratization continues to be at an impasse, with a military apparatus devoid of all legitimacy hanging on to power through its monopoly of the means of violence. Power without legitimacy cannot last indefinitely, but the conjunction of factors that has unhinged illegitimate regimes elsewhere continues to elude the Burmese political scene, where legitimacy largely resides in the repressed opposition. The role of

democratic activists in Asia continues — to rally international public opinion to prevent heightened repression in Burma and maintain the international isolation of the military regime.

It may seem difficult to find voices of protest in Singapore at this point, but there can be no mistaking the reality that there is a lot of fear and a lot of discontent in that Orwellian island-state. Let us also have no doubt that, like the activist Dr. Chee Soon Joon, who has challenged the People's Action Party's draconian curbs on free speech, more and more people will find the courage to speak out. And when they do, we must be prepared to take up their cause. Singapore has been the most ambitious effort to perform political lobotomy on a population, but unlike Jack Nicholson in "One Flew Over the Cuckoo's Nest," the Singaporean people will eventually prevail.

In both East Timor and Indonesia, the future hangs in the balance. In East Timor, the role of democratic activists is to keep the pressure on the UN international armed force INTERFET (International Force for East Timor) to crush the militias and neutralize the Indonesian military. The UN itself has to be pushed to support the process of establishing an independent government, and to mount an international effort to gather economic aid for this emerging independent state.

In Indonesia, as the essay by Joel Rocamora and Mastinah Saleh suggests, we are in for a long and complex transition where the support of Asian human rights activists will be essential. It is clear that a freer political system will emerge only on the ruins of the present Indonesian military. The people of Aceh and West Papua have launched struggles that could lead to demands for independent states, while people in East Kalimantan and the Malukus are seeking greater autonomy from Java. A democratic federal state from which the military has been eliminated as a political force seems to be the only viable option, but we must take our cue from the democratic forces in Indonesia at each step of the tortuous path to democracy that is ahead.

The challenge in Malaysia is both clear and complex. On the one hand, we must do all we can to support the movement for reform and to stop the frame-up that is the Anwar Ibrahim trial. But we must be careful not to play into the hands of the United States, which has opportunistically seized on the Anwar issue to try to isolate Mahathir on the economic front. In others words, we must be sophisticated and not let our strong criticism of Mahathir's anti-democratic moves spill over into an uninformed condemnation of his government's economic program to deal with the Asian crisis. The Malaysian government's program of capital controls and fiscal expansion has, contrary to the expectations of Washington, worked to contain the recession and bring the country back to a growth path. Even the IMF and the ratings agencies, including Moody's and Standard and Poor's, which had been eagerly awaiting Malaysia's collapse, now admit that capital controls

worked. This is not to put Mahathir on a pedestal. It is simply, as the old English saying goes, to give the devil his due.

Beyond Elite Democracy

In the Philippines, Thailand, Korea, India, Nepal and Bangladesh, the challenge is different. Here we have liberal democracies, Third World-style, running on more or less free elections. Yet wealth and money so permeate the political system at every level that we have governments run by the rich and powerful for the rich and powerful. Because they have a degree of political legitimacy deriving from elections, elite democracies are better suited for preserving the socioeconomic status quo than authoritarian regimes. It is not surprising that Thailand and the Philippines have two of the most unequal distributions of income in Asia, with the gini coefficient, a measure of inequality, standing at 46.2 in the case of Thailand and 42.9 in the case of the Philippines — far higher than you will find in most of the authoritarian states in the region.

There are, of course, parts of both Thailand and the Philippines where it will be hard to describe people as enjoying the formal freedoms of elite democracy. In the Muslim areas of the Philippines and the indigenous communities in northern Thailand, for example, the abuse of social rights persists within a framework of authoritarian internal colonialism. Human rights advocacy must reflect this.

But overall, the challenge in elite democracies such as Thailand, Philippines and Korea is to democratize not just the political sphere, but the economic sphere as well, as the essays by Regina Abesamis, G. Luis Igaya, Dorothy Guerrero and Carmel Abao stress. A formal democracy where people are abstractly equal as citizens, with one man or woman possessing one vote, is an illusion of democracy, for it is a democracy that is subverted at every turn by the reality of extreme inequality of wealth and income. As in the liberal democracies of the North, the struggle is for substantive democracy or social democracy, where citizens are genuinely equal because there are no sharp disparities in the access to wealth and income that allow the rich to purchase political decisions at the expense of the poor, whether this is done through illegal bribery in Thailand and the Philippines, or, as in the United States, through legal bribery via massive corporate campaign contributions.

The Question of China

Finally, we have the so-called transition economies, China and Vietnam included, which are not covered in this collection. To many western commentators, things are very simple: these two countries have authoritarian regimes that violate human rights and the task of the hour is the democratization of these countries along liberal democratic lines.

Unfortunately, things are not that simple for us from the South.

Take the People's Republic of China, which recently celebrated its 50th birthday, and here, allow me to combine my two hats as human rights activist and progressive economic analyst. When I, as an Asian economic analyst, contemplate the People's Republic at 50, two things immediately come to mind: China, because of capital controls, managed to escape the Asian financial crisis, and the rest of us in Asia are in some measure in debt to the Chinese government for not devaluing the yuan and turning a crisis into a catastrophe.

American environmentalist Lester Brown may be filled with foreboding at the prospect of hundreds of millions of newly prosperous Chinese straining the world's food supply by moving up the food chain to become meat-eaters. And western pundits may be filled with loathing when they survey China's human-rights record. But one would wager that for most of us in the South, China, warts and all, is still one of the success stories of the century.

China is a dynamic economy, growing between 7% and 10% a year over the past decade. Its ability to push a majority of the population living in abject poverty of the civil-war period into decent living conditions today is no mean achievement. Such economic dynamism cannot be separated from an event that most of us in the South missed out on: a social revolution in the late forties to fifties that eliminated the worst inequalities in the distribution of land and income, and prepared the country for economic take-off when market reforms were introduced in the late 1970s.

China's growth also demonstrates the critical contribution of a liberation movement that decisively wrests control of the national economy from foreign interests. China is a "strong state," to borrow a term from contemporary political science, one born of revolution and steeled over several decades by hot and cold wars. It is this history of state formation that accounts for the wide difference in attitude toward foreign investors between China and the other developing societies or economies of Thailand, Philippines, Brazil and even South Korea. Because unlike the other countries in the South, Beijing is tough on foreign investors and has the upper hand in its relationship with the international business community. Yet foreign investors are scrambling to get into China, restrictions and all.

Foreign investors will always scream about investment controls chasing away foreign capital. But the case of China, which now accounts for as much as one-third of total foreign direct investment devoted to emerging economies, shows that where there is money to be made, investors will live with the restrictions. In contrast, foreign investors can blackmail other governments to dilute their investment rules. They know that they can ratchet up their demands because weaker governments inevitably will give in, with some, like the Estrada government in the Philippines, going as far as to amend their constitutions to make them 100% investor-friendly.

Respect is what the Chinese government gets from investors. Respect is what the other governments don't have. When it comes to national economic interests, what separates many of the other countries in the South from China is a successful revolutionary nationalist struggle institutionalized into a no-nonsense state.

Western commentators often engage in opportunism when it comes to China. Not a week passes without one or another business rag carrying some denunciation of China's money-losing state enterprises. Not a week also passes without some report on how China's rapid development is creating inequalities that might destabilize the country eventually. These same publications, in their doctrinaire editorials, have been urging China's rapid phase-out of the state-enterprise sector, yet they hardly ever bring up the connection between government's gradualism and caution in the reform of the state-enterprise sector, with its millions of worried workers, and its smooth management of potential conflict.

US economic authorities and politicians are just as opportunistic as the business press. On the one hand, Charlene Barshefsky, Washington's trade representative, regularly blasts China for distorting "market forces" through continuing government intervention in the economy. On the other hand, Bill Clinton, Robert Rubin and Larry Summers plead with the Chinese not to devalue the yuan for the sake of global stability even when these same market forces are pushing down the currency.

Many of the voices calling on the Chinese government to liberalize the capital account before 1997 and urging a greater role for market forces today were the same voices who, in the early 1990s, wanted Beijing to do away with gradualism and apply the Russian-style shock therapy that eventually gave birth to the dominance of mafia capitalism throughout east Europe.

But China does have problems, though too much state intervention in the economy is not at the top of the list.

It must pay urgent attention to environmental degradation and not be put off by the ethnocentric environmentalism of people like Lester Brown. Here, the Chinese must start reexamining, indeed, discarding, the foreign-capital-intensive model of development designed to reproduce western levels of consumption that they have uncritically adopted from the World Bank. Another key concern must be containing the social inequalities generated by such a development model over the last two decades of rapid growth. Large numbers of people have been left behind, particularly in the great Chinese hinterland. According to the United Nations Development Program, some 29.4% of the population live under the poverty line. And the World Bank estimates the gini coefficient to be 41.5 — much higher than that of India, Indonesia, Egypt, and Pakistan, and ominously close to that of the Philippines and Thailand.

The market has been central to the generation of inequalities, so tougher controls on the market forces, rather than more freedom for these, should be, in my view, among Beijing's priorities.

China must also pay attention to its foreign policy, which is too closely guided by realpolitik. China would not have gotten to where it is without standing up to the superpowers whenever they threatened Chinese sovereignty. But the Philippines and the other Asean countries are not western superpowers, and much goodwill can be regained by a more open and flexible diplomacy toward smaller neighbors that feel threatened by China's very size.

Certainly, at the very top of the agenda is the urgent need for greater democratization, and here, many of us in the South should be speaking more loudly of China's need to respect human rights in the same way that we scream for this in Indonesia and Burma. At the same time, democratization, we must remind our friends in the West, will come to China with its own rhythm and timetable, and in forms that might not be exact reproductions of western liberal democratic institutions.

Then, there is the question of Tibet, and here the role of democratic activists is clear: they must urge the Chinese authorities to engage genuine representatives of the Tibetan people in a *genuine* dialogue leading either to *genuine* autonomy for that country, as some desire, or full-fledged independence — an option that will surely become the Tibetans' only choice should Beijing continue to respond with a mailed fist to their just aspirations.

A Southern Perspective

Our role is, in many respects, more complex than the Western activists'. Many Western human rights commentators see only human rights violations when they contemplate the social revolutions that have occurred in the South. Without denying that abuses indeed took place, we, on the other hand, recognize these revolutions as admirable historic efforts to eliminate gross inequities in the access to income and wealth. For us, these revolutions were important nationalist endeavors that resulted in strong states which, as in the case of Vietnam and China, endowed these countries with an unparalleled ability to deal with hostile western states and predatory transnational corporations, and to pursue the national economic interest amidst the powerful forces of capitalist globalization.

Invariably, many Northern human rights activists use the Washington or Westminster models, whether explicitly or not, as their yardstick for Southern political systems. But these models of Lockean democracy are, at best, imperfect vehicles for political participation, promoting only the illusion of political equality. That is, they promote political equality without its substance — economic equality. For us, liberal democracy is not, contrary to Francis Fukuyama, the end of history, the end point of political evolution. There is a

higher stage that we aspire for — what some call social democracy, and others call popular democracy.

For many Western activists, greater democracy goes hand in hand with greater freedom for the market. For us, markets have a positive role to play in the economy, but too much market may also subvert the conditions of equality that are necessary for a true democracy to function. A strong state role in the economy does not necessarily lead to totalitarianism, as the free-marketeer Frederick Hayek claimed. It is, in fact, a sine qua non for a vibrant democracy.

Let us be faithful to our reality as Southern human rights activists: that we are people concerned with political liberty, yes, but who also care very much about equality and sovereignty. Without equality and national sovereignty, freedom is an illusion. As long as we remember this dictum, we will find our bearings in these challenging times, where we have to do battle not only with the Suhartos of the world but also with the Bill Clintons and Madeleine Albrights waiting to seduce us to their agendas.

CHAPTER 1

PHILIPPINES

The Political Economy
of the Philippine Democratic Transition

by G. Luis Igaya

The Political Economy
of the Philippine Democratic Transition

by G. Luis Igaya

I
Finding Meaning in Democratization

The EDSA Revolution of 1986[1] was heralded as the end of some 14 years of dictatorial rule and the triumph of Philippine democratic struggle. In the first few months after the Marcoses were ousted from office, democratic institutions such as a free press, freedom of expression and the right to organize were restored. The constitution was amended through a national plebiscite, effectively bringing back the political institutions that dictator Ferdinand Marcos abolished such as the House of Representatives.

But the Philippine transition from authoritarianism to democracy did not culminate with Marcos' ouster and Corazon Aquino's installation into power. The struggle for democracy has been a continuous one even up to this day, without discounting the Aquino regime's advances in restoring various democratic institutions such as elections and other individual freedoms. Indeed, these are essential elements for any democracy to flourish. However, they do not guarantee the future *consolidation* and maturity of democracy. Neither do they give indication of the *quality* of democracy in the Philippines at present.[2]

Political and individual rights cannot be the sole basis of democracy. Scholars note the important distinction between democratization and liberalization. "Liberalization encompasses the mere loosing of restriction and the expansion of individual and group rights within an authoritarian regime. Democratization goes beyond the expansion of civil and political rights by involving the holding of free elections on a regular basis and determining who governs based on the results."[3]

But neither can we conclude that democracy exists in the Philippines on the basis of elections alone. Indeed, having a democratic state means more than just having elections, although due to the difficulty in defining the standards for democracy, the tendency to equate one with the other is strong. This difficulty lies in the utopian flavor attached to democracy. "There is always a temptation to expect too much of this concept and to imagine that, by attaining democracy, a society will have resolved all its problems."[4]

Avoiding this trap, this paper rejects the concept of democracy as a *static* condition defined by a certain set of criteria. Rather, democratic *transition* is continuous and fluid. The use of the term "democratization" is intentional because it denotes an ongoing process. However, democratization is not a step-by-step process. Recent thinking proposes this to be a non-linear process, implying thus a repudiation of theories based on modernization and rational process.[5]

In addition, instead of determining whether or not the Philippines is truly a 'democracy', this paper seeks to describe the *character* of the Philippine democratic transition. Democratic institutions such as free elections and political rights are part and parcel of the process of democratic transition. But democratization also involves values inherent in a democratic society such as democratic deepening and the development of a broader, mass-based, participatory democracy, a characteristic that may eventually lead to the *consolidation* of democracy.[6] 'Democratic consolidation' refers not to the stability or institutionalization of a democratic regime (as may be the case in the Philippines) but to significant changes in the *quality of performance* of the democracy or democratic institutions, a condition essential to the long-term survival of a democratic regime.

Correspondingly, democratization (as a process) and democratic consolidation (as a goal pertaining to the quality of performance of democracy) are shaped by the conjunctural conditions within a society. Various elements shape the performance and quality of a democracy. This paper focuses on the interaction of three elements that determine and indicate the nature of Philippine democracy: political-economic structures,[7] political institutions[8] and policy regimes.[9]

For a clearer understanding of the transition to Philippine democracy, one must take a close look at some of the basic premises of the Philippine political system. According to Carl Lande, one of the early scholars of post-war Philippine politics, in pre-Martial Law politics, there was no substantial differentiation between the two major political parties — the Nationalistas and the Liberals. This was partly due to the limited size of the elite itself. No one upper class group had reached a level of economic power to dominate other class factions. The political elite comprised mostly those who could afford to be patrons, i.e., landowners (with tenants), and employers and professionals whose social status and incomes allowed them to grant large favors to a number of voters such as scholarships or employment opportunities.[10] Political clientelism or the patron-client relation was (and perhaps still is) the dominant framework to understanding Philippine politics.

Unlike the ideal type of bureaucratic relationship governed by the norms of rationality, anonymity and universalism, in a patron-client relationship, *affectivity* serves as the primary social adhesive binding the patron to his/her client and vice versa. Political clientelism can thus be characterized as a personalized,

affective and reciprocal relationship between actors or sets of actors, each commanding an unequal degree of resources. It is this inequality that induces actors to engage in mutually beneficial transactions, which in turn have political ramifications beyond the immediate sphere of the dyadic relationship.[11] The result is a political system not based along class lines but along infra-elite conflicts, because the antagonisms between rich and poor are absorbed into systems of exchange that are at once vertical (across class lines, in contrast to horizontal or within class lines) and dyadic (between pairs of actors with each having a distinct role).[12] Because politics is not based on class or "inter-group" competition but on "intra-group" dynamics, political actors are not motivated by ideological concerns but by personalistic, concrete, material and non-ideological agenda. Thus, with political competition having no ideological basis, victory requires a certain degree of material resources. Political actors are constantly preoccupied with what can be given to supporters in patronage, and with what burdens to impose on non-supporters. Congressional pork barrel is one prime example.[13]

Local patron-client relations have serious implications on national politics. Because of the local elites' command of geographic power bases where they serve as the patrons to a local constituency, central government officials rely on these local elites to get elected through geographic 'bloc votes'. In exchange, central government officials allocate central government funding to these localities in the form of pork barrel or other special projects. In addition, local elites also receive export quotas and licenses, a major source of wealth creation during the post-war era due to the preferential trade agreements between the United States and the Philippines.

While political clientelism explains much of the nature of Philippine politics in the context of a 'working democracy', the patron-client framework is not without 'defects'.[14] One criticism against political clientelism is that it presents the political system as one where the relation between patron and client is *naturally* smooth and benevolent. Local politics in the Philippines, however, is littered with cases of massive electoral violence, as well as coercion and fraud, which the patron-client framework fails to rationalize. The theory of local Sultanism forwarded by John Sidel in his article "Beyond Patron-Client Relations: Warlordism and Local Politics in the Philippines" attempts to fill in the gaps in the patron-client framework with the proposition that local political leaders depend on *both force and patronage* as a means to establish political supremacy and dominance. "The threat of violence and the mobilization of private armies play an important role in political competition, and predatory incomes obtained through coercion mark the accumulation of wealth." In the patron-client framework, political support is based on class, status, adoration or mutually beneficial exchanges. Per the theory of local Sultanism, however, "support is instead based on the interest created by [the ruler's] rule, the rewards he offers for loyalty, and the fear of his vengeance."[15]

The relative strength of local elites also lies in the weakness of central government to encroach on their power bases. According to Willem Wolters' *Politics, Patronage and Class Conflict in Central Luzon*, the late Spanish and American colonial periods encouraged a weak central government. Consequently, the landowning elite wielded tremendous influence in their respective 'fiefdoms', which became their economic power bases. In the post-war period, local elites saw how the state could be used for higher windfall profits and greater wealth accumulation through diversification of economic activity. Following this logic, the Philippine state in effect becomes the chief patron, subject to the whims and fancies of particular segments of society. Such reasoning gives rise to a "weak state, strong society" model of the political system.

The weakness of the Philippine state is explained by a number of scholars in terms of class. Joel Rocamora of the Institute of Popular Democracy argues that the Philippine state is weak because "no one class faction has been strong enough to bend the state to its will." He continues: "Competing demands between various elite factions [have] made government unable to formulate coherent economic development policy or develop political institutions capable of providing a reliable regulatory framework for the economy."[16]

Class factions in the Philippines are relatively small due to the underdeveloped and dependent character of the economy. In the agricultural sector, for example, export crops account for only a small share of the domestic as well as world markets. Likewise, sugar largely depends on preferential trade arrangements for its survival.

Temario Rivera of the University of the Philippines' Department of Political Science, meanwhile, attributes the weakness of the Philippine state and the country's underdevelopment to the composition itself of social classes. The Philippine industrial elite, he points out, is essentially composed of the same families belonging to the landed gentry. As a result, there are no actual class conflicts wrestling state policy from one side or other. It is the lack of an "autonomous" class that prevents capitalist development from moving full steam.

Even as theories on local elites support the notion of wealth transmuting itself into political influence, the weakness of the Philippine state has also allowed political mechanisms to create a system of wealth preservation and creation. Paul Hutchcroft, currently with the political science department of the University of Wisconsin, notes that the Philippine state is similar to the Weberian patrimonial state where there is often a blurring of the distinction between the "official" and "private" spheres. He suggests that Philippine politics offers ever increasing opportunities to use state resources within patron-client ties, and cites the observation of prominent political scientist James Scott that in the context of national electoral systems, local oligarchs retain enormous power to milk the central state's 'particularistic distributive capacity'.[17]

In addition, as oligarchic interests diversified beyond agriculture, access to state machinery became more important than ever for the creation of wealth.[18] During periods of exchange and import controls, rent-seeking became prevalent as elites went to the Central Bank for dollar allocations that would enable them to reap tremendous profits from production in a protected domestic market. The civilian state apparatus remained "weak and divided" in the face of powerful oligarchic interests. In relations between the state and the oligarchy, the state is far more likely to be *acted upon than to be an independent actor.*[19]

The weakness of the state is also in part based on the *weakness of Philippine political parties.* Political parties in the Philippines are not based on class or ideological differences. "While political parties continue to be the main instruments of social mobility, [these] are mainly instruments of upper classes whose members share the same conservative ideology."[20] The nature of central-local relations manifests and reinforces the weakness of the Philippine political party system, resulting in the weakness of the state. Because political parties have no class dynamics and therefore carry no development paradigm, the central government relies on local politicians for vote-gathering. The central government thus becomes beholden to the local politicians' demands.

Institutional conditions such as the first-past-the-post systems and the presidential form of government also inhibit the development of effective party systems. In an electoral system where success is equivalent to the *total* number of votes a candidate is able to garner, huge amounts of money are required to launch an election campaign. This system is biased heavily against smaller political parties which, even though they can provide competent political leadership and a clear policy agenda, have only limited resources available to them. The lack of any ideological basis for party formation means that the electoral machinery is composed of relatives, friends, political associates and allies of the candidate. The huge cost of running election campaigns also compels a candidate to form alliances with economically powerful individuals who will contribute to his or her campaign. In exchange for such support are the arrangements that will be made for the contributor's benefit.

The presidential form of government also contributes to the weakness of political parties in the Philippines. The presidency is a powerful institution. At its disposal is the authority to appoint a vast number of officials to the bureaucracy. Often local politicians woo the president into giving their supporters government positions in exchange for services rendered during elections. Similarly, the president has strong powers in fiscal management through the line-item veto, and some discretion in the disbursement of funds. A politician therefore has to ally oneself with the president to ensure funding for his/her projects — a trend in Philippine politics referred to as the *'balimbing* 'yndrome', where politicians shift loyalties depending on which party the president belongs to, named after the *balimbing*, the Pilipino word for the many-sided ribbed carambola or starfruit. But this leverage that the executive

branch has on local politicians is the same leverage the local politicians have in their capacity to gather votes in their local bases of power. Consequently, central-local relations are characterized by much deal-making and horse-trading. "Unifying the executive and legislative branches through a ruling partly will force political parties to take a stronger role." Meanwhile, the popular groups — with their limited bargaining power and resources — are excluded from the process.[21]

In sum, three basic themes underlie the nature of politics in the Philippines and each has direct bearing on the issue of democratization.

First, although the two frameworks of patron-client relations and local Sultansim differ in explaining the nature of local politics, they both focus primarily on the competition *between elites*. Involvement of middle and lower classes in the electoral arena is fairly limited, giving basis to the label of *elite democracy*. Although the people appeared to be able to choose leaders in the eras preceding and after martial law, their choices may not have been their ideal preferences. Electoral choices, therefore, are based not so much on personal choice but on need and/or coercion. Under such a situation, mass participation in policy setting remains circumscribed.

The second theme pertains to the weakness of the Philippine state which translates to its limited capacity to take on a developmental role. A weak state limits state capacity, that is, its ability to carry out its functions without the intervention of powerful social interests. And with state capacity surrendered, the formulation and implementation of a coherent economy policy are likewise waived, and development is compromised. In other words, capitalist development demands a stronger state that will ensure an environment where capital accumulation is possible. But such an environment can not be possible under a weak state vulnerable to the uncertainties and instability caused by intra-elite competition. The limits on development posed by a weak state have direct implications on the nature of democracy. Theories on modernity postulate economic development as a fertile breeding ground for democratic development, with individuals gaining more access to education and shifting their priorities from subsistence activities to political action. A stronger state can also facilitate asset reform, enabling citizens to break free from the trap of coercion and dependence in the electoral arena.

The third theme points to the important role of political institutions in either deepening or circumscribing democracy. Political institutions can either reinforce the limits on democratization brought about by structural conditions, or erode these conditions and pave the way for democratic deepening. But reforming these institutions for deeper democracy depends on the conjunctural conditions of the institutions themselves and the dominant policy regime. Effective political parties will help bridge the gap between society and state. Reforming political parties will therefore help bring about democratization by developing both a strong society and a strong state.

II
The Rise of Authoritarianism

Instability in the Early 1970s

When Martial Law was declared in 1971, it would seem that indeed, the Philippines was in the midst of a grave crisis. The nation was facing an economic crisis, though one not totally unfamiliar to the average economist. Two years previous, elections for both national and local positions were held. Huge sums of money, much of which came from government coffers, were spent as Ferdinand Marcos and the Nationalistas vied to maintain their positions of power. The overspending drained government coffers and bloated money supply. Conservative estimates peg the amount spent on the visible and invisible expenses of the candidates at PhP500 million, making this particular election one of the most expensive at the time.[22] The overspending also aggravated the country's debt position as government resorted to borrowing to finance operating expenditure.

The deteriorating economy resulting from the administration's actions as well as the idiosyncrasies of the political-economic system led to the rapid growth of social protest movements. Poor economic conditions also led to the increased strength of the Communist Party of the Philippines and its armed component, the New People's Army. As a result, the nationalist protest movement acquired both a militant edge and a mass character.[23] During the opening of Congress in 1970, student protesters began throwing placards, bottles and stones at the president and the first lady as they were leaving the session hall. The police lost composure and went on a "truncheon-mauling rampage," resulting in injuries to many student demonstrators.[24] Subsequent demonstrations became more and more violent as police brutality also increased. Each protest action left a trail of deaths. Social instability became increasingly apparent.

Martial Law: Rationalization and Response

When Marcos declared Martial Law, careful steps were taken to make this more acceptable. "He [Marcos] pointed out the nagging national problem of the super rich, the conscienceless rich who used the government for the exploitation of the people, and the ideological troublemakers who wanted to overthrow the government and convert the nation into a communist state. He believed he could justify an immediate state counterrevolution before the subversives could strike for the preservation of the nation."[25]

Philippine society was, as Marcos described it, oligarchic, "where a few promote their selfish interests, exercise the public and private power, and rule over the nation, to the prejudice of the many." President Marcos blamed the oligarchs for obstructing institutional change and the restructuring of society.[26]

Marcos and the supporters of Martial Law claimed that the democratically elected government and the nation's democratic institutions were under attack, primarily by the communists, and then by the conservative extremists within the traditional 'oligarchy'. Martial Law was therefore necessary to defend Philippine democracy from threats from the left and the right. At the same time, Marcos rejected the notion that Martial Law meant the end of constitutionalism and the beginning of military rule. His regime was thus cloaked in constitutionalism and legality to maintain its legitimacy. Marcos also sought to appear populist by proclaiming that his measures, including his attack on the traditional elite, were intended for the masses.[27]

Later, 'developmental authoritarianism' became the dominant ideological justification for the perpetuation of Martial Law. Marcos increasingly based his regime's legitimacy on its ability to promote national economic development. Development required a powerful government and political stability that came only with authoritarianism. The developmental role of the state remained the operative ideology until the economic crisis of the early 1980s.

An understanding of the rationalization process of Philippine society is important in determining the factors that led to the decline and fall of authoritarian rule. Said William Overholt, "The vast majority of Philippine society strongly supported Marcos. Most of the rest acquiesced in his reforms. Most people were convinced that Philippine democracy could not in any case long survive the perpetuation of crime, inequality and poverty, and incoherent economic policy."[28] The Martial Law regime gave the promise of political stability, economic development and an improvement in social conditions.

Curiously, the opposition party supported the declaration of Martial Law. "The sweeping Marcos reforms coincided with the reformist goals of the opposition. They were necessary to offset the communist conspiracy, destroy the serious cancer of the sick society, bring down the ill-gotten power and privilege, and achieve new national discipline." Similarly, local government officials also immediately rallied behind Marcos' drive to build a new and just society, as did some groups of organized labor.[29]

David Timberman, author of *A Changeless Land*, summarized the apparent complacency and willingness of various segments of society to give up their civil and democratic rights:

> *Marcos' authoritarianism initially promised a dramatic departure from the fractious elite democracy that had preceded it. The divisions between the executive and legislative branches of the government that so often seemed to paralyze the government would be ended by the creation of a monolithic and omnipotent state. The past emphasis on "pork-barrel" and patronage would be replaced by technocratic efficiency. The political and economic dominance of the traditional elite or "oligarchy" would be broken. Economic policies and programs that enriched the few would be replaced by an economic development program that would benefit the*

majority of poor Filipinos. Particularistic interests would be replaced by a new sense of national unity and purpose.[30]

Economic Structures and Political Change: Illusion or Reality?

More than a retaliation against the alleged threat from a militant left and conservative right, the imposition of Martial Law provided the opportunity for Marcos to extend his stay in power. The only president in history elected for more than a term, Marcos was no longer eligible to run after two consecutive terms under the 1935 Constitution in place at the time. His last year in office would have been in 1973, but he sought to extend his term through political maneuvering — that is, via constitutional amendments.

Proposals to amend the constitution and change the form of government from presidential (inherited from the Americans) to parliamentary were being sounded out as early as 1970. Such a shift would have allowed Marcos' extension of office. But the proposal split the Filipino elite as the bid for political and financial hegemony by the Marcoses and Romualdezes (who were relative upstarts) provoked the more established political and elite clans of the Lopezes, Osmeñas, Aquino-Conjuangcos and Jacintos.[31] Marcos' authoritarianism, therefore, also has its roots in competition for power between elites.

Some scholars trace the imposition of Martial Law to the rivalries between two major factions of the economic elite — the faction engaged in import-substituting industrialization (ISI) and the faction supporting export-oriented industrialization (EOI). Post-war Philippine industrialization was driven by an economic policy dominated by strong government control, especially in terms of trade protection and an overvalued exchange rate. Under this protected environment, local manufacturing was able to flourish, leading to the formation of new elites as well as the diversification of the more traditional elites.

However, the ISI model hindered further development. Protected industries became inefficient as a small domestic market dampened expansion of production. Further development, it was argued, necessitated the adoption of a more export-oriented approach. This, however, required the dismantling of policies that precisely allowed import-substituting firms to prosper, such as import and capital controls. The requisites of foreign injection of capital — the engine for EOI, such as financial austerity, long-term stability, predictability and labor discipline, all ran counter to the policies of the preceding political environment. Government often could not resolve the stalemate between the clashing factions of the elite that espoused opposing modes of development.

In this sense, the declaration of Martial Law was believed to have broken the policy stalemate, enabling the development of a more open economy

focused on export-oriented industrialization. Each side of the development debate advocated a clearly divergent growth path, but neither had enough strength to overcome the other. The imposition of an authoritarian regime broke the impasse between rival elite factions. The transition followed years of dependence on agricultural exports and a short-lived, unsatisfactory attempt at import substitution. Gary Hawes links the subsequent turn to authoritarianism to the transition to a new development path.

Other scholars, however, differ with this line of reasoning. Instead of working as a "break" in the continuum of Philippine politics, they contend, the imposition of Martial Law and the subsequent installation of an authoritarian regime were a continuation of a function of the Philippine state where there is a blurring of what is public and what is private and the state remains the primary source of wealth creation. Hutchcroft, for example, notes that Marcos' choice of political targets were those clans that were his direct political opponents, and not necessarily the elite segments opposed to EOI. With the benefit of hindsight, we also see that government economic policy was a mixed bag, formulated neither to promote EOI wholesale nor to completely undermine ISI. Finally, Hutchcroft argues, elite cleavages based on clear differences in economic interests are themselves difficult to find.[32]

Martial Law represented both a break and a continuum in Philippine politics. The break came in the abolition of political institutions such as elections and freedom of speech and organization, which further reduced the already limited space available for political participation because at the time, rent-seeking and neo-patrimonialism were on their own impinging on participatory democracy.

Developmental Authoritarianism and the Rise of the Crony System

In the years following the imposition of Martial Law, the legitimacy of the regime was maintained by calling upon the developmental role that the state could play, given the country's deteriorating economy. "Crony capitalism" figured prominently in this framework. In contrast to other forms of state involvement where the state has a direct hand in operating particular economic enterprises, crony enterprises were essentially private enterprises. The government's operative role was the creation of "idealized" conditions where these enterprises could grow and prosper. Thus, crony enterprises had numerous political resources upon which to create wealth. Initially, cronies obtained these enterprises through the deeding over of the property formerly owned by the oligarchy such as broadcasting, newspapers, public utilities, agricultural lands and financial institutions.[33] Over time, the development of crony capitalism acquired three main features: the monopolization of key agricultural markets, the emergence of conglomerates in protected and non-traded goods sectors through preferential finance and government

Export Oriented Industrialization under Authoritarianism: A Questionable Transformation?

It was during the time President Marcos declared Martial Law and set up an authoritarian government when an export-oriented development strategy, widely promoted by the World Bank and the International Labour Organization, was simultaneously implemented.

The scheme called for:

(1) The promotion of non-traditional manufactured exports based on the comparative advantage of cheap labor

(2) The promotion of foreign investments in this manufacturing export sector

(3) The use of foreign loans to finance the infrastructure of manufactured export promotion, particularly export processing zones

(4) An intense agricultural production program which would support this strategy by providing relatively cheaper food (and other wage goods) to ensure a low real wage

Exports grew at an average rate of 13 percent annually in the 1974-1980 period. By the late 1970s, manufactured and non-traditional exports took over more than half of total exports. The manufactured export strategy of the martial-law government seemed to have achieved at least some partial success."[a]

The sharp peso devaluation during the early '70s helped develop non-traditional export industries. The world commodity price boom contributed to the momentum as this tended to rub off on export prices of manufactured products.[b]

At the same time, however, the tariff and tax structure was biased against export industries, and in favor of key domestic manufacturing industries. By their negative Effective Protection Rates (EPRs), some domestic industries, according to a study by Romeo Bautista and John Power, were effectively penalize, in relation to their foreign competitors.[c] That these industries survived suggests that they were economically efficient. While the negative EPRs were most prevalent in the primary sectors, quite a few manufacturing industries, mainly export-oriented, were also affected. On the other extreme, several manufacturing industries were apparently heavily protected,

their high EPRs indicating excess profits and/or low levels of efficiency made possible by the heavy protection obtained through the high tariffs and indirect taxes levied on competing imports. Among the most protected industries were cigarettes, cocoa and chocolate products, flour milling, bakery products, starch and starch byproducts, candy and chewing gum products, liquors, converted paper products, radios, TV sets and phonos, rubber footwear and tires, motor vehicles, air-conditioning equipment, paints and related compounds, fabricated plastic products, soap and other washing compounds, tanning and leather finishing materials, and jewelry and related articles. Note that these industries dominated the domestic market in 1974 (accounting for more than 90 percent of total), although none exported to any significant extent.

More interesting is the positive rank correlation between EPRs and the domestic resource cost (DRC)[d] of the various industries. This implies that high-cost industries were generally more protected at the time, while the others efficient in either saving on costs or earning foreign exchange were effectively penalized.

Note as well the negative relationship between DRCs and export orientation which suggests the efficiency of export industries in the use of domestic resources.

---

[a]Mario Lamberte et. al, eds., *Philippine External Finance, Domestic Resource Mobilization and Development in the 1970s and 1980s* (Manila: Philippine Institute for Development Studies, 1992), 309-310.

[b]Romeo M. Bautista and John H. Power, *Industrial Promotion Policies in the Philippines* (Manila: Philippine Institute for Development Studies, 1984), 17-30.

[c]EPRs are more meaningful than actual and implicit tariff rates since these measure the value added to a product by the protected domestic activity, and not the value of the product per se. Determination of the EPRs takes into account the subsidies for the production of actual output and penalties from the production of inputs. Thus, a high EPR indicates high excess profits or a high level of inefficiency, or a combination of both.

[d]An industry's DRC represents the social opportunity cost of domestic resources used per unit of foreign exchange earned or saved. If there is a disparity in the DRCs of different industries, reallocation of domestic resources to lower DRC (more efficient) industries would generally result in higher total output. The persistence of wide differences in industry DRCs over time suggests a lack of resource-allocation mechanism that enables low-cost industries to expand and high-cost industries to contract.

NON-TRADITIONAL MANUFACTURED EXPORTS, 1970-1977
(in US$ million)

	1970	1971	1972	1973	1974	1975	1976	1977
Building elements and fixtures	1.0	0.7	1.6	0.5	1.3	1.9	3.4	5.6
Cement and other non-metallic mineral products	3.3	10.3	7.9	24.9	36.5	32.4	27.8	38.4
Chemicals and chemical products	5.2	6.2	6.2	10.0	15.2	21.2	26.3	51.8
Clothing	0.4	0.7	2.4	11.4	23.7	33.1	80.6	113.7
Electric machinery and appliances	0.3	0.4	1.8	0.9	2.1	2.7	7.1	18.8
Footwear	0.4	0.7	1.2	2.1	3.7	3.0	5.2	10.2
Furniture and fixtures	1.4	1.4	1.7	3.3	6.1	5.2	9.8	21.8
Machinery and parts (excl. electrical)	0.6	7.8	3.0	2.3	4.2	6.8	7.0	21.3
Metal products	1.0	0.9	1.4	2.4	3.2	3.4	3.8	6.3
Oil products	17.3	24.2	19.3	16.0	17.3	37.4	22.4	18.9
Paper and paper products	0.3	0.4	1.9	9.1	5.0	0.7	0.4	0.4
Textile products (excl. clothing)	5.4	6.9	8.5	24.3	20.1	22.0	28.2	33.9
Transport equipment	0.1	0.3	0.2	1.4	1.3	2.7	8.4	14.2
Travel goods, handbags, etc.	0.9	0.8	1.7	4.5	7.6	10.2	22.8	6.0
Miscellaneous	4.3	5.3	8.4	20.0	23.3	46.3	51.5	60.1
total	41.6	61.0	67.2	148.8	170.6	229.0	304.7	421.4
annual change	-27.6	-46.4	10.2	121.4	14.7	34.2	33.1	38.3

source: Romeo M. Bautista and John H. Power, *Industrial Promotion Policies in the Philippines* (Manila: Philippine Institute for Development Studies, 1984)

contracts, and the opportunities provided by control of foreign borrowing, aid and direct investment.[34]

In the coconut sector, government began its intervention through the integration of the milling process. Prior to the Marcos administration, the coconut industry was largely a producer of raw unprocessed coconuts, as well as copra and desiccated coconut. The development goal of the administration was to expand production to include coconut oil milling. The Coconut Investment Co. was created and capitalized by government to the tune of PhP100 million which would be paid from the proceeds of the now infamous coconut levy. The initial "coco levy" was set at PhP0.55 on the first domestic sale of every one hundred kilos of copra, of which 50 centavos was to be paid back the government. In 1973, the Philippine Coconut Authority monopolized export functions. At about the same time, the commodity boom in the international market also began, increasing the domestic cost of cooking oil. The coco levy imposed was then increased from 55 centavos to PhP15, the proceeds of which were supposed to be used in the stabilization of consumer prices of coconut-based products. The stabilization fund led to the creation of the United Coconut Planters Bank (UCPB) which in turn was able to control coconut milling through the United Coconut Oil Millers. In addition to the Coconut Consumers Stabilization Fund (CCSF), the Coconut Industry Development Fund (CIDF) was also created to finance the establishment, operation and maintenance of a hybrid coconut seednut farm and to purchase the seednuts produced here for distribution, free of charge, to the coconut farmers. The CIDF increased the levy applied on copra sales by an additional PhP20. All CCSF levy collections and 50% of all the CIDF collections were to be deposited at UCPB interest-free. The UCPB continued to be injected with capital from the stabilization fund, which enabled it to diversify to other activities.

The monopolization of the coconut milling industry, moreover, benefited particular firms through direct price subsidies. Only those mills purchased by the UCPB could receive such subsidies, effectively easing out potential competition even if milling was deemed a profitable enterprise at the time.

In 1974, the government enforced a similar monopolization of the Philippine sugar industry when the Philippine Exchange Co. (Philex) was made the country's sole exporter of sugar. At the time, world sugar prices were at their highest, but the local agrarian elite was not able to capitalize on this situation as access to the international market was limited to the state monopoly. Philex, on the other hand, had the capacity to charge lower prices domestically and sell sugar at a large profit to the United States. Later on, control was transferred from Philex to a new agency, the Philippine Sugar Commission (Philsucom), headed by Roberto S. Benedicto. Not only was Philsucom, along with its trading arm, the National Sugar Trading Corp., able to monopolize domestic and international trading in sugar; it was also able to set prices for raw sugar

purchased from planters as well as the price paid to millers. With these powers, Philsucom was able to redistribute wealth within the industry, with a great majority suffering heavy losses whilst Philsucom prospered. The failing firms were highly leveraged, and the government monopoly paved the way for virtual foreclosure of these by the industry's major creditor, the government-managed Philippine National Bank.

Domestic manufacturing was similarly stifled. Herminio Disini, a close associate of the dictator, enjoyed virtual monopoly of the cigarette-filter business through a presidential decree that imposed a 100% tariff on imported cigarette filters but extended exemption to Disini's Tobacco Filters Corp. In less than eight years, Disini was able to build a conglomerate of more than 30 companies dealing in various activities, from construction to logging insurance to petrochemicals. Similarly, Ricardo Silverio started as a small businessman but used his connections with the Marcoses to acquire exclusive rights to assemble and distribute Toyota automotive parts in the Philippines. From this base, Silverio was able to build a group of 30 companies engaged in auto assembly, electronics, transportation and banking. Aside from the creation of politically induced monopolies, government initiated construction contracts that were also a source of wealth for crony capitalists. Such was the case of Rodolfo Cuenca, whose Construction and Development Corp. of the Phils. (CDCP) grew to be one of the top corporations in the Philippines by 1980. Almost 80% of the projects handled by CDCP were government contracts such as the "Marcos Bridge" connecting the islands of Leyte and Samar, the Manila International Airport, the Manila North and South expressways, and the Manila Bay reclamation project. From this base, Cuenca was able to expand to other activities, borrowing heavily to finance the expansion of his empire.

During the period of authoritarianism, the growth of graft and corruption, a perennial problem in the Philippine state, was unprecedented. The extent of cronyism is difficult to measure. Post-dictatorship estimates put the value of crony enterprises at US$1.5 billion. A look into the country's financial structure may prove productive for one to comprehend the full magnitude of cronyism. During the Martial Law period, the four major government-owned financial institutions, as well as eight other banks with access to the Central Bank's rediscounting window (often called "political banks"), accounted for a sizable 53% share of the entire commercial banking sector's assets. A 1983 memo by then Central Bank governor Jaime Laya to Marcos reveals that 45 of the 87 non-performing accounts larger than US$5 million were made at the dictator's personal request.[35] Cronyism of this scale contributed substantially to the inefficiency of the economic system as capital investments became less and less productive due to mismanagement and theft.

What was the functional role of the cronies that enabled them as a class to develop? With the traditional elite's domination now usurped through his

attacks on political opponents, Marcos needed a new "class" from which capitalist expansion and development could proceed. Rapid expansion in state economic activity championed by a "developmental" framework legitimized and facilitated the creation of these cronies. This new "class" was created from both the direct transfer of assets from the traditional elite and preferential government policies. Loyalty to the strongman became one of the prerequisites for entry. Such massive mismanagement and corruption as what characterized the growth of crony capitalism were abetted by the diminished auditing and oversight capacities within the authoritarian state. In a sense, it can be argued, the formation of these cronies represented a significant shift from the development path of the traditional elite. History, however, shows that the crony phenomenon was no more than a logical extension and culmination of the pre-martial law process of using access to political machinery to accumulate wealth.[36]

But the cronies were not the only ones involved in government economic policy. The Martial Law regime also gave prominence to the so-called technocrats — respected individuals who trained abroad and were appointed to high-level positions based on their academic or professional credentials. They headed government agencies such as the Central Bank, and the finance, industry, agriculture and planning ministries. Unlike in previous administrations when the luminaries of the business com munity participated in policy making, technocrats during the authoritarian regime had no particular domestic constituency. This was both a blessing and a curse. Although implementation of major economic reforms became easier due to the technocrats' insulation from particularistic demands, their lack of a social base ultimately tied them to Marcos himself. Marcos could easily override any policy they adopted, limiting their capacity to pursue coherent economic policy and reform. The technocrats thus provided a foil to the cronies — though not enough to serve as counterweight.[37]

In the final analysis, the technocrats' function was to legitimize the regime in the eyes of international lending institutions and certify the state's continued access to foreign capital — capital that was used to finance the government's galloping expenditure. The presence of the technocrats made the Philippines a good credit risk, and government was able to borrow heavily from both official and commercial sources for its programs and projects. This was especially easy as the international financial market was awash with the "petrodollars" amassed by the Organization of Petroleum Exporting Countries. International credit flowed freely.

In sum, while technocrats played some role in shaping the economic policies of the time, the developmental capacity of the state was bound mainly by the particularistic traits of the Philippine authoritarian regime.[38] This has led scholars such as Haggard to characterize the Philippine experience of martial law as a "weak" authoritarian regime with a limited capacity to pursue coherent

economic policies. Haggard identifies three key traits:

1. *development of a crony capitalist class dependent on preferential policies, monopoly powers, protection, guaranteed finance and government contracts.* Business-government relations typically feature a personal stake of the executive in the crony enterprise and the resulting breakdown of the boundary separating public from private enterprise.

2. *broad network of patronage extending beyond those with immediate personal ties with the executive.* Weak authoritarian governments rely heavily on instrumental patron-client networks to cement societal support generated by the continued importance of electoral politics. Marcos never achieved a legitimizing formula or party structure that would institutionalize his rule. Rather, after 1978 when Martial Law was ostensibly lifted, Marcos sought to "normalize" political life through a controlled opening to opposition activity and elections.

3. *diminished power of the technocrat and limited state capacity.* Technocrats were politically marginalized because: (a) they were of an insufficient number to influence decision making; (b) there were conflicts in the bureaucracy itself that the dictator could not or would not resolve; and (c) the executive could always circumvent the technocrats through its discretionary power over economic policy.

Policy under Authoritarianism

To consolidate the authoritarian regime, the administration adopted rapid growth as a major goal. As Table 1 shows, the Philippines indeed experienced high growth during the early phase of authoritarianism. The sector that contributed most to this growth spurt was industry, most notably the manufacturing and construction subsectors.

The manufacturing subsector's growth can be traced to government promotion of non-traditional export industries through tax credits and a slackening of licensing systems. Non-traditional exports grew at an annual rate of 13% and by the late 1970s, were contributing more than half of the country's total exports.[39] Because of this apparent priority shift, multilateral agencies were eager for the regime to pursue projects that would support an export-led industrialization strategy. They welcomed the integration of foreign investments into the Philippines, which was achieved through government's massive infrastructure development project. This included hotels, convention centers, cultural centers and a number of energy projects. Table 2 shows the rapidly expanded share of government in national output. In terms of investments, government's substantial share focused on construction and capital outlays.

Much of government's expenditure was channeled not through the line agencies but through government-owned and controlled corporations (GOCCs). Tables 3 and 4 illustrate the emphasis on GOCCs of government's ever-increasing expenditure in capital outlays. In one year alone, the investments by GOCCs skyrocketed from PhP346 million in 1975 to more than

TABLE 1
ANNUAL GROWTH RATES OF DOMESTIC PRODUCT, 1970-1976
(by industrial origin, 1972 prices)

	1970	1971	1972	1973	1974	1975	1976
Agriculture	1.8	2.9	3.8	5.2	1.6	7.1	5.2
Industry	2.8	6.3	7.5	12.5	3.4	8.7	7.7
Mining	18.2	20.9	2.5	4.1	-1.8	0.9	16.8
Manufacturing	4.4	4.5	6.3	14.8	3.3	2.9	7.5
Construction	-11.3	7.0	17.1	7.8	6.2	40.5	8.8
Utilities	10.4	12.5	3.1	5.7	2.9	5.9	4.7
Services	5.1	3.2	3.6	6.6	4.7	4.8	5.7
GNP	4.3	5.8	4.9	9.6	6.0	5.9	6.3

PhP2 billion in 1976. Most of these were in construction projects.

By the late 1970s, the government's apparent success with its development program even led then trade and industry minister Roberto Ongpin to hatch a plan that would concentrate government support on 11 import substituting industries in intermediate and capital goods production. International lending agencies such as the World Bank opposed the plan but could not challenge it until the outbreak of the debt crisis of the early 80s.

The government's growth strategy had one major weakness: its reliance on foreign debt to finance expenditure. Table 5 shows the unabated rise in the Philippines' external debt between 1970 and 1980. The spiralling ratio of debt to exports indicates the economy's dependence on external financing to finance its BOP balance as well. Such debt dependence was the Achilles heel of the authoritarian regime as the debt crisis later shut down many of the highly leveraged firms government was channeling funds to.

In sum, the years of authoritarianism were periods of growth as government relaxed fiscal and monetary policy to consolidate its rule. The regime took advantage of a relatively lax international capital market to fund growth. Despite the rules regarding the level of foreign debt, Marcos' absolute power enabled him to circumvent these and channel capital to preferred industries, most belonging to friends and cronies.

III
The Fall of Authoritarianism and the Transition toward Democracy

Economic Collapse and Opposition

Along with the worsening economy, the government's policies in the agricultural sector also fueled popular opposition from below. Long before the revolution of February 1986, a peaceful demonstration was held in Bacolod City in the south by some 5,500 workers, students and professionals to protest military terrorism. The workers of the sugar industry became especially politicized partly out of desperation and partly in the hope for a revitalization of the sugar industry. Similarly, workers in the coconut industry were agitated by their continued failure to collect the dividends due them under the investment schemes sponsored by the administration.

TABLE 2
GOVERNMENT EXPENDITURE, 1970-1980
(in PhP million)

	construction/ durable equipment (gov't)	consumption (gov't)	total gov't expenditure	total gov't expenditure growth rate	GNP	GNP growth rate	total gov't expenditure (% of GDP)
1970	605	4,250	4,855		49,856		9.7%
1971	749	4,653	5,402	11.3%	53,091	6.5%	10.2%
1972	1,191	5,260	6,451	19.4%	55,939	5.4%	11.5%
1973	1,333	5,879	7,212	11.8%	61,119	9.3%	11.8%
1974	1,858	6,744	8,602	9.3%	64,539	5.6%	13.3%
1975	2,633	7,263	9,896	15.0%	68,284	5.8%	14.5%
1976	4,310	7,416	11,726	18.5%	73,339	7.4%	16.0%
1977	4,836	7,485	12,321	5.1%	77,984	6.3%	15.8%
1978	5,441	7,710	13,151	6.7%	82,478	5.8%	15.9%
1979	5,614	7,995	13,609	3.5%	88,158	6.9%	15.4%
1980	5,634	8,294	13,928	2.3%	92,532	5.0%	15.1%

TABLE 3
GOVERNMENT FIXED CAPITAL FORMATION AND COMPONENTS, 1970-1980
(in PhP million, 1972 prices)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Government	605	749	1,191	1,333	1,858	2,633	4,310	4,836	5,441	5,614
Fixed Capital Formation										
National	425	534	728	107	1,448	2,163	2,303	2,214	1,655	2,373
Local	124	145	204	160	141	124	145	180	259	237
Corporation	56	70	259	101	269	346	2,135	2,442	3,527	3,004
Gross Domestic Capital Formation	9,929	10,645	10,890	12,073	14,835	18,323	21,139	21,121	22,928	25,493
% Share of Government	6.1%	7.0%	10.9%	11.0%	12.5%	14.4%	20.4%	22.9%	23.7%	22.0%

In addition to unrest among the masses, the intrinsic characteristics of the Philippine authoritarian regime led to a breakdown in the cohesion of the elite. The creation of government monopolies in the agricultural sector, as Hawes points out, significantly undermined the rural elite's capacity for wealth creation. Aside from being effective sources of revenue for the government and the cronies, these monopolies took power away from Marcos' potential challengers within these various industries.[40] Although limited in their power to oust the regime, the rural elite proved to be the breeding ground for the emergence of elite opposition to the regime. In the aftermath of the 1983 assassination of former senator Benigno Aquino, for example, the rural coconut landlords provided the leadership to the elite opposition movement.

In January 1981, a prominent Chinese businessman named Dewey Dee fled the country, leaving behind corporate and personal debts totaling between US$65 million and US$100 million. Several investment houses declined to roll over his debt anew, which in turn led to financial runs in other investment houses and Chinese banks. The unraveling of the international debt crisis, accompanied by a downturn in commodity prices as well as an increase in international lending rates, aggravated the situation. Initially, government pledged assistance to distressed investment houses and banks. A few months later, the administration announced it would give direct assistance to ailing non-financial firms affected by the recession and the uncertainties of the financial market.

The loudest clamor for assistance came from the highly leveraged crony firms. The Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP) engaged in more and more debt-to-equity swaps. The

TABLE 4
GOVERNMENT CONSTRUCTION EXPENDITURE, 1970-1979
(in PhP million, 1972 prices)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Private	2,593	2,445	2,531	2,510	2,494	3,858	4,625	4,924	5,029	5,534
Government	496	628	1,034	1,134	1,509	2,294	4,043	4,284	4,406	5,012
National	360	457	631	938	1,146	1,891	1,892	4,856	1,498	1,890
Local	80	101	145	96	96	59	105	113	152	158
Corporations	56	70	258	100	267	344	2,046	2,313	2,756	2,964
Construction	3,089	3,073	3,565	3,644	4,003	6,152	8,668	9,208	9,435	10,546
% Share of Government in Construction	16.1%	20.4%	29.0%	31.1%	37.7%	37.3%	46.6%	46.5%	46.7%	47.5%

TABLE 5
PHILIPPINE EXTERNAL DEBT, 1970-1980

	level (US$million)	ratio to nominal GNP (%)	ratio to export of goods and services (%)
1970	2,297	33.9%	174.0%
1971	2,393	31.0%	170.8%
1972	2,732	32.6%	188.0%
1973	2,886	27.0%	114.3%
1974	3,755	25.3%	105.5%
1975	4,939	31.3%	154.3%
1976	6,768	37.5%	196.5%
1977	8,069	39.0%	190.5%
1978	10,694	44.5%	217.8%
1979	13,352	45.2%	213.4%
1980	17,252	49.0%	215.4%

An "Internal" vs. "External" View of Debt-Driven Growth under Authoritarianism

source: Mario Lamberte et. al, *Philippine External Finance, Domestic Resource Mobilization and Development in the 1970s and 1980s* (Manila: Philippine Institute for Development Studies, 1992)

Critics blame the ambitious and aggressive expenditure program of the government during [the authoritarian] period as one of the major reasons for the rapid rise in external debt. By pursuing a counter-cyclical policy to maintain the momentum of martial law, the government ran up deficits which were covered by external borrowing.

Opposing this orthodox view are those who emphasize external shocks. Advocates of this position follow one of two approaches. The first approach sees the volatile external environment of developing countries as "random" external shocks in the commodity and capital markets. Increased demand for adjustment finance and expansionary fiscal policies to avoid the recessionary consequences of these unfavorable shocks lend credence to the conclusion that fiscal adjustment follows disturbances in the external balance. Another approach puts less emphasis on the unexpected shocks in world markets than on the institutional changes in world financial markets that provide new incentives to the international banking system and reduce the risks in channeling the global savings surpluses accumulated after the first oil price shock to sovereign borrowers in the developing countries.

Vigorous oligopolistic competition among large banks led to conglomerated loan syndicates and 'loan pushing', i.e., active selling of loans to Third World clients. With little experience in managing commercial bank loans, chronic foreign exchange constraints and seemingly attractive loan terms, countries such as the Philippines borrowed well over their required adjustment finance needs.

initial size of the assistance fund at PhP1.5 billion expanded to PhP5 billion in two years. Cuenca's CDCP sought an initial injection of PhP1.5 billion, and between 1981 and 1983, it was able to obtain funds equivalent to roughly 30% of total tax collections or 2% of GNP.

In the wake of the financial crisis, many of the crony firms closed shop. In 1981, because of the bailout of ailing investment houses and banks, the plebiscite and the elections, government spending reached precipitous levels. Government contributions to state-owned banks and the operating losses of other state-owned enterprises yielded huge budget deficits in 1980 and 1981, leading to the surge in government's short-term borrowing.[41]

By October 1982, the Philippine current account plummeted, with the Central Bank compensating for the shortfall by resorting to overnight borrowing. The problem ballooned in 1983 despite a new standby arrangement with the International Monetary Fund (IMF) and additional funding of US$300 million from the United States, another US$300 million from various New York banks, and an IMF compensatory financing facility of 188 million SDRs (special drawing rights). Government's response was to devalue the peso by an additional 7.3%, on top of the 10% devaluation enforced earlier and additional cuts in the budget. The government also negotiated a Structural Adjustment Loan (SAL) from the World Bank that was conditioned on a set of reforms including:

(1) lower protective tariffs
(2) liberalized import restrictions
(3) promotion and facilitation of exports and investments in export-oriented industries
(4) a "flexible" exchange rate policy to reflect basic market forces" (flotation of the Philippine peso)
(5) restructuring of specific sectors to integrate them in the overall export effort

Preconditions to availment of loans by international lending institutions would later become standard operating procedure for the IMF and other agencies, and would influence government policy even up to this day. As a result of such restructuring programs, trade reform was initiated in 1981 with a Tariff Reform Program that reduced tariffs from a maximum of 100% to 50%, lifted all quantitative restrictions or quotas and set the tariff floor rate at 10%.

At the same time, political opposition from the non-crony private sector was growing. The Makati Business Club (MBC) was formed in 1981 by prominent industrialist Enrique Zobel, himself from the landed gentry successful in diversifying to more modern enterprises such as banking and finance, to serve as venue for the business elite's discussion of national economic policy issues. The MBC was one of the first organized elite segments to come forward and openly criticize the regime, especially the official neglect for coherent and sustainable agriculture policies, the growing income disparities, and the graft and corruption in government. MBC members also lambasted government for its handling of the Dewey Dee scandal. The selectivity of the 'bailouts' and the privileges accorded their previous owners were a cause for resentment within the non-crony business sector, most vocally represented by former finance secretary Jaime Ongpin. The split in the ranks of the elite provoked a split in the elite, which was key to Marcos' subsequent downfall.

In 1983, the assassination of Aquino, erstwhile the elite opposition's most popular critic, set off a BOP crisis. The foreign credit market, already tight at the time, dried up. Capital flight was frantic. A new round of economic policy reforms was initiated in response, including an additional devaluation of 21.4%, tariff increases and tighter exchange controls.[42] The breakdown in

The 1980's Debt Crisis: A Taxonomy

source: Jeffrey Sachs, *Developing Country Debt and Economic Performance* (Chicago: National Bureau of Economic Research and University of Chicago Press, 1989)

The international debt crisis has already inspired many oversimplified interpretations. Ideas on this topic abound, often because they serve particular vested interests. Creditors blame the policy mistakes of the debtor government. Debtors blame the macroeconomic and trade policies of the creditor governments. Both sides are keen to neglect the more nuanced historical records.

The mainstream creditor interpretation holds that the debt crisis emerged because of the policy mistakes of debtor governments. Loans were wasted by inefficient states, or squandered in capital flight. "Successful" governments were those that pursued free-market policies, while unsuccessful government smothered economic growth with regulation. With sufficient economic reforms, including trade liberalization and an encouragement of foreign direct investments, the debtor countries will be able to grow out of the crisis.

Most creditors have also maintained that the only proper management of the crisis is to insist that the debtor government honor its debts in full, since to do otherwise is to threaten the international financial system. Debt relief to the debtors, they suggest, will ultimately hurt, rather than help, the debtors themselves because it would cut the debtors off from future borrowing from world financial markets, thereby hindering economic growth.

The debtor perspective, on the other hand, believes the crisis erupted because of the rise in world interest rates, the fall in commodity prices and the collapse of world trade in the beginning of the 1980s. It faults the macroeconomic policies of the creditor governments, particularly America's fiscal policies, for many of the global shocks. Debtor governments typically downplay the role of debtor country policies in the crisis and often criticize advocacy for "free market policies" as serving foreign interests, at the expense of domestic welfare.

Many debtor countries believe successful adjustment requires some form of debt relief. Any effort on their part to honor the debt burden through increased exports, they contend, would merely encourage creditor countries to enforce some offsetting protectionist measures. In addition, an austerity program designed to service the debts per the original terms would aggravate political and economic instability. Such austerity programs are therefore self-defeating and detrimental to both creditors and debtors.

In truth, the debt crisis swelled from a combination of policy actions in both debtor and creditor countries. Jeffrey Sachs specified several key points:

Global Shocks. The Eurodollar market and OPEC price shocks of 1973 -1974 set in motion a period of rapid bank lending to developing countries. Policies in developed countries led to rising interest rates and growing debt-to-export ratios (a warning indicator of the level of debt).[a] Commercial bank lending dried up after these ratios began to soar.

Bank Lending Behavior. Few observers saw the full risk in international lending, least of all the lenders themselves. From the mid-'70s onwards, the commercial banks profited enormously on cross-border lending to the developing countries. A combination of high export growth and low interest rates at the time meant that debt-to-export ratios were under control, despite the heavy lending. Few banks were concerned whether or not the debtor countries were capable of servicing their debts if this was to come out of their national resources, rather than as new loans.

Debtor-Country Politics. Commercial banks did not seriously consider the politics of debtor countries. As loans were not serviced out of the country's own resources but out of fresh borrowing, the countries were never put to the test of whether their loans were well used and their economic policies sound.

Debtor-Country Fiscal Policy. Many of the policy actions in debtor countries were not "mistakes" or even technical miscalculations but the result of deeper political instabilities and constraints. In Latin America where inequality of income is pronounced, for example, political contestation tends to be fierce and often results in chronically large budget deficits. Governments may also be too weak to resist the demands of spending by various highly mobilized social groups. At the same time, these governments can not or will not raise taxes on the economic elite. Foreign borrowing then becomes an appealing option to finance large budget deficits without incurring high inflationary costs in the short run.[b] Another reason why governments tended to borrow abroad was to maintain a certain fixed level of their central banks' foreign reserves. But, as with several other debtor countries, the Philippine government increased transfer payments to the private economy by printing money, which weakened the exchange rate and drove inflation up. Central Bank had to sell foreign exchange in return for domestic currency, as a result depleting its reserves and forcing it to borrow.

The Trade Regime. Governments with a protectionist regime were led to warped or distorted investments spending. The allocation tended to favor non-tradables and import-competing goods, instead

of exportables. In cases where the loans were not used to finance consumption spending and were instead invested, the investments turned out to be in inefficient undertakings.

[a]In the happy instance that interest rates are below export growth rates, borrowers can borrow all the money they need to service their loans without suffering a rise in the debt-to-export ratio (since exports will grow faster then debt). In other words, the borrower does not have to use any of its own resources to service its debts. Once the interest rate rises above the export growth rate, however, the country cannot simply borrow money without incurring a sharp rise in the debt-to-export ratio. Sooner or later, the country will be cut off from new borrowing, and will have to finance its debt servicing from its own resources, i.e., through trade surpluses.

[b]By printing money to finance its expenditure, government raises the money supply, thereby inducing demand-driven inflation.

investor and business confidence led to a cancellation of the IMF program, the first time in Philippine history that a Fund agreement was terminated for noncompliance.[43] By October of that year, the Philippines declared a 90-day moratorium on its external debts. By December, it was uncovered that the Central Bank had manipulated the country's BOP position and reserves, thereby confirming that the economy was worse off than what government and government data had presented it to be.

Credibility problems intensified as international and local lenders withdrew their vote of confidence in the Philippine financial system. The problem was especially acute for the technocrats in government that handled the fiscal and monetary policies.

Because of the government's bailout of troubled local enterprises as well its poor oversight, expenditure grew dramatically. Government losses were also compounded by the forward swap arrangements made by the Central Bank to favored private firms. The devaluation, in effect, made the sale and repurchase of foreign currency a prohibitive and losing proposition. Inflation rose, leading to the emergence of a black market in currency trading, the lifting of price controls and panic buying — which all added fuel to the fire and increased inflationary pressure. Real wages declined. It was clear at this point that what was initially a crisis fiscal in nature had turned into a generalized economic standstill.

The underlying reason for the delay in remedial policies for real adjustment was the upcoming elections of 1984. Recall that the legitimacy of the regime depended on its maintaining a sense of "normality" even as power continued to be centralized in the office of the presidency. Elections were part of this "normalizing" process and with these, patronage, the key to winning an election. As such, the May '84 elections required continued government expenditure

for pork-barrel projects (concentrated mostly in the office of wife Imelda Marcos as minister of human settlements), wage increases for public employees and other campaign spending, all sourced from public funds. The adjustment measures needed to curb inflation and promote stability were deferred to satisfy popular demands. Government chose not to "rock the boat" with the elections imminent. Post-election policy revealed the regime's true nature. A few days after the elections, Marcos instituted an increase in the tax on petroleum products to augment government coffers and thereby meet IMF targets. He also instituted a 22% devaluation and additional budget cuts.

By August, the Central Bank launched open market operations by issuing high-yielding Treasury bills (T-bills). These were aimed at defending the exchange rate, keeping capital in the country and meeting the IMF's demand of reduced liquidity in the system before an agreement could be reached. The need to re-establish credit worthiness was a clear agenda. By October, a new IMF agreement had been signed.

The effect of the stabilization episode on the economy was clear and immediate. The 90-day T-bills rose to a high of 43% by the end of the month. Within two years, inflation was pulled down from 68% to 3% by early 1986. The high-interest-rate regime brought on an economic depression as GNP declined by 5.5%, employment by 5.6% and investment from 27.5% to 18.5% of GNP. The Philippine economy had entered the boom-bust cycle again.

Coalitions for Change and the Push for "Democracy"

The characteristics inherent in a weak authoritarian mode of governance inevitably rendered the sustainability of such a regime impossible. The rise of cronyism under the banner of the state's developmental role created severe rifts in the elite. Cronyism provided an unstable and unsustainable policy environment from which capitalist growth could proceed. It also denied the legitimizing effect of growth. The normalization of political life through an election contributed to the continuance of patronage, and consequently, to economic instability as well. The limited capacity of the technocrats in setting economic policy, as well as the dictator's personal involvement in wealth creation, resulted in an environment where state capacity to implement necessary economic reforms was severely hampered. What happened instead was the perpetuation of the "neo-patrimonial" function of the state in wealth creation.

No doubt, the EDSA revolution of February 1986 was the shining moment in bringing authoritarianism to an end and putting the country back on the democracy track. The spectacle that was the EDSA revolution was initially a military coup headed by former constabulary chief Fidel Ramos and former defense secretary Juan Ponce Enrile. With them was a band of young military officers dissatisfied with the status quo, the Reform the Armed Forces Movement (RAM). The coup had intended to take over the two adjacent camps along EDSA in Metro Manila. The coup leaders barricaded

themselves inside Camp Aguinaldo on the afternoon of 22 February and called on Marcos to step down. With the RAM forces firmly entrenched, government forces, led by former chief-of-staff Fabian Ver, were ordered to remove the insurgent elements occupying the camp. This, however, proved difficult as military personnel could not bring themselves to fight former comrades. What could have been a short-lived but bloody military takeover became a standoff between government and RAM forces.

Shortly, Manila Archbishop Jaime Cardinal Sin appealed on nationwide radio to Filipino citizens and the faithful to protect and support the soldiers who had attempted the coup. People began assembling at EDSA until presently, this was teeming with people. It was along EDSA where a young lady was recorded by camera placing flowers into the barrels of soldiers' guns to signify peace, and where citizens stood arm in arm against the threat of being crushed by a tank — images that shook the world and are now etched into the Filipino consciousness.

Marcos was initially unfazed. He ordered the military to use all force necessary to quell the revolt. But as millions more gathered at EDSA to denounce the

TABLE 6
INFLATION UNDER AQUINO, 1986-1992

		Percent (%)
	1992	8.9
	1991	18.7
	1990	14.2
	1989	12.2
	1988	8.9
	1987	3.8
	1986	0.8
(Marcos dictatorship)	1985	23.1
	1984	50.3
	1983	10.0
	1982	10.3

regime, government forces had to face a tough choice: fire on innocent civilians or obey their commander-in-chief. The more Marcos persisted, it seemed, the more demoralized his soldiers became.

Finally, faced with an obviously resolute, unbending opposition, Marcos fled the presidential palace, along with his family and close advisers, via helicopter. On hearing the news of Marcos' departure, people stormed the palace. A frenzied melee bordering on a riot ensued. Thereafter, Corazon Aquino was sworn into the presidency, signifying the end of almost 14 years of dictatorship.

The February 1986 revolution was a 'paradox' in more ways than one. The Aquino assassination had set the stage for the politization of several groups, and the vocal articulation of their sentiments. The politization of the Catholic church as well as the internal conflicts among the regime's power holders were also factors that contributed to the regime's demise. The revival of traditional opposition also played a role in the revolution, mainly through its bid in the 1984 parliamentary elections that elicited an unprecedented level of political participation in the Philippines.[44] The rise of formal political opposition to the regime through electoral contests was supported by many segments of the elite by then thoroughly dissatisfied with the regime's performance. Likely, many erstwhile apolitical segments of upper society were moved to action due to the growing predatory nature of the regime and the economic slump that the regime's policies had invited. Marcos' former political opponents were substantially disenfranchised and severely weakened by the early '80s due to the sequestration of economic bases. In a land where wealth is one of the primary determinants of political success, this should have spelled the death of those members of the elite who chose not to side with the strongman. However, given the growing politization of many members of the elite, a critical mass was forming such that the opposition had real chance of regaining power and influence. This was especially true after a number of grassroots groups allied themselves with traditional opposition.

This is not to say, however, that the left groups had the weaker hand. Since the mid-'70s, popular opposition to the regime was already growing steadily. Although there were a number of middle-class anti-dictatorship groups — those labeled as 'social democratic', the largest, best organized and most elaborate opposition force was the national democratic movement led by the Communist Party of the Philippines (CPP). The New People's Army (NPA) provided an organizational focal point for rural resistance. The CPP's elaborate urban organizational infrastructure provided a channel for the anti-dictatorship upsurge generated by the murder of Aquino.

In many respects, the exponential growth of the anti-dictatorship fed off the worsening social conditions which, in turn, were both a product and source of the dictatorship's position. The grassroots or mass movement

opposition was spearheaded (and some would say 'dominated') by the National Democratic Front (NDF), the communist party's 'above-ground' umbrella organization. Composed of various NGOs and POs, the NDF enjoined the people to more militant forms of activism, including armed struggle against the dictatorship for the increasing repression of the regime had made other avenues of political opposition futile or ineffective. The abolition of various government branches had muzzled elite opposition. The repression of public mobilization through state-backed violence also limited the actions available to more moderate elements of society. The moderate left groups gravitated toward more radical approaches. As pundits quipped, Marcos was the radical left's no. 1 recruiter. Limited options became the central reason behind the

TABLE 7
GNP AND GDP, 1986-1992, BY EXPENDITURE SHARE
(in PhP million, at current prices)

	1992	1991	1990	1989	1988	1987	1986
Personal consumption expenditures	1,019,209	916,384	767,061	649,276	558,765	482,330	490,701
General government consumption expenditures	130,524	123,885	108,843	85,376	72,183	57,333	46,150
Gross domestic capital formation	288,401	252,327	260,165	202,113	147,515	123,186	84,591
1. Fixed capital formation	282,783	250,147	248,954	193,181	143,184	116,373	86,211
Construction	132,356	119,858	129,624	98,937	73,184	63,043	42,624
Durable equipment	126,430	109,521	101,968	79,030	56,951	42,112	43,587
Breeding stock and orchard development	23,997	20,768	17,362	15,214	13,049	11,218	
2. Changes in stocks	5,618	2,180	11,211	8,932	4,331	6,813	-1,620
Exports of goods and non-factor services	393,706	369,377	296,415	263,880	226,431	182,179	155,300
Less: Import of goods and non-factor services	459,911	406,698	358,458	280,118	215,292	179,030	14,246
Statistical discrepancy	-20,370	-7,264	3,301	4,634	12,917	19,070	42,800
Gross domestic product	1,351,559	1,248,011	1,077,237	925,161	802,519	685,068	619,696
Net factor income from the rest of the world	34,003	18,059	5,320	-11,318	-7,360	-11,938	-15,499
Gross national product	1,358,562	1,266,070	1,082,557	913,843	795,159	673,130	604,197

nature of the political opposition of social movements counter to the authoritarian regime.

But although the opposition movement was uniformly anti-fascist and counter-regime, it was splintered in terms of *ideological* reasoning, and this led to often antagonistic clashes between groups espousing disparate alternative visions of Philippine society.

What then was at the root of the anti-dictatorship movement in the Philippines, and was the EDSA revolt the logical result of this? Broadly, the causation of the downfall of the regime and the push for democracy can be classified into two: the regime's intrinsic characteristics and non-intrinsic or exogenous factors.

First, the regime's intrinsic or endogenous characteristics, as described in Haggard's model of "weak" authoritarian governance, ultimately rendered such a regime unsustainable. The existence of cronies and the boundaries that cronyism set on the allocation of state rents within Marcos' circle had alienated a large segment of the Philippine elite, thereby weakening the political hegemony of the Marcoses. Political decay almost invariably sets in when the state's developmental role is actualized without including a broad segment of society — or even a broad segment of the elite.

With the power of the technocracy severely limited and oversight virtually non-existent, both the crafting and management of development policies were poor. The result was a debilitation of the economy that only further blunted support for the regime from the elite and non-elite, as well as from foreign capital. The structure of the political economy of authoritarianism was a significant cause of the regime's downfall.

Second, the non-intrinsic or exogenous factors also had a role in the collapse of authoritarianism. The assassination of Benigno Aquino, for example, paved the way for the rapid politization of middle-class groups, the main players in the EDSA revolution. The walk-out of officials of the Commission on Election during the tallying of the 1985 snap elections disputed Marcos' claim of having the people's mandate and therefore also weakened his hold. Incidents such as these may have had little connection to the nature of the political-economic configuration of the authoritarian regime but made a significant contribution to the regime's downfall. In addition, the regime's relentless political repression might have also unhinged some value for democracy embedded in the Filipino psyche.

Despite the progressive groups' involvement in the efforts to oust Marcos, the 1986 revolution was far from being a revolution of the masses. In fact, many of those directly involved were from Metro Manila's middle class. Many would eventually lay claim to "owning" or "initiating" the revolt. But the EDSA phenomenon was fundamentally a moderate, civilian-based uprising against Marcos. The progressive groups had only an indirect hand in it while the military would have most certainly failed without the civilian support.

Notes James Rush, the timing of the long-awaited change of government preempted extreme alternatives and gave new life to the political center, the undeniably *elite-led center* with its complex democratic vision of itself and its fervent belief that elections can set things aright.[45] As we shall see later, because of the nature of the revolt, the succeeding regime was a restorationist one, bringing back the institutions of pre-martial law politics without seriously addressing the most pressing structural problems of Philippine democracy.

Economic Policy in the Transition Phase

The coalition that brought president Corazon Aquino to power was broad and heterogeneous, spanning the entire political spectrum from Left to Right. The strong right presence was personified by the inclusion of Enrile and Ramos in her cabinet. Center forces were also responsible for bringing Aquino to power. Politicians from traditional political clans were instrumental in solidifying her control, especially in the rural areas. Left-of-center involvement came with the designation of Joker Arroyo, a long-time human rights activist, as her executive secretary, and Augusto 'Bobbit' Sanchez as secretary of the Department of Labor and Employment.

Aquino's legitimacy from society was just as broad. Hopes of improvement in the lives of the Filipino, after years of suffering under the authoritarian regime, ran high. Such legitimacy that the Aquino regime enjoyed in the first few months of its administration gave it a particularly favorable position. It could implement any number of policy choices without significant opposition. In fact, contrary to the notion that democracy was restored right after the February 1986 uprising, Aquino exercised a degree of power equivalent to that of an authoritarian ruler. Ironically, the first acts of Aquino's presidency resembled Marcos' actions in declaring martial law: the dissolution of the National Assembly; a sweeping purge of regional and local governments, the judiciary and the armed forces; the replacement of ousted officials by Aquino loyalists; and the sequestration of assets of political opponents. In the first 18 months of her term, she ruled by presidential decree.[46]

Policy-making during the first few months of the Aquino administration was limited to the president and her close advisers. External actors, most importantly the US government and foreign lending institutions, exercised more influence than the domestic actors outside the Aquino circle. During the Marcos regime, the government had forestalled many of the reforms prescribed by the IMF and instead relied on a debt-driven growth strategy. During the early Aquino phase which was marked by severe capital constraints resulting from the policies of the previous regime, credit worthiness became one of the main goals. The initial reform initiatives of the Aquino government hewed to the IMF remedy of more market-oriented policies. Export promotion received strong endorsement, as did a number of other reforms championed by the World Bank and the IMF: the dismantling of agricultural monopolies,

tax reform, disposition of non-performing assets of the state-owned banks, privatization of other state-owned enterprises, trade liberalization, and a more flexible exchange rate.[47]

Favorable external conditions, most importantly increased aid, made implementation of these policies possible. From US$1 billion in 1985, foreign aid increased to US$1.8 billion in 1986. The current account posted a US$1 billion surplus. Foreign exchange reserves were replenished and terms of trade improved due to a drop in oil prices and better copra prices.

Government's relations with the IMF and the World Bank improved. But the huge spending during the snap elections of 1986 caused the Philippines to overshoot IMF targets. The Aquino regime faced a serious threat of instability with the possible withdrawal of IMF sponsorship. Instead of reworking the original restructuring program, the IMF chose to draft a *new* program that contained many of the reforms Marcos had resisted. At the same time, the IMF allowed for election-related increases in the money supply for the polls held in 1988. Under pain of displeasing creditor institutions, government agreed to honor all external debts instead of opting for "selective repudiation." In March 1987, an agreement was signed that restructured US$3.6 billion in debt due between 1987 and 1992, and US$5.9 billion due in 1995. The restructuring was comparatively favorable for the Philippines as it reduced debt servicing cost substantially.

The extraordinary powers enjoyed by the regime in its infancy made for easy passage of reforms including the tax reforms the Marcos regime desisted in anticipation of the snap elections. The Aquino administration, together with the IMF and World Bank, drafted so comprehensive a change in tax policy that shortly after the EDSA uprising, 29 new separate tax measures were approved, including the value added tax. The new government also pursued the trade liberalization program stalled under the Marcos regime. The liberalization program was to come in two phases: (1) the tariffication of quotas and lifting of other non-tariff trade measures; and (2) a reduction in the level of tariffs. By April 1988, import bans and quantitative restrictions had been lifted on 17% of the Philippines' total imports, compared with only 1% in the early '80s. The government committed itself to the remainder of the program despite significant opposition within the cabinet itself.

In its early years, the Marcos authoritarian regime enjoyed the confidence of foreign creditors mainly due the presence of technocrats in key government economic agencies. But as time drew on and the failings of the administration's economic programs became more and more apparent, international support waned. But the debt crisis made the international lending agencies more rigid and several conditionalities were attached to many of the new loans government had requested from the IMF and the World Bank. With the drying up of commercial sources of capital, government became increasingly reliant on official sources of credit. The government's debt management strategy was

one that aimed to reduce resource outflows with new money from the commercial banks and increased official development assistance (ODA) from the Paris Club countries.[48] Many members of the negotiating panel considered the IMF deal a crucial first step in convincing the consortium of commercial creditors and the bilateral creditors of the Paris Club to lend new money to the country for the rescheduling of its maturing debt obligations. A standby agreement with the IMF, tantamount to a seal of good housekeeping, was indispensable. In April 1989, it submitted its "Letter of Intent and Memorandum on Economic Policy" (LOI-MEP) to obtain IMF loans totaling US$1.5 billion over the next two years.[49]

Prudence in financial and monetary policy was observed during this time as government tried to keep inflation below double-digit levels in compliance with IMF conditionalities under the 1987 restructuring program and the three-year Extended Fund Facility obtained in 1989. The restricted monetary expansion led government to shift to domestic financing, which was done through the issuance of high-yielding government securities that resulted in a rapid build-up of domestic public debt.

Penalized by the excesses of the previous administration, government policy was forced to adopt "the rules of the game" to keep money flowing into the

TABLE 8
GROSS NATIONAL PRODUCT, 1990-1997
(by industrial origin, in PhP thousand, at current prices)

	1990	1991	1992	1993	1994	1995	1996	1997
Agriculture, fishery and forestry	235,956	261,868	294,922	318,546	372,507	412,197	470,341	486,849
Industry	371,347	424,504	443,813	481,900	550,709	611,474	697,022	77,609
Services	469,934	561,639	612,824	674,011	769,716	882,657	1,029,232	1,187,737
GDP	1,077,237	1,248,011	1,351,559	1,474,457	1,692,932	1,906,328	2,196,595	245,219
Net factor income from abroad	-5,804	6,551	23,279	25,830	43,450	52,604	86,363	112,873
GNP	1,071,433	1,254,562	1,374,838	1 ,500,287	1,736,382	1,958,932	2,282,958	2,565,068
Per capita GNP (in US$)	710	717	825	826	958	1,084	1,211	1,184

country. The multilateral institutions, it could be argued, took advantage of the country during this weak period by pushing forward their reform proposals. But the authors of these reforms programs did not necessarily come direct from multilateral lending institutions. Local actors played a significant role in forging government's economic policies. Private-sector opposition played a significant role not only in toppling the Marcos dictatorship but also in the policy setting thereafter. All the major economic portfolios, with the exception of the National Development Authority (NEDA), were controlled by representatives of the opposition.[50] Jaime Ongpin, chairman of a large mining company and leader of the Convenor Group that organized business opposition against Marcos, was minister of finance; Jose Concepcion Jr., another prominent businessman whose success was largely founded on import-substituting industries, was minister of trade and industry; and banker Jose Fernandez was Central Bank chief.

Local economists, including those from University of the Philippines' (UP) School of Economics, were also involved in the development of Philippine economic policy in the post-authoritarian regime. A 1984 workshop paper by the UP economists made a stinging criticism of the Marcos regime's economic policy making and management. So persuasive was this paper it served as the basis of the business community's analyses of and opposition to the Marcos regime. Solita Monsod, a faculty member of the UP School of Economics, was subsequently appointed NEDA director general. In addition to the analysis of the UP School of Economics, the intellectuals from various Catholic universities (especially of the Jesuit congregation) as well as the religious right associated with the Center for Research and Communication (renamed since as the University of Asia and the Pacific) also issued their own critiques of Marcos' economic policy. Using these inputs, the Philippine Institute of Development Studies under NEDA wrote a comprehensive policy paper that became the core of much of government's economic policy. The report was especially influential in the adoption of more market-oriented policy and institutional reforms. But the paper also gave explicit emphasis on asset redistribution.

That government focused more on the market-oriented reforms was not the doing of international lending institutions alone. Given the recent disastrous experience of pervasive government intervention in the economy under the authoritarian regime, the adoption of more market-oriented strategies can be seen as a direct response to the failure of the Marcos' political and development agenda. During the early months of the Aquino regime, market-oriented policies took on a progressive cast.[51]

The initial economic programs of the Aquino regime were also aimed at quelling communist insurgency. The previous regime's failure to promote rural development had propelled the communist movement's growth. The new regime's response was to develop a program that would stem the continued

unrest in the countryside, the Community Employment and Development Program (CEDP). The CEDP was also designed to stimulate economic demand, with the economy having just been through a stabilization program to rein in inflation through tremendous increases in interest rates. Cost at about US$195 million, the CEDP was intended to generate over 600,000 temporary jobs during the second half of 1986 and 1987 in the construction or improvement of roads and irrigation systems in the countryside. The program was also useful as a source of patronage, especially in the campaign for the ratification of the new constitution and the congressional elections.

The Aquino administration set the stage for the development of a 'market consensus' that would dominate economic policy determination until the Ramos administration. Given the aversion of non-crony big business to excessive government intervention and pressure from various international lending institutions, the new government quickly moved to decontrol key economic sectors, particularly the sugar and coconut industries. Import and export bans on these products were immediately lifted. The removal of restrictions on wheat, soy bean and meat product imports came next, followed by the privatization of government-owned businesses. By May 1987, some 117 government assets were approved for privatization including the National Steel Corp., Philippine Airlines, the Manila Hotel, and five commercial banks, 19 subsidiaries of the Philippine National Oil Co., 17 sugar mills, 11 cement companies and several mining companies.[52]

But the economic policies of government were shaped not only by the three parties: the international lending institutions, academics, and members of the traditional and modernizing elite. Grassroots and progressive forces also influenced economic policy, albeit only indirectly. The coalition that brought Aquino to power had to ally itself with the other, more progressive anti-Marcos groups carrying more radical demands, or at least not directly antagonize them. As a result, planned programs tried to tread between the interests of the masses and the elites. Proposals for wealth redistribution through land reform and selective debt repudiation espoused early on by the administration would eventually face significant opposition from conservative business groups and landowners. In addition, pressure by the military, the church and the United States also constrained government action on a variety of other issues. Foreign pressure was especially acute on the issue of selective debt repudiation.

By the time the government's economic program was finalized, its redistributive thrust was watered down considerably. The plan for wealth redistribution through land reform and taxation was softened. The suggestion of selective debt repudiation submitted by Solita Monsod, one of the most vocal critics of the Marcos regime the NEDA director general then, was altogether ruled out, a position that belied the capital-dependent nature of the economy. Members of the cabinet who belonged to the business community were the ones most adamant against such a policy, arguing that this would drive

away investors and deprive the country of badly needed investments.

A more critical perspective suggests that the final official response to the proposal for selective debt repudiation stems from the conservative elite's strong influence on administration policy. Big business eventually joined the fight against the Marcos regime precisely because of the dictatorship's loss of credibility with international creditors. The adoption of any independent debt initiatives would have disrupted interests in trade and capital flows, and thwarted the elite's overarching need to maintain its links with transnational finance.[53]

Although the attempts to implement economic reform in the early phases of the Aquino administration were earnest, the harder structural reforms required for the deepening of democracy were deferred. The omission was most evident in the drafting and implementation of the Comprehensive Agrarian Reform Program. A so-called yellow book, which laid bare a tentative outline of the administration's priorities, was emphatic on the need for social reforms, in addition to structural reforms, for development to take hold. This meant a redistribution of assets to address the country's grave income inequality. However, Aquino hesitated to push forward a progressive land reform law and instead relegated the burden to the incoming House of Representatives. Five days before the opening of Congress when she loses her legislative powers, Aquino issued Proclamation No. 131 and Executive Order No. 229, which provided the mechanisms for the implementation of comprehensive agrarian reform. The decrees, however, contained two important concessions to landowners. First, compensation was to be based on the landowner's declaration of current fair market value (in contrast to the lower value landlords declare for tax purposes). Second, Aquino fixed no retention limits for sugar or coconut lands, leaving this matter to Congress. In doing so, the administration gave the landlord-dominated Congress the perfect opportunity to dilute the redistributive intent of an agrarian reform program as well. For the majority in the House of Representatives, a strong land reform bill would have meant the loss of their local power base. So while the final legislation for agrarian reform was more progressive than any previous attempt at land redistribution, this was far from what was originally envisioned.

> *The potential redistributive impact of land reform was greatly diminished by the constitutional requirement that landlords be paid 'just compensation' for their land. This eliminated from the outset one route to greater equity: the partial expropriation and redistribution of land. Secondly, it is regrettable that the [Comprehensive Agrarian Reform Program] is limited in its potential impact on land distribution because of the high retention limit it sets. . . . Aquino made almost no effort to promote a strongly pro-reform policy or to build a national constituency for agrarian reform, so we are left wondering, how much more could have been achieved if she had taken the lead?*[54]

The Aquino government also endeavored to reestablish democracy with the reintroduction of national and local elections and the restoration of the House of Representatives. Indeed, with the opening of Congress, the country was perceived to be on the road to democracy. However, plainly enough, if one makes the crucial distinction between a mass-based democracy and an elite one, the holding of elections merely restored an old political order. It did not signify a breakthrough in democratic governance. Democratization requires that reforms be made in the economic, political and institutional spheres. At best, the reconvening of Congress enabled elements of the previously excluded elite to become involved in policy making anew, raising the intractable problems of democratic reformism such as horse-trading, patronage and rent-seeking.

In summary, with the push for democracy and its reestablishment during the Aquino period, the old system of elite domination resurfaced. In this period, the Philippines grappled with a dual transition, tackling both the rebuilding of a more democratic system of governance and the consolidation of government through economic stabilization. This meant that government policy was significantly pressured to give in to the preferences of international lending institutions, which resulted in a decline in government's role in the economy and a shift toward more market-oriented strategies. But it would be a mistake to conclude that the Aquino administration was able to carry out important economic reforms because it operated under the auspices of a working democracy. Under democratic regimes, it is believed, economic reforms are harder to implement because these often entail sacrifice from particular segments of society, or a degree of their disenfranchisement. Democracy requires a consensus before a particular change is effected, and often, this consensus is difficult to achieve if the potential effect of the change is negative in the short run although beneficial to the economy as a whole in the long run. The Aquino regime was enabled to undertake reform by a combination of the administration's legitimacy, the political space provided by the regime's moral ascendancy, and its de facto power before the reestablishment of Congress.

But even with such generous latitude, the character of economic policy reveals the indomitable strength of traditional forces in restoring an old political and economic order most evident in the government's debt negotiations and land reform program. The elections for the House of Representatives further strengthened the position of the traditional elite. Economic policy was still significantly determined by various members of the elite. "Given the inequality in the distribution of wealth, only the able are capable of providing political muscle and the poor, 'invisible majority' remains — invisible and thus inconsequential to policy making."[55] No wonder, the Aquino regime has been found by many an essentially restorationist one that brought back the economic and political order of pre-Martial Law Philippines.

Thus, while Philippine history from the 1970s to the 1990s is characterized by major political upheavals and changes, the essential characteristics remained the same. The Marcos regime tried to address the developmental problems created by the oligarchy's use of political resources for wealth creation but succumbed to economic collapse for exactly the same reasons. The Aquino regime restored many of the institutions required for democracy to work such as elections and a free press, but likewise confined participation in economic policy planning and implementation to the upper echelons of society. In Philippine history and politics, continuity and change are always present.

IV
Democratization in the Philippines: The Struggle Continues

The Ramos Years: Attempting State Reform

The Ramos administration promised to continue the gains that the Aquino administration had achieved in the two areas of democracy and development, but more so in the latter. During this administration, the dream of NIChood was first articulated. That grand project, known as Philippines 2000, was launched. The regime tried and succeeded in pushing for economic policies such as the further liberalization of the economy, the reduction of government intervention where it was perceived unnecessary and the enhancement of the decentralization process in the country. In essence, the development plan called for the continuation and acceleration of many of the pro-market reforms that the previous administration had initiated, including:

(1) The liberalization of entry into the telecommunications industry by the issuance of licenses to other telecommunications companies
(2) The deregulation of the downstream oil industry which
   - allowed oil companies to set prices based on market forces
   - removed the subsidy on oil prices
   - allowed free entry and exit of oil firms into the industry
(3) Trade liberalization, the reduction of tariffs and the removal of quotas on agricultural products
(4) The privatization of government-owned and controlled corporations including utilities such as water and electricity
(5) The liberalization of capital flows into and out of the country

At the onset, the Ramos administration pledged to change the Philippine economic system by destroying monopolies and cartels that had propped up the elite segments of society. The Ramos economic program contained elements of liberalization in foreign trade, including a reduction of tariffs on imports of previous "untouchables" such as agricultural produce and import-substituting goods. The liberalization program extended beyond the scope of trade to include local industries such as telecommunications and

banking. The effort was especially successful in the telecommunications industry previously monopolized by the Cojuangco-owned Philippine Long Distance Telephone Co. The first challenge to its grip of Philippine telecommunications and telephony came from an upstart, the Lopez-owned BayanTel Co. The liberalization of telecommunications spawned a wide range of communication services such as cellular phones and paging systems.

The liberalization of the banking sector, while not an all-out success, paved the way for the entry of a number of foreign banks. The Ramos administration also pursued the deregulation of the downstream oil market, no small feat considering that oil prices have historically been extremely sensitive political issues. Government's privatization program also disposed of key government corporations including the Manila Waterworks and Sewerage System, which was sold to two firms, Maynilad of the Lopezes and Manila Water of the Ayalas.

While never popular, market-oriented policies have a distinct constituency in Philippine society. The Marcos regime was perceived to have focused excessively on the developmental role of the state, which bred inefficiency, rent-seeking and wider room for the use of the state to generate private wealth. More market-oriented policies, on the other hand, would seem to promote a "level playing field" which many members of big business believe will be the salvation of Philippine capitalist development. More market-oriented approaches to government policy would be the antidote to the perennial boom-bust cycle of the Philippine economy where industries rely on protectionism, wealth is created through preferential government arrangements, and development depends on foreign sources of capital. At the same time, even advocates of this minimalist form of government see the need to create a stronger state that can provide a good *institutional and regulatory* framework for capitalist development to take root and develop.

The framework for transforming a weak state vulnerable to the dictates of the oligarchy into a strong one where state capacity can resist extraneous pressure was elaborated by former national security adviser Jose Almonte, allegedly Ramos' right-hand man. Almonte consistently noted the weakness of the Philippine state and insisted that effective political reform required market integration. "Little by little, the open economy imposes its own restraints on the political system by raising the political costs of the abuse of power."[56] The dismantling of cartels and monopolies, and the privatization of inefficient state firms became among the administration's primary objectives, a decision that initially put it on shaky ground with the nation's elite including the Ayalas and the Lopezes who felt they were being blamed for the country's difficulties.

Despite opposition, actual and potential, from both the left and the oligarchy, the Ramos regime was able to carry forward many of these market-oriented policies. What accounts for the apparent success of its reform project? One explanation is the robust economic growth that enrolled many to the "magic

of the market." In the beginning, big business was extremely agitated by and apprehensive of the Ramos economic program. Many found this to be "anti-business." But after a few years, business' support of the Ramos agenda zoomed high, so high that financial markets took a nosedive when Ramos showed signs his health might be failing. This turnaround can be traced to the economy's relatively high growth during the first few years of the administration, a clear signal to the business sector that the Ramos policy was working.

Furthermore, the Ramos administration's liberalization program appears to be key to altering the political and economic order in the Philippines. Hutchcroft says, "In particular we can hope that it will promote the differentiation of a political economic elite that has up to now been quite undifferentiated or homogeneous, and encourage the growth of new entrepreneurial forces able to challenge the prevailing system where economic opportunities are monopolized by a few."[57]

Ramos' liberalization policy promoted economic growth by spurring the influx of foreign investments. The liberalization of the Philippines' capital account enabled large sums of foreign capital to flow freely in and out the country. The surge of 'hot money' into the Philippine financial system coincided with the development of the local capital markets as well as the exuberance of global capital over the Asian developing markets. Table 9 lists the major factors that contributed to the rush of foreign capital into the country.

The Philippines was not an isolated example. The capital surges it experienced were similar to the boom of the financial sector in many other developing countries at the time. Portfolio flows to developing countries had soared from US$7.5 billion in 1989 to US$55.8 billion by 1993. In the Philippines, foreign investments and portfolio investments climbed during the Ramos regime.

The expansion of portfolio investments from developed countries is not only tied to the liberalization policies of the developing counties. It is also based on recent changes in the regulatory policy of the receiving countries such as diversification of the risk of exposure due to changes in corporate accounting standards and relaxed restrictions on international investing.

Yet, it was this same government policy on portfolio investments, along with the insistence on maintaining an overvalued exchange rate, that resulted in the collapse of the peso when the Asian financial crisis struck.[58] Due to the overvalued exchange rate,[59] the tradable sectors were hurt and the inflow of capital was channeled to the non-tradable sectors such as real estate and services. For the better part of the Ramos administration, these two sectors exhibited the highest growth levels. Growth in the tradable sector, such as manufacturing and agriculture, on the other hand, was unremarkable. Declining exports also contributed to the deterioration of the capital account, a prime indicator that the exchange rate was being artificially propped up.

At the same time as the Asian crisis unfolded, efforts were made to extend the term limits of elected officials. Led by PIRMA (People's Initiative for

Reform and Modernization), various groups initiated moves to amend the 1987 Constitution that bars the chief executive from running for the same office for a consecutive second term. National dailies were ablaze with reports of the debate, which was acrimonious.

A broad counter-coalition was formed to fight any effort to amend the constitution. This was composed of various groups — middle-class civic organizations, church-based organizations, political figures, business groups, and the left and progressive groups. The participation of the Catholic church groups and more moderate elements can be attributed to the leadership of Cardinal Sin and president Aquino in the movement against constitutional change. Because both were key players in the 1986 EDSA revolution, public perception of their call to defend the constitution was played out as a defense of the democracy that Filipinos fought for during the dark days of martial law. Public opinion was also supportive of term limits, the common sentiment being that term extensions would only perpetuate the power and aggrandizement of politicians. Finally, progressive groups were wary of talk of term extension as the specter of dictatorial rule haunted the Ramos administration because of its links with the right.

In the end, the move for charter change failed.

The Ramos regime had come full circle by 1997. Initially met with distrust and then with praise, the outbreak of the Asian crisis and the moves for charter change had disillusioned many. The Asian crisis put an added spin to the issue of charter amendments and term extensions by creating a substantial split in the elite. The opposition pointedly noted how the issue of term extension and charter change highlighted the politicians' obsessive need to maintain their status of power. With the crippling economic problems facing the country, it asked, how could government officials remain focused on the question of how to stay in their positions of privilege? The Ramos saga might have had a different ending had the country continued to ride high on the crest of "development" and growth.

Ramos was able to implement economic reforms that hurt the interests of segments of the elite because he delivered on his promise of growth. Apart from generating a sense of economic well-being, the different groups that benefited from the large inflows of foreign direct investments and portfolio investments more than made up for the disenchantment of groups hurt by Ramos' economic policies. Thus, growth somewhat contributed to building greater state capacity.

The importance of greater state capacity lies beyond its relevance to capitalist development. State capacity also bears important implications on democracy. Improving state capacity can translate to a movement away from rent-seeking activities. If the state can avoid conceding to the particularistic demands of the elite, policy outcomes can then be determined not by dubious backroom deals but by open political contestation and public debate. Inhibited rent-seeking

TABLE 9
POLICIES THAT STIMULATED CAPITAL FLOWS

Trade	Unilateral trade liberalization Reduction of regulated items from 1,924 to 183 Item concentration around 3, 10, 20, and 50 percent tariff rates
Fiscal Reforms	Priority shift to elasticity of tax systems, equity promotion and tax administration Tax simplification through the Value Added Tax system
Financial Markets	Removal of government control on interest rates Rationalization of government credit programs Privatization of government-controlled banks and the liberalization of the entry of foreign and domestic banks Rehabilitation of Central Bank and other government-owned specialized banks
Foreign Exchange Markets	Strengthening of rural and commercial banking sector Removal of a number of exchange controls such as surrender requirement for export proceeds, prior BSP approval for export transactions and any payment on any forex transactions, and capital repatriation/dividend/interest remittance privilege Floating exchange rate policy (dirty float)
Capital Market Development	Elimination of double taxation on dividend income Revival of mutual funds Relaxation of rules and regulation regarding foreign investment Unification of Philippine stock exchanges to eliminate price arbitrage
Foreign Investments	Liberalization of entry of foreign investors within the context of the Philippine constitution
Competition	Privatization of government corporations and dismantling of entry barriers (e.g., telecommunications industry)

source: Lamberte et. al, *Philippine External Finance, Domestic Resource Mobilization and Development in the 1970's and 1980's* (Manila: Philippine Institute for Development Studies, 1992)

will necessitate the shift in policy making from the "informal" sphere of influence to the formal democratic system. Political parties, the prime vehicles for such debate, are then likely to assume a substantive role.[60]

Although state capacity and state strength are important aspects of democratization, they do not define it. One can think of the strong state as an ingredient in concocting the "democracy soup." While it is now clear that the Ramos development agenda of liberalization and reliance of foreign capital was executed to a fault, Ramos' initial attempts at economic reforms that directly challenged the old economic order indicate the potential for developing a coherent economic function for the state.[61] Whether or not this state capacity develops in the future remains a question, but a glimpse of this possibility experienced, albeit briefly, during the Ramos administration offers hope of democratic consolidation in the Philippines.

For all the Ramos regime's apparent success in demonstrating the potential of state capacity, its reform effort lacked the "social" angle. Focus remained on the economic aspect of reform, with not enough attention given to the social aspects of reform, such as safety nets in a liberalizing regime, as well as asset reform. Key components of the Social Reform Agenda, the poverty alleviation program of the administration, were never fully implemented, and those that were had a limited effect.

In addition, the regime continued to resort to the patronage system to pursue its reform program. A cooperative legislature became part and parcel of the economic reform. The administration had its pointperson in former speaker Jose de Venecia who, unable to consolidate a voting bloc on the basis of party programs or ideologies, was able to coerce, cajole and generally influence the members of the House through patronage. The system of patronage is reflective of continued elite domination in Philippine legislature and in many ways, of the validity of Lande's analysis of how local politics integrates with national politics even to this day.

The implication of this continuance of an 'elite-based democracy' is that while formal democratic institutions have been restored and institutionalized since the Marcos authoritarianism, access to policy making is still largely confined to a small segment of society. The essence of democracy, however, requires that this be *deepened* by including a far greater number of individuals in the decision-making process. Improving the quality of democracy also demands effective institutionalization of party systems that promote both broader participation in policy setting and as such, stronger state capacity. This vision is a departure from the established norm of political parties as simply vehicles for personalities to gain access to a more organized machinery and substantially more resources for elections. Party platforms remain non-differentiated and homogeneous because party lines are not delineated by ideological differentiation. Consequently, the quality of electoral competition is muddled. Competing electoral groups rely on patronage or popularity to

win elections, instead of enabling citizens to decide on the basis of a particular party's ideological positioning or set of plans and programs.

In summary, the Philippine transition from authoritarianism is characterized by many changes. But continuities still exist that hinder the process of democratization.

Prospects for Political Reform: Party Systems and the Future of Philippine Democratization

One of the reforms crucial to deepening democracy in the Philippines is the institutionalization of more *effective* party systems. Party institutions must strive to achieve a balance between control and representation. Party institutions in the Philippines excel in the area of control where party leaders are able to quell the demands of rank-and-file members and enforce consensual arrangements within its members. But they lack in the aspect of representation. Institutionalizing stronger party systems will help deepen democracy in three ways: (1) in building state capacity, (2) in cultivating electoral choice, and (3) in broadening participation.

An effective party system will instill in the elected official more responsibility not only for his/her geographically based constituency but also for his/her party. With more effective party systems, an elected individual is compelled to abide by set party principle, and is accountable to party members in terms of performance, plans, programs and actions. This eliminates the negative characteristics of horse-trading and rent-seeking found in some democracies. Similarly, because the elected official has a social coalition behind his position, the official will be less susceptible to powerful elite forces out to bend the state to their will.

TABLE 10
PORTFOLIO FLOWS TO DEVELOPING COUNTRIES
(by region, in US$ billion)

	1989	1990	1991	1992
East Asia and the Pacific	2.88	3.14	4.04	10.00
Europe and Central Asia	2.30	1.91	0.70	5.17
Latin America and the Caribbean	1.89	3.77	14.96	20.47
Global Investment Funds	0.08	0.04	0.25	0.14
other regions	0.86	0.47	0.22	0.93
all developing countries	7.52	9.33	20.27	36.71

Stronger party systems also strengthen democracy by giving voters more informed choices of what the candidates they plan to elect truly represent. This is especially true when parties are well-established and institutionalized. More important, institutionalizing party systems requires a shift from a situation where the elite plays the dominant role in the party to one where larger segments of the population are integrated into the party system.

Finally, institutionalized party systems help bridge the gap between policy makers and constituents. Effective party systems are venues through which ordinary citizens have access to the political structures that govern them. "Political parties perform a variety of functions vital to the prospects of stable democracy. An effective party system engenders confidence in the democratic process, moderates and channels societal demands into institutionalized arena of conflict resolution, lengthens the time horizon of actors by providing electoral losers with the means to mobilize their resources for subsequent rounds of competition, and prevents grievances of disenchanted groups from spilling over into the sore of mass mobilization that antagonizes elites and invites the imposition of authoritarian rule."[62]

The electoral system has played a significant role in shaping political parties. "First-past-the-post" systems and the presidential form of government, as noted earlier, contribute to the weakness of political parties. The debate on charter change and term extension during the Ramos regime was pertinent to the issue of Philippine democratization twice over because it also had to tackle a proposed shift from the current presidential form of government to a parliamentary one. Advocates of a parliamentary form of government recognized the capacity of "traditional politicians" to subvert a new form of government for their own personal gain as well as the possibility of a shift toward authoritarianism that this presents. They maintained anyhow that the advantages of a parliamentary form outweigh the costs.

This particular aspect of political reform demands circumspection and serious study because notwithstanding the fears that a shift in form of government may ultimately prove detrimental to the country, such a change could induce the strengthening of the political party system and thus help improve Philippine democracy. A resolution of the issue bears on the nature of Philippine democracy because in parliamentary systems, party leaders are given the incentive to assemble and maintain stable coalitions. The availability of sanctions for poor government performance including a no-confidence vote deepens the political interdependence of prime ministers and members of parliament. This increases inducements for party leaders to implement coherent policy programs and to adhere to agreements struck with coalition partners. Plans to amend the constitution are already underway and possibly, amendments will pass through a referendum by 2001.

The development of stronger party systems in the Philippines will also be influenced by emergent economic forces. One has to deal not only with the

traditional oligarchy, which is accustomed to relying on extra-party mechanisms to influence policy, but also with the 'new elites', examples of which are the recently organized groups of exporters from regional growth areas such as Cebu, General Santos and Subic Bay Freeport, as well as other business associations such as the Philippine Exporters' Confederation. These organizations represent the new entrepreneurial segments of the elite whose accomplishments depended less on government privileges than on the integration of the Philippines into global capitalism. In recent years, the 'new elite' has become more and more vocal and influential regarding government policy as planned and implemented. Their capacity to push for a certain economic agenda, however, is limited, relative to the traditional elite's. The difference in the clout of the two segments of the elite is significant considering that much of the economic reform that the new entrepreneurial elite envisions clashes against the established norms of wealth creation of the traditional elite. In this sense, the entrepreneurial elite could serve as a basis for broader social coalitions that will demand more thoroughgoing reform. This may yet help bring about an effective party system where the different actors are bound together by a planned program/agenda and can present formidable competition to the established oligarchy.

Similarly, middle-class forces are blossoming from professionals turned entrepreneurs. There is a growing corps of professional managers, administrators and technical experts relatively unencumbered by particular loyalties to individual owners of capital. They circulate between foreign and local companies, and between private industry and the state. This middle class has become increasingly independent and critical of the old landed oligarchy and the means by which it has maintained political and economic power.[63]

These may be fledgling forces in Philippine politics, but their increase in size and scope adds pressure for political reform. They can provide a kind of "class opposition" to the established oligarchy. Conflict is always key.

> *The strongest democracies emerged in those industrial societies that were most strongly structured around the class conflict characteristic of industrial society. In contrast, social struggles have always been subordinate to more general struggles in which the state was the central target: struggles between republicans and monarchists, between clericalists and anticlericalists. Social struggles were therefore very ideologically charged, as though they masked a more basic conflict between past and present, or between reason and culture.*[64]

Endnotes

[1]So called because the main arena of the struggle that culminated in the ouster of dictator Ferdinand Marcos was the Epifanio de los Santos Avenue, or EDSA, a major thoroughfare in Metro Manila.

[2]In social science parlance, they are a *necessary but not sufficient* condition in determining the existence of democracy.

[3]Shin Doh Chull, "On The Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research," *World Politics* 47 (October 1994): 142.

[4]Ibid., 142.

Shin's article goes on to point out that much of the recent work on democratization prefers a more procedural or minimalist conception of democracy to a substantive or maximalist one that embraces economic equality and social justice. Because of these inherent difficulties, scholars are often "forced" to use free elections as an objective measure of the existence of a democratic regime.

[5]Ibid., 143.

[6]Democratic consolidation is supposedly one of the stages of democratization, with each stage not necessarily leading to the next. According to John Higley and Richard Gunther, democratic consolidation occurs when elite consensus on procedures combines with *massive participation* in elections and other institutional processes. Juan Linz proposes that in a consolidated democracy, none of the major political actors, parties or organized interests consider any other alternative to the democratic process to gain power, and that no political institutions has a claim to veto the action of democratically elected decision makers.

In *Towards Consolidated Democracies*, Juan J. Linz and co-author Alfred Stephan identified certain conditions under which democracy can become consolidated. These include: (1) the development of a free and lively civil society, (2) a relatively autonomous political society, (3) a government and state apparatus subject to the rule of law, (4) a state bureaucracy, and (5) an institutionalized economic society.

Juan J. Linz and Alfred Stephan, "Towards Consolidated Democracies," *Journal of Democracy* 7 (April 1996): 17.

[7]The term 'political-economic structures' is used loosely here to refer to elite formations in the political and economic sphere, as well as infra-class (between forms of capitalists) and intra-class (between labor and capital) factions. The term also refers to established dynamics between these social forces. A political-economic approach by itself does not provide a definitive explanation of the events from 1972 to the present because of its inherent limitations; hence, the inclusion of political institutions as part of the analysis.

[8]'Political institutions' refers to many things, ranging from political design (presidential vs. parliamentary forms of government) to electoral systems and political norms and systems (such as clientelism, weberian governments and neo-patrimonialism).

[9]The inclusion of policy regimes is deliberate and important. The interaction of both political-economic structures and political institutions denotes the nature and operation of democracy. A study of policy regimes is essentially a look backwards, a

tracing of the steps by which a certain public policy was formed. Because public policy is a product of a particular process, it is reflective of the condition of democracy. But policy regimes also affect the political-economic structures and to some extent, political institutions as well. Public policy, therefore, *shapes* and is shaped by both structures and institutions.

[10]Carl Lande, *Leaders, Factions and Parties* (New Haven: Yale University-Southeast Asia Studies, 1965), 12.

[11]R. Lemcarchand and K. Legg, "Political Clientrism and Development: A Preliminary Analysis," *Comparative Politics* 4, no. 2 (1972): 151.

[12]For an deeper discussion of the structure of Philippine political clientelism in the post-war Philippines, see Lande, *Leaders, Factions and Parties.*

[13]In the Philippines, pork barrel is the more popular name of the Countrywide Development Fund (CDF) and the Congressional Insertions and Additions (CIA). Pork-barrel legislation or projects are Congress' diversion of national funds directly to the districts the Congress members represent. These projects may be in the form of public works (highways or bridges), social services (education funds or public school buildings) or special projects (livelihood programs or community development projects). But, whereas the appropriations to the line agencies are based on annual financial reports, pork-barrel shares are determined by the lobbying efforts between and among members of Congress itself. Whoever has the strongest political muscle usually gets the largest share. Much of the public disapproval of pork barrel comes from: (1) its close association with graft and corruption — of politicians merrily dipping their hands into the national coffers; (2) its being a wasteful and irrational way to spend money (tales abound of farm-to-market roads located in highly urbanized centers, and waiting sheds and basketball courts in areas where these are unnecessary); and (3) its use as the politicians' "pay-back" mechanism to their supporters through preferential projects/programs.

[14]A number of Philippine political scientists argue that patron-client relations have been eroding over time. For Filipino political scientist Kit G. Michado, patron-client erosion is a result of the emergence of upwardly mobile people who are the source of "new and professional politicians." Political analyst Alex Magno proposes that the "new" unit of analysis is the political machine, i.e., "a functional though not necessarily formal organization [where] members are motivated by divisible material incentives." In contrast to the patron-client framework, relationships between upper and lower status individuals become more "contractual rather than reciprocal."
Eric Gutierrez, *The Ties That Bind: A Guide to Family, Business and Other Interests in the Ninth House of Representatives* (Manila: Institute for Popular Democracy, 1994), 300-301.

[15]Quoted in John Thayer Sidel, "The Three Faces of Petty or Local Sultanistic Rule: Caciquism, Warlordism and the Mafia," November 1998 (manuscript).

[16]Joel Rocamora, *The Constitutional Amendment Debate: Reforming Political Institutions Reshaping Political Culture*, Occasional Paper No. 4 (Manila: Institute for Popular Democracy, 1997), 10.

[17]Paul D. Hutchcroft, "Oligarchs and Cronies in the Philippine State: The Politics of Patrimonial Plunder," *World Politics* 43, no. 3 (April 1991): 422.

[18]Ibid., 423.

[19]Ibid., 423-424.

[20]Rocamora, *The Constitutional Amendment Debate*, 11.

[21]Ibid., 12.

[22]Filemon C. Rodriguez, *The Marcos Regime: Rape of the Nation* (Manila: MOED Press, 1985), 36.

[23]Emmanuel S. de Dios, "A Political Economy of Philippine Policy Making," in *Economic Policy-Making in the Asia Pacific Region*, ed. John W. Langford and K Lorne Bornsey (Nova Scotia: Institute for Research on Public Policy, 1990), 112.

[24]Rodriguez, *The Marcos Regime*, 43.

[25]Ibid., 71-72.

[26]Ibid., 72.

[27]David G. Timberman, *A Changeless Land: Continuity and Change in Philippine Politics* (Singapore: Institute of Southeast Asian Studies, 1991), 79.

[28]Ibid., 82.

[29]For a more in-depth discussion, see Rodriguez, *The Marcos Regime*, 94-97.

[30]Timberman, *A Changeless Land*, 75-76.

[31]de Dios, "A Political Economy of Philippine Policy Making," 112.

[32]Hutchcroft, *Oligarchs and Cronies in the Philippine State*, 425.

[33]de Dios, "A Political Economy of Philippine Policy Making," 17-30.

[34]Stephan Haggard, "The Political Economy of the Philippine Debt Crisis," in *Economic Crisis and Political Choice: The Politics of Adjustment in the Third World*, ed. Joan Nelson (Princeton: Princeton University Press, 1990), 232.

[35]Ibid., 234.

[36]de Dios, *A Political Economy of Philippine Policy Making*, 111.

[37]Ibid., 114.

[38]A critical perspective of the Philippine authoritarian regime would differentiate it from other authoritarian regimes in Asia. The standard model of authoritarian regimes, such as those that flourished in Latin American and East Asian countries, presupposes a state insulated from the particularistic demands of society, whether through co-optation or oppression. In some cases, technocrats have been able to carry out necessary reforms that promise long-term benefits to the country but would be difficult to implement under a democratic regime.

[39]Lamberte et. al, *Philippine External Finance, Domestic Resource Mobilization and Development in the 1970's and 1980's.* (Manila, Philippine Institute for Development Studies) 312-313.

[40]Gary Hawes, *The Philippine State and the Marcos Regime: The Politics of Export* (Ithaca: Cornell University Press, 1987).

[41]Haggard, "The Political Economy of the Philippine Debt Crisis," 236.

[42]This meant that there was a creation of a foreign exchange pool which funded priority import payments. Banks were required to sell 100% of their foreign exchange receipts to the Central Bank.

[43]Haggard, "The Political Economy of the Philippine Debt Crisis," 239.

[44]Timberman, *A Changeless Land*, 129-131.

[45]Quoted in Timberman, *A Changeless Land*, 155. Italics provided by author.

[46]Haggard, "The Political Economy of the Philippine Debt Crisis," 250.

[47]Ibid., 248-249.

[48]ODA was channeled through the Philippine Assistance Program (PAP) although net resource outflow continued until the 1990s. The PAP also acted a lobby group on issues common to the different donors' agenda, the most outstanding of which was the government's 'absorptive capacity'. Thus, although the country's availment rate was comparable to most of its Asian neighbors, government nonetheless adopted various measures to facilitate project implementation.

[49]de Dios, *A Political Economy of Philippine Policy Making*, 127.

[50]Haggard, "The Political Economy of the Philippine Debt Crisis," 246.

[51]Ibid., 247.

[52]Timberman, *A Changeless Land*, 332-335.

[53]de Dios, *A Political Economy of Philippine Policy Making*, 133.

[54]Timberman, *A Changeless Land*, 355-356.

[55]Bruse J. Tolentino, *Intentions vs. Implementation of Philippine Economic Reforms Under Aquino 1986-92*, Discussion Paper Series No. 94-01 (Manila: Philippine Institute for Development Studies, 1994).

[56]"State Intervention Still Necessary in RP," *BusinessWorld*, 24 July 1997.

[57]Paul D. Hutchcroft, "The Politics of Economic Liberalization: Promise and Prospects, The Ramos Years and Beyond," *Public Policy* 1, no. 1 (October/December 1997): 124.

[58]Jude Esguerra, "Devaluation: An Accident Waiting to Happen."*Political Brief* 5, no. 4 (August 1997).

[59]According to Mario Lamberte, large capital inflows tend to promote de-industrialization. Capital flows into the economy increases domestic money supply increases and reduces domestic interest rates (i.e., capital is abundant), which stimulates domestic expenditures (investment and consumption). Domestic expenditures are distributed in both the tradable (goods) and non-tradable sector (services).

Expenditures on tradables increase the trade balance deficit (increased imports) while expenditures on non-tradable results in excess demand for non-tradable goods. This results in a reallocation of resources in favor of the non-tradable sector. In the final analysis, large capital inflows produce a real appreciation, a larger non-tradable sector and a smaller tradable sector, and a larger trade balance deficit. The corrective measure would be to have a nominal devaluation in the currency. However, such a move would produce inflationary pressure in the economy, which helps explain why governments are apprehensive in implementing such a policy.

[60]According to David Barlett and Wendy Hunter, economic structures determine the particularistic elite behavior regarding participation in party mechanisms to influence policy, i.e., there are structural determinants of elite political strategy. The higher the degree of marketization, the greater the opportunities for disinvestment (exit), patronage and other non-party strategies detrimental to stability in a young democracy. Functioning markets of labor, capital and commodities subject agents to effective competition and enable these actors to forge horizontal connections independent of the state. Marketization expands the economic resources, and hence, the political strategies of the holders of these assets. Capital holders, for example, have access to exports markets to which they can divert production, if need be. Markets give owners of capital the financial resources to establish particularistic ties to state agencies, enabling them to exchange economic concessions for political favors. On the other hand, where there are poorly developed capital markets, business groups cannot use the threat of disinvestment for political gain. Similarly, the greater the degree of marketization in the agrarian sector, the greater the likelihood of individualistic economic strategies. The less marketized, the more reliance on party mobilization and direct state assistance to compensate for these structural liabilities. Access to external markets allows domestic producers to withhold domestic consumption and extract economic concessions by using the foreign exchange earned from cash crops as leverage.

David Barlett and Wendy Hunter, "Market Structures, Political Institutions and Democratization: The Latin American and East European Experiences," *Review of International Political Economy* 4, no. 1 (Spring 1997): 93.

[61]State institutions must strive to achieve a balance between coherence and embededness. Historically, embededness in the Philippines has been at a constant high, with private actors exercising substantial influence in determining state actions. Lacking, however, is the Weberian ideal of coherence where the organizational characteristics of the state that foster internal agreement and a sense of purpose among ministries and bureaucrats, as well as an insulation from partisan political pressures.

[62]Barlett and Hunter, "Market Structures, Political Institutions and Democratization," 106.

[63]Michael Pinches, "The Philippines' New Rich: Capitalist Transformation Amidst Economic Gloom" in *The New Rich in Asia: Mobile Phones, McDonald's and Middle Class Revolution,* ed. Richard Robinson and David S. Goodman (London and New York: Routledge, 1996), 122.

[64]Alain Tourraine, *What is Democracy?* (Colorado and Oxford: Westview Press, 1997).

Bibliography

Barlett, David and Wendy Hunter. "Market Structures, Political Institutions and Democratization: The Latin American and East European experiences." *Review of International Political Economy* 4, no. 1 (Spring 1997): 87-126.

Bautista, Romeo M. and John H. Power. *Industrial Promotion Policies in the Philippines.* Manila: Philippine Institute for Development Studies, 1984.

de Dios, Emmanuel S. "A Political Economy of Philippine Policy Making." In *Economic Policy-Making in the Asia Pacific Region*, ed. John W. Langford and K Lorne Bornsey, 109-147. Nova Scotia: Institute for Research on Public Policy, 1990.

Esguerra, Jude. "Devaluation: An Accident Waiting to Happen." *Political Brief* 5, no. 4 (August 1997).

Gutierrez, Eric. *The Ties That Bind: A Guide to Family, Business and Other Interests in the Ninth House of Representatives.* Manila: Institute for Popular Democracy, 1994.

Haggard, Stephan and Steven B. Webb. "What Do We Know About The Political Economy of Economic Policy Reform." *The World Bank Research Observer* 7, no. 2 (July 1993).

Haggard, Stephan. "The Political Economy of the Philippine Debt Crisis." In *Economic Crisis and Political Choice: The Politics of Adjustment in the Third World*, ed. Joan Nelson, 215-255. Princeton: Princeton University Press, 1990.

Haggard, Stephan, Chung H. Lee, and Sylvia Maxfield, eds. *The Politics of Finance in Developing Countries.* Ithaca and London: Cornell University Press, 1993.

Hawes, Gary. *The Philippine State and the Marcos Regime: The Politics of Export.* Ithaca Cornell University Press, 1987.

Hernandez, Carolina G. "The Military and Constitutional Change: Problems and Prospects in a Redemocratized Philippines." *Public Policy* 1, no. 1 (October/December 1997).

Hutchcroft, Paul D. "The Politics of Economic Liberalization: Promise and Prospects, The Ramos Years and Beyond." *Public Policy* 1, no. 1 (October/December 1997): 121-133.

_____. "Oligarchs and Cronies in the Philippine State: The Politics of Patrimonial Plunder." *World Politics* 43, no. 3 (April 1991): 414-450.

_____. "Selective Squander: The Politics of Preferential Credit Allocation in the Philippines." In *The Politics of Finance in Developing Countries*, ed. Stephan Haggard, Chung H. Lee, and Sylvia Maxfield, 165-198. Ithaca and London: Cornell University Press, 1993.

Lallana, Emmanuel C. "Development and Democracy in the Philippines." Manuscript, 1996.

Lamberte, Mario. "Managing Surges in Capital Flows: The Philippine Case." *Journal of Philippine Development* 22, no. 1 (1st Semester 1995).

Lamberte, Mario, Joseph Lim, Rob Vos, Joseph Yap, Elizabeth Tan and Ma. Socorro V. Zingapan. *Philippine External Finance, Domestic Resource Mobilization and Development in the 1970s and 1980s*. Manila: Philippine Institute for Development Studies, 1992.

Lande, Carl H. *Leaders, Factions and Parties*. New Haven: University of Yale-Southeast Asia Studies, 1965.

Lawson, Chappell. "Summary." In *Constructing Democracy and Markets: East Asia and Latin America*, 1-25. Washington: International Forum for Democratic Studies and Pacific Council on International Policy, 1999.

Lemcarchand, R. and K. Legg. "Political Clientrism and Development: A Preliminary Analysis," *Comparative Politics* 4, no. 2 (1972): 149-178.

Linz, Juan J. and Alfred Stephan. "Towards Consolidated Democracies." *Journal of Democracy* 7 (April 1996): 14-33.

Magno, Francisco Alex. "State, Patronage and Local Elites." *Kasarinlan* (1st Quarter 1989): 10-18.

Pinches, Michael. "The Philippines' New Rich: Capitalist Transformation Amidst Economic Gloom:" in *The New Rich in Asia, Mobile Phones, McDonald's and Middle Class Revolution*, ed. Richard Robinson and David S. Goodman, 106-133. London and New York: Routledge, 1996.

Rivera, Temario C. *Landlords and Capitalists: Class, Family and State in Philippine Manufacturing*. Manila: University of the Philippines Press, 1994.

Rocamora, Joel. *The Constitutional Amendment Debate: Reforming Political Institutions Reshaping Political Culture*. Occasional Paper No. 4. Manila: Institute for Popular Democracy, 1997.

Rodriguez, Filemon C. *The Marcos Regime: Rape of the Nation*. Manila: MOED Press, 1985.

Sachs, Jeffery. "Introduction." In *Developing Country Debt and Economic Performance*, ed. Jeffery Sachs. Chicago: National Bureau of Economic Research and University of Chicago Press, 1989.

Shin, Doh Chull. "On The Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research." *World Politics* 47 (October 1994): 135-170.

Sidel, John Thayer. "The Three Faces of Petty or Local Sultanistic Rule: Caciquism, Warlordism and the Mafia." Manuscript, November 1998.

_____. "Beyond Patron Client Relations: Warlordism and Local Politics in the Philippines." *Kasarinlan* (1st quarter 1989): 19-30.

"State Intervention Still Necessary in RP." *Business World*, 24 July 1997.

Timberman, David G. *A Changeless Land: Continuity and Change in Philippine Politics.* Singapore: Institute of Southeast Asian Studies, 1991.

Tolentino, Bruse J. *Intentions vs. Implementation of Philippine Economic Reforms Under Aquino 1986-92.* Discussion Paper Series No. 94-01. Manila: Philippine Institute for Development Studies, 1994.

Tourraine, Alain. *What is Democracy?* Colorado and Oxford: Westview Press, 1997.

Wolters, Willem. *Politics, Patronage and Class Conflict in Central Luzon.* The Hague: Institute of Social Studies, 1983.

CHAPTER 2

SOUTH KOREA

A Tiger Changing Stripes:
Post-Development, Transitions and Democracy in South Korea

by Dorothy M. Guerrero

A Tiger Changing Stripes:

Post-Development, Transitions and Democracy in South Korea

by Dorothy M. Guerrero

I
Democracy and Development

The passage to democracy by South Korea — one of the countries that recently bid farewell to military rule — offers an interesting study not only to Asia but also to the rest of the world's growing economies and new democracies. Its unique experience of a dual transition — a political shift that returned the reins of the state to civilian rule and an economic transformation that is breaking away from the state-market nexus — is a tremendous challenge to state-society and democratic development discourses.

Commencing in 1987, South Korea's long trek to democracy has so far involved the transformation of the presidency and the bureaucracy, the rise of new social movements, as well as the expansion of the subaltern public spheres. On the economic front, a number of reforms first introduced under Kim Young-sam's government have resulted in some progress, which could lead to long-term economic arrangements that impact democracy and social relations, while the election of Kim Dae-jung, the first opposition leader to become president in the country's history, augurs well for South Korea's political maturity. There is no gainsaying that from the previous limits imposed by military rule, some improvements have been achieved to slowly attain what Seymour Martin Lipset calls the "effectiveness domain" or the behavioral aspect of democracy. South Korea's political culture now is one where people's commitment to democracy is evident, and the practice of democracy is steadily moving beyond procedural level.[1] However, amid the euphoria that accompanied Kim Dae-jung's rise to the presidency, can we finally say that the transition represents democratization's *ruptura*[2] in South Korean society? If so, what would be the distinct face of Korea's political democratization? Does it mark the beginning of a requiem to the theory of governance founded on "Asian values" that colored previous state-society discourses? Is the haste for economic liberalization the alternative to the fiercely contested statist approach to development? South Korean society remains littered with the remains of the *ancien regime*. Although there is a broader space for civil participation in

the public sphere, the National Security Law introduced fifty years ago to discourage dissent and the formation of opposition groups remains in place. Labor rallies are still met with brutal police actions. These contradictions form the distinct backdrop to negotiations between the different actors, old and new, for their respective roles in the crafting of a new and democratic South Korea.

The current economic crisis strangling the region adds another dimension to issues in democracy and development. Alternatives coming from politically dynamic but marginalized movements, their engagement in the search for solutions, and government's readiness to include such views in policy making will weigh on South Korea's disposition to collective or participative governance.

From a country characterized by struggles among generals, businessmen, bureaucrats, technocrats and workers who shaped the economic boom of the dictatorship period, South Korea is now entering the 21st century with an economy suffering the consequences of "bureaucratic authoritarianism," the development strategy adopted during the growth years of the '70s.[3] The strategy succeeded in putting the country on the growth path. However, it is also this same strategy that eventually caused the collapse of such rule

For decades, authoritarian military leaders, with the support of efficient cadres, led a highly autonomous state geared to the economy. In its early stage, the strong state-formulated policies channeled both public and private resources toward industrial growth. The economic success directed by military dictatorships, in contrast to the archetypal Third World experience, failed to quell popular protest, especially labor union organizing. Ten years ago, such popular movements toppled the dictatorship and created new institutions and social relations.

It is now widely accepted that the structural and modernization approaches are inadequate in explaining how democracy evolves. In the case of South Korea, what is more important is to understand how the specific conjunctions and interplay of social actors bring about transitions. The demands of the current phase of democratization are tricky — the preferences of institutional and social actors will determine the future direction of the transition, and the shift in socioeconomic condition is making some changes viable while lending some others to flounder. In addition to that is the challenge for South Korean civil society to preserve the gains achieved in the positive incremental processes of democratization that were realized not through structural mechanisms alone, but more so in the processes of challenging state legitimacy. It should be noted that the dominant and interventionist role of the state made political change from within impossible; it is mostly those forces outside the ambit of the state that pushed the democratic transition.

The current socioeconomic context has crucial implications on the policy dilemmas, political institutions and alignments of the new democratic government, and the long-term prospects for stability and consolidation. The currency and stock market turmoil, the increasing restlessness in the labor and

business sectors, as well as the political scuffles between the ruling party and the conservative majority party, are making the job of rebuilding the economy incredibly difficult.

South Korea's case is a confirmation that democracy needs specific conjunctures from which to flourish. Its "rush to development" illustrates the historical and environmental factors why people demand democracy or endure dictatorships.[4]

The "Asian way" has animated debates on the ideal model for development both within and outside Asia, and polarized views on democracy and governance. South Korea's current thrust toward economic liberalization and the dismantling of the old developmental state arrangement raises questions about state power and its limits, and how to (or who should) control the levers of the economy. The Asian currency contagion exposed what was fundamentally wrong with the South Korean economy, a kind of management consistent with undemocratic governance and therefore lacking any transparency in decision making. And, there is no guarantee that the ongoing overhaul of the system, specifically the drive toward full economic liberalization, will pull the economy out of peril. In fact, the present blanket rejection of state regulation and the pitch for the free-market path as the most feasible alternative are questionable and alarming.

The first two phases of the transition (from 1987 to 1992, and Kim Young-sam's rule from 1992 to 1997) are the dusk of the unquestioned dominance of the NIC (newly industrialized country) economic model in Asia. At the same time, it is also the dawn of South Korea's troubles originating from its increased integration with the dynamics of global capitalism. The economic turbulence is now forcing the demise of the chaebols, the large family-based conglomerates. Government offensives to pressure reforms within the chaebols are opening the gates for far-reaching economic and political reforms. These reforms include limiting chaebol ownership to five business ventures, restrictions on loans, and transparency of business ownership. The economic downturn also showed that the growth potentials of the NIC development model have reached its limits.

Today, the proponents of social regulation of the economy are faced with the challenge of formulating a vision that would make participative state-planning in Asia enticing, and urge stakeholders to piece together a model that will produce real and effective economic and political progress. The hollowness of the current solutions which Asian governments are obliged to comply with compels reform seekers to explore new and alternative economic approaches. At the political level, the dynamism of civil society may create spaces for new and alternative propositions, as well as possibilities for inclusion, in the evolving political arrangement.

South Korea's developmental state will soon become a memory, considering the economic transformations forced by the International Monetary Fund

(IMF) which is introducing neo-liberal reforms to the economy. The changes fully integrated the South Korean economy into the thrust of the global market and ended the strong hand of the state in economic activities.

In Asia, the democracy and development discourse is embedded with questions regarding the continued adherence to deeply ingrained cultural principles which vary from country to country, sometimes from one particular territory to another in one and the same country. There is discussion on whether the perceived hindrances to democratic deepening — for instance, the "Asian values," particularly Confucianism — are real or not. However, it must be noted that even Confucianism has many different interpretations. It is also misleading to interpret the value of discipline in Asia along the line of Lee Kuan Yew's reasoning. As shown by South Korea's history and culture of dissent, a country's unique tapestry of economic, political and cultural factors determines the outcome of its social ethos.

A foreword on democracy is apropos at this point. Democracy and democratization are viewed here beyond the processes of election and representation, as well as beyond procedural rules — a perspective that is the aggregate result of this writer's studies and discourses. Democracy is instead defined here as a challenge which the South Koreans and we in the rest of the world should address. "We cannot be content with deliberative democracy; we need a liberating democracy. It is about the sovereignty of the people as subjects and the political order that they produce for being such."[5]

South Korea's dual transition touches the core of democracy and development. Whatever its outcome, whether progress or setback, will contribute in freeing us from the limitations set by previous approaches.

II
Legend of the Fall

Korea Inc. and the Asian Crisis

Like the child who revealed that the emperor was not wearing any clothes at all, only a few raised critical questions concerning the NIC model of development which many developing countries (not only in Asia) extolled and wanted to emulate. Despite the scramble to follow the trail of the tiger economies (South Korea, Taiwan, Hong Kong and Singapore) in the last decade, there were voices from the margins that tried to engage in the development debate by articulating the calamitous aspects of the Asian development model. They also raised the possibility of economic collapse if these aspects were not corrected. However, not too many at the time were prepared or inclined to believe that economic miracles could metamorphose into economic nightmares.

When the contagion of the currency crisis reached South Korea and sent the won spiraling, analysts proceeded to interpret how such a fate befell this

newest addition to the rich man's club of the OECD (Organization for Economic Cooperation and Development). But the Asian flu should be approached from beyond the conventional theory of currency crisis theory. The crisis is now providing an important backdrop for explaining why at both the internal and external levels, the growth model followed by the South Korean industrialization is unsustainable.

What brought down the 11th largest trading nation with a record average GNP growth of 9% and a per capita income of US$8,000 over the past 30 years? More important, how will the crisis affect the political and economic conditions shaping the post-transition period?

Analyses taking off from neoclassical economics point out that South Korea's case should be seen as a product of its adoption of market-oriented policies. But the likes of Cummings (1989), Hart-Landsberg (1993), Bello (1991), and Chowdhury and Islam (1993), to name a few, have argued against the free-market interpretation and examined the interventionist role of the state. Later on, their arguments broadened to consider the downside of the growth experience and the need to account the social cost of such growth. Theorists trying to create a countercurrent to the Asian model are raising once more the challenge of looking at the crisis as an opportunity to explore democratic and sustainable alternatives.

The crisis prompted the largest financial bailout in modern history — ten times bigger than the post-World War II official development assistance. The US$57 billion bailout package consists of US$21 billion stand-by credits from the IMF, US$10 billion from the World Bank, US$4 billion from the Asian Development Bank and US$22 billion from the US, Japan and other countries. Some deem the crisis as essentially a product of financial panic on the part of the international investment community, combined with government's policy mistakes at the onset of the crisis and poorly designed international rescue programs that exacerbated the crisis to a point beyond what was inevitable or even necessary.[6]

Paul Krugman, on the other hand, contends that it is the preconditions for such panic that constitute the problem. Aside from the traditional fiscal issues, he says, analysis should also include two issues neglected by most advocates of the conventional theory of the currency crisis: (1) the role of financial intermediaries, and (2) the prices of real assets such as capital and land. Krugman insists that the crisis was brought about by the problem of the "moral hazard" in lending — that is, the Korean government's practice of guarantees as an inducement to foreign direct investors. Asian governments brought on the crisis by their mistakes in their management of state-owned and state-controlled financial institutions, and in their supervision of private banks and other lending institutions. These governments typically encouraged heavy lending by both private and public banks to speculative real estate ventures and overambitious corporate expansions supported by ludicrous

leverage ratios. It was this attempt to shortcircuit profit generation that caused the Asian economies' collapse.[7]

Prevailing analyses blame state-business connivance in directing financial flows for the crisis. In the case of South Korea, beginning in the '90s, the loan policies and preferences were largely determined by the state while the conventional banks acted as the direct financial intermediaries to foreign investors. Relying on their strong political connections, the banks borrowed extensively on short credit terms and lent to highly leveraged conglomerates. When the bubble burst, falling asset prices made the insolvency of intermediaries visible, forcing them to cease operations, which in turn led to further asset deflation and rendered a severe blow to the economy. There is no agreement yet among economists, either inside or outside South Korea, on the exact cause of the crisis. Rarely mentioned, if at all, is the effect of the economic model subscribed to by the countries now besieged by the crisis and how this has shaped their economic relations. Discussion on how the regional problem is connected to the overall dynamics of global capitalism is missing.

Many were surprised by the magnitude of the crisis in South Korea, considering its manageable trade imbalance on the eve of the crisis. Together with Malaysia, South Korea was posting current account surpluses from 1985 to 1989, and from 1990 to 1996, its recorded average current account deficit of 4% would even be considered enviable, compared with the double-digit shortfalls of other countries. For that matter, domestic investment and investment rates were comparatively high prior to the breakout of the crisis, to the extent that a slowdown should not have deterred or stunted growth.

South Korea's growth, in itself a feat, has profound impact on the discourse of democratic development. The nation's first transition was from the post-war poverty wrought by a war-torn, backward, agriculture-based economy to the affluence that comes with being the world's eleventh largest economy, prior to the 1997 Asian currency crisis. Except maybe for Taiwan, South Korea's economic growth has no parallel in history, not even Europe and the US during the period of the their high-growth rates, nor post-war Japan. South Korea is now the world's second-largest shipbuilder, next only to Japan. To date, Hyundai's heavy-industry shipyard in Ulsan remains the world's largest. Although it has yet to develop its own technology, borrowing largely from the US, Japan, and Germany, the country became the world's fourth largest electronics maker. Such phenomenal growth was propelled by "economic fundamentals" including high levels of literacy,[8] high savings and investment rates, stable or manageable inflation, and an outward economic orientation.

Partnership for Power and Profit

Another instrument that propelled the country's economic growth, however, is the state's curious combination of tight authority over the political environment with its shrewd adaptability in managing the economy. For

instance, through financial controls, the state bestowed huge rewards — in the form of money, power and prestige — to select export-oriented chaebols compliant with government policies. An unambiguous feature of the early phase of South Korea's growth track is its success in meshing the power of top-down, centralized planning with the need for flexibility and competition that characterizes capitalist societies.

The main figure that launched South Korea's restructuring to heavy and chemical industries and drove its economy to unprecedented growth was President Park Chung-hee. In 1972, besieged by mounting challenges to his rule, he adopted "bureaucratic authoritarianism" as a mode of governance through his Yushin reform. Under this new type of military dictatorial rule, the government focused on the economy, quelling all serious forms and expressions of protest so the state could freely pursue its development task without threat from opposition groups. The growth attained in the course took care of any challenge posed against its legitimacy. The Yushin order instituted mechanisms that enabled elite democracy to control and keep a basically conservative political structure.

Because of limited access to direct international investments and the restraints on generating local capital, the Korean bourgeoisie became dependent on the state-controlled pipelines of financial and banking capital. With the state having the prerogative of selection, promotion and protection of industries, business conglomerates funded old ruling parties' political coffers as quid pro quo. The government rewarded grants and favorable policies to conscript the chaebols in return. This collusion between government and chaebols underscore the corruption, coercion and favoritism government was wont to, as the Hanbol case has exposed.[9] Although widely criticized by social movements, this partnership was tolerated and abetted by the propertied segment of the middle class and the elite which treated the state's interventionist role in the economy and its unchallenged dominant position in the political arena as a given. For them, the political economy could not have been arranged otherwise.

Alice Amsden, in *Asia's Next Giant*, explained how government intervention suited the case of South Korea. As a latecomer in the league of industrialized countries, she argued, South Korea had to resort to heavy borrowing of technology and processes from firms in other countries in order to catch up and effect a substantial increase in productivity. Per Amsden's thesis, late industrialization represents a distinct paradigm relevant to a diverse assortment of countries with Japan as pioneer. And because these countries have no competitive advantage of new products and processes, the role of government becomes more intrusive, far exceeding the rites of infant-industry protection.[10]

Consistent with statist theories, Cho Hee-yeon submits that the phenomenal autonomy of East Asian states, that is, their independence from social

pressures, should be viewed in relation to the social conditions. The South Korean government's disregard for the social cost of growth lies in the absolutism of the state that covered as well the very architects of its economic strategies. In this sense, the state can not be considered a contradictory entity among conflicting social groups. Cho concurs with Amsden that the later in time a country embarks on capitalist development, the stronger its need for state intervention to make capitalist accumulation successful.[11] Followers of this logic hold that the fundamental factor in making the state's autonomous intervention successful is not state autonomy per se, but the social conditions that structurally permit and encourage the continuance of the state's autonomous intervention.

As early as 1962, Alexander Gerschenkron had suggested the bigger role government plays the later in time a country industrializes and the further away it is located from the world technological frontier.[12] Aside from heavy technology borrowing, Korea and Taiwan, for example, both lowered their wages by further devaluing their currencies and outlawing trade unions. Eventually, the emphasis shifted to raising productivity which, at the time, called for extensive government involvement in industrial development.

In his study of embedded autonomy, Peter Evans called attention to the interconnectedness of state to society, citing both the internal organization of the state and state-society relations as the bases of a developmental state. In the case of South Korea, the government succeeded in securing the loyalties of the centers of power (military, financial institutions, media, courts) because of an effective bureaucracy.[13] Later, even the World Bank would agree to the statist interpretation of how South Korea achieved its growth targets. The Bank's 1993 report enumerates the pertinent policy interventions: subsidized credit to selected industries; low deposit rates and ceilings on loan rates to increase profits and retain earnings; protection of domestic import substitutes; subsidies to declining industries; financial support to government banks; public investments in applied research; enterprise- and industry-specific export targets; development of export-marketing institutions; and wide sharing of information between the public and private sectors.[14]

Those who appreciate the paradigm of a developmental state point out that the way by which South Korea's industries were financed — mainly by borrowing capital overseas — government intervention became a necessary requisite because of the power it held in determining subsidy allocations. Moreover, East Asia, unlike Latin America, allocated subsidies according to the principle of reciprocity. Indeed, this principle is integrated in the South Korean culture. Nothing was given away for free. To be sure, first in line for the subsidies were the favorite industries and firms, but the state, during this economic take-off, followed strict monitoring guidelines. Only lately did the chaebol businesses go awry — when they began exploiting their acquired unhampered access to capital to pursue octopus-like expansion programs.

The state fueled the export drive by helping business maintain a brutal anti-labor accumulation practice, although it has also been pointed out that the state's heavy-handed treatment of labor, while not of the same magnitude and character, applies to capitalists in general. Protection was lavished on the domestic markets and chaebols were able to meet the pressure to export, thereby bridging the gap between import substitution and export activity. Firms in import-substitution industries were prevailed upon to export through an export-target system, compliance to which assured the company of access to long-term credit. By using exports as a performance standard for subsidies, growth was encouraged, paving the way for the trade surpluses of the '80s.

The growth trail that Japan took was to be the same path that the four tiger economies subsequently pursued. Japan's case proved that catching up on technology and, for that matter, industrializing the economy were entirely possible even without inventing new technologies. It convinces entrepreneurs of the value of self-discipline instead, and inspires governments to enrich themselves by promoting systematic capital accumulation and productivity enhancement, rather than opting for rent seeking and wealth redistribution. Eventually, Japan would also manage to overcome its weakness in technology development and become in fact a world leader in the technology arena. Another important Japanese legacy that South Korea appropriated was the development and use of a well-educated and capable bureaucracy, both in government and big business.

The employment of nontraditional measures was also crucial to laying the foundation for the country's economic development. These included asset reform, nationalization of natural resources, and the emasculation of rich rentiers so they could neither challenge state authority nor use private wealth to frustrate the state-directed development of an industrial sector.[15] Through industry-specific policies, the state led the conduct of the local market and shaped its interface with the international economy. Indeed, without the interventionist role of the state, South Korea and the other East Asian economies will not be where they are now.

Ruinous Tradeoffs

The focus on development during the '70s and the emphasis on economic stability during the '80s resulted in rapid urbanization, the rise in the level of education, and the expansion of the propertied middle class. Many in this propertied middle class, because of their involvement in the modernization project, legitimized authoritarian rule. Unequivocally, the economy moved toward growth at a substantial social cost. The uni-dimensional development that centered on conglomerates and business institutions engendered inequality, regional disparities, anomie and the permeation of materialistic values which imperiled the country's social fabric. The government and business leaders were fixated on the tangible, short-term returns of growth, regardless

of the social cleavages and backlash of such growth on the environment and the marginalized sectors. These social consequences would in the end contribute to the unraveling of authoritarian rule.

A cursory analysis of the state's relationship with the elite, the popular movement and other social groups will show straightaway two stark truths: the exclusion of social movements in the development project, and the consolidation of the collusion between the state and the elite class. In either case, the state maintained dominance. The opposition party and the social movements that resisted the arrangement at hand could not enroll the other sectors to their cause because of government's excellent and extensive use of the imagined North Korean threat. Any organization critical of government was branded pro-North Korea, and threatened or actually punished under the National Security Law. The Korean division and South Korea's alignment with the US during the Cold War thwarted the aspirations for legitimate governance and democracy, and introduced an anti-communist sentiment to average Koreans. The hegemony of the modernization project, combined with the people's anti-communist attitude, provided a favorable social condition to military dictatorial regime.

Indeed, it was the ultra-right wing, anti-communist community of the '50s, consolidated during the Korean civil war, which steered the modernization of the '70s. As in Japan and Taiwan, South Korea's adoption of the new industrialization policy promoted by the US and its strategic support to American geopolitical interests in the region, as well as the Cold-War world order in general, allowed for a "favorable condition" for growth. The US, meanwhile, curbed internal and international policies so South Korea could maintain its specific growth structure[16] and remain a pawn in its anti-communist war in Asia.

South Korea Incorporated was built on the back of a cheap and restrained labor class. As the marginal partner in the industrialization project, the labor sector obtained the lowest returns on the state-society relationship. In the early phase of industrialization, South Korean workers kept the longest working hours in the world. The state, moreover, set their salaries at below minimum living standards. Although union membership expanded during this period, union density never reached 20%. Structural and institutional factors made this so. Before the tripartite agreement under the government of Kim Dae-jung, the labor law permitted only company-level union organization, preventing large numbers of workers of small to medium-size companies from organizing unions. Union organizing in these enterprises, overt or covert, was doubly impossible moreover due to the employers' tight control of and their paternalistic clout over their workers.

Social relations conditioned the workers' appreciation of themselves and their work. Their attachment and loyalty to the company and their cultural understanding of employer-labor relations constricted the space for unionism.

At the socio-political level, company orientation emphasized the "goal of state" and the workers' role in its development. Workers' needs and welfare were subsidiary to the national economy, and strikes were selfish actions. In addition, the nature of the unions shaped the focus of dissent — the managers, rather than the structural policies emanating from the state. The strategies adopted by workers and the limitations imposed by structural and institutional arrangements segmented workers' efforts and rendered labor solidarity at the national level difficult.

The state, as coordinator both of the class relations and the policy instruments toward development, managed to use the social conditions prevalent at specific junctures in South Korea's economic development to allay labor resistance. The suppression of the right to form unions and other labor rights was often justified under the overarching logic of maintaining economic stability and national security. In making the labor sector suffer the brunt of the social costs and abuse resulting from the pursuit of development, the state invited intense class conflicts that consequently galvanized labor's participation in the *min-joong* movement. (See Carmel V. Abao's "Beyond Bread and Butter: The Demand for Democracy in South Korea" on pp. 105-147 for an elaboration.)

The Cold War and South Korea's alignment with the US hegemonic world system gave birth to a militarized, anti-communist society trained to regulate social relations and exact labor discipline from the population, which led to the marginalization of social movements. The rightists' flight to the South Korea during the civil war, the exodus by the left movement's leaders to North Korea, and the state's repression of organizations that stayed within the south contributed to the weakening not only of the labor movement but of the opposition movement in general.

The pattern of state intervention and macroeconomic management lost its luster and proved unsustainable in the late '80s. The chaebols grew more independent and uncontrollable as they gained almost complete financial independence, following the huge growth of their export revenues. These earnings were channeled to speculative investments, however, rather than to productive investment. Meantime, Japan and the US, smarting from South Korea's export success at their expense, began applying pressure on the country — Japan, by withholding technology lending, and the US, by measures calculated to loosen South Korea's state control over its economy. The South Korean state promptly reoriented its policies to keep pace with the developments in the international market and address the growing trade deficit with Japan and the US. It was forced to liberalize the economy and adapt to the new global trade and financial regimes. The rationale for state intervention melted away, and the approach to macroeconomic management and sectoral guidance changed. It should be noted though that despite this shift, the specific objectives of state policy alterations and the centrality of the state in economic restructuring remained.[17]

Sanctioned for Success

The end of the East-West confrontation ushered in a new era where the US started lashing at its former allies in Asia. Described by Walden Bello as the US' way of "penalizing success," trade hostilities and monetary realignment were used to re-subordinate the NICs. Demands for lower tariffs, the elimination of import restrictions, liberalization of services, and improved property rights protection mounted in the early '80s. Anti-dumping measures and self-imposed quotas were imposed on exporting countries to stem the trade surplus reaped by rival Japan and other NICs.

As lender of last resort, the US applied increased pressure to raise the value of the German mark and the Japanese yen, the essence of the Plaza Accords of 1985. However, the consequent loss of the yen's competitiveness failed to reverse the trade surplus in favor of South Korea in the long run. In search of alternative markets and a means to solve its economic problems with the US, Japanese capital was thus rerouted to the Asian NICs subscribing to the same export-led, anti-labor growth strategy as South Korea. The result was the JapaNIEzation of Asian economy that gave birth to South Korea's rivals.[18]

The US quickly discovered monetary realignment to be a more effective instrument than trade sanctions and bilateral trade agreements in redirecting trade flows and correcting chronic trade imbalances. Complemented by a trade offensive in the form of the US-Korea Super 301 Agreement of 1989, the US managed to change South Korea's trading behavior. Worried over its continuing deficit with Japan and to thwart the possibility of South Korea becoming another Japan, the US also forced a Plaza Accord type of currency appreciation.

South Korea's weakness in research and development made any retaliation against the Japanese and US trade offensives well nigh impossible. Despite enormous profits during the so-called "three-year low boom period" between 1986 to 1989, little priority was given to technological development. The industrial structure remained in the assembly and manufacturing stage, with raw materials, machines and parts brought in from overseas and resold as final products to overseas markets. Profits were realized through a price competitiveness guaranteed by low wages. The chaebols' preference for quick and easy profit through real estate and stock market speculations, instead of production capacity and technology buildup, pushed the economy to a crash. By 1996, South Korea's trade deficit with the US had swelled to US$10 billion and with Japan, to over US$15 billion.[19]

Kim Young-sam's promise to reinvigorate the economy and improve its competitiveness was not realized. Inconsistent policy formulation and implementation due to the frequent reshuffling of key officials such as the Deputy Prime Minister for Economic Affairs and the Senior Presidential Secretary for Economic Affairs distorted earlier reform efforts. South Korea's inclusion in the OECD forced it to abandon strict state controls and adopt

MAIN ECONOMIC AND FINANCIAL INDICATORS
(pre- and post-IMF bailout comparison)

	at the time of the IMF bailout	at present
Economic growth rate	4Q'97 3.9%	1Q'98 -3.8%
Manufacturing	4Q'97 4.6%	1Q'98 -6.4%
Unemployment rate	Nov. '97 2.6%	Apr. '98 6.7%
Inflation rate	Nov. '97 4.3%	Apr. '98 8.8%
Usable foreign reserves	Nov. '97 US$7.26 billion	May '98 US$34.35 billion
Foreign debt	Nov. '97 US$161.8 billion	May '98 US$155 billion
Exchange rate	Jan. '98 1,706W to 1US$	May '98 1,394W to 1US$
Interest rate	Dec. '96 12.57%	May '98 17.89%

source: Samsung Economic Research Institute, *Korean Economic Trends* 2, no. 11 (June 1998): 2-6.

free-market principles, leading to the abolition of the administrative Economic Planning Board. As the chaebols transformed into transnational corporations, new problems emerged including their continued access to loans — but this time no longer with government's strict monitoring of their investment plans. Non-performing loans increased, prompting foreign banks to hold the release of new funds.

In January 1997, Hanbo Steel collapsed under US$6 billion in debt, marking the first bankruptcy of a chaebol. Similar bankruptcies followed in succeeding months, which exerted significant pressure on merchant banks that guaranteed these companies' foreign loans.

Thus, South Korea's financial crisis is actually rooted in the pressures generated by the development model it followed and the operation of its real economy. The same causality applies, though in varying degrees, to the rest of the crisis-affected countries in the region as well. The panic and shock that sent these economies plummeting accelerated the withdrawal of foreign funds, leading to the currency crisis and the subsequent exodus of investments that rocked the region and pushed South Korea to its crash in 1997.

III
The Bailout and Its Fallout

The IMF Diagnosis and Cure

It is important to note, however, that there were enough signals to foreshadow the collapse. The IMF's disastrous reaction of applying a Mexico-style bailout (which in the first place failed to solve the crisis in Mexico in the '80s) unnecessarily aggravated the crisis. For the first time, an advanced industrial country was subjected to the IMF's harsh conditionalities. Key structural reforms were pushed as concessions toward an open, deregulated South Korean market were squeezed from government. The 1997 presidential candidates were made to agree that if elected, their government would adopt fiscal restraints, tax increases, spending cuts, monetary tightening and more financial liberalization.[20]

The IMF response contradicted the World Bank's earlier diagnosis of the South Korean economy as being founded on sound macroeconomic policies. Recall the IMF's concurrence not too long ago with the finding that state regulation was key to South Korea's growth. But when it unfolded, the crisis exposed the flaw in the IMF's logic of first attributing South Korea's economic success to good strategy, then ascribing the subsequent crisis to this very same strategy. Less than five years after, the financial institution was accounting the crisis to crony capitalism and pronouncing South Korea in need of the "free-market solution".

Because the IMF recognized the crisis as a defect in the East Asian political economy, its primary recommendation was a financial systems overhaul. Interestingly, disagreement with the IMF analysis has provoked a rare instance of unanimity among established economists. "As shown by the panic, international financial markets demonstrated a high degree of intrinsic instability, proving therefore that the East Asian crisis is as much a crisis of Western capitalism as Asian capitalism," said Steven Radelet and Jeffrey Sachs.[21] Likewise, even Krugman agrees that as with the Mexican crisis, the Asian crisis falls under the category of a self-fulfilling crisis — that is, even if individual creditors act rationally, the international loan markets are still prone to essentially unnecessary panic, which in turn reverses capital flows.

The IMF's singling out of Asian capitalism as the cause of the crisis, without considering the contributory role of the international financial markets, misses the root of the problem. Japan's attempt at an alternative solution — the creation of an Asian fund to bail out threatened banks — was deflected by the US lobby for the IMF solution. The initial bailout package of US$57 billion sought to reestablish financial market confidence and stabilize the exchange rate. But while these two objectives have been achieved, the economy remains in deep recession. The credit package

benefited only the foreign creditors, allowing them to escape losses while the Korean government was left with the burden of repayment. The next measure was the IMF's appeal to foreign banks to roll over their short-term credits.

Usable foreign currency reserves increased from US$7.26 billion in November 1997 to US$34.3 billion by May 1998 as a result of the IMF provision and a higher trade surplus. At the same time, foreign debt contracted from US$162 billion to US$155 billion. The KRW-US$ exchange rate has stabilized from 1,900 won per dollar in December 1997 to 1,460 by May 1998. Daily fluctuations in the exchange rate also diminished from KRW 136 in December to KRW 20 by May. Expectedly, with the IMF's demand for tighter monetary controls, interest rates have risen from the pre-bailout 12% to 18% by May 1998.

According to the Samsung Economic Research Institute (SERI), growth during the first quarter of 1998 was only 3.8%, a substantial loss from, say, the 7.8% growth posted in the fourth quarter of 1980. Within the roughly two years from the bailout agreement to the present, growth even slipped, although only very slightly, from 3.9% in the fourth quarter of 1997. The continued slowdown can mainly be attributed to negative industrial production. Due to the restructuring of the corporate and financial sectors, unemployment increased from 2.6% in end-November 1997 to 6.7% by end-April 1998. SERI also estimates the number of jobless people by the second quarter of 1998 to have gone up to over 1.5 million, resulting in lower consumption levels and drastic changes in consumer preferences.

The IMF-triggered discount sales in all shops became an ordinary street sight. People from all walks of life and age brackets found a new party to blame for their misfortune, from the rush-hour traffic to a neglected love affair. Apart from shifts in lifestyle among the middle and upper classes, social displacement is also evident in increased criminality and fraud. The number of divorces rose from a monthly average of 6,000 to 7,000 before the IMF bailout to 10,000 by 1998.[22]

A social crisis now looms due to the lack of contingency solutions to the adverse effects of the dismantling of unproductive chaebols. The workers, who continue to be repressed and struggling for better corporate practices, face the threat of massive layoffs. Those who have already lost their jobs, together with their families, are left to fend for themselves because of the lack of social welfare benefits and safety nets. The recent developments, analysts concur, could result in the much-needed organizational restructuring and management reforms of the chaebols, which in turn could lead to more long-term economic change, if approached from a political outlook as well. Amidst such a doom-and-gloom scenario, a popular president undertook to set a new start.

The Unfinished Divorce: Deficiencies in Kim Young-sam's Reforms

The democratization project involved a broad flank consisting of radical students with a strong anti-capitalist and anti-American orientation, moderate anti-regime and civil disobedience movements protesting the iron-fist rule of Chun Doo-hwan, and the masses mobilized by then opposition leaders Kim Dae-jung and Kim Young-sam. This confluence of actors forced a compromise from the government, leading to the democratic breakthrough of June 1987. The ruling coalition of the state elite, motivated by the instinct to save itself and avert another possibly bloody civil war, and determined to claim a stake and participate in the new political arrangement, had to yield to the people's clamor for democracy and constitutional change. Referred to as a "transplacement," the compromise solution established the first peaceful transfer of power in Korea.[23] Thus, by entering into a settlement, the government managed to initiate a change of regime that ensured its continued survival and role in the post-transition.

Cho Hee-yeon locates the authoritarian regime's form of withdrawal within the continuity model.[24] This is because in the transition, the opposition bloc failed to capture state power by its own force. Hence, state power stays in the hands of the former military bloc or the authoritarian forces with military connections. The initiative emanated from the military ruling bloc and was used by the clique to preserve much of its influence. Democratization, therefore, flowed from above, and not the other way around.

In the election that ensued in December 1987, Roh Tae-woh of the then ruling Democratic Justice Party was elected president with a 37.9% of the total vote. He won over the three Kims from the opposition who ran under separate parties. Roh inherited an economy still robust at the time. Nevertheless, problems were brewing, compounded by an agitated polity awaiting economic and political reforms. In February 1990, Kim Young-sam's Reunification Democratic Party and Kim Jong-pil's New Democratic Republican Party joined Roh's party to form a new coalition called Democratic Liberal Party. Under Roh's government, the Sixth Constitution, which gave more power to the National Assembly and strengthened the independence of the judiciary, was installed. The executive branch's license to intervene in the economy was blunted. The press experienced more freedom. Political participation, however, remained low due to the legacy left by an authoritarian political culture.

In December 1992, Kim Young-sam came to power as Korea's first democratically elected civilian president in 32 years. But many were ambivalent about his victory as he was elected through an alliance of his Reunification Democratic Party with Roh Tae-woh's then ruling Democratic Justice Party and Kim Jong-pil's New Democratic Republican Party. Purists dubbed the transition as bogus, referring to the new president's connection with the old

regime. Those in the center-left of the political spectrum, however, recognized the transition as a popular decision, the change having come about after a democratic election.

The initial phase of Kim Young-sam's governance showed some promise. Labeled by critics as a "populist dictator," Kim Young-sam embarked on breaking with the past through measures aimed at abolishing the legacy of authoritarian rule, militaristic practices and corruption. He reshuffled the military leadership, purging this of members associated with the past military clique, ordered investigations into charges of bribery and corruption, and ended the intelligence agency's role in national politics.

A sweeping anti-corruption campaign compelled practically the entire civil service — from National Assembly, cabinet and sub-cabinet officials, to central and local government workers, and members of the judiciary — to disclose their wealth. The president led the campaign by being the first to do so. The "no-sacred-cow" drive ended the reign of officials widely known to be corrupt. The move at first inspired optimism from the public that government and governance were indeed bound for change. Such optimism was short-lived, however, as the campaign proved to be selective and arbitrary, zeroing in only on the dispensation's political opponents.

Addressing the common sentiment that the ailments of the Korean economy are rooted in the politics-business nexus, and that this nexus is the cancer that breeds corruption and clientelism, Kim Young-sam pledged not to accept a single won from the business sector for his political fund. The move at once marked the demise of an otherwise incorrigible partnership and distinguished his government from its predecessors. Kim Young-sam also ordered the amendment of four major election laws and the Law Concerning Political Fund.

Kim Young-sam's most potent antidote to the "Korean disease" was the adoption of the "real name system" in all financial transactions beginning August 1993. The policy dealt a major blow to the prevalent practice of amassing unearned income, and soliciting bribes or political funds through fake or borrowed accounts. By using fake or borrowed accounts, one achieved two goals at once: tax avoidance and the concealment of the trail of recipients of the illicit monies. The policy was long awaited, after implementation was deferred twice, in 1982 and 1987, due to fears of its negative impact on growth. The result proved reform seekers correct — billions stashed in fake and borrowed accounts had to be transferred to real-name accounts. In addition, the policy provided the strongest evidence for the US$650 million slush fund case against former president Roh Tae-woh.[25]

In early 1995, a similar real name system on land holdings was undertaken. All real estate titles had to be registered under the real names of their owners, thereby equipping government with an instrument to eliminate illicit practices associated with land speculation. South Korea's high land price values played

a significant element in Korean companies' comparative disadvantage.

Kim Young-sam's "New Economy Plan of 1993-1997" put the economy firmly on the free-market path, promising to make South Korea the most convenient country for running a business. The plan included a whole array of administrative, fiscal and financial reforms. The economy, however, was not prepared for such change. The endurance of the chaebols' ways, the elimination of previous state protection and the liberalization of the market, compounded by the failure to realize the targets of political reforms, provoked the worst post-war economic crisis the country ever experienced. Hence, old practices, including the same concentration on the export-oriented activities and increased dependence on foreign capital, perpetuated, instead of the necessary institutional reforms, more effective state regulation and better working conditions taking effect.

There was no change either in the state-society relationship, with government's failure to eradicate corruption and improve business-labor relations. Many also relate this failure to the mistake of overlooking the need for political, market and civil-society cooperation in instituting reforms. Kim failed to harness the support of the democratic forces and to enroll them into partnerships for reform.

Progressive economists count the chaebols as one of the South Korean economy's five central problems. Like an octopus with numerous tentacles, these chaebols are somewhat indestructible by virtue of their command of the market — monopolizing bank credit, distorting prices by their speculative ventures, and spread out in too many activities not related to their core businesses, thereby crowding out the small and medium-size enterprises. The five largest chaebols are Hyundai, Samsung, Daewoo, LG and Sankyung, which used to control an average 42 subsidiaries and engage in some 30 industries each. To loosen the chaebols' grip on ventures where they were unproductive and inefficient, Kim Young-sam effected a policy of forced specialization. This, however, yielded limited results. The chaebols' insistence on maintaining their various monopolies and the strong lobby they mounted to ensure this even impeded government's deregulation effort. The amended Anti-Trust and Fair Trade Law, it turns out, further enhanced the favored position of the chaebols.

Thus, the proposal to reorganize the chaebol system by dividing the conglomerates, left unfinished, only worsened the concentration of the chaebols' economic power. The chaebol-centered, growth-first policy backed by banking and public finance plunged the economy into chronic inflation and drained it of its growth potential. Because of the government's overindulgence of the chaebols, the latter saw no need to improve productivity through technology innovation, maintaining instead their monopolistic methods.

The slogan "Korea to the World" is another example of the government's attempts to institute reform, this time through cooperation with the international market. As with the *perestroika* and *glasnost* of Gorbachev, the South Korean *segyewha* of politics and political parties, government, courts, media,

education and legislation should have served as a launching pad for a new orientation. To be sure, it sought to introduce new values and principles such as consumer orientedness, use of market forces and fair competition. However, as implemented, *segyewha* merely heightened the inequity of the economic model and widened the gaps already present even before the country's chase for globalization. In terms of advancing food security, South Korea's involvement in the Uruguay Round forced this to make concessions with rice-producing countries, thereby jeopardizing its agriculture, specifically the rice sector.

Under Kim Young-sam, equity remained the major issue despite the continued economic growth. Attempts to enforce a progressive taxation system failed to materialize. The distortion of the tax system resulting from the large exemptions awarded to business — designed to encourage honest tax declarations and payments — did not bring about progressive taxation as expected.

The right to political organization remained in the backseat. As in the past, the workers' right to exercise their political rights was suspended while bitter industrial conflicts raged. Although a number of new social movements may have proliferated, these did not offer an alternative national-popular project that could redefine governance, mainly for lack of cohesion within the left. The left was split into those for critical support to government and those who found Kim Young-sam's liberal reforms insufficient to address the structural issues in Korea. Nonetheless, these different groups showed their capacity in formulating economic and other policy positions, some of which were adopted by government.

Although unprecedented in the history of Korea and anywhere else in the world, the prosecution of two former presidents touched only the tip of the corruption iceberg. Many more figures should have been prosecuted and convicted. But the common opinion is that the case stemmed not so much from government's insistence on clean governance and restitution but from the failure of the then ruling party's realignment strategy (after the 1995 local elections). The prosecution of Roh Tae-woh and Chun Doo-hwan, therefore, is unique in that the convicted once held the highest office in the land, but South Korea's history itself is replete with stories of leaders' retaliation against abusive predecessors.

On hindsight, therefore, despite the tremendous initial advantage of popularity, Kim Young-sam failed to seize the opportunity to turn the people's support and approval into an instrument for legitimate long-term reforms. And the reason for this, according to many, is his lingering alliance with the former ruling party.

Malignant and Persistent: The Challenges Facing Kim Dae-jung

In the 1997 presidential election, the concern of each voter was to choose who could steer the country out of the crisis and overcome the tremendous

challenge of reform. With the growing preference for independence among business organizations, the presidency faced the inevitable shift from being CEO to facilitator. The most pressing question was how to preserve the gains of democracy — make this democracy substantive as well as sustainable — while leading the economy toward stability and away from IMF controls. Except for a fleeting experience of democratic rule in 1960-1961, the majority can only look back to a past under the strongman rule of military dictators like Syngman Rhee, Park Chung-hee, Chun Doo-hwan and Roh Tae-woh. Throughout their rule, the government was the primary engine pushing development. Most of the major business organizations were either formed by the government or in some way subject to government influence.

South Korea now faces huge, daunting challenges and many are worried that Kim Dae-jung's economic reforms and "DJnomics" may not be enough for South Korea to overcome the crisis. Foremost among these challenges is that sector of chaebols reluctant and opposed to every restructuring measure adopted by the new government. The chaebols represent one of the biggest ironies of modernization for while the state may have been the dominant party in state-business relations, with the success of state-led development, the balance ultimately tilted in favor of the originally "weaker" chaebols.

Kim Dae-jung's first round of appointees showed a sincere intent to steer the economy away from the Korea Inc. model. His economic advisers were a mixture of progressive economists and human rights activists, free-market advocates and critics of chaebols. From the start, however, this team realized it would not be easy to audit the intractable chaebols and keep them in check. To reform the economy, government would have to do no less than change the culture built by the chaebol system.

The first attempts to break conglomerate concentration and easy access to financial sources can be traced to as early as Chun Doo-hwan's regime, which blamed big business for the growth slowdown of 1979-1980.[26] The chaebols also proved impenetrable in the time of Kim Young-sam. In South Korea, the business sector is the fourth estate. Within, there are a number of groupings, most powerful of which is the "Big Four," which consists of the Federation of Korean Industries, the Korean Foreign Trade Association, the Korean Chamber of Commerce and Industry, and the Korean Federation of Small Business. There are the sector- and industry-specific groupings such as the Korea Trade Promotion Corporation, the Small and Medium Industry Promotion Corporation, and the Korean Federation of Employees.

The nature of each organization and its relationship with government varies. The Korean Foreign Trade Association is close to government while the Korea Trade Promotion Corporation remains completely government-controlled. The Federation of Korean Industries and the Korean Federation of Small Business have independent, voluntary membership, and rely on dues and income generated by services offered. These services range from the

traditional ones such as trade information, training programs, policy analyses and assistance funds, to pioneering activities such as the Korean Chamber of Commerce and Industry's Anti-Counterfeiting Council, the Federation of Korean Industries' Korea Economic Research Institute, and the Korean Foreign Trade Association's online trade database in the Korean language.

Under Kim Young-sam's presidency, business' participation in policy-making further increased. The different associations intensified their lobby activities to legislators, and also elevated their position on various issues to the public sphere. Under Kim Dae-jung, the chaebols have been using their easy access to media to project their dissatisfaction with his appointees. This resistance is expected to go on for every policy that government proposes or executes prejudicial to their interests. Echoing the chaebols' objections are the bureaucrats at the Ministry of Finance and Economy. Kim Dae-jung, on the other hand, has accused the ministry for being responsible for the economy's sorry state.

Kim Dae-jung also promised reforms based on his philosophy of a free market. In *Mass Participatory Democracy*, he outlined his envisioned framework for the economy's restructuring which conforms to the US agenda of accelerated deregulation, privatization and liberalization of goods and services as the track out of the quagmire.

The reform targets also include political cleansing. Squarely facing this goal, however, is a huge, intransigent opposition party that controls the National Assembly. Meanwhile, the problem of unwieldy politicians can also be found within Kim Dae-jung's coalition party itself, which is an amalgamation of factions representing varying interests. The failure to advance the maturity of electoral politics from a regional character forced Kim Dae-jung to include as many regionally influential people as possible to win the last election. Thus, the primary qualification of the people he invited to his ticket was their ability to pull in the votes, and not necessarily their political convictions. The result was a party with 17 party vice-presidents after the elections.

Although Kim Dae-jung's popularity rating remains high, the organized sectors are becoming restless over the social impact of the crisis, especially the massive layoffs and the threat of continued loss of jobs. Although the labor movement finally has the legal cover to engage in political activities and exercise its political rights, this was won at the cost of job security — a birthright of every worker for the past two decades. The job attrition at the same time as the adoption of free-market policies is unprecedented.

In 1998, a tri-sectoral conference produced an agreement between government, labor and business to legalize layoffs in all workplaces. Such a coming together was a first in state-labor relations history because in the past, only the pro-government Korean Federation of Trade Unions would figure in such negotiation, not the more militant Korean Confederation of Trade Unions (KCTU). In this particular Tripartite Commission, however, both unions were recognized. As a safety net, the conference stipulated conditions when layoffs

would be allowed, among them emergency situations such as financial shortfalls, mergers and acquisitions. Companies were also required to submit a 60-day notice prior to dismissal and a report to the Ministry of Labor. The discussions collapsed when the two labor federations broke away from the commission while the country was celebrating Kim Dae-jung's first year in office in 1999. Members of the KCTU, in particular, complained of loss of employment brought about by mergers and acquisitions by foreign companies. Labor realized they were the only ones suffering the brunt of the crisis.

The Blue House is also undergoing landmark shifts. Unlike in the past, the appointed presidential secretaries are mostly technocrats with no political clout or savvy. Some read into this arrangement a possibility that presidential secretaries will not have as much power as before. In the old arrangement, the secretaries were the arms and feet of the president, oftentimes more powerful than those appointed to run the ministries. The number of presidential secretaries, moreover, was also trimmed from 11 to six.

Presidential appointees reflect the DJnomics' bias for the free market, most of them being strictly market economists. Others such as Lee Jin-soon and Kim Tae-dong came from new civil-society formations, or from the Citizens' Coalition for Economic Justice. Kim Tae-dong is known for his anti-chaebols stance, and it was he who said the chaebols comprise one of the major enemies of the nation. The new team will surely require the chaebols to do extensive self-restructuring that could alter major practices, including decision-making processes, within business associations and chaebols.

Since South Korea moved from a developmental to a post-developmental state, the presidency has gone through numerous transformations as well. In a post-developmental state, according to Hahn Sung-deuk and Christopher Plein, leadership emphasis moves from authoritarian executive arrangements to more atomized institutional arrangements, giving more power to nascent political institutions like the legislature, judiciary and local governments.[27] The policy changes implemented in the mid-'80s that freed capital from state controls paved the way for new bureaucracy mechanisms. The cabinet is thus expected to have more and real authority and accountability, unlike its predecessors. Membership has been reduced from 21 to 17, while the number of minister-level officials is down from 33 to 24. The function of the presidential office is expected to be reinforced, and special committees to concentrate on women and medium-size corporations have been set up.

The government has proposed several survival strategies to companies including the "big deal," a scheme where owners will contribute their personal money to their company. Privatization was revived with the turnover of government assets such as Korea Telecomm, Korea Heavy Industries, Korea Gas and the Korea Tobacco and Ginseng. In order to graduate from the IMF-imposed retrenchment program, large-scale domestic transactions will now be barred and policies are in place to secure foreign exchange transactions.

A few who can be considered of the new breed of politicians joined Kim Dae-jung's party, hoping to contribute new ethics and reforms into party politics. It will be interesting to follow how they will wrestle with traditional party elements. The coalition with Kim Jong-pil's United Liberal Party remains shaky because people identify Kim Jong-pil with the past arrangement. His appointment as Prime Minister met enormous resistance not only from the majority opposition party but also from the publics unable to give their complete trust to those they consider remnants of the old regime.

Expectedly, the strongest criticism has come from the organized labor as this is the only organized source of protest against the IMF-backed liberalization program of government. Kim Dae-jung's endorsement of IMF policies and his adherence to labor flexibility have only aggravated the chaebols' anti-labor practices. The government's reaction to protests such as the Mando factory strike in August 1998 may yet be a presage of the official approach to dissent.[28]

IV
Political Culture and Democracy

Legitimization of Authoritarianism

South Korea offers a distinct platform from which to explain how and why authoritarianism prevails in a society and what ushers in the chance at democracy. Modernist theory (Lipset, O'Donell, etc.) submits that for democracy to take root, a certain economic threshold must first be attained. While the argument has stirred the study of democratization, it is now recognized to be an insufficient one as it does not take into consideration the particular roles and contributions of the different social actors in the transition. As the South Korean experience illustrates, the militaristic political culture that makes elite control of both political and economic power possible is the historical condition that shapes the preferences and decisions of those actors who must maneuver their survival in that specific period. Those who opposed the arrangements under a military dictatorship and the policies of compliance with government's development project have had to pay the price of imprisonment or life in exile.

The shift in the political culture and historical tradition, as a result of internal and external factors, created in turn a demand for democracy that made it inconceivable henceforth for any leader to adopt an autocratic style of governance. The transition period has already made significant headway in bridging the societal fissures and rendering democracy feasible. However, there still exist challenges to overcome to enable the South Koreans to enjoy a genuinely democratic political economy.

Even in the face of popular resistance from the labor sector and other marginalized groups that questioned the state's growth project, government

was able to govern legitimately. Legitimacy facilitates the implementation of state policies that allow for effective domination. During South Korea's modernization period, it was this very development project that provided the framework within which the different actors directed the transition from an agricultural economy to a modern state, which ultimately legitimized strongman rule.

A key factor that made the development period conform to authoritarianism is the congruence of the statist development approach with the dominant influence of Confucianism in South Korea. Confucianism is strongly supportive of developmental activities. South Korea's type of Confucianism, in particular, thus cast the government in the role of protector and promoter of the public good while continuing to inculcate the value of respect for authority. This Confucian ethos that gave officials the space to maneuver, along with the similarly high Confucian premium on the family that encouraged family-based entrepreneurship, meshed well with the demands of growth.[29]

Despite the setbacks, the aspiration for democracy has not totally waned. The social movements' persistence for real democracy and self-determination only proves that Confucian values are not in conflict with democracy. Previous east-west political discourse has represented Confucianism negatively. But it is the dictators, in justifying their rule, that have corrupted what the "Asian way" embodies. Some scholars attribute what they consider Asia's authoritarian tendencies (familialistic view of society, respect for authority, supremacy of the group over the individual, discipline over freedom, duties over rights, etc.) to the lack of a control-and-check system in the Asian ethos. But this is a misconception of Confucianism which, as argued by Geir Helgesen and Li Xing, is precisely a system based on a certain kind of social morality.[30]

The "growth at all cost" reasoning used by South Korea's development architects deviates from the fundamental Confucian ideal of harmony in governance, that is, the representation of the state as a boat and the people as the water that will carry the boat or overturn it. The loss of the people's mandate therefore validates a revolt, which is similar to the tenets of western democracy.

The change in the social conditions is also redefining the nature of politics and social relations in the country. The younger generations, socialized by middle-class upbringing where economic security was assured, now seek goals different from their elders'. Most of these new goals center on self-expression, personal freedom, social equality, self-fulfillment and maintaining the quality of life.

According to Gabriel Almond and Sydney Verba, the institutions and patterns of action in a political system must be congruent with the political culture of the nation.[31] In South Korea, the change in the style of governance experienced after 1987 created an opportunity for congruence between cultural and institutional choices. True, the democratization that ensued was not the effort of government alone, but rather a result of consensus between government and other actors outside the political system. At the same time, however, this process has a deep and broad cultural foundation including *han*,

that is, a long tradition in Korea best described as "redeeming rage." The series of autocratic regimes of the past bred *han* in the populace — or a deep-seated desire to correct what is generally perceived as an immoral or unjust condition. For that matter, the persecution of former leaders and policy makers can be rationalized by the same logic. The belief that wrongdoings have an equivalent punishment is embedded in the country's psyche.

In the past, the existence of a communist threat from the north and from within South Korea, and the state's iron-fist policy against autonomous organizations made any organized challenge to the dictatorship difficult. State propaganda had turned the population resolutely anti-communist. According to one account of the democracy movement, it is the division of the country between the communist-controlled north and the anti-communist south that is primarily responsible for the hardline anti-communist attitude among key groups in South Korea, such as the armed forces, police and bureaucracy. This intolerance is common as well among party politicians. Strong communist formations in the immediate post-liberation period, the prominence of the red-and-white terror during the Korean War, and the threat of North Korean subversion and attack account for the emergence of such rigid anti-communism.

From another perspective, the clear division on issues encouraged a zero-sum attitude for most political players, which added to the marginalization of the democracy-movement actors. The past environment did not allow for individuals, groups and institutions to act as arbiter, mediator or moderating force among and between contending political forces. Political conflicts always tended to be confrontational and uncompromising, a characteristic that can be traced in turn to the potency of draconian laws.

Elections since 1963 have generated competition and debate mostly within the government and opposition parties, but not between them. Kim Dae-jung's victory in 1997 was a breakthrough for the opposition, which had yet to win the presidency and the majority position in the National Assembly. Before then, the prevailing political environment had in place various safeguards for the incumbent. The new configuration is no guarantee of genuine, lasting democracy. The party system remains weak, hindering healthy debate on the nature and specifics of governance and leadership. In turn, the party system, introduced immediately after liberation from the Japanese colonial rule, remains weak because of the succession of military regimes.

In addition, the political parties have not been able to generate stable support based on ideological affinity because ever since, electoral choices were determined instead by regional affinity. In terms of ideology or platform, there has been no room for deviation from the official line on virtually all the important issues. Such homogeneity of the parties has discouraged openness in advocating alternative policy choices.

Changes in regimes have also ruled out the growth of a party that might encourage organizational loyalty. Because of the personality-oriented nature

of politics, there are few power brokers. Political choices are influenced instead by factions and personal ties called *inmaek*.

Lastly, the repressive measures adopted by ruling parties against political opponents have made parties "ephemeral." Neo-Marxist writers say this condition is a result of government's repression as a tool to collaborate with and serve the economic interests of international capitalism led by the US and Japanese multinational corporations.

Region vs. Conviction

The clasp pinning the preservation of personality-based politics is again, regionalism. This is evidenced by the failure of the Kim Young-sam government, which was an assemblage of politicians with strong regional clout but no ideological consensus, to institute the necessary reforms — and these presume a stable ruling coalition. Without pluralism, democratic reform would be a myth because then, choices would be limited to just a narrow band in the ideological spectrum. For more than two decades, however, political choices in Korea have been founded on the factionalized workings of regionalism, leaving no chance for alternatives.

Unfortunately, the excessive influence of regional politics even intensified during the 1987 elections when the three Kims (Kim Young-sam, Kim Dae-jung and Kim Jong-pil) vied for the presidency. It was a contest that heightened the rivalry among regions, and undoing the grip of such parochialism, after a fairly recent but divisive and emotional competition, will take time, especially since the few new actors that have entered the scene have yet to capture the popular imagination. At the moment, Kim Dae-jung is the only remaining character among the seasoned politicians with a solid following. The need for new political actors who will repudiate old practices and introduce new politics that stresses collective action and grassroots organizing is urgent. Alternative groups aiming to reform electoral politics are patiently being organized now at the local and national levels.

Although regionalism continues to be a major determinant of voters' decisions, political analysts share the observation that its dominance is diminishing. They cite as example the last election which underscored instead the growing strength of media on people's decision-making and their choices. It is too early to tell how strongly the political actors today, such as the church, will influence voters. The section of the labor associated with the more militant Korean Confederation of Trade Unions has also begun to measure its clout with its establishment of an alternative party. (See "Beyond Bread and Butter" for a thorough discussion.)

The Ingredients of Democratization

Lipset (1981) and Touraine (1997) have advanced one framework for studying how new identities are formed and how the "individualization of politics" is

developed. This framework includes a consideration of how new party attachments take root, how relationships between social groups and parties are formed, how party images are developed, and how citizens learn the process of representative democracy. Doh Chull-shin and Huoyan Shyu explored the cogency of this approach in their study that used surveys conducted by the Institute of Social Sciences at Seoul National University from 1991 to 1996. The study compared the growth of the behavioral aspect and the effectiveness domain of democratic political culture in South Korea and Taiwan, both classified as "quintessential outlier states" in the current wave of democratization. The study noted the crucial role history plays in democratic transition. It also showed how democratization in East Asia has taken place in a context formed by the complex interaction of broad, global historical trends and more narrow national ones.

In general, the combination of socio-cultural, ideological, institutional and historical factors provided the environment permissive to authoritarian rule. In this sense, shifts and reforms are credited as democratizing gestures by government, and not as the work of non-state actors who pushed for the change. In *Democracy and the Market*, Adam Przeworski identified two dimensions of politics — institutional politics and movement politics.[32] "Institutional politics" refers to the sites where the interaction between the ruling and opposition political leaders takes place, while "movement politics" relates to social movements and civil society's contestations. Institutional politics may be confrontational or willing to compromise, depending on the strategies and tactics of the political leaders. In any case, the ruling party exercises the lead role here, as with the dealer in a card game, setting the methodology even of the opposition through its calculation of the other's reactions to its own handling or shaping of resistance.

At some point, South Korea's transition had some similar features as the democratization of other countries included in what Samuel Huntington called the "third wave of global democratic expansion." First is the growth of the middle class. South Korea is among the few countries that experienced a case of dual transformation — the socio-economic transition from agricultural to industrial society, followed shortly by a political shift from authoritarianism to democracy. Within this the socio-economic transition, the proportion of white-collar workers climbed from 4.6% in 1965 to 17.1% in 1985.

Second is the socialization to democracy of the literate sector of society that contributed in the strengthening of democracy movements themselves. It should be noted that intellectuals form a substantial segment of the critical middle class. And in a society that looks upon scholarly merit as basis of leadership, the incorporation of intellectuals and technocrats in the democracy movement lends legitimacy and leadership to these movements and provides rational basis for the preference for democracy. The critique of the model of growth and governance provided by the intellectual elite also added

voice to the effort of informing the public on the incalculable cost of the repression waged by the government.

Third is the expansion of South Korea's external relations. Exposure to information on the ways of other countries made the public aware of the nature of governance and the ordinary people's role in it in the west, and the regime changes and positive reforms that follow in new democracies. The national desire to be accepted and recognized by the outside world as an industrialized and democratic nation — a requisite now for membership in the international community — forced government to introduce political and economic liberalization.

Fourth is the increasing role of media in any democratization project. The media fed information on global developments and shifts in the economic and political conditions in the different parts of the world. Although many actors in the democracy movement define their partnership with the media as a love-hate relationship, they are the first to validate media's important role in their discourses to the public sphere and in the creation of a counterculture.

In the 1997 presidential election, the first-ever televised presidential debate was instrumental in swaying public opinion in favor of Kim Dae-jung. His easy grasp of various issues and stock of knowledge on the current political and economic problems, his charisma, and his articulate presentation of his vision on how the country could overcome the crisis changed voting habits and steered most people away from their traditionally region-based choices. Media introduces to voters a variety of information sources, and a potentially more critical perspective of established political actors such as parties, labor unions and industries. A freer media ushered in a more selective public.

Fifth is the state of civil society and the development of movement politics. Public involvement is a gauge of whether democracy is taking root — beyond the usual analysis of voter turnout during elections. The proliferation of NGOs, social movements and grassroots organizations, and the widening interest in the formation of alternative and issue-based political parties indicate the development of the behavioral aspect or the effectiveness realm of democracy. Recent social movements such as the People's Solidarity for Participatory Democracy and the Citizens' Coalition for Economic Justice, as well as environmental groups like Green Korea, are expanding one's repertoire for political action and participation.

In his study on the politics of highly industrialized societies, Russell Dalton submits that the individualization of politics occurs when instead of structured and institutionalized methods of political participation, more citizens are turning to various venues for direct democracy, ranging from community groups to social movements.[33] The development of different political and ideological networks shows both the diversity and maturity of civil society. The continued involvement of individuals in this various groups maintains a principal aspect of democracy, that is, pluralism.

Indeed, the notion of statecraft and governance in South Korea is changing. However, power relations between class and gender still demand an overhaul, given the prevalent notions on the role of the individual in the workplace and family, and the role of women in private and public life.

The inferior role of women is marked in all sectors, even in the supposed bastion of progressive ideals and practices — NGOs and social movement organizations. Yet, women have played a key role in the advancement of democracy. As early as 1925, they have worked side by side with men in union organizing. Affirmative-action measures that will ensure women's participation in public life are still lacking. In the parliament, women's representation is very minimal. Even Kim Dae-jung's party, the National Congress for New Politics (NCNP), although supportive of the principle of increasing women's participation in development, has yet to come up with effective steps on how to increase its women members. There are only four women out of the 74 NCNP representatives in the parliament. However, with the establishment of the Presidential Commission for Women's Affairs, it is possible that more women will find challenging roles in politics.

Democracy and Movement Politics

The fight waged by the democracy movements against the repression of past dictators is inspiring. During the days of authoritarian rule, the arena of symbolic and imaginative power was the universities. The rise of the "middling grassroots" is particularly interesting. "Middling grassroots" was coined by Han Sang-jin, from *hangul joong-min*, to refer to members of the middle class sharing the common experience of student activism, and who eventually identified themselves with the grassroots and shared its subaltern discourses.[34] The middling grassroots created a fascinating counter-culture that pioneered subaltern discourses and activities, and self-critical and identity-seeking groups. Although smaller in comparison, it shared with the *min-joong*[35] movement the search for a national and popular culture that could challenge long-accepted traditions and Confucian values. From the universities, the middling grassroots fanned out to labor unions and religious associations, injecting fresh approaches to resistance into these sectors.

Industrial growth led to an expanded middle class during the Park regime. The propertied segment joined the development project in line with their interest in socioeconomic stability and continuity. As everywhere else, the middle class' insecurity about its political and economic status made it more convinced to support the development project. Its motivations spring from two concerns: the country's growth chances and the benefits to be derived from such growth.

In many developing societies, the achievement of growth and the state of the environment are now introducing changes in social values, with their mass publics now favoring post-material value change.[36] The impact of

the development model followed by South Korea has altered values and priorities as well. But, despite this and the negative consequences of ideological orthodoxy, conformity and Japanese colonialism, Korean civil society has developed its own mechanisms for plurality and solidarity evident in the rise of the *min-joong* movement and later, the expansion of the middling grassroots.

As a distinct identity, the middling grassroots was able to develop and nurture its role as the core of the Korean middle class during the '80s. Members' capability for understanding the sensibilities of the oppressed and their immersion with the *min-joong* movement prepared them for their strategic role now as political actors. As a distinct identity, the middling grassroots is the purveyor of values such as participation, reciprocity, solidarity, clean environment, etc.

As for *min-joong*, the concept inspired the relentless opposition that challenged the military authoritarian rule, the role of the US in South Korea's internal affairs, and the artificial division between North and South Korea. Strengthened by worker's activism and later by the Kwangju uprising, the movement fueled a resistance that encouraged middle-class participation and eventually formed the subculture of middling grassroots. The *min-joong* and the middling grassroots are the two pillars of the democratization movement that fought military rule and initiated the democratic transition. The middling grassroots was instrumental in the election of Kim Young-sam and the transition that followed the 1987 events.

Conflicting views concerning the approach to democracy created a division within the left. Since the wave of huge strikes in 1987, the number of unionized workers has increased, most coming from small and medium-size companies. Under Kim Dae-jung, labor unions achieved their full political right to organize and participate in politics, following the tripartite agreement between government, business and the labor federations. But while the revised labor law may have expanded the space for union organization, the workers continue to find difficulty airing their grievances.

The company orientation prevails even among labor leaders until now, more so with the union members. But a national orientation — a sense of real trade unionism — is emerging, alongside global labor solidarity. Transnational labor solidarity, both at the bilateral and multilateral levels, is also increasing. More and more open communication between and among labor unions, following the development of "talking new social movements" that correspond to global and regional formations, e.g., North American Free Trade Agreement, Asia-Pacific Economic Council and ASEM or Asia-Europe Ministerial Meeting, is introducing a new dimension to independent initiatives.

However, despite the proliferation of new national and local organizations, unity within the democracy movement appears remote. At the moment, only the labor unions are mobilizing organized action against the policy adjustments resulting from government's agreement with the IMF. The left is hard-pressed to

venture into the formulation of a national agenda for structural change, with the serious division between anti-capitalist activists and the reform movement. The split has caused organizers to avoid discussing national-level projects, and many organizations just choose to focus on local initiatives and day-to-day issues.

The formation of alliances that would weave a national popular project to engage the state is therefore imperative. In addition, social movements lag behind the state in organization development and resource mobilization, given the clockwork efficiency of the state bureaucracy and the huge budgets at the disposal of its military and police force. The lack of a comparable nationwide social organization that could match the bureaucracy, the military and the police has so far made the co-optation of dissent movements easy.[37]

The North-South Division in Post-Transition

The international environment bears significantly on the timing of South Korea's transition to democracy, besides providing a framework within which to address one of the most emotional and controversial issues in the Korean peninsula: the division of North and South Korea. Democracy is still in a very fragile state in South Korea, and for a deepening and maturation of this democracy, the issue of the economic, physical and social division with the north has to be resolved.

The demise of communism in eastern Europe ended the relationship between North Korea and the Soviet Union, at the same time that South Korea's bilateral ties with Russia and China are advancing. The changing trend in international relations from ideology and opposition toward reconciliation and cooperation is an appropriate backdrop for sustainable peace in Korea. One should take stock as well of North Korea's slow but steady progress in improving its international relations since the death of Kim Il-sung.

The end of the Cold War, the shifts in global power relations, and the improvement of the global security situation render the continued division between a North and a South in Korea unreasonable. Internally, the division fosters serious questions regarding the nature of South Korea's continued engagement with the US.

Reconciliation and peace in the peninsula may not be far off, with the institutionalization of the two Koreas' cordial bilateral relationship today — the Agreement on Reconciliation, Non-Aggression, Exchanges and Cooperation Between the South and North or the South-North Basic Agreement, and the Joint Declaration of the Denuclearization of the Korean Peninsula, both signed in December 1991. The South-North Basic Agreement identifies specific confidence-building and arms-control measures designed to stop the arms race between the two Koreas. The Joint Declaration of the Denuclearization of the Korean Peninsula, a landmark concord achieved by both parties, suggests the possibility of a reunification.

Included in the Basic Agreement are provisions for reconciliation, non-aggression, trade and cultural exchange, and humanitarian projects between the two. The reconciliation measures start with recognition of and respect for each other's political and social systems, as well as a commitment to cooperate with one another in the international arena. The non-aggression measures include confidence-building actions such as non-use of force, establishment of joint military commission to negotiate arms reduction, and accords on notification and limitation of military exercises. The other measures pertain to the resumption of people-to-people relations, including family reunions and visits. The new government in the South has embarked on assistance programs for families looking for their separated relatives living in the North to hasten the reunion process.

The Joint Declaration for Denuclearization also contains confidence-building measures directed at the nuclear issue. It includes two important provisions: (1) not to test, produce, receive, possess, store, deploy, or use nuclear weapons; and (2) not to possess facilities for nuclear reprocessing and uranium enrichment. The document also provides for the establishment and regular meeting of a joint nuclear control commission that will ensure both parties' compliance.

Peace-building efforts continued in 1997 with a four-party conference involving the two Koreas, the United States and China. The meeting explored the prospects of a permanent peace agreement. The US and China were given the role of both supporters and guarantors in the increasingly close possibility of peace and security in the peninsula. The conference took off from the two earlier agreements as well as previous ones such as the 1954 armistice agreement.

Although much progress has been achieved in the peace-building process, the effort is hampered by a number of problems. On the side of the South, the new government still has to reach a unity with its coalition partner, the ministries and other important sectors in the political circle. There is also a need for lower-level government bureaucrats to shed their old notions and attitudes regarding the basis of reunification with the North. Although the assumption of the North's absorption into the South when the two are reunified no longer prevails, majority still subscribe to the belief that everything about the North is inferior and therefore subject to reconstruction and replacement. The correction of this viewpoint will be long and difficult, but for its own credibility and the North's trust, government needs to present a more balanced understanding of the South and North identity. The same holds true for North Korea — its people may still be harboring the view that everything about the South is bad and exploitative.

On the side of North Korea, its continued isolation from the rest of the world is so far making people-to-people connection impossible. This isolation can be attributed to previous experience, specifically the previous hegemonic policies of Japan, the US and South Korea. Similarly, therefore, a

more holistic understanding of the history of the division is in order for a historically accurate verdict on it. At the moment, the North is strapped with a severe food shortage. Resources, both governmental and non-governmental, are being mobilized internationally for a speedy solution to this. Inside the South, non-government efforts help alleviate the North's food crisis.

A South Korean program that will set the targets and initiate the eventual reconciliation has been prepared. It is also widely perceived that the new government in the South is starting from the right premise, which is the recognition of the North's autonomy. The North, for its part, has expressed trust in Kim Dae-jung's sincerity in resolving the division, a first in the history of the two governments' relationship. Both sides are moreover in agreement that the economic gap between the two Koreas should be bridged.

The reunification program is divided into three stages, each consisting of further trust-building measures. The current talks where both parties are aiming for a blueprint of a confederation in which South Korea will eventually exist as one country with two states are part of the second stage. The talks on peace and reconciliation and family reunions comprise the first stage. Hopefully, the opening of borders for real people-to-people engagement, the third stage, will be a reality soon. As expected, however, bottlenecks such as the issue of nuclear arms control, military and security issues, etc. are prolonging the talks.

According to Yoo Jay-kim, one of the vice-presidents of the ruling National Congress for New Politics, Kim Dae-jung's "sunshine policy" with the north is warming relations. The sunshine policy rests on the principle that peace and reconciliation should come voluntarily. Although the timeframe for reunification is still uncertain, both parties are aware that the timing can not be forced due to the economic conditions in both countries.

An important concern in the current talks is the question of which economic system will be operative after reunification. Unlike in the past where debates centered on the question '*Which is the better system*?', there is now mutual recognition that a mixed economy will work in a unified Korea.

However, the framework for reunification should not be limited to the political and economic aspects alone. More challenging is the task of healing the wounds inflicted by the division. A deeper understanding of cultural identity and social consciousness molded during separation demands commitment, sincerity and reciprocity from the two sides.

The democracy movement in South Korea could play a big role in expediting the reunification process. The various components of this movement have since included reunification with the North in their vision of a democratic future. Different organized sectors in the South have long wanted to hold dialogues with their counterparts in the North, and only the continued enforcement of the National Security Law has prevented them from doing so. This law prohibits South Korean organizations, except those operating

for humanitarian and charitable purposes, from establishing and maintaining direct contact with organizations in the North. Violation of this provision leaves one open to charges of treason or to accusations of spying for the North.

To lead the way toward a unified Korea, the government could organize people-to-people conferences where civil-society formations can dialogue with their counterparts in the North, thereby eliminating threats to security. Civil-society organizations are as much a stakeholder in the quest for peace and should be involved in the process. The governments of both sides, in partnership with organized groups, could sponsor joint visioning conferences on how a unified Korea will look. Such gatherings could be based on sectoral concerns such as the environment, labor, food security, housing, education, health, etc. The results could form the foundation of a reconstruction, democratization and development program for a unified Korea.

A New Beginning

The new government is distinct from the previous ones in its emphasis on adherence to the complementation of democracy and growth for the new South Korea. The crevices from which authoritarianism could spring back are sealed, due to an irreversible movement for less government intervention in economic management and the citizens' growing vigilance in participating in political and economic affairs. The question now is whether the democratic gains will enable people to overcome their present economic crisis and build a political economy that ensures democratic development. As an advantage, South Korea has the experience, resources and stamina that will make democracy sustainable including a highly educated citizenry, a developed economy (despite the currency crisis), a dynamic civil society and the progress made in the discourse on democracy at home and overseas as well.

The new policies on conglomerates or chaebols, if fully implemented, will eventually guarantee transparency in chaebol management and eradicate the mechanisms of collusion between politicians and business. Most chaebol owners realize that their business survival hinges on how they will adopt to the new order and to the demands of the local and international market. Emphasis could be given to small and medium-size industries, and consortiums and small-scale enterprise networks could be organized to replace the unproductive chaebols.

New instruments that create or expand the space for state-society interaction such as the Fair Trade Law, and engagement by autonomous actors in monitoring their implementation or improving the policy are in place. The common verdict is that the economy's growth potential has reached its maximum due to structural errors and inequities accumulated in the country's high-growth period. Whether valid or not, the crisis presents itself as an opportunity for correcting the errors of the past.

It is important to recall, however, that state regulation has worked for South Korea in the past. It could still work for the economic reconstruction needed today, as long as government employs different strategies. As John Bennet argues, while economic growth may promote a democracy, a pause in such growth or even an absolute decline does not necessarily set the clock back.[38] Indeed, despite the current turbulence of the economy, the goodwill enjoyed by the current government, the popular resolve for democratic expansion and the absence of threat of military intervention combined helps push forward the country's transition to democracy.

The ongoing development of South Korea's community of dissent and ethos of resistance challenges the notion of the inherent incompatibility of Confucian society with democracy. Dissent and protests should continue to have a space in the new arrangement to encourage democratic deepening. Democracy is ever-evolving, and the public is discovering in the course myriad ways of contributing to determining its distinct features and character. The newly recognized forces, now participants in the struggle to change the existing distribution of power and power relations, should enhance the potential for the country's structural and cultural transition. The thinking that political democratization and social liberalization will necessitate a break from all traditional Confucian-influenced values, while valid, may not be absolutely so. Not every new orientation guarantees fulfillment of the twin goals of political democratization and social liberation; some embedded values and traditions such as the strong moralist orientation and the premium given to the family could be interwoven with new ones.

The new political and social movements differ from the old ones in the issues tackled, participants, audience, mode of activities, identity, ideology, etc. An enhanced and expanded arena for such movements will work as a pillar for authentic democratization. The wider latitude will encourage further local and national initiatives in organizing, which in turn will consolidate the character and methodology of the existing social movements and give rise to new ones. Political context influences the movement and organizational dynamics of social actors. The transition therefore not only influences the type of regime at work; the actors responsible for the shift are themselves transformed by the changed state-society relations and the new demands of democratization brought about by the transition.

The changes in the political condition resulting from democratization and, to a certain extent, globalization, plus the occurrence of the Asian economic crisis, have cultivated globally oriented political actors operating simultaneously at different levels. Meanwhile, the changing notions of what constitutes good governance have renewed the different actors' interest in party building and participation in electoral politics. The formation of the People's Victory for the 21st Century, an independent political party organized by members of the Korean Confederation of Trade Unions, as well as ongoing discussions among

environmental activists on the buildup of electoral constituencies, portend a markedly healthier political environment. Once approved, the introduction of a representative system based on the ratio of votes garnered by parties, a proposal now under discussion at the National Assembly, could very well revolutionize the existing political culture.

Lastly, the new political and social context, which has already expanded the political and movement arena somewhat, has prompted the social movements to redefine themselves. The blocs associated with the authoritarian era, previously identified by their ideology for, and methods of, resisting state repression have had to construct new repertoires for collective action, target new audiences and adopt new modes of engagement with government.

All these changes are happening at a time when opportunities and challenges abound in a new South Korea. As the economic crisis and the struggle for democracy seethe side by side in the region, the crafting of a South Korean democracy and the construction of a new cast for its economy will play a major role in the continuing debate for a participatory and liberating state-society relationship. The stakes are much higher than first imagined.

Endnotes

[1] Seymour Martin Lipset, "Social Requisites of Democracy Revisited," *American Sociological Review* 59 (February 1994): 1-22.

[2]First used by Juan J. Linz in his study of democratic transitions in countries belonging to the third wave, the term denotes a complete break from an authoritarian past — and incremental progress to full democracy is expected.

See Juan Linz, *The Breakdown of Democratic Regimes: Crisis, Breakdowns, Reequilibration* (Baltimore: The Johns Hopkins University Press), 1978.

[3]Mark Clifford, *Troubled Tiger: Businessmen, Bureaucrats, and Generals in South Korea* (London and New York: M.E. Sharpe Inc.), 1994; and Guillermo O'Donell, *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics* (Berkeley: Institute of International Studies, University of California), 1973.

[4]This idea comes from Martin Hart-Landsberg who used the experience of South Korea to explain how authoritarian governments or modernizing despots succeed in rationalizing the absence of democracy because of economic exigencies, when and why societies decide to bear with such authoritarian rulers and arrangements, and when and how the same societies eventually come to say 'enough!' and begin to demand democracy.

Martin Hart-Landsberg, *Rush to Development: Economic Change and Political Struggle in South Korea* (New York: Monthly Review Press, 1993).

[5]Alain Touraine, *What Is Democracy?* (Colorado and Oxford: Westview Press, 1997).

[6]Steven Radelet and Jeffrey Sachs, *The Onset of the East Asian Financial Crisis* (Cambridge: Harvard Institute for International Development, 1998).

[7]Paul Krugman, "What Happened to Asia?" Krugman website: http://web.mit.edu/krugman/www/DISINTER.html (Massachusetts Institute of Technology, 1998).

[8]South Koreans think of education as a vehicle for upward mobility. Amsden noted the incredible number of doctorate-degree holders among South Koreans. For example, the country has more Ph.D.s in economics per capita than any other country in the world. It has even more Ph.D.s than the technologically superior Japan. Over a twenty-year span from 1970 to 1990, some 801 Koreans published their doctoral dissertations in the US, compared with only 305 Japanese.
Cited in Clifford, *Troubled Tiger: Businessmen, Bureaucrats, and Generals in South Korea*, 92.

[9]The Hanbol case was one of the strongest evidences used by the state prosecutors in proving the charge of corruption brought against former President Chun Do-hwan.

[10]Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (Oxford: Oxford University Press, 1989).

[11]Cho Hee-yeon, "State Autonomy and Class in the Economic Development of South Korea: Social Conditions of South Korean Industrialization" (paper presented at the annual meeting of the American Sociological Association, New York, 16-20 August 1996).

[12]Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962).

[13]Peter Evans, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change," in *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*, ed. Stephan Haggard and Robert R. Kaufman (Princeton, N.J.: Princeton University Press, 1992), 212-268.

[14]World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Policy Research Report (Washington D.C.: World Bank, 1993).

[15]Hart-Landsberg, *Rush to Development,* 79.

[16]Cho, Hee-yeon "State Autonomy and Class in the Economic Development of South Korea," 20; and Martin Hart-Landsberg, *Korea: Division, Reunification, and US Foreign Policy* (Monthly Review Press. New York, 1998), 181.

[17]Chu Yun-han, "The East Asian NICs: A State-Led Path to the Developed World," in *Global Change, Regional Response: The New International Context of Development*, ed. Barbara Stallings (Cambridge: Cambridge University Press, 1995), 199-237.

[18]Andrew Gamble and Anthony Payne, eds., *Regionalism and World Order* (London: Macmillan Press, 1996), 226.

[19]Nicola Bullard, "Taming the Tigers: the IMF and the Asian Crisis," *FOCUS on the Global South and CAFOD* (London: FOCUS and CAFOD, 1998), 3.

[20]Steven Radelet and Jeffrey Sachs, *The East Asian Financial Crisis: Diagnosis, Remedies, Prospects* (Cambridge: Harvard Institute for International Development, 1998).

[21]Ibid., 12.

[22]Samsung Economic Research Institute, *Korean Economic Trends* 2, no. 11 (June 1998): 9.

[23]A transplacement occurs when both the government and opposition groups accept a compromise solution to avoid mutual catastrophe.
Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 11-13.

[24]Cho Hee-yeon, "The Democratic Transition and the Change of Social Movements in South Korea" (paper presented at the conference "Democracy and Social Contentions in South Korea," Honolulu, 15-16 December 1997).

[25]Choi Byung-sun and Park Kie-duck, "From Euphoria to Atrophy: The Politics of Recent Economic Reform in Korea," *The Korean Journal of Policy Studies* 10 (1995): 21-48.

[26]L. Gordon Flake, *South Korea: Business Associations and the Economic Miracle* (Stockholm: Center for International Private Enterprise-United States Information Service, 1995).

[27]Hahn Sung-deuk and Christopher Plein, *After Development, The Transformation of the Korean Presidency and Bureaucracy* (Washington D.C.: Georgetown University Press, 1997), 237.

[28]The Mando strike, which featured women and children on the picket line, was one of the first protest activities organized by workers in light of the IMF policy impositions. For the company management, government's refusal to use force in ending the protest amounted to its "being too soft on the laborers."

[29]Cal Clark and Steve Chan, "MNCs and Developmentalism: Domestic Structure as an Explanation for East Asian Dynamism," in *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions*, ed. Thomas Risse-Kappen (Cambridge: Cambridge University Press, 1995), 112-145.

[30]Geir Helgesen and Li Xing, "Democracy or Minzhu: The Challenge of Western versus East Asian Notions of Good Government," *Asian Perspective* 20, no.1 (Spring-Summer 1996): 95-124.

[31]Gabriel Almond and Sydney Verba, *The Civic Culture Revisited* (Boston: Little Brown, 1980).

[32]Adam Przeworski, *Democracy and the Market* (New York: Cambridge University Press, 1991), 51-94.

[33]Russell Dalton, *Democracy and its Citizens: Patterns of Political Change* (University of California-Irvine: The Center for the Study of Democracy, 1996).

[34]Han Sang-jin, "Political Economy and Moral Institution, The Formation of the Middling Grassroots in Korea," *The Humbolt Journal of Political Economy* (Spring 1998).

[35]*Min-joong* (people) is the country's symbol of protest against the military

dictatorship of the late '70s. It is based on anti-US and anti-capitalist activism. From mostly church and student activists, the resistance expanded to workers and peasant groups that addressed class-based political issues and conditions of employment. Those belonging to the middling grassroots are distinguished from the propertied middle class.

[36]Ronald Inglehart, *Culture Shift in Advanced Industrial Society* (Princeton: Princeton University Press), 56.

[37]Interview with Mr. O-Jae Shek, current Executive Director of World Vision Korea.

[38]John Bennet, "Economic Developments in the Republic of Korea," in *Democracy and Development in East Asia: Taiwan, South Korea and the Philippines*, ed. Thomas Robinson (Washington D.C.: The AEI Press, 1991).

Bibliography

Almond, Gabriel and Sydney Verba. *The Civic Culture Revisited.* Boston: Little Brown, 1980.

Amsden, Alice. "Post-Industrial Policy in East Asia." *Chulalongkorn Journal of Economics* 8, no. 2 (1996): 131-171. [Published by Chulalongkorn University Faculty of Economics, Bangkok.]

_____. *Asia's Next Giant: South Korea and Late Industrialization.* Oxford: Oxford University Press, 1989.

Bello, Walden. *Dark Victory: The United States, Structural Adjustment and Global Poverty.* London: Pluto Press, 1994.

Bennet, John. "Economic Developments in the Republic of Korea." In *Democracy and Development in East Asia: Taiwan, South Korea and the Philippines*, ed. Thomas Robinson, 184. Washington D.C.: The AEI Press, 1991.

Bullard, Nicola. *Taming the Tigers: the IMF and the Asian Crisis.* London: FOCUS on the Global South and CAFOD, 1998.

Cho, Hee-yeon. "State Autonomy and Class in the Economic Development of South Korea: Social Conditions of South Korean Industrialization." Paper presented at the annual meeting of the American Sociological Association, New York, 16-20 August 1996.

_____. "The Democratic Transition and the Change of Social Movements in South Korea." Paper presented at the conference "Democracy and Social Contentions in South Korea," Center for Korean Studies, University of Hawaii, Honolulu, 15-16 December 1997.

Choi, Byung-sun and Park Kie-duck. "From Euphoria to Atrophy: The Politics of Recent Economic Reform in Korea." *The Korean Journal of Policy Studies* 10 (1995): 21-48.

Chowdhury, Anis and Iyanatul Islam. "The Rise of the East Asian Newly Industrialising Economies." In *The Newly Industrialising Economies of East Asia*, eds. Anis Chowdhury and Iyanatul Islam, 1-27. London: Routledge, 1993.

Chu, Yun-han. 1995. "The East Asian NICs: A State-Led Path to the Developed World." In *Global Change, Regional Response: The New International Context of Development*, ed. Barbara Stallings, 199-237. Cambridge: Cambridge University Press.

Clark, Cal and Steve Chan. "MNCs and Developmentalism: Domestic Structure as an Explanation for East Asian Dynamism." In *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions*, ed. Thomas Risse-Kappen, 112-145. Cambridge: Cambridge University Press, 1995.

Clifford, Mark. *Troubled Tiger. Businessmen, Bureaucrats, and Generals in South Korea.* New York and London: M.E. Sharpe Inc., 1994.

Dalton, Russell. *Democracy and its Citizens: Patterns of Political Change.* Irvine: University of California-The Center for the Study of Democracy, 1996.

Evans, Peter. "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change." In *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*, ed. Stephan Haggard and Robert R. Kaufman, 212-268. Princeton, N.J.: Princeton University Press, 1992.

Flake, L. Gordon. *South Korea: Business Associations and the Economic Miracle.* Stockholm: Center for International Private Enterprise-United States Information Service, 1995.

Freedom House. "Comparative Survey of Freedom." In *Freedom in the World: Political Rights and Civil Liberties.* New York: Freedom House, 1998.

Gamble Andrew. and Payne, Anthony, eds. *1996 Regionalism and World Order.* London: Macmillan Press, 1996.

Gerschenkron, Alexander. *Economic Backwardness in Historical Perspective.* Cambridge: Harvard University Press, 1962.

Haggard, Stephan and Robert Kaufman. "The Political Economy of Democratic Transitions." *Comparative Politics* (April 1997).

Han, Sang-jin. "The Public Sphere and Democracy in Korea: A Debate on Civil Society. *Korea Journal* 37, no. 4 (Winter 1997).

_____. "Political Economy and Moral Institution, The Formation of the Middling Grassroots in Korea." *The Humbolt Journal of Political Economy* (Spring 1998).

Han, Sung-joo. "South Korea: Politics in Transition." *Democracy in Developing Countries.* Vol. 3, *Asia.* Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, eds. Boulder, Colorado: Lynne Rienner Publishers, 1989.

Hahn, Sung-deuk and Christopher Plein. *After Development, The Transformation of the Korean Presidency and Bureaucracy.* Washington D.C.: Georgetown University Press, 1997.

Hart-Landsberg, Martin. *Rush to Development: Economic Change and Political Struggle in South Korea.* New York: Monthly Review Press, 1993.

_____. *Korea: Division, Reunification, and US Foreign Policy.* Monthly Review Press: New York, 1998.

Helgesen, Geir and Li Xing. "Democracy or Minzhu: The Challenge of Western versus East Asian Notions of Good Government." *Asian Perspective* 20, no. 1 (Spring-Summer 1996): 95-124.

Huntington, Samuel. *The Third Wave: Democratization in the Late Twentieth Century.* Norman: University of Oklahoma Press, 1991.

Inglehart, Ronald. 1990. *Culture Shift in Advanced Industrial Society.* Princeton: Princeton University Press.

Kim, Dae-jung. *Mass Participatory Economy: Korea's Road to World Economic Power.* Lanham: Center for International Affairs, Harvard University and University Press of America, 1996.

Kim, Kyong-dong. "Economic Developments in the Republic of Korea." In *Democracy and Development in East Asia: Taiwan, South Korea and the Philippines*, ed. Thomas Robinson. Washington D.C.: The AEI Press, 1991.

Krugman, Paul. "What Happened to Asia?" Krugman website: http://web.mit.edu/krugman/www/DISINTER.html. Massachusetts Institute of Technology, 1998.

Linz, Juan. *The Breakdown of Democratic Regimes: Crisis, Breakdowns, Reequilibration.* Baltimore: The Johns Hopkins University Press, 1978.

Lipset, Seymour. *Political Man: The Social Bases of Politics.* Baltimore: John Hopkins University, 1981.

Lipset, Seymour Martin, "Social Requisites of Democracy Revisited." *American Sociological Review* 59 (February 1994): 1-22.

O'Donell, Guillermo. *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics.* Berkeley: Institute of International Studies, University of California, 1973.

Przeworski, Adam. *Democracy and the Market.* New York: Cambridge University Press, 1991.

Radelet, Steven and Jeffrey Sachs. *The Onset of the East Asian Financial Crisis.* Cambridge: Harvard Institute for International Development, 1998.

_____. *The East Asian Financial Crisis: Diagnosis, Remedies, Prospects.* Cambridge: Harvard Institute for International Development, 1998.

Rodan, Gary, ed. *Political Oppositions in Industrialising Asia.* London and New York: Routledge, 1996.

Samsung Economic Research Institute (SERI). *Korean Economic Trends* 2, no. 11 (June 1998): 2-9.

Shin, Doh Chull and Huoyan Shyu. "Political Ambivalence in South Korea and Taiwan." *Journal of Democracy* 8 (August 1997): 109-124. [Published by the National Endowment for Democracy and the John Hopkins University Press, Baltimore]

Touraine, Alain. *What Is Democracy?* Colorado and Oxford: Westview Press, 1997.

World Bank. *The East Asian Miracle: Economic Growth and Public Policy.* Policy Research Report. Washington D.C.: World Bank, 1993.

Acknowledgements

The writer would like to thank Martin Hart-Landsberg for helpful comments to earlier draft of this chapter and the following for their valuable insights during interviews conducted by the writer in Seoul, Pusan and Kwangju between 10 February and 15 March 1998.

Cha, Myong-jae, senior researcher of the Korean Institute for Sustainable Society.

Chong, Hyewon, of the International Secretary, Joint Committee of Migrant Workers in Korea.

Chong, Chan-yong, president of the Young Men's Christian Association (YMCA)-Kwangju.

Cho, Young-sook, policy director of the Korea Women's Associations United.

Dr. Han, Sang-jin, professor of the Department of Sociology, Seoul National University.

Jang, Kue Seon, of the Pusan Alliance for Democracy and Unification.

Kang, Moon-kyu, Ph.D., director of the Asian Institute for Civil Society Movement.

Kim, Bung-jun, Ph.D., professor of the Politics Department of Kukmin University.

Kim, Byung-kook, Ph.D., associate professor of the Department of Political Science, Korea University.

Kim, Choony, of the Korean Federation for Environmental Movement.

Kim, Dong-choon, Ph.D., assistant professor of the Department of Sociology, Sungkonghoe University.

Kim, Jin-ok, organizing director of the Seoul Regional Council, Korean Confederation of Trade Unions.

Kim, Sei-ung, Ph.D., Director of the Forum for Democratic Leaders in Asia Pacific.

Kim, Seung-jung, of the Pusan Citizens' Coalition for Economic Justice.

Kim, Young-jib, secretary general of the Kwangju Citizens' Solidarity.

Ko, Kye-hyun, staff of the Policy Research Board, Citizens' Coalition for Economic Justice.

Lee, Chong-oh, Ph.D., professor of the Department of Sociology, Keimyung University.

Lee, Jai-Eui, economics editor of *The Kwangnam Daily Newspaper*, Kwangju.

Lee, Hwa-soo, of the Pusan Alliance for Democracy and Unification.

Lee, Phil-sang, Ph.D., president of the Institute for Business Research and Education, Korea University.

Lee Kye-sik, of the Korea Development Institute.

Lee, Tae-hwa, international relations coordinator of Green Korea.

Min, Eun-ju, of the Pusan Federation for Environmental Movement.

Oum, Yung-ae (Elisabeth), international officer of the Korea Saemul Undong Center.

Oh, Jae-shik, executive director of World Vision Korea.

Park, Byung-hoon, department director of YMCA-Kwangju.

Park, Jae-yul, secretary general of the Pusan Citizens' Coalition for Participation and Self Governance.

Park, Kie-duck, fellow at the Sejong Institute.

Park, Seok-woon, director of the Korea Research Institute for Workers' Human Rights and Justice.

Seo, Hyung-won, policy researcher of the Korean Federation for Environmental Movement.

Soh, Rev. Sokyung, director of the Citizens' Coalition for Economic Justice.

Suh, Yong-hyun, counselor at the Embassy of the Republic of South Korea, Manila.

Yi, Dae-hoon, deputy secretary general of the People's Solidarity for Participatory Democracy.

Yi, Yoon-joo, head official of the Joint Committee of Migrant Workers in Korea.

Yoo, Jae-hyun, Ph.D., president of Semin Foundation.

Yoo, Jae-kim, member of the National Assembly and vice-president of the National Congress for New Politics.

Yoon, Jung-sook, executive director of Women Link.

You, Jong-sung, secretary general of the Citizens' Coalition for Economic Justice.

CHAPTER 3

SOUTH KOREA

Beyond Bread and Butter:

The Demand for Democracy in South Korea

by Carmel V. Abao

Beyond Bread and Butter:
The Demand for Democracy in South Korea

by Carmel V. Abao

South Korea's development project has been repeatedly hailed as a model that deserves to be emulated by aspiring industrializing countries. From a backward agricultural economy in the immediate post-liberation of the '50s, Korea transformed into a highly industrialized and modernizing society in just a span of three decades. Until the Asian currency crisis hit the country in late 1997, Korea was an "economic miracle" that delivered a continued average growth rate of 7.48%.

Simultaneous to its process of development, Korea experienced a process of democratization. This development-democracy mix was discussed at length in the previous chapter, particularly the state-big business nexus that propelled the economy to new heights at the expense of the Korean people's civil and political rights.

Under Park Chung-hee (1961-1979), the Korean state was largely autonomous from pressure that could have aborted the development project at an early stage. The previously dominant landlord class did not challenge the project enough to interrupt or delay this. The completion of land reform measures instituted in 1949 assured the state of its unhampered move toward industrialization. Even the well-disciplined Korean working class was actively mobilized for the project. What ensued was a form of "bureaucratic authoritarianism" whose development agenda enjoyed hegemony in Korean society for some time.

Legacies of colonial rule also paved the way for rapid growth. As a result of the North-South divide, anti-communism pervaded the South and legitimized the capitalist path to development. Likewise, militarism as a former way of life provided a reference point for submission and acquiescence that allowed state-centered approaches to proceed with considerable ease.

Paradoxically, the initial success of the development project betrayed contradictions that would encourage and even necessitate opposition. As growth rates soared and incomes increased, the state's bias for the elite became more and more visible. Labor became restless as it gained the perception that the development project was inherently an erroneous and inequitable

arrangement. Labor-centered protest eventually expanded into a "*min-joong*" (people's) movement, the culmination of which was an upsurge in opposition popularly known as the Great Democratic Struggles of 1987.

The Korean state has never been neutral. It has been strong and autonomous, seemingly free from pressures of competing interest groups, but it has never hidden its bias for big business over the more popular sections of society. With the elite as primary beneficiary, these "other" sections consequently felt alienated.

The struggles of these other sections will be the focus of this paper which aims to illustrate the conflictual context of Korea's development, and how this context redefined the development project over time and facilitated the country' democratization process. It shows that state-civil society relations are an important part of the Korean story — with the state controlling certain social conditions for its politico-economic project, and civil society demanding independence from such controls. Within this interplay, almost all facets of Korean society — its actors, projects, culture — have been re-configured. This paper discusses the processes and outcomes of these re-configurations.

Case studies of four Korean social movements are offered as proof that continuing changes in Korea's politics, economy and culture are not being driven solely by contesting factions of the elite. The final section is an attempt to describe the democracy that exists in present-day Korea, the democracy that emerged out of state-civil society relations in several moments of the transition.

I
Challenging State Autonomy Toward Democracy

The Development Alliance Versus the Min-joong Movement: Hegemony, Repression, Breakdown[1]

The early years of Park Chung-hee's regime were relatively opposition-free. Even the 1961 coup d'etat that brought Park to power was executed with virtually no resistance. Park's predecessor, the nine-month-old government of Chang Myon, had failed to detect the takeover ploy within the army and was unprepared to counter this. The student movement, which held a massive uprising against fraud committed by then-president Syngman Rhee during the April 1960 elections, did not mobilize to challenge Park's rise to power.

Park's regime was anchored on the philosophy of "not letting politics interfere in the economy." An anti-corruption campaign was immediately launched, the enforcement of which was supervised by a newly organized Korean Central Intelligence Agency (KCIA).

Park's economic policies centered on state-directed industrialization driven by export promotion and market expansion. Agriculture was to take a backseat and co-optive measures were conceived to ensure that peasants did not resist

industrialization. Such measures included the *Saemaul Undong* or the "New Village Movement," a massive indoctrination campaign combined with aesthetic and material improvement in the countryside. State-organized farmers' cooperatives also flourished during this period.[2]

Park employed both co-optive and coercive measures to consolidate his power, and succeeded in controlling not only business but labor as well. Unions were disbanded, then later reorganized into the Federation of Korean Trade Unions (FKTU) which was prohibited from taking any form of political action. FKTU became the only union recognized by the military regime; the rest were considered illegal. The Park administration was thus initially successful in developing a low-cost, highly docile workforce. At the onset of Korea's growth years, the working class was actively recruited into the state-business-military alliance.

Korea's industrial workforce increased rapidly throughout the Park period. Poverty in the countryside drove thousands to migrate to urban centers, particularly women who sought to work in the light manufacturing industries. When Park steered the country's economic strategy toward heavy and chemical industrialization, Korea's wage-earning class reached unprecedented numbers. In 1960, industrial labor constituted 13.9% (or 1.0 million) of the total workforce. By 1975, this figure had nearly doubled to 29.4% (3.9 million). And by 1980, the percentage had risen to 33.1% (4.5 million).

The first voices of dissent came, not from the labor front, but from the student movement. In 1964, thousands of students marched in front of government halls to protest Park's move to ratify a normalization treaty with Japan. Government backtracked temporarily and announced the postponement of the treaty signing. As protest intensified, however, Park declared Martial Law and arrested the activists.

In the late '60s and all throughout the '70s, Korea would witness the full enforcement of Park's coercive powers. All forms of political protest and mass mobilizations were considered subversive. The KCIA conducted mass arrest of political dissidents, trade union leaders and student activists, while the press was severely censored.

To further consolidate his power, Park built the Democratic Republican Party, which became the vehicle for his domination of the electoral contests of 1963, 1967 and 1971. Pressure — both internal (mounting opposition to his military regime) and external (the United States' insistence that government be turned over to civilian rule) — had compelled Park to open up the political process. Through massive cheating and campaign spending, Park emerged victorious in all three elections.

Park then proceeded to legalize restrictions on opposition activities. In 1972, the Yushin Constitution[3] was adopted through a referendum held under Martial Law. This legal instrument, Park justified, was necessary for Korea's socioeconomic development and national unification. Majority of the Koreans were

deceived into thinking a yes-vote for the Yushin Constitution was equal to a united Korea.

In actuality, the Yushin Constitution was intended to maintain Park's power and the hegemony of the development alliance. Salient features of this constitution included:

- locally elected National Conference for Unification
- provision for indirect election of the president by the National Conference for Unification
- appointment of one-third of the 219-member National Assembly by the president
- an unrestricted number of six-year terms for the president
- reduction of the powers of the legislature and the judiciary
- curtailment of civil and political rights by presidential decrees[4]

Two years later, a decree banning all criticism of the Yushin Constitution was passed. Still another major piece of restrictive legislation was the 1971 Law Concerning Special Measures for Safeguarding National Security, designed to counter opposition by labor groups.

Severe repression prompted pro-democracy groups to grow in number and strength. The working class, hitherto absorbed into the development project, began defecting from the conservative alliance to join peasants, students, teachers, church members and the oppressed sections of society in protesting Park's prolonged dictatorial rule.

Resistance to authoritarian rule was initially separate and uncoordinated. Workers demanded the repeal of unfair labor laws and the improvement of work conditions. Peasants decried Park's anti-rural policies and demanded protection. The urban poor demanded decent housing. Students and teachers demanded electoral reform, respect for civil and political rights, and North-South reunification. In the '80s, the convergence of these opposition activities would translate into a full-fledged *min-joong* movement.

The forms of resistance were as varied as the calls.

From the labor front, workers launched several mass mobilizations — strikes, pickets, hunger strikes — particularly against the big conglomerates or chaebol companies, including 16 textile firms, the Chosun Shipbuilding Company, Korea Pfizer Company and Shaehan Motor Company. Perhaps the most dramatic of these labor actions was the case of Chun Tae-il, a young worker at the Seoul Peace Market who burned himself to death in 1970 in protest against inhuman work conditions.

The Korean women workers were as adamant. These women were found mostly in labor-intensive light-manufacturing companies in the garments, textiles and electronics industries. Employers were eager to hire women, especially the young and the unmarried, for they could be paid less and were easier to exploit. In the late '70s, these women would rise aggressively against abusive employers. The most memorable of their actions was the YH

company strike in 1978 that resulted in the death of a woman worker.

Meanwhile, farmers and fisherfolk increasingly showed signs of dissatisfaction with the overemphasis on industry, to the detriment of the countryside. The agriculture sector had suffered a sharp decline since the implementation of Park's economic policies. In 1970, Koreans engaged in agriculture, forestry and fisheries comprised 79.5% of the population. A decade later, this percentage had slid to 50.4%.

The Catholic Farmers' Union formed in 1972 was one of the agriculture sector's earliest initiatives to address farmers' rights and issues. The group conducted relief efforts in over 40 villages ravaged by extensive flooding of the Southern Han River. In 1974, Changwon farmers fought the construction of factories in their districts. Similar riots took place in the industrial zone of Kumi. In 1976, thousands of sweet potato producers protested against state cooperatives and government price-setting policies through actions that would later be known as the Sweet Potato Incident. Farmers of the South Cholla's Hamp'yong County staged an eight-day hunger strike in 1978 to demand government compensation.

The church and the universities rallied behind the cause of the working classes. In the '60s, these two sectors engaged in separate anti-government protests. As contradictions in the economic hierarchy became more pronounced, however, they would join forces with the peasant and labor movements. In the '70s, a significant number of church members undertook solidarity work as an integral part of their mission. The most active and significant church-initiated organizations during the period were the Urban Industrial Missions affiliated with the United Methodist Church, the Young Christian Worker affiliated with the Catholic Church, and the Korean National Council of Churches.

On the part of students and intellectuals, solidarity work meant support to the labor strikes and peasant demonstrations. In 1974, university-centered opposition was intensely militant that Park had to issue Emergency Decree No. 4 declaring illegal any affiliation to the National Democratic Youth and Student Federation.

Despite the diverse protest calls and actions, one theme was common to these activities: the demand for the retreat of the abusive military regime. By this time, the Korean people had come to understand the purposes and instruments of the regime. In mid-October 1979, demonstrations and riots by students and workers erupted in the industrial cities of Pusan and Masan. Park planned a military counter offensive, but this was never executed. On 26 October 1979, Park was shot to death by the KCIA head, allegedly to avert Park's plan and avoid a bloody confrontation between the military and the demonstrators.

Park's assassination, it should be noted, did not result in any weakening of authoritarian rule. State powers were transferred to prime minister Choi Kyu-hah

three months after when he was elected president by the National Conference for Unification. But only six days later, Major General Chun Doo-hwan, with the support of thousands of military troops, forcibly took over the presidential seat. A new dictatorship was installed and whatever window may have been opened for a gust of democracy was again shut.

Chun immediately declared Martial Law. His government drew its mandate from a new constitution approved through a national referendum. This constitution basically upheld the Yushin reforms and guaranteed Chun a seven-year term without competition. Like Park, Chun also built his own party, the Democratic Justice Party, to marshal support for his government. He also consolidated his military strength by replacing the KCIA with a more imperious body, the Agency for National Security Planning (ANSP).

Another cycle of authoritarianism then took place. Political opposition remained banned and civil rights suppressed. All media outlets were taken over by government and hundreds of journalists were incarcerated. Opposition groups, however, would not lend legitimacy to the Chun government and the political crisis gathering steam in the latter years of Park's regime would escalate even further.

Simultaneously, the Korean economy began to contract. Once again, labor became the target of government control. Even the FKTU's state-defined powers were clipped with its leaders prohibited from dispensing advice to unions on labor disputes. This "temporary" decline of the economy (which had stabilized by 1983) caused no diversion or pause in the working classes' opposition to authoritarianism, however.

The growth years had resulted in an expansion of the middle class. Modernization had increased access to education and communication facilities, and improved social mobility as a whole. And while modernization per se cannot be directly linked to the emergence of civil society or political transitions, in the case of South Korea, the correlation is evident. The rise of the middle class had precipitated the emergence of the *joong-min* or "middling grassroots" (MG) which would form the fulcrum of the *min-joong* movement of the '80s. In contrast to the propertied middle class, the MG embraced a "people-oriented" identity. Their sensitivity can be traced to the strong moral tradition associated with the intellectuals of progressive universities.

In two articles, Professor Han Sang-jin of the Seoul National University, presents the MG as the "driving force" behind Korea's democratization process.[5] The character and significance of the MG, he explains, is best represented by the Kwangju massacre of 1980.

The Kwangju uprising began on 18 May 1980, when students rallied the locals to protest the declaration of Martial Law. Few industries were based in the Kwangju province, which sits in the Honnam area. Residents felt they were the most neglected of citizens under the authoritarian regimes. The national leadership had found no economic or political significance in Kwangju,

and political leaders hailed from Chongnam province.

Most people consider the Kwangju uprising the precursor of Korean democracy. For three days, fighting between the military and Kwangju students and residents raged. On 21 May, the military retreated. In the next six days, the Kwangju people would take over their local government. On 27 May, however, the military re-occupied Kwangju and crushed the uprising, leaving more than 200 people dead.

The six days between 21 and 27 May 1980 represented a brief moment of liberation from which people gained valuable lessons in autonomy and self-governance. It also led oppositionists to strengthen their resolve in building a broad alliance between the students/intellectuals and the popular masses. This alliance, fundamentally a *min-joong* movement, would pose as the most serious threat to authoritarian rule.

Between 1980 and 1987, the *min-joong* movement would unleash its *chae-ya se-ryok* or "forces in the field" through large-scale demonstrations and strikes. By 1985, their actions were directed at engaging the Chun government over constitutional revisions. Government was persistent in proposing a parliamentary system where the chief executive would be elected by the legislature. This was the exact opposite of the oppositionists' demand for direct popular election of the president. Both parties showed no sign of openness to compromise or negotiation, and the deadlock caused the opposition to unite even further. Street parliamentarians refused to back down from their position more so because their main leader, Kim Dae-jung, had returned after two years of exile in the United States. Even non-movement oppositionists such as Kim Young-sam of the Reunification Democratic Party who earlier advocated the parliamentary system rejected Chun's proposal.

The aggregate strength of the people's movement and the convergence of opposition from within and outside party politics were too much for the Chun government. The military regime came to an end in 1987, after oppositionists staged massive and often violent anti-government demonstrations between January and April, a period now referred to as the Spring of Discontent. The great Democratic Struggles — the sustained actions of the opposition alliance — compelled the Chun government to concede. On 29 June, Roh Tae-woo, presidential candidate of Chun's Democratic Justice Party, announced a "democratization plan" that embodied government's acceptance of opposition demands, including the demand for direct presidential elections, the release of political prisoners, and the restoration of Kim Dae-jung's political rights.

The presidential elections were held in December, with a Roh Tae-woo plurality. The opposition divided between Kim Young-sam who won 28.0% of the votes and Kim Dae-jung who garnered 27.0%.

Despite dissatisfaction with the conduct and results of the election, the Korean people would concede that the contest was aboveboard. After

thirty years of authoritarian rule, the country's democratization process could finally begin.

II
Institutional Movement Opposition: Disconnected Arenas

Political parties in South Korea have thrived since pre-liberation times. There were already some 40 political parties in 1947, including the South Korean Workers Party which originated from the pre-1945 Korean Communist Party, as well as the Liberal Party established by former president Syngman Rhee as his political support base. The formation of the Liberal Party motivated, in turn, the establishment of the oppositional Democratic Party.

Despite the enduring presence of political parties, Korea's party system remains weak. During the highly authoritarian regimes of Park Chung-hee and Chun Doo-hwan, opposition political parties could not match either the pace or the success of the opposition in the arena of non-electoral or movement politics. There was not much shared action between the protest movement and formal opposition via political parties. Party membership was not generated from the movement while the movement, unable to develop its electoral power, kept to the realm of 'street politics'. The development of the opposition in these two arenas was unbalanced and uncoordinated, with the party system lagging behind the movement in terms of institutionalization and impact on the democratization process.

The weakness of the Korean political party system may be attributed to two major factors: (1) authoritarian legacies and their debilitating effects on the party system, and (2) the highly traditional and personalistic nature of Korean party politics.

As sources of alternative power, political parties could not thrive under authoritarianism because transfers of power occurred mainly through extra-parliamentary means. Once in power, the military regimes resorted to legal instruments, primarily constitutional revisions, to maintain hegemony. Without regular and repeated electoral competition, the significance of partisan politics and political parties thus suffered. As the periods following coup d'etat takeovers (e.g., 1961 and 1980) showed, parties could not thrive in light of constitutionally mandated six- or seven-year presidential terms.

Authoritarian regimes also tended to rely more on "output" institutions such as the military and the bureaucracy, rather than the "input" institutions such as political parties. These regimes liberalized partisan politics only when internal and external pressures left them with no choice. Political parties, especially those with popular and charismatic leaders at the helm, were deemed potential or real threats to the autonomy of the regime. Periodically, parties were abolished and political leaders banned or imprisoned.

South Korea's Political Parties at a Glance: Changing Alliances, Constant Faces

1951	President Syngman Rhee forms the Liberal Party; his challengers form the Democratic Party in response.
1960	Chang Myon forms New Democratic Party with Yun Po-sun; he rules for nine months.
1961	A military coup in May ousts Myon; political parties are banned.
1963	Ban on political parties is lifted. Kim Jong-pil and other military government officers form the Democratic Republican Party (NDRP), which wins the general elections later in the year.
1964	The Civil Rule Party and Democratic Party merge to form the People's Party. Yo-Posun secedes and forms the New Korea Party. Eventually, the two parties reunite under the New Democratic Party (NDP).
1967	The NDRP wins the elections and becomes the ruling party until 1978 under President Park Chung-hee. The main opposition party is the NDP.
1979	President Park is assassinated in October. Kim Dae-jung and Kim Young-sam unite under the NDP, while Kim Jong-pil takes over the NDRP (although the army officers hold the real power).
1980	Martial Law is declared and opposition politicians are arrested, including Kim Dae-jung. In late May, Major General Chun Doo-hwan is declared president by the Special Committee for National Security Measures. All parties are once again banned.
1981	The promulgation of a new constitution restores partisan politics and political parties. For the March general elections, three parties win seats to form negotiating groups: the Democratic Justice Party (DJP) led by President Chun Doo-hwan; the Democratic Korea Party (DKP), established by members of the former NDP; and the Korea National Party (KNP), established by members of the former DRP.

1985	General elections take place in February. A new opposition party is formed by released opposition politicians, the New Korea Democratic Party (NKDP), controlled behind the scenes by Kim Young-sam and Kim Dae-jung, both of whom remained banned from partisan politics. The NKDP wins 67 seats; the DKP, 35 seats; and the KNP, 20 seats.
1987	Massive demonstrations pressure the Chun government to hold direct elections of the president. This is the Koreans' Spring of Discontent. In June, the ruling DJP's nominated presidential candidate, Roh Tae-woo, declares plans for political reforms including direct presidential elections and the release of Kim Dae-jung. A national referendum in October ratifies a new constitution. Rivalry between Kim Dae-jung and Kim Young-sam intensifies, leading to Kim Dae-jung's break with the Reunification Democratic Party (RDP) he formed with Kim Young-sam, and the subsequent establishment of his Party for Peace and Democracy (PPD). The split between the two Kims results in a Roh Tae-woo victory (37.9% of the vote).
1988-1990	Elections for the members of the National Assembly take place. The ruling DJP fails to obtain a majority position with only 125 seats. A coalition called the Democratic Liberal Party (DLP) is formed between the DJP, RDP and NDRP to obtain a two-thirds' majority in the assembly. A faction of the RDP led by Lee Ki-taek bolts Kim Young-sam's RDP and forms the Democratic Party.

Almost all of Korea's political parties are creations of individuals as vehicles to reproduce or seize power. By nature, Korean party politics is extremely personality-oriented. This is a characteristic attributable to Korea's adherence to Confucianism which, in addition to being largely authoritarian, is highly centralizing. As "South Korea's Political Parties: At A Glance" below shows, political parties in the country, whether ruling or opposition, have always been attached to influential political figures. Over the years, political parties were born, dismantled, reborn or transformed, but personalities such as the three Kims — Kim Jong-pil, Kim Young-sam, Kim Dae-jung — perpetuated as mainstays.

Personality-oriented politics presented the other serious obstacle to the institutionalization of party politics in Korea: parties were formed based

	In 1991, another minority party, the Progressive People's Party, is formed.
1991	Kim Dae-jung's PPD absorbs the smaller party to strengthen the opposition and renames itself the New Democratic Party (NDP).The NDP then merges with Lee Ki-taek's Democratic Party to form a merger called the Democratic Party. Other groups emerge, including the United People's Party (UPP) under Chung Ju-young, founder of the Hyundai group of companies, as well as the New Political Reform Party under Park Chan-jong.
1992	The ruling DLP wins in the local elections of March and June but fails to obtain a majority position. Kim Dae-jung's Democratic Party becomes the major opposition with 97 seats. In the presidential elections of December, Kim Young-sam won with 42%, followed by Kim Dae-jung's 34% and Chung Jo-young's 16%.
1992-1997	Labeled a "populist dictator," Kim Young-sam adopts sweeping political and economic reforms but these fail to induce profound changes in state-business relations and the Korean polity. Kim Dae-jung leaves the leadership of the Democratic Party to Lee Ki-taek. Hyundai founder Chung Ju-young also leaves the UPP that he formed.
1997	Kim Dae-jung becomes president, using his newly formed New Congress for New Politics (NCNP) as vehicle. The NCNP coalesces with the conservative United Liberal Democrats of Kim Jong-pil.

on personal ties rather than platforms or ideologies. The basis of such ties was any of the following: provincial origins, common school backgrounds (e.g., same graduating class), common experiences in the past, or a common patron who had assisted members in financial or other matters. As a consequence, votes were drawn from affinity rather than campaign issues.

In the 1987 election where the three Kims competed against ruling party candidate Roh Tae-woo, for instance, affinity along regional lines determined the electorate's choices. Roh Tae-woo's bailiwick was the southeastern provinces; Kim Jong-pil's, his native Chungchongdo provinces; Kim Young-sam's, the Yongnam areas; and Kim Dae-jung's, the Chollado provinces of the southwest.

Fragmentation of political parties is also a function of the personalistic character of Korean politics. In-fighting of rivals within opposition parties affected their collective performance against the ruling parties significantly. If the opposition vote had not divided between Kim Young-sam's 28% of the votes and Kim Dae-jung's 27%, the opposition would have won over the ruling party by 19%.

Rivalries between and among parties and party personalities not only weakened the political party system but also put to question the "authenticity" of the opposition and their espoused value for democracy.[6] This gap between theory and praxis, especially since many of the opposition parties visibly lacked democratic practices, may well explain the cleavage between movement and party actors. For example, despite the posturings of self-proclaimed oppositionist and democrat (he was the leading advocate of "new democracy"), Kim Young-sam did not get solid support from the grassroots. His base consisted of region-oriented supporters, most of whom were urban middle-class, white-collar voters. In this instance and in many others, the electorate would vote for a "regional representative" rather than a national leader who could lead them out of politically constricted space. Only Kim Dae-jung approximated the genuine opposition leader.

The authenticity of the opposition was most suspect in the 1990 merger between the ruling party Democratic Justice Party (DJP) and the "oppositionists": Kim Young-sam's Reunification Democratic Party (RDP) and Kim Jong-pil's New Democratic Republican Party (NDRP).

The three-party coalition, called the Democratic Liberal Party (DLP), was a response to the surprisingly successful performance of Kim Dae-jung's Party for Peace and Democracy (PPD), which won 70 of the 299 seats in the 1988 National Assembly elections. DJP had garnered 125 seats; RDP, 60; and NDRP, 35. If RDP and NDRP had coalesced with the PPD instead, the opposition would have been the clear majority in the assembly with 164 seats.

The DLP merger was a watershed event in Korean politics because it was the first time opposition parties coalesced with the ruling party. More important, it signaled a possible reversal of the new and fragile democracy. Prior to the merger, opposition parties had already shown signs of being "continuist" parties, signifying not necessarily the continuation of military rule but support for the policy project of the *ancien regime*.[7]

Although the DLP can be considered a reaction to the fragmented party system, it still made no sense that the opposition would opt for a conservative alliance amid obvious possibilities for change and transition. A likelier explanation is the deep-seated rivalry between Kim Young-sam and Kim Dae-jung, which can be traced to their competition in 1969 for the position of floor leader of the New Democratic Party, the major opposition party under the Park regime.

Using the rational choice theory, Tun-jen Cheng and Mihae Lim, in the article "Bargaining over Electoral Reform during the Democratic

Transition," view the DLP merger as a product of negotiations between the concerned parties over the planned adoption of single-member districts with new boundaries and campaign freedoms. The electoral system at the time allowed for the election of two representatives in each of the 92 districts. This system favored the ruling parties, for it practically assured them of at least one of the two seats in each district, even in areas where the opposition was more popular. In effect, the system assured these parties of majority seats in the National Assembly.

However, the proposed shift to single-member districts, which was part of Roh Tae-woo's democratization plan, did not elicit a clear-cut public opinion, compared with the debate on direct vs. indirect voting for the president. As a result, political players had some space to negotiate the terms most beneficial to them.

The result of the 1987 elections had direct bearing on the merger process. Roh Tae-woo's presidency was mandated by only 37.9% of the electorate and the ruling party was in bad need of a coalition to boost its strength. The emergence of the PPD as the no. 1 opposition in the 1988 National Assembly elections also hastened the coalition-building between the ruling DJP and the two other opposition parties.

The merger negotiations were initiated by Kim Jong-pil's NDRP, which turned out the smallest of the four parties after the National Assembly elections. Kim Young-sam, with his RDP ousted as the leading opposition party, readily accepted the invitation to discuss the re-organization of the four-party system. He was threatened, moreover, by the defection of RDP members to the PPD which, by this time, had softened its hardline stance toward more moderate politics.

That the PPD emerged as the strongest party within the four-party system was not surprising. It could negotiate directly with the DJP, and not have to deal with the rival opposition parties. Some quarters within the DJP even wanted a coalition with the PPD for the purpose of ending regional rivalries. But a merger with RDP and NDRP would result in a larger coalition. In the end, the choice of coalition partners was a question of size, of which partners would make for a bigger coalition.

In spite of the inter-intra conflict of political parties and their distance from the people's movement, institutional opposition during the authoritarian regimes had some positive outcomes. As events of 1986-1987 show, the convergence of the different opposition actors' position on constitutional amendments catalyzed the breakdown of decades-long authoritarianism. During this period, the *min-joong* movement reached its peak while the institutional opposition, led by Kim Dae-jung and Kim Young-sam, attempted to unify under the National Korea Democratic Party, founded in 1985. Such unity, however, was short-lived because of conflicts between factions over the distribution of key positions after the party's national convention.

The results of the post-transition elections also underscore the popular sentiment for democracy. Roh Tae-woo's victory by only a plurality in 1987 revealed the Korean people's protest against the return of authoritarianism. Although most of the movement actors did not join the opposition parties, their votes evidently supported these parties. Such voting patterns would eventually lead to the establishment of pluralism in Korea's politics, albeit in a limited, procedural sense.

The liberalization of the political landscape in a way contributed too to the fragmentation of institutional opposition and the constantly changing alliances under the rubric of opposition. Shortly after the DLP merger, for instance, a faction under Lee Ki-taek bolted the RDP and formed the Democratic Party. Then, Kim Dae-jung's PPD absorbs a smaller political party, the United Democratic Union, and renames itself the Democratic Party. In the runup to the 1992 elections, to strengthen the opposition, Lee Ki-taek's and Kim Dae-jung's newly reconstituted parties combined to form a merger called Democratic Party. Thus, the top two contenders in the following year's elections were both staunch opposition leaders: Kim Young-sam under the RDP, and Kim Dae-jung under the Democratic Party. Kim Young-sam won the presidency with 42% of the vote, while the Democratic Party that carried Kim Dae-jung became the main opposition party with 97 seats. Kim Dae-jung resigned from politics shortly after, and turned over leadership of the Democratic Party to Lee Ki-taek.

The stabilization and institutionalization of party politics remain the greatest challenge of Korean democratization. On his return to political life for the 1997 elections, Kim Dae-jung built another party altogether, the New Congress for New Politics (NCNP), which served as the vehicle for his presidency in the December elections. Yet, despite his overwhelming victory, the NCNP had to coalesce with the conservative United Liberal Democrats (ULD) of Kim Jong-pil. Such coalition nullified any chance for the NCNP to establish a genuinely platform-based political party. The attempt of the leaders of the Korean Confederation of Trade Unions (KCTU) to form a working class party, the People's Victory 21, has also failed to deliver mass support enough to become a major player in Korea's political landscape.

III
Deepening Democracy

Movements in the Post-Developmental Period

The *min-joong* movement of the '80s proved to be a temporary alliance between students, intellectuals and the working class. With the absence of a clear common enemy — the dictatorship — the people's movement slid back to being fragmented and uncoordinated. This regression, however,

cannot be considered a hindrance to the deepening of Korean democracy because the legacies of activism have endured and new avenues for greater people participation have opened.

The decline in class-based movement-building began in the early 1990s. Activism waned mainly because the middle class started reacting against labor's militancy, labor movements were de-radicalized, and concerns beyond the economic equation surfaced.

The downturn in labor militancy in the 1990s is best exhibited by the decline in labor disputes and strikes. Between 1990-1993, the number of labor disputes dropped from 322 to 144 cases. Strikes were fewer and farther between. Work-hours lost due to labor disputes amounted to 93 in 1991, 84 in 1992, and 34 in 1994. The biggest and perhaps single most significant strike during this period was the Hyundai shipyard strike of 1993 launched by 20,000 workers. The strike ended within three days when 10,000 riot troops occupied the shipyard grounds.

Peasant movements in post-developmental Korea have also suffered setbacks in terms of membership and power. Although the Korean Farmers' League founded in 1990 remains a significant forum for consolidating the struggles of farmers and fisherfolk, its strength has been considerably undermined by government's continued preference for industry and urban development. The League, the only national peasant organization in the country, draws its strength mainly from having a unified membership.

The student movement has also lost much of its earlier belligerence. Up to this day, Korean students hold mobilizations, but these have changed drastically in style and approach. The sporadic, often violent, student demonstrations of the past are almost non-existent now. The frequency of illegal assemblies is 73% less than in 1991-1992. In recent times, there was but one student mobilization that gained public and media attention. This was staged in the summer of 1996 by Hanchongyrun, the national center of Korean university student organizations, in support of reunification efforts. Thousands of students occupied the Yonsei University campus for a week but instead of soliciting support and recognition, government and majority of the press denounced the initiative as pro-North and pro-communist.

During the post-transition period, the issue of North-South reunification was relegated to the sidelines. With the fall of the authoritarian regime and the new challenges of the democratic transition, most Koreans, including the social movements, became more concerned with issue of nation-building rather than North-South unity. Only the extremely militant groups such as the National Alliance for Democracy and Reunification of Korea have retained the unification issue as a central and primary concern.

The traditional agenda of democracy and economic equity have been superseded by the demand for a "better quality of life." Such a call necessarily

extends beyond political and economic objectives. Movements' aims, hence, have changed radically and diversified.

Although the discourse of new social movements shifted from class-based issues to more diverse public concerns, the advocacy for economic rights persisted, this time in narratives that gave more emphasis on the 'cost of development'. Environmentalists, women, consumers and 'citizens' subsequently became the key actors in this new movement arena.

Environmental destruction caused by rapid growth is a major issue that has solicited broad public support. The negative impact of South Korea's growth strategy on its natural resources is incontestable. Most Koreans felt they had to do something about the country's water supply which they feared was unfit for drinking. Air pollution and waste management are also considered urgent problems, especially since according to international surveys, Seoul has become the second most polluted city in the world. The environmental movement would thus emerge as a response to the need for nature's protection and regeneration.

Another major development has been the growth of the women's movement. Women workers who rallied against abusive employers in the '70 and '80s gradually directed their actions against the male-dominated state as explicitly feminist movements started to take root among middle-class women. In 1987, various women's groups established the umbrella organization Korean Women's Association United, primarily to "unite the power of organizations working for women's rights and democracy."

The growth of women's participation in economic activities has contributed significantly to the proliferation of women's groups. In 1993, women accounted for 40% of the economically active population in Korea. Even the rate of participation of married women expanded — from 42% in 1980 to 46.4% in 1993. Such magnitude and degree of participation have empowered women to recognize their potential power as an organized group. This empowerment could eventually lead to the advocacy for women's greater political participation, an idea unthinkable during the authoritarian years.

The famous feminist dictum "the personal is political" has found its way into South Korea's traditionally patriarchal homes and communities. The women's movement has been aggressive in opposing gender inequality as a new form of subjugation which they claim deserves as much attention as class-based oppression. As a result, the movement's lobby efforts have encompassed a whole range of concerns: security of employment for women, legislation on sexual violence, decrease in military-spending by the two Koreas, compensation for comfort women, expansion of support for daycare facilities, and affirmative action to increase women's participation in politics.

Groups carrying the interest of Koreans as consumers and citizens have also dominated the movement arena in the post-transition period. Examples include the Citizens' Coalition of Economic Justice (CCEJ) and People's

Solidarity for Participatory Democracy (PSPD). CCEJ was established in 1989 when the price of housing, land and rent soared. It has since focused on social and consumption-related issues that do not necessarily arise out of disputes in the workplaces.

PSPD was constructed in 1994 under the banner of "progressive intervention in the expanded civil society." It now works for the citizens' welfare and interests primarily through the monitoring of government agencies and legislative bodies.

While originating from the democratic movements of the past, coalitions such as CCEJ and PSPD have been instrumental in advancing the critique of *min-joong* movement's strategies toward the development of more creative organizing and engagement. Even the two groups' names have been formulated to reflect their deviation from the *min-joong* tradition: CCEJ uses "citizen" while the 'People' in the English translation of PSPD's name also refers to "citizen" in Korean.

Civic groups such as the Young Men's Christian Association (YMCA) have also become increasingly important to Korean citizens. Their programs include youth counseling and the establishment of youth centers, parents' education, donation of organs for the sick, and monitoring of city affairs. During a national conference in April 1990, YMCA articulated its hope that Korean society develop into a "people's community where all people can enjoy a happy life" and affirmed their commitment toward "the construction of a democratic citizens' society where all citizens' rights are respected."

Moreover, there are now groups such as the Korea Christian Academy which focuses on the "formation of the culture of dialog." With the opening up of democratic spaces, the academy, established in 1965, has become more resolute in advocating consensus building and non-violent actions. Likewise, the Seoul-based Forum of Democratic Leaders in the Asia-Pacific (FDL-AP) has been actively promoting democracy based on recent histories of "non-violent people power protest" in Asia. FDL-AP's co-presidents include staunch advocates of peaceful transitions including Korea's Kim Dae-jung, the Philippines' Corazon Aquino, Costa Rica's Oscar Arias Sanchez and India's Sonia Gandhi.

The approaches of the new Korean movements tend to be more moderate. The main objective of these groups has been to win public support for diverse issues through mass media, and the harnessing of support through mass media is given more premium than mass mobilizations and demonstrations.

Mass media-dependent movements have succeeded in informing Koreans of important social issues neglected during the previous years. On the negative side, however, the preoccupation with shaping public opinion has created a gap between the effort to gather support for "ideas" and actual results. The gap between advocates and the direct victims of the cost of development

has also widened. In recent years, grassroots participation and interest in many of the organizations have waned steadily.

Solidarity among the new movements has also weakened. Joint actions are limited to issue-based advocacies and activities. The women's movement, for instance, joins trade unions during Labor Day rallies regularly, and the labor movement holds special activities in celebration of International Women's Day in turn. Women's issues, however, have not been mainstreamed into the trade union agenda, and the women's movement clearly lacks resolve in infiltrating the labor movement's leadership with women trade union leaders. The Korean labor movements of today continue to be dominated by male trade union leaders who show no signs of fully understanding women's issues despite the advocacy of a staunch ally, the women's movement.

It has also been difficult for national organizations to gather into their fold local struggling groups, most of which opt to focus on parochial concerns. South Korean civil society now comprises numerous local-based groups with no links to each other. The religious groups, for instance, previously formidable centers of political protest, have lost their national character. Local religious groups are mobilizing people only on the personal inclination and initiative of priests and pastors. Even some intellectuals who once formed the core of the middling grassroots and the *min-joong* movement have opted to return to their native provinces.

The more encouraging development is in the area of fund generation. In the '70s, the democratic movements relied heavily on foreign funding. In the following years, however, social movements shifted to internally generated funds: membership fees, donations, fund-raising activities. World Vision Korea, for example, gathers millions of dollars per year for its community centers through the 'love loaf', a modified collection box continually circulated in schools and workplaces. More and more Korean groups are now following the path of internal and creative income-generation.

Evidently, democratization has influenced Korean movements to change — in many respects and at many levels. The democracy they have achieved, no matter how limited, has driven these movements to adapt to new contexts. With the liberalization of political activity and the military's weaker hold, movement activities are no longer defined by state actions. Movements can now afford some degree of autonomy and independence. Moreover, state-directed engagement itself is no longer focused on legitimacy issues but on competition over political frames and strategies.

Civil Society, Kim Dae-jung and the IMF Bailout

The content, site and methods of social movements would again change in 1997 following two major developments: the economy's sudden decline, and the election of Korea's first opposition leader to the presidency.

Korea's economy experienced a sharp downturn in 1997 after the fall of the Thai baht in July and the subsequent outbreak of the currency crisis in other Asian countries. From being a member of the Paris Club's Organization for Economic Cooperation and Development, with a per capita income of US$10,000, Korea would find half of its companies in financial distress by the third quarter of 1997.

In November 1997, then-president Kim Young-sam apologized to the nation for his government's mismanagement of the economy and urged Koreans to "share in the burden" of reversing this. He also defended his government's response: a stand-by credit of US$20 billion from the International Monetary Fund (IMF). The bailout program, Kim Young-sam declared, was the country's only hope for recovery. His government had first approached Japan for support but by then, Asia's biggest economy was already experiencing a similar slowdown with the failure of its banks and securities firms.

In return for its intercession, the IMF imposed certain conditionalities: deregulation, economic transparency, upgraded banking systems and labor flexibility. For the first time since its independence, Korea would unmistakably and unabashedly yield to foreign intervention.

After the initial shock, Korean social movements gradually entered the scene as a major stakeholder. What they feared most about the crisis was the possibility of massive unemployment, and majority of the movements did not agree that bowing to the IMF was the only and most appropriate response. To arrest the movements' discontent, the Kim Young-sam government convened an "Emergency Economic Measures Promotion Committee" composed of representatives from employer organizations, trade union national centers including the KCTU and the government-initiated FKTU, economic specialists, and other civil-society organizations. This effort, however, was lambasted by some participants, particularly the KCTU, as an attempt to "ghost-write a declaration of determination for common effort" and not a serious commitment to a genuine process of social consensus.

The extraordinary crisis became the central campaign issue for the December 1997 presidential elections. All the candidates — Lee Hoi-chang of the ruling Grand National Party (GNP), Kim Dae-jung of the National Congress for New Politics (NCNP), Rhee In-je of the New People's Party, Kwon Young-kil of People's Victory 21 (PV21), Hur Kyung-young of the Republican Party, Kim Han-shik of the Right Politics for a Right Country, and Shin Jeong-yil of the Unification Korea Party — pledged to dedicate their future administrations to the restoration of the country's economic health.

A month before the elections, Kim Dae-jung and Lee Hoi-chang signed an agreement with Kim Young-sam to uphold the IMF plan. In his campaign, however, Kim Dae-jung stressed he would renegotiate the program once elected into office. He promised to lower tax rates and raise per capita income to US$20,000 by year 2002. But he made no pronouncements that would

offend the chaebols that had been singled out, nationally and internationally, as the main culprit behind the country's economic mess.

The country's economic problems rekindled public interest in the electoral process. During the 22-day campaign period, a Citizens' Coalition for Fair Elections of 51 civic and social organizations repeatedly urged Korean citizens to participate in the elections and vote wisely. The coalition released dramatic appeals to voters: "To go on a picnic on the election day, for the reason that the weather is fine, is an activity to give up our sacred sovereignty and future." On election day, its call was heeded by more than 80% of the population (more than 26 million of an estimated 32 million eligible voters).

Kim Dae-jung won the elections with 40.3% of the votes. Trailing in second place with 38.7% was Lee Hoi-chang of the ruling GNP who campaigned on "stability" as his main platform. Rhee In-je, the youngest among the candidates, was a poor third with 19.2%, while Kwon Young-kil cornered only 1.2%. The three other candidates gained less than one percent of the votes.

The election was clear indication that the South Koreans wanted a president who would lead them out of economic turmoil. Majority of the people were aware that government corruption and the preference for inefficient chaebols were to blame for the crisis. During the campaign, presidential debates aired over national television enabled voters to scrutinize each of the candidates. The vote for Kim Dae-jung was unquestionably a vote for economic and political reform. Most South Koreans, including the middle class, believed Kim Dae-jung was not responsible for the economic crisis. Likewise, supporters of Lee Hoi-chang were convinced in the ruling party's campaign line of "stability for economic recovery."

Regionalism also visibly lessened. To some degree, regional campaigning was overshadowed by the call for economic recovery. Kim Dae-jung, for instance, got 44.9% of the votes in Seoul, the bailiwick of the conservative parties. There were also no reports of major incidents provoked by regional rivalry, unlike in the past when such rivalry had resulted in cases of violent confrontation. The absence of such cases is rare in the country's politics.

The more controversial issue was Kim Dae-jung's alliance with Kim Jong-pil, who was once a prime minister of the Park Chung-hee government. Indeed, Kim Dae-jung's victory is attributed by many to his alliance with Kim Jong-pil who delivered the support of his power bases, particularly the Chunchong provinces.

The alliance between Kim Dae-jung's NCNP and Kim Jong-pil's ULD was forged two months before the elections when Kim Jong-pil agreed to withdraw his presidential bid and support Kim Dae-jung instead. The purpose of the merger was to obtain a majority in the National Assembly that would facilitate a change in form of government from presidential to parliamentary. The NCNP, with only 78 seats, needed the ULD's 43 seats. For that matter,

this combination was still insufficient because the adoption of a new form of government required a two-thirds' vote of the National Assembly.

In the aftermath, political realignments would emerge, especially in relation to Kim Jong-pil's nomination as prime minister. The NCNP-ULD needed more than 20 votes to obtain the premiership. The ruling GNP declared its opposition to the nomination in no uncertain terms and immediately initiated a bill that would ban defections from one party to another. It could not, however, gather the necessary support from the lawmakers, particularly after Kim Dae-jung's active lobby for support in the name of "political stability amidst economic crisis." The President-elect appealed for a year-long political honeymoon. The National Assembly responded by approving Kim Jong-pil's nomination through an open vote. The GNP instantly condemned the vote as unconstitutional, and pointed out that the vote should have been done by secret ballot. Kim Dae-jung temporarily ended the controversy by approving the motion for Kim Jong-pil's appointment as prime minister.

The "Government of the People" was formally launched in February 1997 with Kim Dae-jung addressing thousands at the National Assembly square. In his speech, Kim Dae-jung commended the people for achieving the "first transition of power from the ruling to an opposition party amidst all [sorts] of trials and obstacles." He appealed for national reconciliation and cooperation and laid out six tasks for his new government:

(1) political reform
(2) restoration of economic vitality
(3) spiritual revolution
(4) educational revolution
(5) globalization of national culture
(6) improvement of inter-Korean relations

Kim Dae-jung vowed to end the crisis by July 1999, as well as to adhere to the "three bans" on political retaliation, nepotism and regional discrimination. The new President's vision, he added, is a "participatory democracy" where the people would be respected as masters of the country.

Kim Dae-jung's response to the crisis was to reform the chaebols. He pushed the big conglomerates to rationalize their affiliates and practice managerial transparency. In the same breath, however, he supported legislation that cleared the way for business to reduce their workforce without a grace period. He also reneged on his pre-election promise to renegotiate the terms of the IMF bailout program.

With such inconsistencies between policy pronouncements and official action, and the visibility of a shared government between Kim Dae-jung and Kim Jong-pil, the South Koreans, most especially the social movements, did not wait one year before ending Kim Dae-jung's honeymoon.

The Korean Confederation of Trade Unions

The resurgence of labor radicalism came during the latter years of Kim Young-sam's rule. The Korean Confederation of Trade Unions (KCTU), the clearest organizational expression of such renewed radicalism, was founded in November 1995 in honor of Chun Tae-il's self-immolation in 1970, "the spark that ignited the workers' awakening in early 1970s."

The KCTU revels in its professed value for 'democratic unionism', particularly in reference to FKTU, the state-organized national trade union center. Although FKTU is the larger aggrupation with roughly one million members, KCTU (with 500,000 members) is evidently more aggressive in pushing for the protection and development of Korean workers and labor organizations. Its militant character is further bolstered by its leaders, most of whom were former activists of the *min-joong* movement and political prisoners of previous authoritarian regimes. These are leaders who rose from the ranks: the president, Kwon Young-kil, was once president of the Korean Federation of Press Unions; the two vice-presidents were former union leaders of the big companies such as Ssangyong Motors, Hyundai Motors and Samhwan Construction.

The KCTU began to show its mettle in 1996 when it launched the largest and first-ever general strike in response to the ruling party's railroading of two controversial labor-related bills. The bills — the delay of the authorization of multiple unions at the national level and increased investigative powers of the ANSP — had faced opposition during the regular session of the National Assembly. The ruling NDRP was able to pass the bills through a special session attended only by its party members.

The party justified the passage of the laws as inevitable — to cushion the effects of looming economic problems and to cope with widespread pro-North Korean elements. But for the KCTU, these two laws were meant to reduce the power of the trade unions and legitimize a crackdown on its leaders. During this period, some 200 union leaders had been summoned by the courts for their allegedly illegal activities.

The general strike was organized in three stages. The first stage was conducted between 26 and 31 December 1997. On the first day, more than 100,000 workers from 85 KCTU-affiliated trade unions launched the strike. The Hyundai Group Union Federation was among the first to respond to KCTU's call, mobilizing 70,000 of its members. For six whole days, the streets of Seoul and major cities such as Ulsan and Pusan were filled with striking workers and supporters. In all, 173 KCTU unions with 220,826 workers joined the strike, causing 214 factories to shut down and suspend production. KCTU declared a temporary suspension of the strike over the New Year holidays "for the sake of public convenience."

Citizens' groups were quick to rally behind the striking workers. The Alliance of Progressive Network Groups began a "million citizens' signature campaign" against anti-worker amendments and encouraged on-line groups to post black

ribbons on their Internet homepages for the "funeral of democracy."

Students and professors joined the KCTU demonstrations and pickets. Members of the Lawyers' Association for Democracy staged a sit-in protest against the two new laws. In a rare show of support, the FKTU joined the KCTU action in the form of a walk-out by 156,000 worker-members from 486 worksites.

In stage two, KCTU solicited assistance from the international community, particularly the international trade secretariats and union networks. This somewhat compensated for the lack of support from the local media. It also hindered government from conducting more arrests for by then, some 20 workers had already been detained by anti-riot police forces.

At this stage, public sector employees from hospitals and national broadcast companies and those from the 'necktie unit', the white-collar workers of security corporations and insurance companies, joined the strike. This stage surpassed the first one because it was able to draw workers from all strategic sectors.

In stage three, Kim Young-sam's government denounced the strike as "degenerating into class struggle." Clearly threatened by the labor actions, the ruling party began discussing proposals to review the laws. Companies such as Hyundai also started appealing to the workers to resume operations.

The KCTU continued the strike with the FKTU's increased support. Jointly, the two groups mobilized about 800,000 workers. International labor delegations also started arriving in South Korea, making government more cautious in executing retaliatory moves. On the 24th day of the strike, KCTU announced it would stop the full-scale work stoppage and stage regular walk-outs instead. By this time, government was already seriously studying labor's demands. As a result, the legislature promulgated the lifting of restrictions on multiple unions by 2002. The prohibition of political activities by trade unions was scrapped from the labor laws but was unfortunately maintained under the Political Fund Law and Election Management Law.

Armed with the experience of a highly successful general strike, KCTU would venture into the 1997 presidential elections. In September, the confederation's national congress approved the fielding of its president, Kwon Young-kil, as "the people's candidate." This decision was reached upon the recommendation of the Selection Committee of the People's Victory 21 (PV21), a political party formation initiated by the KCTU and the National Alliance for Democracy and Reunification of Korea (NADRK) a few months before. KCTU formed the PV21 to crystallize labor's positioning as a "significant social force" while NADRK, a multisectoral coalition aligned with the national democratic movement, wanted to "revitalize the historic struggles for democratic reform and peaceful reunification."[8]

KCTU's preparation for the elections was lodged in political empowerment committees at the national, federation and regional levels. Among local

unions, national political work circles were organized to mobilize electoral support. Initially, the PV21 was meant to encompass the whole progressive movement. With the advent of the IMF bailout, however, the KCTU decided to push Kwon Young-kil as a labor candidate. The election would serve as a barometer of labor's strength as KCTU's main objective in fielding Kwon Young-kil was to test the strength of its 500,000 membership. The confederation, unfortunately, failed the test, with election results proving that only 300,000 voted for Kwon Young-kil.

Despite its electoral defeat, the KCTU continued to engage government on the economic crisis. That same month, KCTU leaders held a meeting with President-elect Kim Dae-jung to discuss proposals in light of the IMF bailout. The new president agreed to debate all the pertinent issues, including layoffs and dismissals, through a tripartite body. A month later, Kim would also renege on this commitment by supporting legislation on "dismissals for managerial reasons."

Frustrated with the new government's response, the KCTU tried other venues. In early January 1998, the confederation sent a letter to Michel Camdessus, then the managing director of the IMF, requesting a dialog. With the backing of the International Confederation of Free Trade Unions (ICFTU) and the Trade Union Advisory Committee to the OECD, the KCTU was able to meet with Camdessus on 13 January. The meeting was no less than historic because for the first time, the IMF would engage in bilateral discussions with national labor leaders.

In the said meeting, the KCTU expressed concern over the IMF's conditionality of labor flexibility, noting that Korean labor was already flexible. Camdessus categorically denied it was the IMF's official position to endorse a law removing all regulations on dismissals. The IMF director suggested the South Korean government may have simply perceived the legislation as necessary to attract foreign investment. He even signified alarm that more than 100,000 had already been laid off and encouraged the KCTU to pursue tripartite negotiations.

'Nothing but cold comfort' was how KCTU would later describe the meeting. The confederation, however, acknowledged the importance of such a meeting, not just for the Korean labor movement but for the international trade union community as well. KCTU then declared it would pursue its struggle to confront the all-legitimating potency of the IMF demand.

In the spirit of good faith, KCTU (along with the FKTU) would participate in the first tripartite consultation called by President Kim Dae-jung. This was held in February and yielded agreements that corporations undertake restructuring to make management transparent and improve financial structures. Layoffs were unavoidable, and the labor groups were made to accept this inevitability in exchange for the lifting of political prohibitions and the implementation of expanded social security measures.

FKTU had no difficulty accepting the terms set by the tripartite commission. KCTU's membership, however, refused to support the position of its negotiating panel, stressing that layoffs would never be acceptable to rank-and-file workers. This conflict caused the KCTU leadership to resign en masse. An Emergency Committee was immediately set up, and as it turned out, KCTU members chose even more "hardline" leaders. Elected president was Lee Kap-yong, former president of the Hyundai Heavy Industry Union and staunch advocate for job stability.

By mid-April, the economic crisis escalated into an unemployment crisis. From the 1996 rate of 2.5%, unemployment soared to 6.7%. Signs of social disintegration became more imposing: rates of suicide and criminal cases increased while the number of homeless people more than doubled.

Labor's struggle for job security was dramatized by the suicide of two trade union members. Shin Ghil-su, former president of Dong-A Engineering Workers Union, shot himself to death on 27 May in despair over months of unpaid wages and escalating personal debts. Shin's suicide note reflected his anxiety and struggle: "I beseech everyone not to think lightly of the very survival of my family. . . As the former president of the union, I will cry out loud even in death for our just demands." Two days later, a member of the Kia Motors Workers Union burned himself to death at the Kia worksite. His suicide was believed to be a reaction against management's resistance to workers' collective bargaining demands for back wages and job security measures.

Motivated by the glaring unemployment problems and the deaths of comrades, KCTU launched a general strike on 27 and 28 May. Some 120,000 workers joined the strike on the first day. In a manifesto, KCTU declared, "Workers have shaken off the fear and anxiety created by crisis." In another statement, the confederation said "government has turned its back [on] our just and legitimate demands." This was the first time a labor group, or any civil society group, for that matter, would explicitly criticize Kim Dae-jung's government.

Government initially reacted to the strike by declaring the KCTU action illegal and vowed retribution for KCTU leaders. Employers also threatened to sue the unions for losses caused by the "illegal" strike (i.e., unions are not allowed to strike for political reasons). Unfazed, KCTU proceeded with the mobilization of blue- and white-collar members from the public and private sectors. As in the 1996-1997 general strike, KCTU was also able to draw support from various citizens' groups. Amnesty International issued a statement supporting the rights and demands of the Korean workers while Protestant ministers accused government of "resorting to the same old rhetoric and behavior of the previous governments." Media, on the other hand, said the strike did not have "too much impact" and estimated the number of participants to be only 40,000.

After the two-day strike, 143 KCTU leaders were issued summons by the prosecutor's office and the police which had guaranteed by then that it would indict the strike leaders including KCTU president Lee Kap-yong. Having failed to prevent the strike, government had to turn to law-enforcement approaches.

Along with the threats of a crackdown, government opened negotiations with the KCTU. The first session lasted 19 hours. Government had a nine-point program to counter KCTU's five demands. Government representatives indicated agreement to the KCTU demands but said they first had to "seek authority from superior officers." Irritated by such delaying tactics, KCTU proceeded with its mass meetings and rallies.

The next stage of the general strike was set for 10 June. In anticipation, government called for a Second Tripartite Commission. KCTU was already reluctant to join the tripartite process and feared its participation would be used to justify to workers even harsher anti-labor measures. But it joined the tripartite process nevertheless. Initially firm on its demand for the abolition of legalized layoffs, the confederation later reconsidered and agreed to discuss measures to prevent the abuse of this provision. In exchange, government agreed to discuss the reduction of work hours to 40 hours a week by the year 2002, establish a joint committee to deal with illegal workplace practices, discuss ways to improve bargaining structures, and expand government's unemployment insurance program.

Korean workers remained dissatisfied with this "social compromise." The agreement, they said, demanded "too much sacrifice" from the workers. They claimed, labor flexibility was taking centerstage while chaebol reform was limited to corporate restructuring. The crisis, labor groups charged, was being used to justify a crackdown on the labor movement, a crackdown that business and government could not pursue during non-crisis moments.

A month-long strike at Hyundai Motors Co. was emblematic of the workers' continued restlessness. Twenty-six thousand union workers of the company staged a walk-out in July to protest management's plan to lay off 1,538 workers. Earlier on, Hyundai had already dismissed 6,100 workers through early retirement.

By mid-August, tripartite negotiations between government, the Hyundai Motors management and the workers were underway. Management failed to meet the deadline given by the union, which provoked this to escalate its actions with the support of KCTU and citizens' groups. The sight of the children of striking workers joining the rallies motivated the support groups even more. On 24 August, the 36-day dispute was resolved through a compromise that allowed a "minimum level" of layoffs. Under the agreement, only 277 workers would be laid off and given enhanced severance payments. The retrenched workers were assured the chance of reappointment by Hyundai Motors or its subsidiaries. In addition, the company pledged to contribute US$3.8 million to the workers' welfare fund and agreed to drop lawsuits against 64 union leaders who led the strike, provided the union did "its best

to normalize plant operations."

The Hyundai strike was clearly a victory for the workers. "The past one month was truly agonizing. . . but (the agreement) will be an opportunity for both labor and management to live together peacefully," said union leader Kim Kwang-shik. Labor Minister Lee Ki-ho called the compromise "a great victory." Major business organizations, however, accused government of overaccommodating the union. Kim Young-bae, director of the Korea Managers' Federation, said the Hyundai case "set a bad precedent and will negatively affect other businesses."

Aware of businesses' recalcitrance toward reforms, labor groups continued mass actions to highlight their strength and unity. A National Workers' Rally held in November transformed into a 'National People's Rally' where tens of thousands of citizens joined the workers "to defend people's livelihood, dismantle the chaebol structure and oppose the IMF." In a manner reminiscent of *min-joong* movement's actions, KCTU federations, teachers, farmers, urban poor, students, and the unemployed marched to the Han-gang Riverside to drumbeat their commitment to genuine reforms.

People's Solidarity for Participatory Democracy

A broad citizens' organization, People's Solidarity for Participatory Democracy (PSPD) is closely allied with the KCTU in the push for chaebol reform. One of its major campaigns involves representing minority shareholders in the chaebol companies. In 1997, the PSPD's Participatory Economy Committee filed the first-ever shareholders' derivative suit against the Korea First Bank's board of directors. PSPD faulted the board for weakening the bank, primarily through extending bad loans to Hanbo Steel Company.

PSPD launched its campaign through newspaper advertisements, direct mail to shareholders, one-on-one promotion, and registration drives along Korean streets. In the case of Korea First Bank, PSPD was able to gather 150 minority shareholders who owned a combined 0.5% of Korea First's total issued shares. During the bank's board meeting, these minority shareholders were not allowed to join deliberations. PSPD immediately filed and won a suit to nullify the results of the meeting. This was a historic victory because for the first time, the courts ruled that board meetings should not simply serve as occasion to formalize management decisions and that rights of minority shareholders' should be respected. In an even bolder stroke, the courts also ordered Korea First's top managers to pay 40 billion won each for their inappropriate approval of loans to Hanbo Steel.

Two other chaebols have been targeted by the PSPD: Samsung Electronics and SK Telecom. PSPD represented shareholders of Samsung to nullify the company's issuance of convertible bonds worth 60 billion won to Lee Jae-yong, a son of the Samsung Group's chairman. The courts approved a temporary injunction against Samsung but a day before the court released its ruling,

Samsung converted the bonds to shares. In response, PSPD filed a new suit for the nullification of the new shares.

The Suwon District Court issued a temporary injunction against the disposition or listing of Lee Jae-yong's shares. Until a final ruling is promulgated by the higher courts, Lee Jae-yong will not be able to list his shares on the stock market. Again, PSPD defeated a chaebol's attempt to monopolize capital and accumulate more power.

PDSP has also charged the SK Telecom management of having channeled company profits to the family of the group's chairman. PSPD organized a minority shareholders' campaign to demand management to rectify unfair internal transactions. It also prepared to sue the company but before the legal battle could begin, SK Telecom accepted all the demands of the minority shareholders. At a meeting in March 1998, SK Telecom formally apologized to the shareholders for its mismanagement. This was the first time a chaebol would decide to reform itself without the intercession of government or the courts.

For its legal battles, PSPD has been working closely with the Lawyers for a Democratic Society (MINBYUN), an alternative law group of approximately 250 members. PSPD has been active in conceptualizing the role of lawyers in Korea's transition to democracy and has tried various means to attract more lawyers into its fold. MINBYUN is now a respected member of the social movement community and has also gained recognition as a human rights group from the Korean Bar Association.

Aside from engaging the chaebols, the PSPD also monitors political power through its Civic Watch Office. This office has three major centers: the Legislative Watch Center, the Judiciary Watch Center and the Committee for a Transparent Society.

PSPD's Legislative Watch Center has been developing a databank on individual members of the National Assembly. Such data is meant to keep the citizenry informed of legislative actions and encourage them to evaluate the performance of their representatives. The Judiciary Watch Center has similarly been monitoring various judicial bodies and personalities (i.e., judges and prosecutors). It has been particularly aggressive in promoting the concept of a "people's tribunal" where citizens themselves try current issues. This court is complete with the usual cast in litigation procedures: a citizen prosecutor, a citizen judge, a citizen lawyer and a citizen jury. It aspires to contribute to "judicial democratization by citizens' power." The Committee for a Transparent Society, meanwhile, concentrates on monitoring corrupt practices of politicians. The committee has also been actively lobbying for a comprehensive Corruption Prevention Law.

PSPD is one of the few Korean groups categorically challenging the ideology of developmentalism. Central to its work is the pursuit of social welfare issues brought about by massive unemployment. PSPD has developed alternative budget and welfare schemes that it continues to lobby for in the

legislative and executive branches of government. Its capacity in formulating policy alternatives, specifically chaebol and political reforms, is proven.

To further advance its vision of participatory democracy (as distinguished from elite democracy), PSPD has been active in forging coalitions with other civil movements, particularly the labor movement and the CCEJ.

To date, PSPD has 3,000 individual members and subscribers, and more than 300 academic experts and 100 practicing lawyers. Its central office in Seoul is run by 19 full-timers and 20 volunteers. It is sustained financially by membership fees, fund-raising events, projects and internal donations.

Citizens' Coalition for Economic Justice

Established in the late '80s as a consumers' movement, the Citizens' Coalition for Economic Justice (CCEJ) today tackles diverse issues and has become a broad citizens' movement.

CCEJ is a classic example of the new Korean social movement focused on the 'costs of development'. In the early '90s, CCEJ fought for the rights of Korean farmers, a long-neglected sector of the Korean economy. CCEJ helped form the People's Coalition to Protect Korean Agriculture and gathered 190 organizations to pressure government to set limits on the opening of the agricultural market as a safety net for farmers.

During electoral seasons, CCEJ campaigns for fair elections through voter education and information dissemination on candidates' programs and profiles. The group is the successful petitioner of a suit filed with the Constitutional Court that allows individuals to freely campaign for candidates and parties. In the next years, CCEJ intends to push for the expansion of this policy so that NGOs will no longer be barred from participating in partisan politics. At the local level, CCEJ has also been active in educating local political leaders and citizens for effective political participation and sustainable local development.

CCEJ has also represented Korean movements in international conferences. In 1995, the coalition attended the World Summit for Social Development in Copenhagen and submitted a thorough report on the country's situation, together with a list of concrete policy and program proposals. It has taken several steps to actualize international solidarity. The coalition has been active in supporting its affiliate, the Buddhist Coalition for Economic Justice, in seeking protection for 250,000 foreign migrants victimized by a recent government policy on forcible deportation.

Today, CCEJ is making some headway in mainstream politics with its former leaders now on Kim Dae-jung's economic team. It should be noted that the entry of these members into the central government has not compromised the coalition's independence. As expressed by its secretary general, the official CCEJ position is "to support Kim when he reforms but also to criticize him if he is not doing well."[9]

Like the PSPD, the CCEJ is a staunch advocate of chaebol reform. Long

before the IMF entered Korea's economic scene, the coalition was already rallying for the establishment of managerial transparency through a 'real-name' system. In more recent times, CCEJ has been developing alternative policies intended to alleviate the unemployment crisis. Its support for trade union actions including the general strikes and the Hyundai Motors strike has been unequivocal.

As a concrete step toward chaebol reform, the CCEJ established the Citizens' Fair Trade Commission (FTC) in 1996. The FTC served as a lobby group for the strengthening and enforcement of the Fair Trade Law. Through the FTC, the coalition submitted legislative petitions for the promotion of technology-intensive, high value-added industries centered in small- and medium-size companies. The FTC is currently crafting proposals to concretize chaebol reform in preparation for government-initiated public hearings on the economy.

In addition, the CCEJ has organized a "Forest for Life" citizens' movement to ensure that environmental issues are not overshadowed by purely economic concerns. The movement is geared to the promotion of the growth of Korea's forests and the development of "green" dams for clean water supply. The movement also aims to allow unemployed people to engage in paid and productive work. Around 100,000 workers per day are needed to complete a proposed tree-planting and transplanting project in ten years.

In July 1998, the CCEJ filed two law suits seeking the central government's increased accountability for its performance. These initiatives were directed, per the CCEJ's own description, at the "brain-dead" members of the National Assembly who wasted precious taxpayers' money by sitting idle for two months in the midst of the economic crisis. As an "advocate of the angry people," the coalition said, it demanded each National Assembly member to return the equivalent of two months' pay, as well as payment of 100 million won in damages or 100,000 won for each of 1,000 citizen-lawsuit signatories.

To sustain action on its numerous and far-reaching concerns, the CCEJ has established several programs and institutes. Its policy research committee, tasked with developing policy alternatives and monitoring public hearings and actions, is further divided into 17 sections: local autonomy, banking, finance and taxation, land, trade, science and technology, education, chaebols, small/medium industry, social welfare, housing, transportation, labor, agriculture, health and medical care, national development, and politics and administration. CCEJ operates as a sort of 'alternative cabinet' and has proposals for practically all issues concerning Korean society.

Among CCEJ's affiliates are: Citizens' Association, Youth Association, Transportation Plaza, Christian Citizens' Gathering, Grassroots Citizens' Meeting, Workers' Association, Science and Technology Committee, Christian Youth and Student Association, Women's Committee, University Students' Association,

Buddhist Citizens' Coalition for Economic Justice, Teachers' Gathering, Council of Health and Medical Persons, and Society of Persons in Culture and Arts. CCEJ has also recently established district organizations in the Nowon/Tobong, Kangnam/Socho and Kangso/Yangchon districts.

The group's primary goal is "to cure the deep-rooted economic injustices through workable and rational alternatives." The coalition necessarily cuts across class, although its membership and leadership profile shows its middle-class character. CCEJ lends proof to the reliance of Korean social movements on media projection. In the words of Yan Kun, chair of the group's Citizens' Legislative Committee, "media support is the condition and the limit of citizens' movement."

Korean Federation for Environmental Movement and the Green Korea

The high speed of economic growth initially brought three defining characteristics of environmental degradation in South Korea: (1) every single individual has been affected to a greater or lesser degree (environment has become hazardous to human health); (2) pollution has been unfolding rapidly; and (3) the pollution is of a highly malign nature.[10]

Korean environmental movements gained prominence in the mid-'80s for their anti-pollution and anti-nuclear generation stance. These two issues were manifestly intrinsic to the authoritarian regimes' policy of rapid growth. Newly constructed industries emitted dangerous pollutants while nuclear power supplied more than 50% of industry's electricity needs. The environmental movement was therefore intimately linked to the democratic movement. Majority of the leaders of the environmental movements in Korea originated from the intensely activist student movements of the '70s.

In the 1990s, the environmental movements expanded in membership and scope of concerns. The Korean Federation for Environmental Movement (KFEM), founded in April 1993, has 25 local branches and more than 25,000 members. Its forerunner, the Korea Anti-Pollution Movement Association (KAPMA), was active between 1988 and 1992 regarding almost all the pressing environment issues: nuclear waste dumping, contamination from coal factories, destruction of mountain forests, land conversion for golf courses and reclamation of coastal shelves. KAPMA organized the first Earth Day Festival in 1990, and in 1992, led a Korean delegation in the Global Forum in Rio de Janeiro.

The KFEM has extended its concerns to domestic problems of air and water pollution, urban waste management, depletion of the ozone layer and wanton logging of rainforests. One of its first projects was the Korean Environmental Center that served as a resource center for environment-related issues. Over the years, KFEM has adopted various forms of actions: demonstrations, protest rallies, sit-ins, public hearings, seminars, cultural performances and

fund-raising events. But it follows no clear-cut strategy, formulating and implementing methods of action instead based on the nature of the issues at hand.

Green Korea is another group that has gained recognition as a leading non-governmental environment organization. It has 10 local chapters throughout the country and is committed to "restoring the traditional harmony between the Korean people and the Korean ecosystems." Like the KFEM, Green Korea tackles a wide range of issues including climate change, nuclear power, forest conservation, and water and waste management.

Green Korea was instrumental in the establishment of the Korean Green Party. Launched by civic organizations in 1997 on the World Environment Day (5 June), the party aimed to promote an 'Environmental President'. But it did not take off in time for the 1997 presidential elections and it is still unclear whether its founders will push through with the party-building project.

Of late, Green Korea has been preoccupied with expanding its regional chapters to meet the standards set by a new decree that allows environmental groups to file collective suits on behalf of individuals seeking arbitration against tangible or intangible damage attributed to environmental destruction.

IV
Korean Democracy and the Interplay of Actors and Approaches

The authoritarian regimes of South Korea generated their own opposition. To maintain the hegemony of their development project, these regimes incrementally became repressive. The working class, initially absorbed into the development project, started defecting the alliance of the state, big business and the military, and instead strengthened relations with the rest of the oppressed population to render the polity ungovernable and the regime unacceptable. The strength of the *min-joong* (people's) alliance and the convergence of institutional and movement opposition eventually forced the authoritarian regime to yield to demands for political liberalization. This interplay is seen clearly in the events of 1987. Sustained protest actions of the *min-joong* movement forced Chun Doo-hwan and Roh Tae-woo to adjust the repressive constitution and lift the ban on political rights, particularly those of leading oppositionists such as Kim Dae-jung.

Distinct in the South Korean case is the role of the middle class in the democratic transition. Rapid economic growth had produced a large middle class, the "grassroots" segment of which would rise to demand greater economic security and equity. This segment, the middling grassroots, militantly raised the social consequences of coercion and demanded inclusion in political processes. The development alliance suffered strategic damage when it lost the support of the middle class.

The weaknesses of institutional opposition can also be observed in the South Korean experience. The importance of opposition parties in the struggle for regime change came into view only in 1987 when Kim Dae-jung and Kim Young-sam unified under the NKDP and, for the first time, coalesced with the *min-joong* movement in pursuing constitutional revisions. In the following years, opposition parties even posed as threats to the new democracy. The 1990 merger between opposition parties and the ruling conservative party shows not only the weakness but also the ambivalence of institutional opposition. To this day, Korea's politics is dominated by a party system marked by continual fragmentation and realignment. Even Kim Dae-jung's NCNP has failed to produce a clearly ideological or platform-based party. Its credibility as a reform-oriented party has also suffered due to its alliance with the conservative ULD of Kim Jong-pil.

South Korea's transition to democracy basically follows the 'continuity model'. In this model, the transition regime sheds off the military character of its predecessor but takes on the authoritarian regime's policies and projects, particularly when the terms of transition are not radically changed. In 1987, Roh Tae-woo granted several concessions to the protesting masses by way of constitutional revisions. His regime, however, essentially followed the constitution that mandated the previous dictatorial government. In the same manner, the old power structures, especially those in the economic hierarchy, remained intact during Kim Young-sam's rule as the first civilian president.

Social movements experienced profound changes during the post-transition period. With legitimacy issues out of the way, Korean social movements gradually engaged the new democracy on issues concerning societal priorities, particularly in the area of social development. In the 1990s, their discourse shifted to issues that did not necessarily arise out of conflicts in industrial relations or at the workplace. The general public became more interested in the 'costs of development' and eventually, the movement arena would be dominated by consumers, women, environmentalists and citizens, instead of the pro-democracy movements of the past. The proliferation of numerous interest groups carrying diverse concerns signaled a new dynamism of Korean social movements.

The Korean movements of the 1990s were successful in articulating the previously neglected or ignored issues of environmental protection, gender equality and consumer rights. Their main aim was to shape public opinion; their main instrument was the media. Consequently, the gap between 'ideas' and 'results', and between 'victims' and 'advocates' widened. Labor militancy would also diminish, thereby allowing the new regime to retain the previous arrangement of industrial relations that favored the interests of big business.

The Korean movements would again be re-configured when the Asian financial crisis hit the country in 1997. With the Kim Young-sam government allowing the IMF to enter the scene and the ensuing unemployment crisis,

concerns about state and market actions again took centerstage. A renewal of labor militancy, along with collaborations reminiscent of the *min-joong* alliance, again coaxed labor, students, intellectuals, the church and the general population out into the streets for dramatic and sustained protest actions.

The election of the first opposition leader to the presidency has also provoked changes in movement actions. More venues for government-movement dialog have opened, and some movement actors now even work for the Kim Dae-jung government. In recent months, however, more and more movements have shunned such arenas and have returned to 'street politics'. The KCTU, for example, repudiated its leaders' settlement with business and government that licensed even the most unwarranted of layoffs. The union membership's rejection of the negotiated compromise forced an en masse resignation of the leadership and its replacement by even more militant unionists. When Kim Dae-jung declared support for legislation authorizing more layoffs, he was openly criticized by the labor movement and plagued by general strikes.

Despite the outright display of protest, social movements in Korea are so far not questioning the legitimacy of Kim Dae-jung's government. The alliance between Kim Dae-jung and Kim Jong-pil, however, has caused many of the movements to doubt their president's political will and their government's capability to push for reforms.

The crux of contestation now between social movements and government is chaebol reform. There is unanimity that government-chaebol collaboration is the main source of the economic crisis. The present politico-economic arrangement remains skewed to the chaebols' advantage, and both the new government and the social movements have declared their resolve to change this.

But although the social movements agree with government that the chaebols should be reformed, the direction of these reforms may yet diverge. The Kim Dae-jung government has committed itself to IMF impositions that may lead to the rationalization of chaebols, but not their demise. IMF intervention could even mean the deeper integration of the Korean economy into the global economy, the control of which is also in the hands of the IMF and new trade mechanisms such as the General Agreement on Tariffs and Trade-World Trade Organization. There seems to be little debate at this point that the new world economic order favors big capital investments over the welfare of citizens. Korea's further integration into this could therefore lead to further suppression of the Korean people's economic rights. Inevitably, massive protest, particularly from the labor front, will continue and may even escalate until a more equitable arrangement is achieved.

The social movements of Korea have been initially successful in mobilizing against the impending new arrangement. The minority shareholders' campaigns launched by PSPD and CCEJ have yielded positive results in terms of exacting accountability from the chaebol companies. The general strikes of

the KCTU and the recent Hyundai strike have also been successful in diminishing the prerogatives of the state and the chaebols. Although such actions are considered part of the "old" ways, their conduct have been creative and novel. The internationalizing character of these movements, for instance, was striking and effective in engaging a government just as concerned about its standing in the international community.

The area for improvement is undoubtedly in the arena of institutional politics. Korea's political party system is still weak, and movement and institutional politics remain disconnected. The People's Victory 21, although a failure in its first engagement, is an encouraging development and could pave the way for future attempts at coordinated action within and outside the formal structures of the state.

The drama of the social movement-state-market interplay in South Korea is still unfolding. In recent months, the methods of social movements, particularly the labor unions, proved effective. It remains to be seen how these movements will fare in the event of state or business retaliation. The Hyundai strike, for example, was highly successful, but this success may be only a temporary one. The Hyundai Group has been the no. 1 chaebol company in Korea and any affront on the group necessarily extends to the rest of the conglomerates. The chaebols may have been even more persuaded to consolidate as a consequence of the successful strike. Moreover, the Hyundai Group still has numerous options on how to control labor, particularly since the new economic order has revealed an array of subtle yet compelling ways of obtaining labor flexibility. If and when the Hyundai union is crushed, the entire labor movement could well lose its strength.

In spite of the conflict-filled landscape, formal democracy in South Korea is unlikely to be reversed. The state continues to seek social consensus in resolving the economic crisis, while the military is visibly exercising maximum tolerance in handling opposition. Moreover, with the technology of electronic communications, censorship is no longer possible.

In South Korea, formal democracy is not the issue. The issue, rather, is whether the Korean social movements will be successful in extending this democracy to the social and economic spheres.

Endnotes

[1]For a more detailed study of Korean state-civil society relations using the hegemony-breakdown of repression framework, see Cho Hee-yeon, "State Autonomy and Class in the Economic Development of South Korea: Social Conditions of South Korean Industrialization," paper presented at the annual meeting of the American Sociological Association, New York, 16-20 August 1996.

[2]Peasant co-optation and opposition to this are discussed more extensively in Nancy Abelman, *Echoes of the Past, Epics of Dissent: A South Korean Social Movement* (Berkeley: University of California Press, 1996).

[3]'Yushin' literally means revitalizing reforms.

[4]Han Sung-joo, "South Korea: Politics in Transition," in *Democracy in Developing Countries*, vol. 3, *Asia*, ed. Larry Diamond, Juan J. Linz, and Seymour Martin Lipset (Boulder, Colorado: Lynne Rienner Publishers, 1998).

[5]Han Sang-jin, "Modernization and the Rise of Civil Society: The Role of 'Middling Grassroots' for Democratization in Korea," *Human Studies* (Winter 1998); and Han Sang-jin, "Political Economy and Moral Institution: The Formation of the Middling Grassroots in Korea," *The Humbolt Journal of Political Economy* (Spring 1998).

[6]"Authentic" democrats are those committed not only to expanding limited democracy but also to preventing any reversal to authoritarian rule.

Shin Doh-chull and Huoyan Shyu, "Political Ambivalence in South Korea and Taiwan," *Journal of Democracy* 8 (August 1997): 109-124.

[7]Stephan Haggard and Robert Kaufman, "The Political Economy of Democratic Transitions," *Comparative Politics* (April 1997).

[8]From documents of the KCTU and NADRK including Internet message from the KCTU News (inter@kctu.org) dated 6 September 1997.

[9]Interview with You Jong-sung, CCEJ secretary general.

[10]Lee Su-hoo, *The Rise of Environmentalism in South Korea*, Development Research Series Working Paper No. 58 (Denmark: Research Center on Development and International Relations-Aalborg University, May 1997).

Bibliography

Abelman, Nancy. *Echoes of the Past, Epics of Dissent: A South Korean Social Movement.* Berkeley: University of California Press, 1996.

Bello, Walden. "Siamese Twins: The Currency Crisis in Thailand and the Philippines." Manuscript, 1998.

_____. "The End of the Southeast Asian Miracle?" Manuscript, 1998.

_____. "Democratic Expansion and Democratic Deepening in Southeast Asia: The Fateful Connection." Manuscript, 1998.

Cho, Hee-yeon. "State Autonomy and Class in the Economic Development of South Korea: Social Conditions of South Korean Industrialization." Paper presented at the annual meeting of the American Sociological Association, New York, 16-20 August 1996.

_____. "Democratic Transition and the Change of Social Movements in South Korea." Paper prepared at the conference "Democracy and Social Contentions in South Korea," Center for Korean Studies, University of Hawaii, Honolulu, 15-16 December 1997.

Cho, Hee-yeon and Kim Eun-mee. "State Autonomy and Its Social Conditions for Economic Development in South Korea and Taiwan." In *The Four Asian Tigers: Economic Development and the Global Political Economy*. n.p.: Academic Press, 1998.

Deyo, Frederic C. "Labor and Post-Fordist Industrial Restructuring in East and Southeast Asia." *Work and Occupations* 24, no. 1 (February 1997): 97-116.

Gills, Barry, Joel Rocamora, and Richard Wilson. "Low Intensity Democracy." In *Low Intensity Democracy: Political Power in the New World Order*. London: Pluto Press, 1993.

Gills, Barry. "Korean Capitalism and Democracy." In *Low Intensity Democracy: Political Power in the New World Order*. London: Pluto Press, 1993.

Haggard, Stephan and Robert Kaufman. "The Political Economy of Democratic Transitions." *Comparative Politics* (April 1997): 263-280.

Helgesen, Geir and Li Xing. "Democracy or Minzhu: The Challenge of Western versus East Asian Notions of Good Government." *Asian Perspective* 20, no.1 (Spring-Summer 1996): 95-124.

Huber, Evelyne, Dietrich Rueschemeyer, and John D. Stephens. "The Paradoxes of Contemporary Democracy: Formal, Participatory and Social Dimensions." *Comparative Politics* (April 1997): 323-340.

Han, Sung-joo. "South Korea: Politics in Transition." *Democracy in Developing Countries*. Vol. 3, *Asia*. Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, ed. Boulder, Colorado: Lynne Rienner Publishers, 1998.

_____. "Modernization and the Rise of Civil Society: The Role of the 'Middling Grassroots' for Democratization in Korea." *Human Studies* (Winter 1998).

_____. "Political Economy and Moral Institution, The Formation of the Middling Grassroots in Korea." *The Humbolt Journal of Political Economy* (Spring 1998).

Hart-Landsberg, Martin. *Rush to Development: Economic Change and Political Struggle in South Korea*. New York: Monthly Review Press, 1993.

Kim, Hee Min. "The Formation of the Grand Conservative Coalition." In *Rationality and Politics in the Korean Peninsula*, ed., Kim Hee Min and Kim Woosang, 53-68. Osaka and Michigan: Osaka University Economics and Law, and Asian Studies Center-Michigan State University, 1995.

Lee, See-jae. "Social Movements in Korea." *Asian Exchange* (n.d.): 44-66.

Lee, Su-hoo. *The Rise of Environmentalism in South Korea*. Development Research Series Working Paper No. 58. Denmark: Research Center on Development and International Relations-Aalborg University, 1997.

Linz, Juan J. and Alfred Stephan. *Toward Consolidated Democracies.* Baltimore: Johns Hopkins University Press and National Endowment for Democracy, 1996.

Mo, Jongryn. "The Rationality of Labor Strategy during the Democratic Transition, 1987-1989." In *Rationality and Politics in the Korean Peninsula*, ed., Kim Hee-min and Kim Woosang, 69-90. Japan and Michigan, USA: Osaka University Economics and Law, and Asian Studies Center-Michigan State University, 1995.

O'Sullivan, Sister Helene, MM, ed. *Silk and Steel: Asian Women Workers Confront Challenges of Industrial Restructuring.* Hong Kong: Committee for Asian Women, 1995.

Park, Kim Mikyoung. "Economic Hardships, Political Opportunity Structure and Challenging Actions: A Time Series Analysis of South Korean Industrial Disputes, 1979-1991." *Asian Perspective, A Journal of Regional and International Affairs* 21, no. 2 (Fall 1997): 147-178.

Rhee, Chongik. *Korea: A Changing Nation in a Changing World.* Chonju, Korea: Jeonju University Press, 1996.

Rodan, Gary, ed. *Political Oppositions in Industrialising Asia.* London and New York: Routledge, 1996.

Roh, Hoe-chan. "Korean Experiences in the Movement of Progressive Party and New Challenges." Paper presented to the seminar on "The Asian Economic Crisis and the Response of the Labor Movement," Seoul, Korea, 16 October 1998.

Scalapino, Robert A. *Tale of Three Systems.* Baltimore: Johns Hopkins University Press and National Endowment for Democracy, 1997.

Shin, Doh-chull and Huoyan Shyu. "Political Ambivalence in South Korea and Taiwan." *Journal of Democracy* 8 (August 1997): 109-124. [Published by the National Endowment for Democracy and the John Hopkins University Press, Baltimore.] Website: http: muse.jhu.edu/journals/journal_of_democracy/v008/8.3shin.html).

The Korea Herald, various issues.

The Korea Times, various issues.

Organizational Documents

Documents from the following organizations were also used:

Citizens' Coalition for Economic Justice (CCEJ)

"Citizens' Coalition for Economic Justice" (primer).

Civil Society (newsletter), 1994, 1995, 1997 and 1998.

Korean Confederation of Trade Unions (KCTU)

Kim Yoo-sun. "Employment Situation and Policy Imperatives in Korea," 20 October 1997.

"National Congress Approves President Kwon Yong-kil's Candidacy in the Upcoming National Presidential Election," *KCTU News*, 6 September 1997.

"A Letter to the U.S. Government and the International Monetary Fund." *KCTU Action Alert*, 17 December 1997.

"KCTU Message to M. Michel Camdessus, Managing Director, International Monetary Fund." *KCTU Action Alert*, 13 January 1998.

"KCTU-IMF Dialogue." *KCTU Action Alert*, 13 January 1998.

"KCTU Calls for Negotiations and General Strike." *KCTU Action Alert*, 20 May 1998.

"General Strike." *KCTU Action Alert*, 28 May 1998.

"Government About to Crackdown: Issues Summons Against 143 KCTU Leaders." *KCTU Action Alert*, 29 May 1998.

"The Continuing Management Intransigence Calls for Stepped-Up Action." *KCTU Action Alert*, 23 August 1998.

"Invitation to 1998 November National Workers Rally Undertaken as National People's Rally." *KCTU Action Alert*, 23 October 1998.

Korean Labor and Society Institute

"Labor Situation in Korea." Korean Labor and Society Institute, February 1995.

"Labor on the Second Tripartite Commission: Why Korean Labor Was So Reluctant to Participate." Korean Labor and Society Institute, 8 June 1998.

Lee, Won-bo. "Korean Situation after IMF Bail-out," 15 October 1998.

Kim, Keum-soo. "Employment Structure and Collective Bargaining Under the IMF-Managed Economic System," October 29, 1998.

Korea Women's Association United

"Korea Women's Association United" (primer).

Women's Voice from Korea (newsletter), January 1998.

"Proceedings of the International Symposium on The Tasks of Women in the Rapid Industrialization of Asia," 7-8 May 1996.

People's Solidarity for Participatory Democracy (PSPD)

Youndae (a biannual news magazine), September 1998.

"The Project for Labor Rights Protection in Korean Companies Abroad" (brochure).

"PSPD" (brochure).

"Empower The People to Transform Society" (primer).

various environmental groups

Korean Federation for Environmental Movement. *KFEM News*, Fall 1997.

Korean Federation for Environmental Movement. "Our Environment is Our Life" (primer).

Green Korea Reports 4, No. 1 (Spring 1997).

Green Korea Reports 4, No. 2 (Winter 1997).

Green Korea Reports 5, No.1 (Summer 1998).

others

"The Korean YMCA Movement, Its History and Perspectives" (primer).

"The Korea Christian Academy, Korea Social Education Institute" (brochure).

"The Korea Christian Academy" (primer).

"The Forum of Democratic Leaders in the Asia-Pacific" (brochure).

"Asia Pacific Civil Society Forum" (brochure).

Interviews

Between 24 February-8 March 1997, the writer also conducted interviews with:

Cho, Young-sook, policy director of the Korea Women's Associations United, Seoul.

Choe, Kyung-song, member of the Kwachon City Council, Kyonggi province.

Chong, Chan-yong, president of the Kwangju-Young Men's Christian Movement (Kwangju-YMCA), Kwangju.

Dyang-Min, peasant leader of the Country Farmers' Association, Chonbuk.

Francis Lee, program officer of the People's Solidarity for Participatory Democracy, Seoul.

Han, Jong-cheol, researcher at the May 18 Kwangju Massacre Foundation, Kwangju.

Han, Sang-jin, Ph.D., professor of the Department of Sociology, Seoul National University, Seoul.

Jee, Byung-mn, Ph.D., professor of the Department of Political Science, Chonnam National University, Kwangju.

Jeong, Chan-yong, Chief Secretary of the Kwangju-YMCA.

Kim, Byung-kook, Ph.D., associate professor of the Department of Political Science, Korea University, Seoul.

Lee, Hwa-soo of the Pusan Alliance for Democracy and Unification, Pusan.

Lee, Jai-eui, economic editor, *The Kwangnam Daily Newspaper*, Kwangju.

Lee, Keum-seok, general secretary, Kwangju-YMCA Citizen's Watch for City Affairs, Kwangju.

Lee, Phil-sang, Ph.D., president of the Institute for Business Research and Education, Korea University, Seoul.

Min, Eun-ju of the Pusan Federation for Environmental Movement, Pusan.

Oh, Jae-shik, executive director of World Vision Korea, Seoul.

Oum, Yung-ae, international officer of the Korea Saemul Undong Center, Chonbuk.

Park, Byung-hoon, department director of the Kwangju-YMCA.

Park, Jae-yul, general secretary of the Pusan Citizens' Coalition for Participation and Self-Governance, Pusan.

Park, Seok-moon, director of the Institute for Workers' Rights, Seoul.

You, Jong-sung, secretary general of the Citizens' Coalition for Economic Justice, Seoul.

CHAPTER 4

MALAYSIA

The Anwar Debacle

and the Potential for Democratic Reforms in Malaysia

by Charles Santiago and M. Nadarajah

The Anwar Debacle
and the Potential for Democratic Reforms in Malaysia

by Charles Santiago and M. Nadarajah

Certain events in the life of a nation have the profound effect of galvanizing the discontent of its people into a political force to be reckoned with. In the last two decades, Malaysia has witnessed two such critical historical moments. Not by accident, both these events emanate from a political rivalry for leadership of the United Malay National Organization (UMNO), the dominant party in the ruling coalition, the Barisan Nasional (National Front).

Barisan Nasional was formed after remodelling and enlarging Alliance, a coalition of three major political parties that led Malaya after independence from British rule in 1957. Alliance was originally composed of UMNO, the Malayan Chinese Association (MCA), and the Malayan Indian Congress (MIC) headed by the first prime minister, Tunku Abdul Rahman. More political parties were eventually admitted into it, leading to the formation of Barisan Nasional in June 1974.

Barisan Nasional today comprises 14 political parties, most dominant of which is the UMNO which has the largest share of the Barisan Nasional's seats in Parliament. UMNO controls all the state assemblies, except for that in the state of Kelantan in northeast Malaysia.

In Malaysia, it is important to note, a political upheaval in UMNO, or more generally, turbulence in Malay politics, has a critical impact on the Malaysian polity. Thus, whether Malaysia embraces 'guided democracy', opts for authoritarian rule, or undertakes democratic reforms is rooted and shaped by developments in UMNO and Malay politics. The impact of rumblings within UMNO is ultimately not confined to the party alone.

The two crucial moments in the history of Malaysia's post-independence politics were precisely a consequence of a political challenge or perceived political opposition to the leadership of UMNO president Dr. Mahathir Mohamad, Malaysia's Prime Minister of 19 years.

A closer look at the political conflicts in UMNO indicates the convergence of two phenomena: the fragmentation of the dominant Malay community as

a result of the New Economic Policy (NEP), government's development strategy; and the ever-present struggle for leadership within the party behind a facade of consensus. Both are independently motivated but come together to forge a political and economic platform for the various competing factions within UMNO.

Launched in 1971 as a consequence of the 1969 racial riots in the country, the NEP supposedly had two important objectives: to eradicate poverty irrespective of race; and to restructure Malaysian society and eliminate identifying race with economic functions. In reality, NEP favored the Malays and had four objectives:

(1) to create a Malay bourgeoisie class alongside an educated Malay middle class
(2) to eliminate Malay rural poverty
(3) to enhance Malay equity ownership of corporate Malaysia to 30%
(4) to correct economic imbalance between the races, especially the Malays and the Chinese

But the NEP policy had a political agenda as well — mobilizing the Malay community, in general, and Malay urban support, in particular, for UMNO through a patron-client relationship appearing in the form of affirmative action. Such a mobilization was also intended to offset any non-Malay electoral threats.

The NEP altered the basic composition of the party and Malay society. The shifts were fundamental: from rural-centered to urban-centered, from agriculture-based to urban-based, from teachers to businessmen. Government's introduction of the privatization thrust in the '80s brought about yet another significant shift in the configuration of the Malaysian elite — from bureaucrat-capitalists to private entrepreneur-capitalists.

The NEP gave rise to the unequal development of the Malay community — the exact reverse of the NEP's intent. The program created the 'UMNOputera', a small but well-entrenched Malay bourgeoisie closely associated with the party's political elite, as well as a large working class.

The key to understanding conflicts in the Malay community can be found within the fragmentation of the Malay community engendered by the NEP and subsequent economic policies — a fragmentation that has taken class, generational and religio-cultural lines, and has increased the potential for conflict within UMNO. Such conflicts, as we shall see later on, have been neutralized by strong leadership, co-optation, state largess, contracts, shares and various other means.

The various means employed to resolve intra-party contradictions highlight the second phenomenon in Malaysian politics to reckon with — the recurring struggle for leadership in UMNO. Intra-party fighting has even been more vicious in recent years, with the different groupings within UMNO maneuvering and building alliances along inter- and intra-class, generational,

charismatic, regional and established patron-client relationships to grab the party leadership. But for the most part, the turf war has been carried on behind a veneer of consensus.

So far, there have been two serious attempts to unseat Mahathir. The first of these challenges was in the late '80s, and was an agile two-step move to oust Mahathir, first as UMNO president during the 1987 party elections, then as Malaysia's prime minister in the 1990 general elections.

In the run-up to the 1987 party elections, two of Mahathir's opponents within the party — his former deputy, Musa Hitam, and Tengku Razaleigh Hamzah — combined to form a Team B that would challenge Mahathir's Team A. UMNO showed tremendous resilience and survived the takeover bid. But although Team A won the elections, charges of electoral fraud tainted the victory. The High Court would subsequently concur with Team B's accusation of electoral fraud and de-register UMNO.[1]

The disbanded UMNO was re-registered as UMNO Baru (the New UMNO) while Tengku, having failed to overthrow Mahathir on this occasion, subsequently formed another Malay-based political party, the Semangat 46 (Spirit of 46). Ostensibly organized to capture the original spirit for UMNO and Malay struggle for independence, Semangat 46 was able to organize an opposition coalition along multiethnic and multireligious lines, though with a leadership structure similar to UMNO's. The emergence of such a coalition provided, for the first time, an alternative to the Barisan Nasional,[2] and many refer to this coalition-building in the context of a two-party system and the maturing of the Malaysian polity.

Meanwhile, the judiciary's de-registering of UMNO sent a clear message to the party leadership that there were alternative sources of power that could effectively challenge both the UMNO and Mahathir's governance of the country.

The second and most recent challenge to Mahathir involved the humiliating ejection of Deputy Prime Minister Anwar Ibrahim. On 2 September 1998, Mahathir sacked his deputy and heir apparent for alleged sexual misconduct and corruption. The following day, Anwar was also expelled from UMNO.

The common sentiment, however, is that Anwar's falling out of grace was choreographed by threatened senior officials of UMNO. The 'conspiracy', as many consider it to be, involves important institutions of the government. The colorful cast includes the police, the attorney general's office, and the print and electronic media. On 20 September 1998, amid an emotionally charged situation, Anwar was arrested under the infamous, draconian Internal Security Act (ISA).

The termination and subsequent arrest of Anwar resulted in spontaneous gatherings of solidarity with Anwar Ibrahim. Public anger against such blatant maneuvers and abuse of power was expressed in demonstrations joined by tens of thousands. The aggregate effect of these political gatherings was a rejuvenation of popular demand for democratic reforms. Given a lack of

'space' for democratic discourse, street politics became the action of choice and a method of confronting the authority of the state. Malaysians witnessed weekly demonstrations and protests in the country, albeit centered mainly in the federal capital, Kuala Lumpur. Anger at the removal of the deputy prime minister rose to a pitch. A white ribbon campaign was launched as a symbolic expression of political dissent in Malaysia. People were in so defiant a mood they were prepared to risk arrests.

In the three months that followed the incarceration of Anwar, about 300 people, mostly belonging to the Malay community, were detained for protesting and demanding justice for the deputy prime minister. (The Malaysian courts have pronounced Anwar guilty of corruption and sentenced him for a period of seven years. At present, he is back in the courts, being tried this time for alleged sodomy.) But state violence against otherwise peaceful demonstrations has incited more anger and dissent against government. Its authoritarian posture is slowly but surely becoming visible to a populace that has long taken the UMNO-led national government for granted. These are the unmistakable "signs of the times" in a nation that only recently was thought incapable of political dissension. The Anwar debacle appears to have precipitated another critical turning point — the political and moral delegitimization of the UMNO-led regime and an unprecedented transformation of the political culture of Malaysia.

The first and second challenges to the leadership of UMNO, and therefore to the leadership of Malaysia, must not be seen in isolation. The sequence of events following the removal of Anwar brought to popular attention and popular private political discourse the 'acquiescent' role of the police, the attorney general's office, and the media, both electronic and print.[3] In fact, many Malaysians are so doubtful of the objectivity of local newspapers and TV stations that they now look elsewhere for authentic, objective or fair reporting of news on developments in their own country. People's reaction to the press and television reflects a general cynicism. In one case, an interviewee admitted he was so disgusted with the slant in TV reporting that he wanted to "throw his TV out the window." Many have stopped buying local newspapers and resort to information from the Internet or foreign media. For alternative news, people turn, again to the Internet, as well as to opposition parties' newsletters originally intended for dissemination only to members, and to NGO newsletters and magazines. These have become the preferred source of alternative information.

For example, the circulation of *Harakah*, the official organ of the Islamic Party of Malaysia, and therefore meant only for its members, has sky-rocketed from 20,000 to 360,000, surpassing the print run of the largest pro-UMNO Malay mainstream newspaper, *Utusan Malaysia*. *Harakah*'s circulation figures it should be added, have remained almost at this level to this day.

Clearly, the sacking of Anwar has reignited political opposition against Mahathir and given rise to an anti-Mahathir wave. But the important feature

of this current tide of protest to note here is that the staunchest opposition to Mahathir's leadership comes from within the Malay community, a community that has benefited immensely from government's affirmative-action policies.

Political transformation and the strengthening of democratic institutions in the country must begin with political reforms within UMNO. In unleashing a crisis of confidence in the party leadership, the Anwar episode makes such reform imminently possible. The criticism against UMNO is largely directed at Mahathir. Popular opinion now is that Anwar's dismissal was an attempt to eliminate any political threat to Mahathir's domination of the party, and by extension, his domination of the nation. For the first time in recent political memory, thousands of Malaysians, including UMNO members, took to the streets to demand his resignation.

But the Anwar debacle not only laid bare to many Malaysians Mahathir's manipulative style and punitive nature. It also exposed the authoritarian, paternalistic nature of the regime under him. Anwar's removal has engendered a legitimacy crisis for UMNO. Also, the episode highlights an important feature of Malay and UMNO's political economy: that UMNO, under Mahathir's leadership, is committed to promote and strengthen wealth accumulation of the UMNOputeras, a powerful enclave where huge business interests meshed with political hegemony. Patronage of the UMNOputeras has alienated a majority of the Malay community within UMNO, a sentiment reinforced by Mahathir's penchant for mega-projects and overt support for friends and relatives. Thus, another factor underlying the Malay tide against Mahathir is a class-based resentment with the potential of wrecking Malay hegemony and support for UMNO. For the Malays and UMNO members, Anwar's disenfranchisement epitomizes the notion that their common enemy is not outside — as party propaganda would suggest — but within the party. This phenomenon could undermine party ideology, legitimacy and leadership.

As in any crisis, the "signs of the times" in Malaysia today provide an opportunity for reform and change. This paper examines these two aspects of the country's political reality. The section "Politics of Disengagement" analyzes the authoritarian character of Malaysian politics. 'Politics of disengagement' refers to a political process where people are systematically disengaged or excluded from popular politics, that is, they are missing in the deliberations on or execution of matters of importance. They are therefore reduced to mere consumers or spectators of the drama 'scripted' by capital and its ethnic collaborators and political protagonists.

The section "Politics of Engagement" is a characterization of the "opening" for change at hand. Engagement involves active, deliberate and fearless participation by citizens — in an atmosphere of freedom and equality — in the processes of decision-making and governance of a nation. The confluence of events in Malaysia today present an opportunity for the prefiguration of a systematic and comprehensive agenda for reforms that will ensure and

institutionalize democracy in the country. The paper identifies the social agencies that have emerged following the Anwar debacle that could carry such a reform agenda through.

However, any discussion on democracy in Malaysia, or in several other Asian countries, for that matter, requires some understanding of the debate on the so-called Asian-style democracy. This paper includes an overview of the debate as a background to the analysis of Mahathir's management approach and his own prescriptions for "effective governance" for Asia.

I
The Democracy Debate in the Asian Context

Democracy is a contested term. It has a number of meanings, and depending on how it is understood, the consequences are different. But whatever *is* democracy? Taken in the context of a 'democratic nation', Clark Neher of the Northern Illinois University and Ross Marlay of the Arkansas State University identified certain conditions that presume democracy:

(1) The citizens participate in choosing government leaders.
(2) Candidates for elective offices compete against one another.
(3) Government recognizes citizens' civil and political liberties.[4]

Democracy is of course more complex than a presence of the minimum (measurable) features above. Nevertheless, these indices are a sufficient starting point for understanding democracy in Malaysia because under close examination, one will see that some of these minimum features are even missing or only minimally practiced.

Two divergent schools of thought dominate the debate on 'Asian-style Democracy' (ASD). The first suggests that the form of democracy that has emerged in Asia is related to 'delayed industrialization'. This position argues for the appropriateness of paternalistic, authoritarian governance — both to Asian culture and to economic development. Advocates of this school of thinking cite a set of Asian cultural values that support 'authoritarianism' and justify the suppression of political rights in favor of economic growth.

> *Nations that began their drive to industrialization relatively late must modernize under much difficult conditions than such early industrial states as Great Britain or the United States. For the latecomers, internal social structure are not conducive to such far-reaching changes. Language, race, religion, class and ethnic divisions present seemingly insurmountable obstacles to rapid development. Abroad, the special position enjoyed by the already industrialized states blocks the developing countries from reaping the benefits of the international trade system. As traditional structures and attitudes crumble under the stress of modernization, westernized intellectuals agonize over some new kind of ideology that can guide*

> *their people toward a new brand of social cohesion. When industrialization is delayed, the tendency is for the process to take place in an atmosphere of intense feeling, hostility, passion, class and national prejudices, and there is little inclination to preserve the rights of the individual citizens.*[5]

Delayed industrialization and its consequence on the polity suggest that even the minimum practice of democracy could compromise a country's growth and development. Thus, Asian nations suppress democratic governance in the name of economic development.

Central to the debate on ASD is an examination of the relationship between democracy and economic development. There are two positions on this: (1) that economic development brings about democracy, and (2) that there is no relationship between economic development and democracy. In his study of democracy in Southeast Asia, Anek Laothamatas notes that in Thailand, Taiwan and South Korea, one can see the relationship between economic development and democracy but that in Malaysia, Singapore and Indonesia, no such relationship exists. Therefore, he concludes, there is no *intrinsic relationship* between economic development and democracy.[6] As far as Malaysia is concerned, however, particularly under Mahathir's leadership, democracy has been viewed as hindrance to (capitalist) economic development.

Delayed industrialization and the consequent drive for rapid economic development has resulted in an Asian democracy with certain cultural, social and political specificities that distinguish it from Western-style democracy. Asian democracy embodies certain characteristics — that is, a set of distinctively Asian traits: Confucianism, patron-client communitarianism, personalism, authority, dominant political party and strong state.[7]

"Confucianism stresses hierarchy and reverence for those in power, values that seem to support authoritarianism. Confucian respect for superiors often manifests itself as unquestioning even obsequious behavior towards those in authority."[8]

Patron-client communitarianism — a trait important to an understanding of the Malaysian polity — reflects an 'exchange bond'. This relationship determines power, status, authority relations, and the citizens' role in society. Powerful people ("patrons") are those who control scarce resources and accumulate as many followers ("clients") as possible in the course. The primary pattern of social exchange in Southeast Asia is between unequals. But though these transactions are between a superior and a subordinate, dealings are personal, face-to-face, reciprocal and mutually beneficial. Patron-client ties are the very foundation of society and politics all over Asia.[9] In Malaysia, the patron-client relationship within the Malay community was institutionalized after the 13 May 1969 racial riot via the New Economic Policy.

Personalism refers to reliance on personal relationships, rather than on laws

that regulate scarcity and advancement. In personalistic societies, politics means making contacts. A specific manifestation of personalism prominent in Southeast Asia is the inclination for leaders with commanding or charismatic personalities. Many charismatic leaders have dominated contemporary Asian politics: Mao Zedong in China, Chiang Kai-Shek in Taiwan, Kim Il Sung in North Korea, Ho Chi Minh in Vietnam, Lee Kuan Yew in Singapore, Norodim Sihanouk in Cambodia, Ferdinand Marcos in the Philippines, Jawaharlal Nehru and Indira Gandhi in India, Ne Win in Burma, and Sukarno in Indonesia.[10] One might as well add here Mahathir Mohamad of Malaysia who has so far been holding office for a period of 19 years.

"In Asia, there is a great respect for authority and hierarchy. Most Asians consider it unacceptable to criticize publicly a nation's leader. Criticism of rulers is tantamount to criticism of the state itself. Absolutism and hierarchy have remained essential principles of Southeast Asian politics."[11]

In addition to the above, one can also observe in Asian democracies the phenomenon of a single dominant political party. In Japan, it was the Liberal Democratic Party (1955-1994); in India, the Congress Party; in Singapore, the People's Action Party; and in neighboring Malaysia, the UMNO-dominated coalitions, now in the form of Barisan Nasional.

The last feature of Asian democracy, a strong state, has "enjoyed legitimacy because of the veneration Asians typically accord their leaders." Moreover, people have seen real benefits from a government forceful enough to steer society "through the perilous shoals of modernization and to guarantee national security in a dangerous international environment." Asian governments intervene in the economic affairs of society more often than in the West. Most Asian states, moreover, have been strong enough to dominate or co-opt independent groups such as political parties, business associations, farmers' organizations and labor unions.[12]

It would seem that proponents of ASD have a case. The most prominent of them, Singapore's Lee Kuan Yew and Malaysia's Mahathir Mohamad, take to task those who advocate a 'Western style of democracy' with the contention that the spectacular growth Asian democracies have experienced in the last two decades was precisely built on Asians' deference to authority, a de facto one-party system and a strong interventionist state. For them, the message is clear: Economic development must precede liberal democracy.[13] Another critique of the Western democracy concerns the lack of discipline in the West. "The safety of the community takes precedence over western notions of due process of laws."[14]

In concluding their analysis, Neher and Marlay write:

> *The leaders of Singapore and Malaysia, in particular, are eloquent spokespersons for the view that the West is not a good model for Asia. These leaders reject the view that there are universal civil and political rights that must be adhered to*

under all conditions. They say that economic development must take precedence over such rights, and that discipline and conformity to group values are more desirable than individualism and freedom.[15]

The state provides economic growth and prosperity, and the people give up political rights. This is the contract between the people and government if one accepts the logic of an 'Asian-style democracy'.

In subscribing to an Asian-style democracy buttressed by certain Asian values, government leaders like those in Singapore and Malaysia, and their supporters believe there is nothing universal about democracy or human rights. These are culturally structured, which makes the notion of an Asian-style democracy look 'right' and certainly distinguishes it from a 'Western-style democracy'.

Within Asia itself, however, this view is being disputed by a contrary school of thought that cites still other Asian traditions supportive and consistent with democracy. Proponents of this position include Anwar Ibrahim himself, as well as Nobel Prize winner Amartya Sen who, offering a different reading of Asian culture and political history, contends that certain aspects of democracy are universal. These universal features of democracy, they say, cannot be passed over by simply invoking the argument of cultural specificity.

Said Anwar of the Asian situation in his now famous book *The Asian Renaissance*: "Asia is witnessing the revival of the debate over democracy and civil society. This discourse, rooted in Asian tradition and culture, is led by a new generation of confident and assertive Asians — intellectuals, social activists, artists and politicians — who subscribe to the universality of democratic values."[16]

In an article in *The Republic*, Sen identified trends in Asian societies and culture that reveal a type of democracy similar to democracy as it operates in the West. Sen also challenged some Asian leaders' understanding of Asian values and, more important, their use of these values to defend essentially undemocratic governance. The champions of 'Asian values', according to him, have tended to look primarily at East Asia to defend their position. Generalizations regarding the contrast between the West and Asia often refer to the land east of Thailand.

He used as an example Lee Kuan Yew who, speaking on the fundamental difference between Western concepts of society and government, and East Asian concepts, said: "When I say East Asian, I mean Korea, Japan, China, Vietnam, as distinct from Southeast Asia, which is a mix between the Sinic and the India, though Indian culture itself emphasises similar values."[17]

And then he rebuts Lee Kuan Yew:

In fact, even East Asia itself has much diversity, and there are many variations to be found between Japan and China, and Korea and other parts of East Asia. Various cultural influences from inside and outside this region have affected human

> *lives over the history of this large territory. . . . Indeed, the reading of Confucianism that is now standard among authoritarian champions of Asian values does less than justice to Confucius's own teaching. . . . Confucius did not recommend blind allegiance to the State.*[18]

'How to serve a prince?'

In answer to this question, Sen stressed, Confucius said: 'Tell him the truth even if it offends him.'

"The censors in Singapore or Beijing," the esteemed economist said, "would take a very different view. Confucius is not averse to practical caution and tact, but he does not forgo [either] the recommendation to oppose bad government."[19]

Those opposed to the notion of an 'Asian species of democracy' argue that contrary to the oversimplification of some Asian leaders and their supporters, social values in Asia are not as homogeneous as they are made out to be. The customs, norms and traditions in the region are as diverse as the Asian region is as wide.

At the same time, however, it should be understood that the universality of the democratic model of governance is not the same as the universality of the liberal democratic model of the West. There is certainly an ideological distinction between 'popular or peoples' democracy' and the 'liberal model'. When we say 'universal features of democracy', we refer to a universality beyond the liberal cast.

II
Politics of Disengagement

With many paternalistic Asian leaders rejecting Western democracy by pointing out to Asian values that promote authoritarian democracy, economic rights over political rights, and the community over the individual, a study of the "politics of disengagement" — that is, the process that disengages people from sites of decision-making and participation in the governance of a nation — will help toward an understanding of the nature of democracy in Malaysia.

Organizing 'Authoritarian Democracy'

A number of scholars have attempted a periodization or classification in exploring the political history and the corresponding political economy of Malaya/Malaysia. For instance, Peter Searle's dissertation refers to the five phases of the Malaysian political economy:

(1) the pre-colonial phase (before 1874)
(2) the phase of the colonial economy (1874-1957)

(3) the post-colonial economy when the government adopted a largely laissez-faire approach (1957-1969)
(4) the period of state intervention (1970-1985)
(5) the period of economic liberalization[20]

Khoo Book Teik's "Democracy and Authoritarianism in Malaysia since 1957: Class, Ethnicity and Changing Capitalism" has a more elaborate classification of the Malayan/Malaysian post-colonial political system. He identifies its 10 distinct features:

(1) a new constitution with guarantees of personal security and private property, and freedom of expression, worship and assembly
(2) a constitutional monarchy (in place of autocratic Malay rulers)
(3) a close to universal suffrage (where there was none under the colonial state)
(4) a system of elected federal, state and local governments (which substituted for the colonial government)
(5) a machinery for free and periodic elections by secret ballot
(6) an assumed separation of powers between the executive, the legislature and the judiciary
(7) a multitude of legal political parties displaying a high degree of political representation and organization
(8) a functioning and relatively independent press
(9) a relatively efficient bureaucracy
(10) a professional army and police force (that were not expected to interfere in politics)[21]

Khoo also specifies the main characteristics of Malaysian variant of "British democracy":

(1) Relatively free elections were held within constitutionally stipulated periods — 1959, 1964, and 1969, to mention only those held up to the 1960s.
(2) Many political parties of different persuasions contested the elections available.
(3) Elected governments were formed at federal, state and also local levels (the last until 1964).
(4) A multi-party opposition debated freely against the party in power in Parliament.
(5) The press was relatively unmuzzled.
(6) The monarchy remained constitutional.
(7) The judiciary was left alone.
(8) The army stayed aloof.[22]

The Malaysian government began to intervene in the economy to promote a class of Malay entrepreneurs after the violent inter-racial conflict of May 1969. The period marks the beginning of the "downgrading" of democracy in Malaysian political history, a democracy all the same considered to fit the

mold of 'Asian values'. Khoo outlined the outstanding features of the country's political-economic development during this period:

(1) a cavalier attitude of successive regimes toward the Constitution
(2) an expanding abuse of powers of state and incumbency in elections
(3) increasing contempt for the opposition in and outside Parliament
(4) growing intolerance toward dissent
(5) progressive reliance on police repression
(6) steady diminution of the freedoms of expression and assembly
(7) unabashed use of ethnically determined electoral gerrymandering
(8) tightening domination of the mass media by legislative prohibitions, bureaucratic control, police surveillance and outright ownership by the ruling party[23]

The post-1980 period saw even more attenuation of Malaysian democracy. As prime minister, Mahathir introduced more anti-democratic features:

(1) the executive's aggrandizement vis-à-vis other organs of government
(2) disregard for the independence of the judiciary
(3) tighter restrictions on already diminished freedoms of expression and assembly
(4) the use of a legislative majority to circumscribe judicial review of laws
(5) resort to non-electoral methods to undermine elected opposition state governments
(6) the use of the mass media for outright propaganda
(7) harassment of already limited oppositional media
(8) coincidence of politics and business involving the ruling party;
(9) the executive's refusal to account for alleged improprieties and irregularities[24]

Khoo's classification of political history draws out the aspects of the internal transformation of democracy in Malaysia from a liberal mode to an authoritarian, paternalistic one over the last 42 years. One can see a match between Searle's periodization of Malaysian political economy and Khoo's classification of the changing phases of Malaysia's political history. Interesting in this intellectual affinity is the "economic liberalization" in Searle's periodization and the "downgrading in the quality of democracy" in Khoo's classification. In short, while there was economic liberalization, there was hardly any corresponding political liberalization. Put differently, economic liberalization was accompanied by further political suppression, a defining characteristic of the relationship between capitalist development and democracy in Malaysia.

This raises the issue of the relationship between capitalist development and democracy in Malaysia. Khoo suggests the restraints on democracy were a political answer to three key concerns of the Malaysian state:

(1) the containment of class conflict (particularly working class challenges to the state)

(2) the management of inter-ethnic conflict (especially Malay-Chinese polarization)
(3) the preservation of capitalism (then in its neo-colonial form) or the advance of capitalism (now in its "newly industrializing" stage)[25]

In addressing these concerns, the Malaysian government changed from liberal to authoritarian mode. The shift accelerated noticeably after 1969, and more so in the last 18 years, under Mahathir's regime. Beginning 1969, government increased its intervention in capitalist economic development. It launched an aggressive promotion of an affirmative-action policy for the benefit of the Malay community that institutionalized patron-client relationships and made a generation of young Malays the main beneficiaries of government. The policy also laid the basis for government's philosophy that the collective is more important than the individual and that economic rights precede political rights.

The extent of government interventionism mounted on Mahathir's ascendance to power in 1981 and hastened the process of concentration of power. For the complete consolidation of his regime, Mahathir had to wrest control of three other power centers posing a challenge to his supremacy: (1) the king and the rulers, (2) the judiciary, and (3) rivals within the UMNO party.[26] One may add to this list the agencies of civil society, particularly a wide variety of NGOs and trade unions.

Thus, the emerging authoritarian polity can also be considered a response to the threat coming from these four sectors to the domination of Mahathir, UMNO and the UMNO-led Barisan Nasional. The regime's institutionalization of "executive supremacy" first involved the neutralization of the royalty during a constitutional crisis, followed by the neutralization of the judiciary, then the neutralization of Mahathir's political opponents within and outside UMNO, specifically the NGO sector.[27]

The 'constitutional crisis' that involved the royalties began sometime in mid-1983. It was precipitated by reports that the Sultan of Johor had said in a gathering that once elected Agung,[28] he would unilaterally declare a state of emergency, and with the army's aid, throw out all the politicians. Compounding this were stories that the Sultan was close to certain important military men, and that the army chief, General Tan Sri Mohd. Zain Hashim, had criticized Mahathir's approach and had questioned where the military's loyalty rested.[29]

From the point of view of Mahathir, the Malaysian Constitution had a serious flaw: It allowed for the royalty to assume power over politicians. "The Constitution assumes, but nowhere states, that the monarch must accept advice (except possibly on a few occasions) and must not withhold royal assent. . . . The Constitution offers no clue as to how the government could overcome an impasse if the Agung did not accept advice or acted unilaterally. . . . The courts are not empowered to rule on the constitutionality of an emergency declaration, and can rule only on parliamentary laws — not

bills that have not received the royal assent."[30] UMNO and Mahathir saw the royalty as a threat and sought to clip this source of 'rival' power, successfully. Though the control of a feudal institution was accepted as a positive development by many, especially the Malay bourgeoisie and the urban Malay youth and professionals, the regime's actions signaled the beginning of the process of the concentration of power in the executive and the prime minister.

Mahathir's "most far-reaching and devastating attack"[31] on the check and balances of a democratic system was his subversion of the independence of the judiciary in 1987-1988. In the latter '80s, the Malaysians had increasingly turned to the courts for redress of grievance. In 1986-1987, a number of important decisions by the High Court went against government. In 1986, the High Court upheld a challenge to government's expulsion order against a foreign journalist. In 1987, government lost a citizenship case, and its prohibition against the *Aliran Monthly* (a social action periodical) publishing in the national language was overturned. The High Court also issued an injunction temporarily preventing the United Engineers Malaysia, which had an UMNO majority, from signing a huge government contract. Then in February, government was unable to prevent the granting of a writ of habeas corpus to a detainee held under the dreaded ISA, a first in Malaysian legal history, and a decision upheld by the Supreme Court in November.[32]

Mahathir and UMNO read into this judicial activism a challenge to their power, not support for it. They acted swiftly to disarm the judiciary. The Parliament passed the Federal Constitution (Amendment) Act of 1988 that effectively handcuffed the judiciary. "By this Act, Articles 121(1) and 145 were amended. Henceforth, the powers of the judiciary would no longer be embedded in the Constitution; rather, they would be conferred by Parliament through statutes. Also, by this Act, High Courts were stripped of the power of judicial review previously granted in the Constitution. Further, the attorney-general assumed control of instructing the courts on what cases to hear and what courts to use, and assumed responsibility for judicial assignments and transfer. Hence, virtually overnight, the modified separation of powers was terminated and the judiciary was stripped of much of its independence and power."[33]

More was to follow that sealed the loss of the judiciary's independence, including the dismissal of Lord President Tun Salleh Abas. A crippled judiciary placed immense power in the prime minister and the executive arm of government.

Mahathir conquered all opposition to him, even that emanating within UMNO. The intra-class split in UMNO in the '80s that produced the Mahathir-led Team A and a contending Team B was no exception. Team B had several opportunities then to expose the weakness of Team A, but by a number of clever strategies, Mahathir not only won the party leadership in its General Assembly elections of April 1987. Subsequently, he had the members

and supporters of Team B removed from UMNO.

In the same year, Mahathir, who also had to curb resistance from NGOs and opposition leaders, carried out what has come to be called 'Operation Lallang'. Operation Lallang effected the arrest of several NGO activists, legal activists, opposition leaders and academics under the ISA, setting back the upswing in NGO activism and the momentum of civil society. With this operation, Mahathir disarmed all opposition to him, to his leadership of UMNO, and to the development policies of the UMNO-led government.

Popular belief is that the courts are being used to subjugate individuals and groups critical of the state. The Anwar debacle is a classic example. Besides ejecting Anwar from the party and government, Mahathir used the courts to remove even the possibility of challenge from Anwar in the future. Before his arrest, Anwar was a potent threat to Mahathir's domination of UMNO. Mahathir's use of the courts was not only an attempt to humiliate and tarnish his opponent. In doing so, he also makes it legally impossible for Anwar to participate in electoral politics in the next five years or longer. Thus, institutions outside the political process such as the courts are being politicized to further the interests of the ruling elite. The courts are being made to resolve essentially political conflicts. In the case of Anwar's trial, the conflict is the quest for power and domination of UMNO between two rivals.

Socializing Forces and Mechanisms of Disengagement

Establishing an authoritarian polity requires more than the exercise, blatant or discreet, of power over key government institutions and political groups. Disengagement is also socialized. Two cultures were created over time to sustain the politics of disengagement in Malaysia: (1) the culture of silence and passivity, and (2) the surveillance culture.

The culture of passivity and silence refers to pushing the Malaysian public in the direction of not engaging in social criticism, opinion- and decision-making, and collective or popular-level politics. This is constructed and sustained mainly by the widely feared ISA, which was introduced during a phase in Malaysian history to control communist insurgency. The ISA allows government to arrest any citizen and keep him/her incommunicado for a period of 90 days. Stories about what could happen in those 90 days are sufficient for many to want to remain silent and away from popular or radical politics. Detention under ISA is at the discretion of the Minister of Home Affairs whose decision cannot be reviewed in any court unless the detainee can demonstrate the state's *mala fide* (bad faith), which is practically impossible, given the regime's overweening control of all regulatory institutions, including the police and the judiciary. This one piece of legislation has instilled a general atmosphere of fear sufficient to keep people silent and passive. If people speak out, they do so within the confines of the "fragmented" private space the state has accorded them where a comment or criticism does not present

a threat to the individual.

A culture of passivity and silence is also achieved via a highly developed consumerist environment and entertainment media. Malaysia's long periods of high growth in the '80s yielded exactly these. The market mechanism has fostered a consumerist temper that promotes and ensures the people's political passivity. This is supported by a well-established entertainment media whose "mediation of reality" through popular print and broadcast produces a "spectator" society. Notwithstanding the agency of spectators, media has produced a culture of detached, distanced and passive viewing of reality packaged into motivated narratives. The world unfolds in packages designed for the spectator's comfortable, non-involved and disengaged "watching." An indifferent spectatorship is critical to the continued survival of a culture of passivity.

Authoritarianism is also cultivated by a surveillance culture meant to ensure the quality of engagement is really poor. In Malaysia, this is achieved through legislation supposedly passed to maintain public order. (Though a question such as 'Public order for what and for whom, and with what consequences?' immediately reveals the true intent of these laws.) A closer examination shows, however, that these laws were designed to control — methodically but dissimulatedly — collective action and the formation of politically sensitive alliances. Such use of legislation makes certain forms of essentially democratic action look illegal.

The legislations cast to 'inhibit' democratic thinking and action can be categorized into:

(1) laws against collection action
(2) laws to isolate and control
(3) laws restricting communication and dissemination

Examples are the Internal Security Act, the Societies Act, the University and University Colleges Act, the Printing Presses and Publications Act, and the Official Secrets Act.

In addition to the 'culture of silence and passivity' and the 'culture of surveillance', the politics of disengagement also involves the corruption of popular politics. True, the Malaysians' disengagement is partly the result of their economy's vibrant performance, but it is partly too the impact of ethnic politics on certain segments of society such as the Indian Malaysians.

An example is the gangsterism among the Malaysian Indian youth highlighted in media time and time again. Invariably, an offense committed is attributed to the entire Malaysian Indian community. Society is left uninstructed that young Malaysian Indians, unable to change the socio-economic environment they did not make and have no power to influence, resort to the mindless and random violence of gangsterism, instead of the popular politics of mobilization, constitution and collective action, precisely because of the country's rigid politico-ethnic arrangements. This has led not only to

the fragmentation of society but also to limited career options and paths for the Indian youth. There is a discriminatory ethnic division of labor, together with a sort of "ethnic glass ceiling."

Popular politics is likewise corrupted by commodification. As discussed earlier, a consumerist culture makes for anti-popular politics. Problems that require popular mobilization and collective action are resolved instead by products and services offered as a commodity in the market. Commodification fixes what is essentially a political problem requiring a political solution — that is, a solution that calls for the identification and discussion of an issue, and corresponding mobilization and collective action, possibly for some structural change. Instead, society's fundamental problems are given technical solutions that deal with the symptoms and overlook the cause.[34]

An example is the Malaysians' wide exposure to the stock market, which has helped breed conservatism. Motivated mainly by the prospect of high rates of return, investors naturally prefer a stable, business-friendly environment. They will generally not support legitimate workers' strikes, demonstrations or any other activity that suggest uncertainty, and consequently, a reduction of income. The motivation of high returns locks investors to maintain the status quo. Their high stakes in speculative markets co-opt Malaysian voters into assimilating conservative behavior and upholding the system.

III
The Politics of Engagement

Recent developments in Malaysia, specifically the Anwar debacle, have opened up the opportunity for a 'politics of engagement'. Anwar's dismissal, arrest and harassment have pushed the limits of the politically possible which, just a year ago, one could not even contemplate.

The Anwar Episode: Window of Opportunity

Public outcry, demonstrations and protests were the immediate reaction to Anwar's termination. Thousands of people including younger members of UMNO, the civil service, students, women and workers marched against government's treatment of their deputy prime minister and demanded justice for him. By these rallies, a once passive people became less fearful of protesting against the authority of the state appearing in front of them in the person of the police or the military.

More important, a largely younger section of Malay society who benefited from government's affirmative-action policy geared to fight government and its leaders even on the streets, for justice and truth. Suffice to note that this outburst of resistance against the state is unprecedented in a nation where political compliance and apathy have become the order of the day, in contrast

to the activism of the early '70s. Thus, the Anwar episode was able to transform a submissive political culture by agitating people — particularly the Malays — to take to street politics. It encouraged a culture of dissent now seeking to reclaim a non-authoritarian form of democracy.

Until recently, the Malay community had always been cautious of the multiracial but largely Chinese-based opposition Democratic Action Party (DAP). But Anwar's solidarity with the DAP's imprisoned deputy secretary general, parliament member Lim Guan Eng,[35] and his criticism of the latter's incarceration in a statement released in London improved the Sino-Malay relationship significantly. Anwar's support for Lim appears to have generated Malay sympathy for the detained DAP official, support erstwhile absent or subdued. More important, Anwar's support for Lim gave impetus to the development of a mutually beneficial alignment between progressive forces within the various races, especially the Malays and Chinese. Both men are seen as victims of the same authoritarian regime. An equally important development is the increasing popular awareness that state-sponsored persecution is not predicated on race but is meted out to individuals who confront the regime.

The DAP was one of the earliest political parties that threw their support behind Anwar after his ouster. Today, it is part of a coalition of opposition parties called Barisan Alternatif (Alternative Front) presenting itself as the alternative to the ruling, UMNO-led Barisan National. The party's public events, including seminars and forums, are well-attended by the Malay community, indicating growing concern for politics beyond an ethnically oriented one. A recent DAP-led protest against the increase in highway toll charges gathered together people of all races, including the Malays. Most recently, thousands of Malay Muslim women and men representing various Islamic groups such as the Islamic Party of Malaysia waved DAP flags and chanted pro-Barisan Alternatif and pro-DAP slogans while waiting outside Kajang prison to welcome Lim who was released after serving 18 months in jail. DAP is now hoping that Malay Muslims will cast their votes in favor of the DAP candidate, and vice versa, which is not a remote possibility because of an emerging alignment of forces that is bringing the opposition parties together.

For a party portrayed as working against Malay interests and consistently demonized by UMNO and Barisan Nasional, the DAP has gained much headway in the Malay community in the last year alone. There has been considerable political awakening at both the individual and community levels. People are catching on to issues beyond ethnic-politics. Various multiracial groups have been formed to resist authoritarianism and injustice, with some openly advocating the overthrow of the present regime in favor of the Barisan Alternatif.

UMNO now faces a serious challenge to its continued domination in national politics. It suffers a loss of moral legitimacy among the Malay that it

can least afford in light of the coming elections. The loss is such that Barisan Nasional, anticipating the erosion of Malay votes, has sought to win the favor of Chinese voters. Mahathir's trip to China and government's recent commendation of Chinese schools and pledge of financial support to these are seen as a plain vote-management strategy. The authors encountered considerable cynicism among the Chinese themselves toward this recent overture of Barisan Nasional. A common question is why, after 16 years of neglect, government is now interested in recognizing the performance of Chinese schools to the extent of wanting to support these financially.

Citizens sensitive to fairness, accuracy and objectivity in news reporting saw in Malaysia a media that dances to the tune of government. In the aftermath of the Anwar episode, demand for alternative news sources heightened, which in turn led to the emergence of alternative information sources including newspapers produced by opposition leaders, and the newsletters and journals published by NGOs. Information technology strengthens democracy. With over 50 Websites dedicated to the Anwar issue, the Internet has become a potent source of alternative information.[36]

The Anwar episode and its consequence of creating space for increased political activity have encouraged many groups to develop their respective manifestos or registers of demands, all of which are expressed in the terms of progressive politics. Women's groups have a manifesto for greater equality in Malaysia for endorsement by political parties. A section of neglected Indian Malaysians put forward 51 demands including the abolition of ethnic/communal politics, and its replacement by a non-communal one. A coalition of Chinese groups and individuals has a list of election demands entitled "We are the Bosses." The demands of NGO groups are consolidated in a people's manifesto.

A range of issues confronting Malaysians has gained currency, and the level of political discourse has noticeably diversified and improved. People see the underside of the ruling government and the problem of the loss of judicial independence. They now read the newspapers or watch TV with care. The Anwar case has also initiated discussion on sexuality and sexual freedom. For many, what is legal and illegal in a sexual act in Malaysia became clear only through the case Anwar has had to fight in court.

An Agenda for Democratic Reforms

Within civil society, several groups have taken the newly available political opportunity to articulate a new vision of democratic Malaysia. Many of these formations are hoping their demands will be adopted into the programs of the various formal political parties.[37] An examination of the calls of the various women's, health, Chinese, Indian and student organizations reveals the prefiguration of a systematic and comprehensive 'agenda for democratic reforms' in Malaysia. Some themes are common to these sectorally diverse initiatives.

Agenda 1: A genuinely competitive electoral environment

This situation has created a competitive electoral environment. With the growing unpopularity of Mahathir and the Barisan Nasional among various sections of Malaysian society, coupled with the popular disgust with the manipulation and abuse of government institutions such as the police, attorney general's office, judiciary and Anti-Corruption Agency, the coming elections will be a 'warfare-type' contest. A weakened regime has opened up the opportunity for other political groups not only to consolidate, but also to offer the electorate genuine political choice. Within a highly competitive electoral environment, the ruling regime is vulnerable to popular demands. Put differently, the present situation has provided groups espousing an alternative national agenda an added advantage. For now, such groups are better positioned to organize and acquire a larger stake in the electoral contest.

Competition has to be encouraged because the present political environment is an unhealthy UMNO-led and Barisan National-driven 'mono-political-culture'. Monocultures are, by definition, bad. Competition among the various political parties will further enrich the process of transformation of Malaysia's political environment. 'Genuine competition' offers the electorate more and better choices, and candidates henceforth will need to be more transparent and accountable. However, it should be kept in mind that there is no necessary relationship between democracy and competition. For that matter, in a democracy, consensus is as important as competition.

Agenda 2: Decentralized decision-making process and the promotion of the principles of direct democracy

A task facing the forces for an alternative society is to educate and mobilize, with a view to establishing a sustainable political culture that incorporates democracy-centered governance. A progressive and democratic Malaysia demands a participatory, people-centered culture with effective safeguards against abuse of power, in contrast to the existing culture where such safeguards are usurped by the executive arm of the state to maintain its dominance.

Efforts toward a sustainable political culture require decentralization of decision-making processes and localizing these in smaller units. These entail the reintroduction of elections at the most basic levels, the municipalities and local councils.[38] Extending elections to cover City Halls will further democratize the Malaysian polity.

Local elections decentralize the decision-making processes to the level of the community or the district. This process allows for the articulation of local community issues, grievances, aspirations and plans that can be decided upon by the respective communities among competing alternatives. Decentralizing the political processes and localizing them will not only ensure the community's development but safeguard its rights by making its various institutions and

elected representatives accountable to their constituents. This way, society is enabled to decide its development strategy from several alternatives. Decentralization thus vests a competitive character in the electoral processes and popular democracy of the country, and creates a responsive state at the local level.

Agenda 3: Institutionalizing safeguards against the state's abuse of power

Equally important is the establishment of institutional checks and balances guaranteeing the independence and impartiality of government institutions. Ordinary citizens then have recourse to defend themselves in case of government's abuse of power. The need to safeguard the independence and impartiality of democratic institutions cannot be underestimated. A defining feature of modern Malaysia under the leadership of Mahathir is the subordination of the judiciary, the attorney general's office and the police force to the dictates of the executive, specifically to the influence of the office of the prime minister.

Ordinary people saw in the Anwar trials how key national institutions were abused and made to work at the behest of Mahathir's political interests. For this reason, safeguards need to be erected and protected to ensure accountability, transparency, good government, justice and fair play — the cornerstone of a state that will respect, protect and enhance Malaysians' rights. Thus, the power of appointment and functions of the police force and attorney general's office, as well as the appointment of judges, should be brought under the purview of Parliament.

Civil society must be involved in the appointment of key personnel in the police force. Reports of police abuse must be referred to an independent commission accountable to Parliament. The independence of monitoring institutions and commissions must be ensured to prevent the abuse of these agencies.

Agenda 4: Introducing the device of referendum and plebiscite into the Malaysian political culture

Referendums and plebiscites are central to a sustainable and popular democratic culture. For a nation whose political organization, economic interests and cultural predilections are divided along racial and class lines, this proposition is urgent. Important public questions, constitutional amendments, new legislation pertaining to the freedom of speech and association, and other significant economic, political, social or cultural policies should be voted upon at every instance. Referendums and plebiscites allow for the expression of direct democracy, in contrast to representative democracy. The Malaysian body politic should be consulted constantly. Alternative views should be debated before the state adopts and enforces policies and laws.

An issue-by-issue direct voting system will preclude a lumping together of issues, as is the practice during general elections. A system to evaluate the performance of people's representatives and a definite procedure to deal with non-performing representatives are imperative.

Recent political experience and developments have sufficiently transformed people's attitudes and perceptions, suggesting the possibility of the polity's eventually transcending racial politics. The detention of the DAP deputy secretary-general and former parliament member Lim, and more importantly, Anwar's black eye, court showdown and subsequent arrest provided Malaysians an array of issues that transcend ethnic politics and raise the level of political consciousness. Many were shocked at the blatant abuse of government machinery and institutions against the two men. At a personal level, Malaysians fear that that they too could meet the same fate experienced by Lim and Anwar. There is now a clamor cutting across racial lines for government to respect individual political and civil rights, restore the independence of the judiciary, and repeal anti-democratic legislation such as the Internal Security Act, and Printing Presses and Publications Act. In addition, Malaysians are demanding the highest levels of responsibility, probity and moral integrity of their elected representatives. With this political reawakening, as well as the emergence of a large educated middle class, issue-by-issue voting on good governance, justice, transparency and accountability will likely crystallize Malaysians' participation in non-racial politics.

This will mean trips to the polls not only to select the next government, but also to decide on various issues as a separate activity. Direct voting therefore binds even a newly elected government. Direct voting is a major component of a sustainable political culture where general elections form only one part of a whole.

Agenda 5: Expanding the venue for more popular participation in public life

Integral to a sustainable political culture is greater participation of the body-politic, including NGOs, sectoral groups and political parties, in the affairs of the state. Open debates among competing alternative groupings should be encouraged. Political parties should discard the present modus operandi of 'follow thy leader' thinking and promote a variety of ideas and thinking within the ranks. The adoption of new ideas and visions should be encouraged. The right to dissent should not be misconstrued as disloyalty to leadership but as an attempt to improve its quality. These efforts could lead both to active collaboration and/or competition between alternative groups. The result will be a strong and robust civil society where new ideas and visions flourish, and democratic politics thrives and takes root. In promoting a vibrant and "caring civil society," there is a need to consider competition without conflict.

Agenda 6: **Repealing draconian legislations**

Legislation that tends to or actually curtails freedom of expression and association must be repealed and replaced by those that promote a democratic environment, whether this is collaborative or competitive. A genuine effort to increase people's participation in the life of the nation without fear must begin with the repeal of the Internal Security Act. For the free flow of information, the promotion of new ideas and alternative perspectives, and the open discussion of national issues and government policies, the Printing Presses and Publications Act and the Official Secrets Act must be amended, if not done away with. The amendments should be the product of national debates and consultations. The University and Colleges Act should likewise be amended to allow for the student/youth population's greater participation in the development of the country. Institutions of higher education can serve as training ground for the nation's future leaders. The repeal of, or changes to, these legislations could lead to a more accountable, transparent and responsive state.

Agenda 7: **Reforming the electoral process**

There is an immediate need to reform the electoral processes. The present set-up has built-in advantages favoring the ruling Barisan Nasional. Reforms in the electoral processes should ensure a level playing field for the various political parties.

(1) The foremost challenge is to make the election commission independent and accountable to Parliament. The commission members should not be members of the civil service but individuals with impeccable reputation for independent decisions and action. In addition, the commission must be sufficiently empowered such that it can undertake its task independently, without fear or favor. This entails disciplining political parties, including the ruling UMNO, if electoral rules are violated. For example, the commission should devise ways to stop the ruling party, directly or indirectly, from using government machinery and resources as part of its election machinery.

(2) Election dates should not be a guessing game to be determined only by the prime minister. A specific date for national and state elections should be established, and an acceptable timeframe for the political parties' campaigning set in place. Both the election date and campaign period can be established by Parliament in consultation with political parties. The present system allows the ruling party to choose the timing of the elections that would favor its victory.

(3) Gerrymandering of electoral boundaries should be undertaken with the view of providing better representation for the people, and not to give unfair advantage to the Barisan Nasional or its components, especially UMNO. The present electoral system is skewed in favor of the Malays and UMNO. That is, because UMNO's political and electoral dominance is rooted in Malay majority constituencies, government favors establishing more of these

Malay-centered rural constituencies. But these are disproportionately smaller than non-Malay urban constituencies.[39]

(4) The mainstream electronic and print media should undertake equitable coverage of all political parties. Media should be a vehicle for information and debate on alternative and opposing ideas so that the electorate can make an informed choice. The political parties' propaganda can be covered by their respective publications. Under the present situation, mainstream media seems to promote only the views of the ruling party, distorting and misinforming the electorate on issues pertaining to the opposition parties. A code of conduct governing the behavior of the electronic and print media can be established under the auspices of the Election Commission or the National Press Council.

(5) The minimum voting age should be reduced to 18, from the present 21, to allow more young Malaysians to participate in the affairs of the state. This approach will increase the interest, participation and involvement of young people in the political processes of the nation. Automatic voter registration should be extended to individuals renewing identity cards upon reaching 18 years of age. Such a registration exercise could replace the existing system where the election commission undertakes voter registration periodically. It also deals with the various irregularities and complaints that have been directed at the election commission.

(6) Postal voting should be abolished for those voting within the country. This is because postal votes provide unfair advantage to the ruling party. Postal votes are votes of members of the security forces such as the police and armed forces, and their spouses. In the 1990 polls, these totaled 193,365.[40] Postal votes are cast before the elections proper, and are thus floating, life-saving votes waiting to be used at the behest of the ruling party's candidate, in the event the candidate suffers losses at the hands of the opposition.

(7) Demand appears to be unanimous that the term of the prime minister be limited to two five-year terms. The proposal seeks to avert the possibility of any one leader becoming all-powerful and entrenched, even if popularly elected. It fosters, moreover, a competitive environment at all levels. Term limits allow for new leadership possibilities and the development of new ideas and policies — within the party and the country.

Agenda 8: Non-ethnic political framework

There is also widespread demand for an overhaul of the race-centered organization of the Malaysian body politic. So far, race-based politics has led to race-based developmental strategies that have benefited only certain sections of society. An example is poverty eradication which should be implemented on the basis of need, not race. The extension of this proposition is that development strategies should not be race-based and should instead benefit all Malaysians, especially the marginalized groups.

New Alignment of Forces for a Democratic Malaysia

Several groups and alignments have been congealing, in varying degrees, since the Anwar debacle. These different formations have an important role to play in carrying out the agenda for democratic reforms. They are organized around: (1) 'electoral' politics, (2) 'non-electoral' politics, or (3) a combination of both.

The groups engaged in non-electoral politics became visible immediately after the arrest of Anwar. They sought to raise popular political consciousness of the broader issues underlying the Anwar episode. Over time, such non-electoral political activity was replaced by a focus on electoral politics. The effort of the groups in the arena of electoral politics centers around a single aim — the defeat of the Barisan National government in an election to take place anytime before April 2000. In recent times, a third grouping composed of NGOs has emerged. While these NGOs are primarily into non-electoral politics, some of their leaders have decided to join electoral party politics. The effectiveness and acceptability of these NGO leaders' foray into electoral politics are yet to be seen.

Three major formations carried the banner of reform and opposition in the aftermath of the Anwar episode: Gagasan, Gerak and Adil. Both Gagasan and Gerak are broad-based coalitions, while Adil is registered as an NGO with direct membership. The three groups have the common objectives of:

(a) the removal of the Barisan Nasional government and Prime Ministe Mahathir
(b) the repeal of laws that deny the right to assemble and associate, such as the Internal Security Act, and Printing Presses and Publications Act
(c) an end to corruption, police brutality and abuse of the institutions of government
(d) restoration of the rule of law and the independence of the judiciary
(e) transparency, accountability and good governance in the affairs of the state

Gagasan (full name: Gagasan Demokrasi Rakyat Malaysia, or Coalition of People's Democracy), established in end-1997, was an NGO initiative to explore the possibility of uniting the various political parties — especially the DAP and the Islamic Party of Malaysia (PAS) — into a united front in preparation for the coming general elections. At the time, such a front-building effort was a herculean task. Gagasan ventured into a series of discussions with political groups — unsuccessfully. It then toyed with the idea of sponsoring candidates based on issues, such as the Malaysian human rights record, or women's or workers' issues. In contemplating this, the group was aiming for a referendum on government policy.

The Anwar debacle gave Gagasan the necessary impetus to its vision of a united front. The group served as the platform for the various disparate forces opposing government, and brought together the DAP, PAS, Parti Rakyat Malaysia (PRM), and about 25 NGOs under its fold. The coalition provided

the platform for discussions on formulating an alternative development strategy for Malaysia.

Gerak (full name: Majlis Gerakan Keadilan Rakyat Malaysia or Malaysian People's Justice Movement), established after Anwar's ouster, is the brainchild of the Islamic party PAS. Both a *dakwah* (missionary) organization and a political party, the PAS is committed to an Islamic struggle. It was joined in Gerak by the three other opposition political parties, as well as NGOs, mostly Islamic organizations and professional associations. The movement was effective in mobilizing against Barisan Nasional with the use of the PAS' wide network.

The PAS itself found in the Anwar episode the basis for another coup against UMNO and government in winning over the political support of the Malay Muslim populace, especially in the Malay heartland. It now controls the state government of Kelantan, and envisages capturing as well the state governments of Trengganu, Kedah and Perlis in the coming elections. Nationwide programs and campaigns are in motion to achieve this. Events in the past year indicate that PAS will be a formidable threat to the Barisan Nasional in the elections. Gerak has served as a platform for the party to impress to Malaysians its secular tolerance and multiracial concerns while maintaining the centrality of Islam in its activities.

Adil was established to provide the organizational mechanism for the continued pursuit of the Anwar-inspired *Reformasi* (reform), the call for democratic reforms waged mainly in the streets shortly after the deputy prime minister's arrest. The group is committed to the cause of social justice. Members included disenchanted members of UMNO, civil servants, women and students, majority of whom are Malay.

Adil's membership has most likely crossed over to the newly organized political party Parti KeADILan Nasional (National Justice Party) or PKN, which is practically the political wing of the *Reformasi* vision. The party is led by Dr. Wan Azizah Wan Ismail, the wife of Anwar. (Curiously, Anwar, whose vision for reform the PKN champions, is not a party member, or not just yet.) Former UMNO members close to Anwar also hold key leadership positions. Majority of the party's leaders and members, however, are Malay, although PKN is multiracial and has an Indian bureau attending to issues relating to the Indian community. PKN's organizational structure is identical to UMNO's at both the national and state levels. One might read into the venture of both Adil and PKN into electoral politics an attempt to be the alternative to UMNO for the disillusioned Malay community as well as those not attracted to PAS.

While all three groups have yet to realize their common goal of reversing the Barisan Nasional's domination, they have mounted remarkable resistance to state authority. They have also provided a platform, leadership and structure to their organizing and mobilizing activities against the regime. Their front-building efforts have united a broad cross-section of the Malaysian

polity. Gerak represents a significant Muslim constituency; Adil's membership includes the Malay middle and working class, UMNO members and civil servants; and Gagasan's base consists of several issue-based NGOs. In addition, these coalitions have brought together the various political parties with opposing ideologies, proving they can work together for the vision of an alternative Malaysia despite, and while respecting, their differences.

The Barisan Alternatif is the opposition's organizational expression of the shift from a non-electoral to an electoral thrust. A coalition of the four opposition political parties, PKN, PAS, DAP and PRM, the Barisan Alternatif could be the foil to the ruling Barisan Nasional. Established at the invitation of Dr. Wan Azizah, the coalition has as its primary objective the formation of the next government.[41] Its rallying cry against the Barisan Nasional government is the injustice against Anwar Ibrahim. It recently boycotted government's invitation to seat in the National Economic Consultative Council that formulates Malaysia's national economic policy.

The Barisan Alternatif's policy-making body, known as the Majlis Perundingan (Consultative Council), consists of the top leaders of the four member parties. As part of the preparations for the elections, the council is addressing the issues of: (1) a joint election manifesto, (2) distribution of seats among the four political parties, (3) the possibility of a common flag/symbol, and (4) the post of the Barisan Alternatif's prime minister. Activities include joint press statements, and common speaking tours and public forums.

As yet, NGOs have no direct involvement in the decision-making of the Barisan Alternatif. However, they meet and lobby with the Barisan Alternatif as a whole, and with the individual political parties, based on need and interests. These meetings take up matters of common interest such as issues relating to seat allocations, manifesto drafting, or support for a major cause or concern. It is not clear how effective the NGOs' efforts toward influencing the Barisan Alternatif's directions and policies have been. There is a perception that in the Gagasan/Gerak days, the NGOs were much more influential and were moreover on an equal footing with the political parties. The nature of party politics, the *realpolitik* of contending intra-party and inter-party claims within the coalition, plus the exigency of settlement and compromise in the realm of electoral politics, could subordinate the wide-ranging interests and demands of NGOs.

For their part, issue-oriented NGOs and concerned individuals have embarked on a new electoral initiative — the endorsement of candidates based on a particular issue, such as the environment, human rights or women's equality. Women's groups, for example, have launched the Women's Candidacy Initiative (WCI). The WCI candidate's political platform will be women's issues, particularly the increased participation of women in government decision-making. For Malaysia, this NGO-inspired foray into electoral politics is a radical departure from the standard conduct of elections. Underlying the

NGOs' strategy of engagement in electoral politics is the belief that issue-based candidates, if elected, will be able to influence policy decisions of the state, hopefully not only regarding the particular issue or sector each candidate carries.

In the long run, political parties could be organized along specific sectoral issues or concerns, similar to the Green parties in Europe. Also, an issue-oriented or sectoral approach to an election provides society with an alternative strategy to organizing its interests and aspirations. A better-educated society with a higher level of consciousness, combined with an issue-based or sectoral platform, may yet alter the established role of political parties over time.

Realistically, the push for reforms in Malaysia — the bid specifically for internal democracy within UMNO and popular democracy in the nation — might come from the electorate in the polls slated before April 2000. The unraveling of the legitimacy of UMNO, class disenchantment and the heightened frustration of Malaysians in general could spell increased support for the opposition and ultimately change voting patterns. A significant loss at the polls for UMNO — the loss of various state assemblies to the opposition, or a reduction in the two-thirds majority of Barisan Nasional at the federal level — could lead to a more aggressive demand for Mahathir's ouster. In short, changes within UMNO could possibly come as a function of the attrition of the party's legitimacy. Mahathir has undertaken only cosmetic changes in the management of UMNO, and many believe these changes are not as profound as the situation warrants. Nevertheless, the UMNO is, as it has shown in the past, very resilient. These changes, superficial they may be, might still work for the party.

Endnotes

[1]R.S. Milne and Diane K. Mauzy, *Malaysian Politics under Mahathir* (London and New York: Routledge, 1999), 41-44.

[2]As this book goes to print, Tengku Razaleigh Hamzah has not only since been accepted into UMNO but has been made a member of the party's supreme council. As with the many other ruling parties in Asia, UMNO is very resilient. Failing outright antagonistic solutions, it will employ pre-emption, co-optation and cooperation tactics to withstand the opposition and neutralize it.

[3]The authors, while investigating people's opinions on Anwar's arrest and the role of the various government institutions, often encountered deep suspicion of these three sectors. These discussions were of course carried in the context of private conversations.

[4]Clark D. Neher and Ross Marlay, *Democracy and Development in Southeast Asia* (Colorado: Westview Press, 1995), 5.

[5]Robert P. Clark, *Power and Policy in the Third World* (London: Collier Macmillan Publishers, 1982), 98.

[6]Anek Laothamatas, "Development and Democratization: A Theoretical Introduction with Reference to the Southeast Asian and East Asian Cases," in *Democratization in Southeast and East Asia*, ed. Anek Laothamatas (New York and Singapore: St. Martin Press and the Institute of Southeast Asian Studies, 1997), 8 and 17.

[7]Neher and Marlay, *Democracy and Development in Southeast Asia*, 13. The interpretation offered here by the authors is of course contestable.

[8]Ibid., 14.

[9]Ibid., 15.

[10]Ibid., 17.

[11]Ibid., 18.

[12]Ibid., 21.

[13]Ibid., 24.

[14]Ibid.

[15]Ibid., 26.

[16]Anwar Ibrahim, *The Asian Renaissance* (Singapore: Times Book International, 1996), 47.

[17]Quoted in Amartya Sen, "Human Rights and Asian Values: What Lee Kuan Yew and Li Peng Don't Understand about Asia," *The New Republic* 217, nos. 2-3 (14 July 1997). This article was received as an e-mail posting on 31 March 1999 from a network that deals with Asian realities called the "criticalsocio" group.

[18]Ibid.

[19]Ibid.

[20]Peter Searle, *The Riddle of Malaysian Capitalism: Rent-Seekers or Real Capitalism?* (St. Leonards, NSW: Allen and Unwin, 1999), 27.

[21]Khoo Book Teik, "Democracy and Authoritarianism in Malaysia since 1957: Class, Ethnicity and Changing Capitalism," in *Democratization in Southeast and East Asia*, ed. Anek Laothamatas (New York and Singapore: St. Martin's Press and the Institute of Southeast Asian Studies, 1997), 46-47.

[22]Ibid., 47.

[23]Ibid., 48.

[24]Ibid., 48-49.

[25]Ibid., 50.

[26]Milne and Mauzy, *Malaysian Politics under Mahathir*, 30.

[27]On executive supremacy, see Rais Yatim, *Freedom Under Executive Power: A Study of Executive Supremacy* (Kuala Lumpur: Endowment, 1995).

[28]Beyond ceremonial duties and symbolic priviliges, the Malaysian Constitution provides the monarch with certain powers. According to Article 66, all bills passed by Parliament require royal assent before they can be gazetted as laws. There are also certain "entrenched" articles of the Constitution providing for the Agung's (and the Conference of Rulers') consent, rather than assent. The Agung has discretionary powers in the appointment of the prime minister and in the withholding of consent to a request for the dissolution of Parliament. He also has non-discretionary power in the declaration of a state of emergency (Article 150). For these political functions, the Constitution adds the phrase "upon the advice of the cabinet."

Milne and Mauzy, *Malaysian Politics under Mahathir*, 30-31.

[29]Milne and Mauzy, *Malaysian Politics under Mahathir*, 32.

[30]Ibid., 31.

[31]Ibid., 46.

[32]Ibid., 46-47.

[33]Ibid., 47.

[34]See for instance Jurgen Habermas, *The Theory of Communicative Action*, vol. 2: *Life World and System: A Critique of Functionalist Reason*, trans. Thomas Mccarthy (Cambridge: Polity Press, 1987).

[35]Lim Guan Eng was convicted on charges of sedition and publishing false news in April last year, and subsequently lost his seat as a member of Parliament which he had held since 1986. The 38-year-old son of another DAP stalwart, Lim was found guilty of publishing false news about a sex scandal involving UMNO member Rahim Thamby Chik, then the chief minister of the state of Malacca. Lim was also ordered to serve a concurrent 18-month sentence for sedition after criticizing government's handling of allegations that Rahim had raped a minor. Rahim was later acquitted of the rape charge.

At the time, Amnesty International had warned that Lim's conviction would "have the wider effect of curbing free speech in Malaysia."

[36]More than 50 Websites were dedicated to the Anwar issue shortly after his arrest. Not all of these remain active today, however. In addition, the authenticity of all information coming from these Websites, has yet to be verified.

[37]The attempts by various groups to codify their demands include: Women's Agenda for Change, Citizen's Health Initiative, "People are the Bosses," Malaysian Chinese Associations' Demands, Group of Concerned Indian Citizens' Demands, Malaysian Council of Students' Election Demand, "The People's Manifesto" (by a coalition of NGOs) and A Trade Union Initiative.

[38]For an interesting discussion on this subject, see Murray Bookchin, *From Urbanisation to Cities: Towards a New Politics of Citizenship* (London: Cassell, 1992).

[39]In 1964, Malays formed absolute majorities in only 57% of Peninsular Malaysia's constituencies (59 out of 104). In 1978, this proportion increased to 69% (79 out of 114); in 1986, it reached 70% (92 out of 132); and in 1995, the figure was a level 70% (101 out of 144).

Cited in Harold Crouch, *Government and Society in Malaysia* (St. Leonards, NSW: Allen and Unwin, 1996), 58.

[40]Cited in Edmund T. Gomez, "Political Systems in Malaysia," in *Political Party Systems and Democratic Development in East and Southeast Asia*, ed. Wolgangang Sachsenroder and Ulrike Frings (Ashgate, Brookfield, USA, 1998), 270.

[41]The DAP, however, has indicated to the Barisan Alternatif's decision-making body that it is only interested in denying the Barisan Nasional government its two-thirds majority.

Bibliography

Abrahim, Colin E.R. *Divide and Rule: The Roots of Race Relations in Malaysia.* Kuala Lumpur: INSAN, 1997.

Alagappa, Muthiah. *Political Legitimacy in Southeast Asia: The Quest for Moral Authority.* Stanford: Stanford University Press, 1995.

Bookchin, Murray. *From Urbanisation to Cities: Towards a New Politics of Citizenship.* London: Cassell, 1992.

Clark, Robert P. *Power and Policy in the Third World.* London: Collier Macmillan Publishers, 1982.

Crouch, Harold. *Government and Society in Malaysia.* St. Leonards, NSW: Allen and Unwin, 1996.

Ghosh B.N. and Muhammad Syukri Salleh, eds. *Political Economy of Development in Malaysia.* Kuala Lumpur: Utusan Publications, 1999.

Gomez, Edmund T. "Political Systems in Malaysia." In *Political Party Systems and Democratic Development in East and Southeast Asia*, ed. Wolgangang Sachsenroder and Ulrike Frings. Ashgate, Brookfield, USA: 1998.

Ibrahim, Anwar. *The Asian Renaissance.* Singapore: Times Books International, 1996.

Inoguchi Takashi. "Asian-Style Democracy." In *The Changing Nature of Democracy*, ed. Takashi Inoguchi, Edward Newman, and John Keane, 173-183. Tokyo: United Nations University Press, 1998.

Jomo K.S., ed. *Rethinking Malaysia: Malaysian Studies I.* Kuala Lumpur: Malaysian Social Science Association, 1999.

Kebschull, Harvey G., ed. *Politics in Transitional Societies: The Challenge of Change in Asia, Africa and Latin America.* New York: Appleton-Century-Crofts, 1968.

Khoo, Book Teik. "Democracy and Authoritarianism in Malaysia since 1957: Class, Ethnicity and Changing Capitalism." In *Democratization in Southeast and East Asia*, ed. Anek Laothamatas, 46-76. New York and Singapore: St. Martin's Press and the Institute of Southeast Asian Studies, 1997.

_____. *Paradoxes of Mahathirism*. Kuala Lumpur: Oxford University Press, 1995.

Laothamatas, Anek, ed. *Democratization in Southeast and East Asia*. New York and Singapore: St. Martin's Press and the Institute of Southeast Asian Studies, 1997.

Lingle, Christopher. *Singapore's Authoritarian Capitalism: Asian Values, Free Market Illusions, and Political Dependency*. Barcelona: Edicions Sirocco SL, 1996.

Mid-Term Review of the Seventh Malaysia Plan. Malaysia: Prime Minister's Department, 1999.

Milne, R.S. and Diane K. Mauzy. *Malaysian Politics Under Mahathir*. London and New York: Routledge, 1999.

Neher, Clark D. and Ross Marlay. *Democracy and Development in Southeast Asia: The Wind of Change*. Colorado: Westview Press, 1995.

Searle, Peter. *The Riddle of Malaysian Capitalism: Rent-seekers or Real Capitalism?* St. Leonards, NSW: Allen and Unwin, 1999.

Sen, Amartya. "Human Rights and Asian Values: What Lee Kuan Yew and Li Peng Don't Understand About Asia." *The New Republic* 217, nos. 2-3 (14 July 1997).

Sloane, Patricia. *Islam, Modernity and Entrepreneurship among the Malays*. London: Macmillan Press, 1999.

Yatim, Rais. *Freedom Under Executive Power in Malaysia : A Study of Executive Supremacy*. Kuala Lumpur: Endowment, 1995.

Zan, Myint. "Analysing Judicial Crises in Asia," *The Jakarta Post*, 12 November 1997.

CHAPTER 5

THAILAND

A Break in the Cycle:
Democratization in Thailand

by Regina S. Abesamis

A Break in the Cycle:
Democratization in Thailand

by Regina S. Abesamis

Thailand's political development has been a protracted one. Since 1932, the year when junior bureaucrats deposed the absolute monarchy, the country has made as many strides forward to open up politics as it has backwards. The trend of democratic resurgence followed by a reversal has been coined a 'vicious cycle of politics' where political succession is decided by a military coup, followed by constitutional change, then the resumption of parliament, then a political crisis, and then another military coup. The military bureaucracy has historically played the dominant role in deciding political succession and the constitution, the means by which regime changes are legitimized. The net of this resurgence-reversion cycle in Thailand's politics over the last sixty years has been 17 coups, 15 constitutions and as many number of governments lasting a duration of as short as two months. The longest-lasting government in Thailand's history — eight years — was that of General Prem.

Indeed, in the case of Thailand, identifying any one point of rupture, any one historical moment when democratic transition began to take place, is a challenge in itself. Throughout the political developments and cyclical changes from military to civilian rule, a number of elements have remained constant and endured several political upheavals. For that matter, the "transition" continues to this day. A new constitution passed only last year embodies, by far, the most coherent steps to institutionalizing democratic structures in Thailand, including a fully elective bicameral assembly.

Thai politics had always been dominated by its bureucracy, of which the military has historically been the most powerful and influential component. These features, often referred to as the 'bureaucratic polity', pertain to the military-bureaucratic elite's position of dominance in the Thai polity not merely as an administrative group, but as a sovereign symbol of the nation itself, its legitimacy deriving from a long tradition of reverential devotion for the monarchy.[1]

No other word best describes military-bureaucratic overwhelming presence in Thai politics as 'resilience'. The persistence of military-bureaucratic

rule even after the downfall of the absolute monarchy in 1932 can be traced to several other factors. For one, the army seemed the natural successor to absolute monarchy for it was equipped and better organized than any other government institution. In addition, Thailand's strategic geo-political position guaranteed the steady stream of aid from the United States in the 1950s. Thai governments began to ally themselves with the United States and to take up vehement anti-communist positions. Many American bases were built around the country, and much of the air war against Vietnam and Laos was conducted from them.[2] American military aid, in return, buttressed the Thai military, making it one of the wealthiest in the region with access to 20% of the country's budget or 4% of its GDP.

In addition, the Thai military has traditionally held a high level of prestige. In the past, the route to the civil and political service was a degree from the military academy. The 'old-boy' school ties were maintained and cultivated way past graduation. Thus, a 'democratic transition' in the country is frequently taken to mean a departure from the bureaucratic polity.

Business, politicians and other extra-bureaucratic forces of the ruling elite — patrons of the military-authoritarian regime, would play a significant role in the ouster of the dictatorship of General Thanom Praphat in 1973, and ultimately, in the end of the bureaucratic polity in Thailand. The industrialization and economic liberalization undertaken since the '50s had created a force — business — that would eventually contest the military's monopoly of political power. Riding the tide of discontent, business agitated for a bigger role in influencing policy and governance as growing social unrest threatened national security and business prospects.[3] It became increasingly wary of being seen as a partner of the military in the latter's strong-state framework. The progressive erosion of business confidence in the military regime's capacity to maintain the status quo was the rupture that brought about the end of the military authoritarianism in Thailand.

The strategic influence of the business elite on the course of Thailand's political development requires a further dissection. Until the early '70s, the banking conglomerates and their military partners dominated Thai domestic capital. But an era of market liberalization anchored on a framework of import-substitution industrialization (ISI) generated an industry-oriented segment of the business sector backed by politicians. What set this 'new gentry' apart from the finance segment of the business elite is the extent to which it displayed an independence from the political bureaucracy. The challenge to bureaucracy's control of cabinet ministries and economic policy-making would come particularly from the industry-based segment of the business elite.

The democratic respite in 1973 proved to be brief. Many senior military and civilian conservatives were anxious to undermine the civilian government of prime minister Kukrit Pramoj. Within three years, military rule was reinstated in a violent backlash. Farmers' and workers' groups were suppressed,

and books and newspapers were banned and burnt. Dozens of trade unionists and politicians were assassinated, and political trials were conducted. Many intellectuals sought refuge abroad; a few thousand students and other activists "went to the jungle" to join communist-led guerrillas. The anti-government insurrection increased in intensity. By the end of the '70s, political turbulence grounded to a halt with the realization that "too much democracy and too much authoritarianism were dangerous."[4] A more normal political climate was reestablished when a new generation of reformist army officers, known as the "Young Turks," promoted to the premiership first General Kriangsak, and then in 1980, General Prem Tinsulanond, whose leadership is the longest-lasting political arrangement the country has so far experienced. A former commander-in-chief, Prem guided the country through eight years of what has been called a system of half-democracy.

Prem's half-democracy was characterized by an approach that balanced factions of the ruling elite, made possible by a provision in the 1978 Constitution for an appointed, not an elected, Upper House, the body that selected the prime minister. Through this mechanism, the military recovered its claim to a legitimate role in politics and regained control of both the cabinet and assembly. Prem filled the role of impartial middleman, setting up a system for dividing up the cabinet posts. The macroeconomic portfolios went to Prem and his technocrats; defense and foreign affairs, to the military; and commerce and industry, to professional politicians.

Declining terms of trade in agribusiness and a balance of payments deficit precipitated a shift to a manufacturing- and export-oriented tack. Any restlessness from the particular segments of the elite threatened by the change was effectively dealt with by Prem's delicate balancing act. Thus were the contending claims of business and political parties, on one side, and the market-oriented technocrats and their allies within the military, on the other, accommodated and perpetuated.[5]

In 1988, Prem abdicated the prime ministerial seat amid calls for an elected prime minister. The moment was to be Thailand's graduation from half-democracy to full democracy. An era of liberalizing finance and rationalizing markets coincided with democratization in the political sphere. Even foreign policy toward Indochina shed off its framework of security in favor of engagement through trade. Three years later, in 1991, a faction in the military launched a coup on the government of Chatichai Choonhavan, the first democratically elected prime minister. What finally did end the military's interference in politics was its own excess — the brutal suppression of unarmed civilians in the demonstrations of 1992, covered by international TV, that thoroughly discredited the institution.

The events of the early '90s have been characterized as the last "spasm" of the bureaucratic polity.[6] Following the coup, military-backed political parties installed General Suchinda Kraprayoon as prime minister. The victory,

although legal, was seen as merely a continuation of the junta that had ousted Chatichai in 1991. The scores of pro-democracy protesters who died in the mass uprisings of May 1992 therefore raised questions regarding not only the legal and political structures that had allowed for an unelected prime minister in the past, but also the role of the military in Thai politics and society. The army had posed a greater danger to the Thai people than the guns of foreign intruders. "Under the pretext of protecting the nation, many generals assumed it was their right to grab power, grab payoffs from corrupt deals, and grab influence through company board appointments (a 'state within a state,' according to critics)."[7]

Indeed, one could say that May 1992 ushered in a new era in Thai politics for it underscored the importance of political legitimacy. The incumbent Office Minister, Abhisit Vejjajiva, calls the hostile public reaction to the attempt of the unelected and unpopular Kraprayoon to assume premiership "a watershed" and "a lesson learned" in the Thai polity.[8] All subsequent governments have been elected governments, and no coup attempts have been made since.

True, efforts toward opening up the economy through the relaxation of state controls on various industries and sectors, and reduced tariffs were strongly resisted by some quarters whose interests were propped up by the old military-bureaucracy regime. For instance, the 1991 coup that ousted Chatichai was executed partly because of some generals' disapproval of his choice of deputy defense minister and his interference in foreign policy. On the whole, however, the democratization project was tolerated as the old movers and shakers of the previous regime were placated with the spoils of economic success. For example, the finance ministry, awash with cash, was willing to give up revenues from tariffs. Meantime, domestic industrial capital, privileged by the old system of preferences and protection, began to take on a more global character. The emerging rearrangement was seen as part and parcel of the transition from a bureaucratic to democratic polity.

The military has donned a new image since the setback of its political agenda after the bloodbath of 1992. The new generation of soldiers is deemed more professional. When the financial crisis unraveled in the latter half of 1997, for example, the military declined to intervene in national politics despite rumors that the embattled prime minister Chavalit Yongchaiyudh intended to impose Martial Law.

At the same time, however, the presence of Chavalit alone, himself a one-time army chief, already illustrated the military's continued dominion and influence on national affairs. Before becoming prime minister, Chavalit served as defense secretary during which he stood out as the champion of military interests, lending staunch support to costly military spending.

Such instances demonstrate how the military continues to wield tremendous influence — not through direct political intervention, but through legitimate means under the rules of parliamentary democracy. The conventional

wisdom within the military establishment nowadays reveals a recognition that an image of direct political involvement is no longer desirable but that — and this is the more significant part of the equation — *there are other ways of exercising political influence.* The arrival of democratically elected governments may have painted a new landscape in Thai politics, and the alliance between big business and the military-bureaucracy may have lost its original potency; but the new politics is 'new' only in the sense that new faces have taken over the institutions perpetuating the ruling elite. With the governments that came to power after 1992, Thailand's politics clearly remained patronage politics. Government remained dominated by the traditional politician, and no inroads were made toward removing the old bases of interest.

The relationship between Thailand's economics and politics, which is marked by this curious mix of change and stagnation, is also evident in the emergence in the '80s of a newcomer in the country's political scene that right away began to dominate the political parties — provincial business. Money and influence acquired from the boom in infrastructure development, as well as illegal activities such as gambling, logging, drug trafficking and oil smuggling, equipped this new elite with the leverage to foray into politics. The *Jao Pho* or local influential person, Thailand's version of the 'Godfather', had a singular interest in parliament: to use politics for business.[9] The rapid growth of infrastructure and the economic boom from cash crops, timber and other natural resources had given rise to a new economic elite and a new player in the country's political arena.

To be sure, modern-day largess available to the state and/or individual actors differed from the corruption in the days of military-bureaucratic authoritarianism. For one, the stakes involved were much larger. The new beneficiaries — the bureaucrats, building contractors, moneylenders, and owners of trucks and agricultural machinery in the countryside — were empowered by recently acquired resources to compete with the traditional players, the bureaucrats and politicians, for a place in parliament. In the course, they also transformed the nature of Thailand's political parties. In the past, political parties were allowed to exist at the sufferance of the military in an environment of limited elections. Hence, political parties and politicians came to be considered the opposition to bureaucratic influence. Today, however, political parties contain all the elements of both the old and the new — bureaucrats, business, and traditional politicians.[10]

Particularly in Bangkok, the transformation of politics has another dimension. During the time of military-bureaucratic control, the generals had a system of dividing up tasks that ensured the relative independence and autonomy of technocrats to handle macroeconomic management. They deliberately steered clear of macroeconomic affairs as a concession to business. Following the institutionalization of elections, however, this practice of leaving economic management to the technocrats was abandoned.

Thus, a characterization of Thai politics during this period invariably highlights the rise in power of elected politicians over bureaucrats, combined with the depreciation in the quality of political parties. The politicians of the past seemed more educated and more imbued with a spirit of public service. In contrast, their modern counterparts are in parliament only to be able to further their own business interests. Popular perception sees a similar trend within the bureaucracy. Civic spiritedness among Thai public servants, according to many, has waned. The bureaucracy failed to cope with its declining prestige, nor with the encroachment of elected politicians, especially during the boom years.

On the other hand, the eclipse of the bureaucratic polity could also be seen as nothing more than the shift of power from the bureaucracy to the private sector. The most evident change in the politics of Thailand today is that the bureaucracy no longer wields the same influence it used to. The private sector has taken over the task of producing the country's most powerful elite.

In any case, some features are discernible in Thailand's democratic transition.

First is the opening up of the Thailand's trade and industrial market. Thailand's pre-transition economy was marked by protectionism, particularly tariffs which served as lucrative sources of revenues for the bloated ministries and as the shield of ISI-based interests against foreign competition. But an increasingly modernizing and sophisticated economy in touch with the global market evolved in later years.

Second is the military's retreat from open intervention in politics. Until the adoption of the 1997 Constitution, the military maintained its stronghold through the exercise of its appointive powers in both local and national governing bodies. But its attention has turned to military corporate interests.

Third is the persistence of weak coalition governments dominated by parties without any ideological platform and bedeviled by constant squabbles over ministerial posts. Thailand's governments have mostly been unstable and short-lived. Among traditional politicians, opportunism seems a common denominator. Most politicians' usual gambit is to use popular calls for development and equity to advance their conservative agenda. The progressives have been attempting at an appropriate response, including efforts toward political reform that culminated in the passage of the 1997 Constitution. Their recent successes in democratizing Thailand are in part due to the pressure for change brought about by the Asian financial crisis.

Economic Policy and Performance

Thailand embarked on a strategy of import-substitution industrialization as the engine of economic growth in the late '50s. General Sarit Thanarat, who took over the reins of government in a bloodless coup in 1957, quelled the efforts of military corporatists to promote economic nationalism, and adopted

instead a policy of industrialization through liberalization and privatization. Under the rubric of authoritarianism, for he was a no less a venal and dictatorial leader who outlawed opposition to his regime, Sarit imbued his reform project with a spirit of progress and modernity called *patthana* (development).

Apart from imposing restrictions on the expansion of state industries, the Sarit government restructured the tariff system to shelter import-substituting manufacture, infant industries and capital-intensive projects, both foreign and domestic. The idea behind ISI at the time was to "develop Thai manufacturing capability through a mixture of infant industry protection and access to foreign technology."[11]

The pillar of Sarit's reforms was an incentive package designed to attract domestic and foreign capital. Developed by the National Economic and Social Development Board (NESDB), Thailand's main economic planning institution set up with the financial and institutional support of the World Bank, the investment-inducing package included tax holidays, exemptions from import duties, relaxed restrictions on remittances, and the abolition of the labor act and restrictions on foreign ownership of land. A Board of Investment was formed to oversee Thailand's bid for investments.

However, although ISI reforms were ostensibly in place, in reality, Thailand's economic growth strategy remained heavily dependent on agricultural exports up through the next two decades. The economy was buoyed mainly by primary exports facilitated by a stable baht. (Thailand is today the world's fifth largest producer and the largest exporter of rice.) This development track has meant continued wide-scale extraction of resources, land included. Central to Thailand's agricultural expansion is its large upland frontier, of which huge virgin tracts were brought under the plow. The bulk of investments, too, necessarily went to rural infrastructure development. In addition, generous incentives were made available to agribusiness. Meanwhile, the Bank of Thailand and the finance ministry followed a strict policy of maintaining a balanced or surplus budget through the demand manipulation, credit ceilings, price controls, and interest rate management.[12]

Thus, overall, the economy in the Sarit era remained driven by agricultural exports and cheap-labor industries. The important ISI component of export promotion was only a mild success in an environment of high tariffs and the baht's being indexed to the dollar. But even as the industrialization drive was subsumed within robust trade in agriculture, a domestic industrial capital was able to grow, nourished by preferences and protection for select industries mostly controlled by joint-venture firms between foreign and Thai interests.

This arrangement was maintained until the '80s when falling prices of agricultural products and produce, as well as the steady rise in oil prices in the world market, compounded by a balance of payments deficit, warranted Thailand to venture the path of liberalization leading to its high-growth years. Economic policy and management in the '80s switched focus to manufacturing

and exports. Manufacturing centered at first on basic import substitution such as cement, and consumer goods for the home market including textiles, soft drinks and beer. In line with the new orientation, the baht was devalued in 1984. Government adopted other deflationary measures, but the aggregate effect of its policies seemed to drive the economy even deeper into crisis. The breakthrough happened in 1985, following the Plaza Accord revaluation of the yen. As with other Southeast Asian countries, Thailand began to experience an influx of foreign investments — capital escaping the rising costs of domestic production in other parts of the region, specifically Japan, Taiwan and Korea. Between 1985 and 1990, foreign direct investments rose from US$178 million to US$2.5 billion. Japanese investments, which constituted the bulk of the inflows, rose from US$124 million in 1986 to US$1.2 billion by 1990. By then, total Japanese accumulated investments stood at US$5.2 billion, of which 85% was injected only beginning 1986.[13]

Fueled by foreign capital, Thailand was on the way to a boom. Between 1988 and 1990, the economy was propelled by the exports of the manufacturing and service industries, as well as the export of labor and tourism receipts. By 1994, medium- to high-tech products including computer components, auto parts and electrical goods constituted one-third of all Thai exports. The structure of the country's exports had turned from agriculture-based to manufacturing-based in a span of ten years. Agriculture's share in total exports plummeted from 48% in 1981 to 12% by 1993, while that of manufactures rose from 36% to 80% within the same period.[14]

Thailand's double-digit growth rates up to the mid-'90s made the country one of the world's fastest-growing economies. The downturn started in 1996 — in the 6.4% growth rate posted for the year, significantly short of the compulsory growth rate of 8% Thailand had set for itself in the first half of the decade. The following year, 1997, the economy crashed, contracting by 1.3%. The latest assessment of the Thai economy indicates a recession in 1998 with GDP shrinking by more than 9%.

What precipitated the crash of Thailand's economy was bankruptcy in the financial sector. As early as 1993, government had adopted an aggressive program of attracting foreign capital to finance domestic investments as one of the basic elements of its growth strategy. A number of mechanisms designed to make Thailand an attractive place for foreign capital was put in place. The baht was also pegged to the dollar to reduce investors' risk of losses due to currency fluctuations. Interest rates were increased to suck in foreign capital. And most important, the financial sector was liberalized to facilitate easier credit access and international offshore banking. The Bangkok International Banking Facility was created with a view to transforming Thailand into a regional financial center.

Thailand's stellar ratings in the international capital market, combined with its liberal financial policies, had invited a deluge of capital seeking profitable

investments elsewhere. Thailand had become a debtor's market with foreign corporate debt at US$63 billion by end-1996, nearly half of which was accumulated in one year alone. On top of the predominantly 'borrowed' nature of domestic investments, the bulk of these went to speculative ventures such as real estate and the stock market, rather than to productive activities. A glut in the real estate sector and attacks on the baht by currency speculators, and within months, the world's would-be fifth tiger economy triggered a crisis that threatened to suck the whole region into its vortex.

When the economy began tumbling, economic and political observers immediately attempted at a post-mortem: the problems in Thailand's economy were a result of the maverick influences within the country's decrepit political system. A government investigation into the financial sector's breakdown found several ministers in the Bank of Thailand culpable. Attention was given to the problems of corruption in government and vote buying. The discourse of Thai economic development may find ironical the elected politicians' disastrous failure to ensure stable economic management, in contrast to the stability maintained by previous military regimes. Thailand's political liberalization seemed to beget only economic instability.

Technocracy's Decline in the Democratic Era

In the immediate post-monarchy period until the late '80s, the technocracy was perceived as the source of rationality and predictability within the Thai state. During the military regimes, technocrats were assigned the role of offsetting whatever parochial tendencies the generals had. The division of labor resulted in a congenial relationship between technocrat and bureaucrat: "Technocrats would not encroach on the sectoral and microeconomic mismanagement which benefits the political masters, while the latter would allow the technocrats to keep control over the macroeconomy." Thus, the technocracy gave the impression of being impervious to the turbulent goings-on in politics, of being independent and autonomous from political influence.[15]

The Thai capital mobilized by Sarit's policies between the '60s and '70s was roughly of three categories: finance, industry and agribusiness. Manufacturing and mining were controlled by foreign firms (mostly American firms, followed by Japanese ones), while finance was 90% dominated by Thai firms. The rest of the industrialists were composed of members from the merchant class whose businesses were heavily dependent on foreign capital and investments, and whose success was due in great part to the preferences they enjoyed within the ISI regime.

While finance capital, which was monopolized by four conglomerates, remained tightly connected with military leaders, for industry-based capital, support from the military was not as important to its success as access to foreign capital and technology.[16] For their part, the technocrats provided the

framework for economic development which, although liberal in orientation, nevertheless reserved room for bureaucrats' influence in public enterprises as the corporate base for state capital. Hence, the technocracy's strength grew in relation to the strength of the military regime.

With the liberalization reforms of Sarit, the technocracy attained a position of influence in macroeconomic management, which was assigned to the 'technocratic' (liberal) institutions of the NESDB, finance ministry and Bank of Thailand. The *modus vivendi* between technocrats and the military leaders was grounded in the concurrence "that the economy needed to grow, which for the technocrat was the desired aim and for the military was the means by which they could obtain greater spoils."[17] In other instances, military rule could itself be very technocratic. Prem, for example, relied heavily on technocrats to implement the stabilization measures specified by the World Bank and the International Monetary Fund (IMF) in the '80s.

Economic policy therefore reflected the fluctuating influence of business and the state. The situation approximated the oscillation of power between the military and their technocrats, on the one hand, and business and business-backed elected politicians, on the other, during the years of Thailand's bureaucratic polity. The resulting 'arrangement of compromise' was a particular form of economic management where the technocrats defined macroeconomic policies while the line industries were controlled by politicians, subject to the influence of business groups and lobbies.

The situation was not altogether acceptable to some sectors, notably the business associations and lobbies that preferred to pump-prime the economy and achieve Thai competitiveness through strong government support to business. Proponents of a more visible state in the economy were three major business associations, the Thai Bankers Association, the Association of Thai Industries and the Thai Chamber of Commerce.[18] In response, Prem created the Joint Public and Private Sector Consultative Committee to give business more influence in economic policy-making. The move was typical of the way government and business relations had evolved — the state never had full control of the market with Thai businesses always exercising some degree of influence, formally and informally, on economic policy. Economic planning was neither completely free market-driven nor strictly interventionist. It was, rather, 'interactive' — a collaborative effort between government and private capital.

The trend became more and more prevalent through the '80s and '90s as the private sector achieved equal footing with the public sector. This type of private-sector influence on the state was to play a unique role in Thailand's economic development. Most of the domestic industries that prospered did so due to the protection awarded them by the state. In a sense, the corruption underlying such protection and privilege seemed to benefit the economy as a whole in that preferences for particular banks and ISI businesses laid the foundation for a vibrant Thai capital.[19] Although government refrained from

direct participation and outright intervention in investments, the Thai banks closely associated with the regime were able to identify the lucrative opportunities and channeled capital to these through their conglomerates, thereby spurring the economy's development.

In later years, however, the same influence of the private sector on policy would bear on the deterioration of the economy, leading to its crash. Macromanagement in Thailand by the technocracy typically involved strict fiscal discipline, minimizing foreign debt and deflationary measures as a response to overheating. But a strategy of prudence became increasingly obsolete in light of structural changes in the economy in the early '90s. In the finance sector, aggressive liberalization licensed mutual funds, urged the financial institutions to expand operations to the provinces, scrapped interest rate controls, abolished exchange rate controls, inaugurated offshore banking and finally, authorized foreign banks.[20]

At the same time, economic management grew weak. The technocratic planning institutions such as the NESDB were sidestepped. "There was no formal planning for industrial growth and elaboration of new industrial policy."[21] Partly, therefore, the powers of the technocracy were clipped by the tremendous corruption of the Thai polity. The boom had upped the stakes for the bureaucrats; opportunities for largess had increased, as did the size of the largess as well. Economic mismanagement was partly due to a technocracy that had been completely subjugated by political masters who sought to pursue their individual interests.

The economy had become precariously vulnerable to the eccentric movements of short-term international investments. Hence the crash of 1997. Whole business empires collapsed, bankrupcies doubled as thousands of companies closed in 1998, and hundreds more followed in 1999. The resulting unemployment exceeded two million, the highest ever recorded.[22] Thailand was forced to enter into a structural adjustment agreement with the IMF. In August 1997, in exchange for a US$17.2 billion loan package financed by bilateral and multilateral donors, Thailand committed to implementing a comprehensive reform of the economy. The current account deficit was to be reduced through higher interest rates. A surplus budget was to be achieved through privatization, as well as a 10% increase in VAT, expenditure cuts, and ending subsidies to fuel and other utilities. The financial sector was to be reformed, which included the closure of unviable institutions and the expansion of the capital base through mergers or foreign capital injection.

The IMF agreement was negotiated by Chavalit but after rescinding on the demand for higher oil taxes, his government was shaken by the resignation of one finance minister and rallies in the streets of Bangkok. Bent on regaining investor confidence which was contingent on the approval of the IMF loan package, the successor government of Prime Minister Chuan Leekpai, despite some debate with the IMF, proved more compliant to the prescribed reforms, and

consequently, more resistant to popular pressure. His chief technocrat, Supachai Panitchpakdi, has been criticized for lack of transparency in the negotiations with the IMF and for failing to disclose to the public the specifics of government's commitments to the Fund, including how these will affect the people's livelihood and welfare.

Chuan's manifest self-righteousness as government proceeds with the structural adjustment program has earned him the reputation of being anti-poor. But the media and other mainstream institutions have been tolerant as Chuan is considered by many the only one capable of seeing to the completion of the IMF deal. Lately, he has also received the backing from an entity not usually associated with his Democrat Party — the military. The Democrat Party, which is Thailand's oldest political party, has a history of being consistently anti-military and pro-business. However, in early 1999, Chuan tried to honor ex-dictator Thanom — an unsuccessful attempt nevertheless disturbing as the move raises the specter of military resurgence.

Elections and the Political Parties

For the most part of Thailand's history, democratic institutions such as political parties and the representative assembly (Lower House) have survived only at the indulgence of the military-bureaucracy. The parameters of such indulgence included extra-democratic conditions such as government changes by military coup, a semi-elected assembly with an appointed Upper House, and minimal interference by elected politicians in the military-bureaucracy's reserves (among them, foreign affairs, military appointments and budget, and control over state enterprises). In short, power sharing has been requisite to the continuance of these institutions.

The political parties have benefited the most from the many challenges to military-bureaucratic rule in terms of legitimacy. In 1973 and 1992, popular uprisings demanded that the military relinquish political power. International pressure, too, has required some degree of political democracy. As a result, elective institutions have eclipsed the military-bureaucracy in the contestation for legitimacy.

However, the political parties, in particular, and most democratic institutions, in general, are shackled by serious credibility problems. Because of a weak and fragmented party system as well as unbridled corruption, political parties are perceived as no more than instruments for business interests to gain access to government influence.

The fragmented and corrupt party system in Thailand is frequently attributed to the unique conditions under which parliament politics developed through the years of military-bureaucratic dominance. As a result of intermittent outright military intervention, government takeover by coups, and constant

political upheaval, democratic institutions developed without political continuity, making them inherently weak.[23] Thai parliamentary politics is characterized by fragile coalition governments perpetually sapped by internal fighting. The ruling party has had to keep at bay politicians who are constantly on the lookout for an opportunity to replace government or reshuffle the cabinet. The Thai parliament is known more for shuffling posts and waging censure debates than passing laws.[24] The result is that most Thai governments, unable to achieve political leverage against the colluding interests of the military, bureaucracy and business, broke up as quickly as they were assembled. More important, there has been little opportunity for pursuing serious reforms.

Elections in Thailand have also been circumscribed by design, at least until recent constitutional change mandating the election of local officials instead of the appointment of these by the interior ministry removed the electoral exercise from the grip of bureaucrats. For the most part, however, the elections functioned merely as a mechanism for patronage and aggrandizement. For that matter, elections were initiated on the abolition of absolute monarchy in 1932 so that the appointed local officials, including the provincial governor, could be replaced with favored commoners.

Electoral behavior in Thailand, as in many other developing countries, is typified by massive vote-buying, which only further demonstrates how the electoral exercise has often been reduced to a numbers game. Vote-buying also exposes the role money plays in the country's political life. At the national level, election-related corruption takes the form of candidate-buying; at the local level, it takes the form of vote-buying. There is a price for a vote and a complex machinery not only to distribute the kickback and ensure the purchase to its completion, but also to generate the funds and resources to grease the system. The final touch to the tainting of the electoral process is executed by a hired cast of petty government officials acting as vote canvassers and election overseers. Patronage politics has engendered a complex network of interests that involves a dynamic underground economy revolving around the 'notables' in the provinces. Underlying the ability of a representative to get elected is his/her capacity to funnel back revenues and other benefits to the constituency.

Most of the political parties in Thailand, if not all, lack any ideological commitment or vision. They are also porous — party loyalty is an alien animal, and politicians switch between parties and coalitions. The dominance of personality politics notwithstanding, analysts are able to distinguish parties and politicians from their mass base or constituency, separating those strong in the urban areas from those strong in the countryside. Parties that win the vote of Bangkok and other urbanized areas are perceived to have competence in managing the economy and somewhat less dependent on patronage and vote-buying.

There are reasons for this. The common perception has been that the urban political actors' expectations of government are different from the demands

of their rural counterparts. With their stakes in the global market, urban-based businesses, for instance, require a fully functioning legal infrastructure and stable policy environment within which business can thrive. So do the technocrats, as framers of Thailand's development programs, want an efficient and transparent government concerned with providing the groundwork and ancillary services necessary for a modern economy.

The provincial businesses, on the other hand, generally regard government posts as a means to obtain rent that will in turn preserve their constituencies. And because the elections are won on the strength of one's support from the rural constituencies where, precisely, the conservative political forces dominate, the standard verdict on rural politics in Thailand is that this is undemocratic. Bangkok is considered the principal protagonist in the democratization process — perhaps a valid conclusion, considering the essential role Bangkok-based actors have played in anti-dictatorship campaigns. Bangkok has been the guru and the expert in repudiating the military's claim to a legitimate place in politics.

The rural-urban dichotomy persists in the discourse on Thai political development, as does the indispensability ascribed to middle class in the democratization process. The middle class, it is widely held, has been the vanguard in the country's transition to democracy. The prominent projection of the "mobile phone mob" in the international press demonstrates a particular preoccupation with the leadership of the middle class in political and economic development. True, in terms of voting decisions, the middle class tends to be guided by the more impersonal criterion of performance rather than communitarian interests. Such cosmopolitan thinking one can also account to the middle class' more sophisticated culture, tastes and consumption patterns. Yet, beyond its anti-military quality, middle-class activism has been characteristically short-sighted. In fact, the proposals and initiatives for deepening democracy have invariably originated from the non-middle class groups including farmers' lobbies and anti-consumerism organizations.

Among the beneficiaries of the advantage that comes from being associated with Bangkok-based politics is the Democrat Party. In the history of Thai political parties, the party has earned the reputation of being the 'loyal opposition'. It was founded in 1945 by conservative royalists whose abandonment of the civilian government of Pridi Phanomyong paved the way for the beginning of military dominance in Thai politics. After World War II, the Democrats served as the conservative opposition in the military-controlled arena of parliamentary politics.[25] By the '70s, the party had established relatively strong showing at the polls, backed as it was by a loyal constituency in Bangkok and in the south, the two areas with the highest number of urban-based votes.

By then, the Democrats shared a domination of party politics with the Chart Thai Party and the Social Action Party in a coalition of royalist, military

and bureaucratic elements. The coalition was financed by the Bangkok businesses that had grown out of the country's import-substitution policies. The business sector needed a mechanism to influence and control the trade policies the parliament would craft, and ensure economic policy that would continue to protect their interests. Contacts within the ministries of commerce, agriculture, industry and communications — all of which were allotted to elected ministers under Prem — were crucial to these businesses.

But as the Thai economy was still sustained mainly by agriculture and agricultural trade, notwithstanding the experimentation with import-substitution industrialization, the segment of the elite composed of provincial businesses would eventually instigate the reconfiguration of political parties, including the Democrat Party. The interests of the business, bureaucrats, military and pro-royalists had to be balanced with the interests of the rural elite, an art perfected by Prem who provided the cornerstone of a new alliance of powerbrokers consisting of the royalists, the military and provincial business in the '80s. No surprise that the Prem regime holds the record of being Thailand's most enduring government at eight years of leadership.[26]

In combining with two other parties in a coalition that held together the alliance of the military, royalists and provincial businesses, the Democrat Party lost its oppositionist character in the '80s. By the '90s, however, the Democrats seemed to have regained the role of *the* opposition, this time to traditional politicians and their corrupt and inept leadership. Chuan, a civilian, comes across as a "clean" politician bent on, among others, reforming the military. When he became Prime Minister, he surprised everyone by taking the defense portfolio. His government has announced plans of "professionalizing the military" including reducing the number of generals in the country's top-heavy army who right now, total 700 in all, or one general for every tank. He also plans to trim the military budget by 70% and subject all military procurements to a committee process.

That Chuan is from the southern province of Trang has also been significant to the Democrat Party's continued popularity.

Political Reform and the New Constitution

The need for a thorough overhaul of Thailand's political system became clear shortly after the coup of 1991 that ousted Chatichai's government. The coup, which was legitimized on the argument that Chatichai's government was corrupt (and therefore deserved to be removed), also put in place a constitution that sought to preserve the powers of the military and the centralized bureaucracy. Thus, unsurprisingly, the junta government that took over was not much different from the previous government, with many familiar faces staying on board.

In response to the imperative for political reform, a network of political activists in the anti-military dictatorship established the Campaign for Popular Democracy. The political reform movement put forward its demand for an inclusive constitution-drafting process that encouraged people's participation. The movement's ultimate goal was a political system that produces wise and responsive leadership to solve problems of equity while ensuring economic growth, including a participatory rewriting of the country's constitution and finally, a democratic constitution and constitutionally established government.

The passage of the 1997 Constitution should be seen as but a part of the reform process. The drafting of the document was indeed participatory, indicating a newfound sense of democracy that defines government beyond bureaucratic control and representative institutions.

Constitutional reform initiatives took off when, in 1994, Chalad Vorachat, a former Member of Parliament (MP), staged a hunger strike in front of parliament to pressure the Chuan government over a package of political reforms. Subsequently, the Democracy Development Committee headed by Dr. Prawed Wasi was formed. According to the committee, the political system had eight basic problems: (1) the dominance of money politics, (2) the monopolization of politics by a minority, (3) the difficulties faced by good people in entering politics, (4) dishonest and corrupt behavior, (5) parliamentary dictatorship, (6) the persistence of political conflict and instability, (7) poor quality of administrative and legislative functions, and (8) the lack of political leadership.

In 1996, a controversial amendment to the earlier constitution was passed, paving the way for the crafting of a new one. A 99-member drafting assembly called Constitutional Drafting Assembly (CDA) was formed that same year. With 76 members elected from the provinces and 23 members from the academe, the assembly was tasked to hold public consultations for the draft constitution.

The process of indirect election to the CDA received positive response from popular groups as it allowed popular participation in drafting the constitution. Human rights groups and local groups organized to get membership in the CDA while 25% of the seats were given to parliamentarians. Chairmanship went to Uthai Pimjaichon, ex-parliamentarian, while Anand Panyarachund, two-time prime minister and businessman, headed the drafting committee. The powers-that-be found the arrangement acceptable, as both persons were accountable to the interests of the greater reformist section of political society. Committees were also set up to canvass public opinion and conduct public hearings. Indeed, many have said that the most worthwhile aspect of the new Constitution was the process of its drafting, which sparked people's interest in politics.

From the start, actors from varying political positions resisted constitutional change. Conservative bureaucrats resisted the constitutional changes because

of the fear that these would erode their spheres of influence. For instance, the new Constitution sets new limits on the power of bureaucrats in the influential interior ministry over local governments by providing for elected local representatives to replace previously appointed ones. It also puts limits on politicians by disallowing the practice of one's being an MP while simultaneously holding a cabinet post. Most politicians, including those from "reformist" parties such as the Democrat Party, were against the passage of a new constitution. For the Democrats, a new constitution would not change much in the political system unless the political culture of Thai people changed.

In October 1997, the People's Constitution, the 16th constitution of Thailand, passed through parliament. The new Constitution, unprecedented in its scope of reforms, is a radical departure from its many predecessors. First, it came about at a juncture in the country's political development, and not, as in the past, as a tool to legitimize a regime change. Second, it guarantees not superficial but sweeping and unprecedented changes, including the separation of the legislative and executive functions of government. Third, it is the first constitution passed that involved a process of popular participation.

The clauses deemed "controversial" include the ones on civil liberties; the right to resist coups; the removal of the right of the military to suppress civil unrest and riots; the separation of executive and legislative functions which, in essence, prevents MPs from holding their seat and cabinet posts simultaneously; and the election of Senators who were previously appointed.

Some relevant changes in the new Constitution are:

- A change from three-member to single-member constituencies. The three-member constituency system allowed one voter to vote for as many as three MPs to share the task of representing the constituency. The system involved large constituencies, and entailed costly campaigns as the parties had to spend for the election of up to three candidates per constituency. Under this system, the parties tended to spend more on senior MPs, putting new candidates at a disadvantage. Under the single-constituency, one-person-one-vote system, on the other hand, a constituency is determined by the ratio of the size of population to the size of assembly. The new system features smaller constituencies and is designed to give the urban vote more weight. It is estimated that under the new system, at least 100 of the 400 seats will come from the *muang* city constituencies.
- A change from the English majoritarian system of first-pass-the-post where the party with the largest number of MPs gets to form a government, to a mixed representative system comprising 400 seats from single constituencies and 100 from the party list. Under a party-list system, a person votes not for individual MPs but for lists drawn up beforehand by the parties. The party-list system is designed to make more transparent the entire system of choosing representatives. From

the point of view of the MP, he/she would be able to see where on the list he/she has been designated by the party. On the part of the voter, he or she can see how the party ranks a certain MP. By making the MP ranking more transparent, the party-list system deters MPs from the usual horsetrading practiced in the distribution of cabinet posts. The system also works as an incentive for parties to put competent people on the list since party-list representatives who become ministers will be replaced by the next on the list.

- The separation of legislative and executive powers where MPs must first give up their seats in order to take up cabinet posts. The change is designed to minimize the instability of coalition governments brought about by the practice of bargaining for ministerial posts.
- Formation of an independent Election Commission. In the past, the task of overseeing elections was left in the hands of the interior ministry and the appointed governor.

A Necessary Passage

The most significant development in Thai politics over the last decade has been the forced withdrawal of the military from politics and the end of the bureaucratic polity where political decision-making was dominated by the military and the technocracy. Parliament, for a long time, remained an institution that was subordinate to the military-bureaucratic elite.

Especially since the May 1992 events, parliament has become the dominant political institution. However, the political parties that dominate parliament have become vehicles of the interests of economically powerful groups, and the political process has been terribly corrupted by money politics, the most concrete expression of which is vote-buying.

In recent years, the key force that compelled the system to open up has been the middle class. This appears to be especially true of the events in May 1992 when demonstrations led by the urban middle class in Bangkok eventually forced the military out of politics. While the rural classes and labor have also played a significant role in democratization, it has been largely a process marked by the ideological hegemony and political discourse of the middle class.

Given their widespread discontent with the corruption entrenched in the current parliamentary system, NGOs, academics, selected political groups and the middle class were the lobby behind the adoption of a new constitution in 1997. The Constitution institutionalizes mechanisms that are supposed to make politicians more accountable and parliament more responsive to political programs, such as devoting 100 out of 400 seats to successful party-list candidates. Whether the new institutions will make Thailand's politics more democratic, however, remains to be seen.

Endnotes

[1]For more than six centuries beginning 1350, Thailand was an absolute monarchy with no separate military army — that is, all officials were supposed to raise armies, and the bureaucracy was used for civilian or military purposes, according to need. The greatest of the early Thai states, the kingdom of Ayutthaya, which claimed suzerainty over all the territory of present-day Thailand, together with parts of Malaya (Malaysia), Burma, Cambodia, and southern China and Laos, lasted 400 years. Before it was the kingdom of Sukhothai, which lasted nearly 100 years, and after it was a succession of other kings under 150 years more of absolute monarchy, until the bloodless coup of 1932. The coup was not directed at the king himself, who remains a constitutional symbol today. The king represents a symbolic harmony between earthly and cosmic forces, at times referred to as a future Buddha, or in Hindu idiom, as a god-king.

[2]By the 1970s, the recalcitrance of the communist movement in the countryside had intensified, together with the buildup of social discontent in the cities. One was feeding the other. Thailand recognized it would do well to be on reasonable terms with its communist neighbors, however distasteful their regimes. It sought connections with the nearest superpower that might support it against Vietnamese aggression and opened diplomatic relations with China in 1975. Partly in response to the left's demands and partly out of pragmatic acknowledgment that relations with Vietnam will be easier if links with the United States were loosened, the Thai government asked the Americans to close down their military bases in the country. The United States, smarting from its ignominious withdrawal from the Vietnam War, and in any case already well-ensconced in the Philippines, agreed. By 1976, the last American air and naval units had departed.

[3]Jumbala, Prudhisan, *Nation-Building and Democratisation in Thailand: A Political History* (Bangkok: Chulalongkorn University Social Research Institute, 1992), 3.

[4]Ibid.

[5]John Girling, *Interpreting Development: Capitalism Democracy and the Middle Class in Thailand* (Ithaca: Cornell Southeast Asia Program, 1996), 20.

[6]Ibid.

[7]Julian Gearing, "A Fresh Approach," *Asiaweek*, 19 November 1999, p. 45.

[8]Ibid.

[9]Pasuk Phongpaichit and Chris Baker, *Thailand's Boom and Bust* (Chang Mai: Silkworm Books, 1998), 229.

[10]Ibid., 223.

[11]K.S. Jomo, "Thailand," in *Southeast Asia's Misunderstood Miracle* (Oxford: Westview Press), 61.

[12]Ibid., 60.

[13]Figures are from Japan's Ministry of Finance.

[14]Jomo, "Thailand," 69.

[15]Scott Christensen and Ammar Siamwalla, "Beyond Patronage," in *1993 Year End, Thailand Development Research Institute Foundation* [TDRI] (Chonburi: TDRI, 1993), 7.

[16]Thai industrial capital at the time was typically part of a conglomerate or group of companies. Firms were owned by ethnic Chinese, and were run by single families. Most of the capitalists came from a merchant background who later diversified to import-substitution industries such as auto assembly, electrical appliances, textiles, secondary steel products, glass, and feeds.

Akira Suehiro *Capital Accumulation in Thailand: 1855-1985* (Chang Mai: Silkworm Books, 1996), 228.

[17] Ammar Siamwalla, "Why Are We in This Mess?," in *Business in Thailand*, 51.

[18]Anek Laothamatas, "The Politics of Structural Adjustment in Thailand," in *The Dynamics of Economic Policy Reform in Southeast Asia and Southwest Pacific*, ed. Andrew J. MacIntyre and Kanishka Jayasuriya (Kuala Lumpur: Oxford University Press, 1995), 35.

[19]Suehiro, *Capital Accumulation in Thailand*, 201.

[20]Pasuk and Baker, *Thailand's Boom and Bust*, 229.

[21]Jomo, "Thailand," 65.

[22]Kevin Hewison, *Localism in Thailand: A Study of Globalisation and Its Discontents*, CSGR Working Paper No. 39/99 (Coventry: Centre for the Study of Globalisation and Regionalisation, University of Warwick, 1999), http://www.csgr.org.

[23]Daniel King and Jim LoGerfo, "Thailand: Toward Democratic Stability," *Journal of Democracy* 7, no.1 (January 1996): 104.

[24]A behavioral study of the Thai parliament found that of the ministerial posts, the most preferred are Defense, Finance and Foreign Affairs (all reserved for senior MPs belonging to the coalition's member parties), followed by Transport, Communications, and Interior. The last tier consists of Commerce, Industry, Agriculture, Public Health and Labor. An informal grading system that served as a guide to identifying the choicest parts of the cabinet, desired for the political influence and access to state revenue they offer. The Defense portfolio, usually awarded to a military man, is important in keeping the ties with the military. Finance used to be the reserve of technocrats but the portfolio has become more and more important due to capital liberalization and has become accessible to others. The coveted Interior ministry oversees central administration, controls the provincial administration (including the governors) and country-wide police force, and supervises the general elections. Also under the jurisdiction of the Interior are the Lands and Public Works department, which is in charge of land titling and construction contracts; local governance and the village headman, critical in winning elections as they function as vote canvassers; and the Tambon councils (smaller local government units). The Transport and Communications position is responsible for the "mega-infrastructure" projects. State enterprises such as the Telephone Organization of Thailand, Thai Airways International, and the State Railways of Thailand are also in the purview of this ministry.

[25]Phongpaichit, Pasuk, *Thailand Politics and Economics* (New York: Oxford University Press, 1996), 340.

[26]Ibid., 346.

Bibliography

Ammar, Siamwalla. "Why are We in This Mess?" In *Business and Thailand*, n.p., 48-53.

Boonyarattanasoontorn, Jaturong and Gawin Chutima, eds. *Thai NGOs: The Continuing Struggle for Democracy*. Bangkok: Thai NGO Support Group, 1995.

Callahan, William A. "Astrology, Video and the Democratic Spirit: Reading the Symbolic Politics in Thailand." *Sojourn* 9, no. 1 (1994).

Chai-Anan, Samudavanija. "High-Speed Growth and High Performance in a Technocratic Polity: The Thai Case." A draft paper prepared for the World Bank, East Asian Miracle Project, Washington, D.C., October 1992.

_____. "The New Military and Democracy in Thailand." In *Political Culture and Democracy in Developing Countries*, ed. Larry Diamond, 269-293. London: Lynne Rienner Publishers, 1993.

_____. "The Military, Bureaucracy and Globalisation." In *Political Change in Thailand: Democracy and Participation*, ed. Kevin Hewison, 42-57. New York: Routledge, 1997.

Chai-Anan, Samudavanija and Sukhumband Paribatra. "Thailand: Liberalization Without Democracy." In *Driven by Growth*, ed. James W. Morley, 119-141. New York: ME Sharpe, 1993.

Chai-Anan, Samudavanija, Kusuma Snitwongse, and Suchit Bubongkarn, eds. *From Armed Suppression to Political Offensive*. Bangkok: Institute of Security and International Studies-Chulalongkorn University, 1990.

Christensen, Scott and Ammar Siamwalla. "Beyond Patronage." In *1993 Year End, Thailand Development Research Institute Foundation* [TDRI]. Chonburi: TDRI, 1993.

_____. "Democracy Without Equity." In *1993 Year End, Thailand Development Research Institute Foundation* [TDRI]. Chonburi: TDRI, 1993.

Diamond, Larry, Juan Linz, and Seymour Martin Lipset, eds. *Democracy in Developing Countries*. Vol. 3, *Asia*. Boulder, Colorado: Lynne Rienner Publishers, 1998.

Gearing, Julian. "A Fresh Approach," *Asiaweek*, 19 November 1999, pp. 45-46.

Girling, John. "Development and Democracy in Southeast Asia." *The Pacific Review* 1, no. 4 (1988): 332-336.

_____. *Interpreting Development: Capitalism Democracy and the Middle Class in Thailand*. Ithaca: Cornell Southeast Asia Program, 1996.

Held, David. *Democracy and the Global Order*. Oxford: Polity Press, 1995.

Hewison, Kevin. *Political Change in Thailand: Democracy and Participation*. New York: Routledge, 1997.

_____. *Localism in Thailand: A Study of Globalisation and Its Discontents*. CSGR Working Paper No. 39/99. Coventry: Centre for the Study of Globalisation and Regionalisation, University of Warwick, 1999. URL: http://www.csgr.org.

Hewison, Kevin, Richard Robison, and Gary Rodan, eds. *Southeast Asia in the 1990s*. Sydney: Allen and Unwin, 1993.

Jomo, K. S., ed. *Southeast Asia's Misunderstood Miracle*. Oxford: Westview Press, 1998.

King, Daniel and Jim LoGerfo. "Thailand: Toward Democratic Stability." *Journal of Democracy* 7, no.1 (January 1996).

Laothamatas, Anek. "From Clientelism to Partnership: Business-Government Relations in Thailand." In *Business and Government in Industrialising Asia*, ed. Andrew J. MacIntyre. Ithaca: Cornell University Press, 1994.

_____. "The Politics of Structural Adjustment in Thailand." In *The Dynamics of Economic Policy Reform in Southeast Asia and Southwest Pacific*, ed. Andrew J. MacIntyre and Kanishka Jayasuriya, 32-49. Kuala Lumpur: Oxford University Press, 1995.

_____. "A Tale of Two Democracies." In *The Politics of Elections in Southeast Asia*, ed. R.H. Taylor, 210-223. New York: Woodrow Wilson Center Press, 1996.

Naruemon, Thabchumpon. "The Role of Grassroots NGOs in Political Reform in Thailand." MA dissertation, Department of Politics, University of Leeds, July 1997.

Neher, Clark D. and Ross Marley. *Democracy and Development in Southeast Asia*. Colorado: Westview Press, 1995.

Pasuk, Phongpaichit. *Thailand Politics and Economics*. New York: Oxford University Press, 1996.

Pasuk, Phongpaichit and Chris Baker. *Thailand's Boom and Bust*. Chiang Mai: Silkworm Books, 1998.

Prudhisan, Jumbala. *Nation-Building and Democratisation in Thailand: A Political History*. Bangkok: Chulalongkorn University Social Research Institute, 1992.

Reynolds, Craig J., ed. *National Identity and Its Defenders: Thailand, 1939-1989*. Bangkok: Silkworm Books, 1993.

Suchit, Bubongkarn. *State of the Nation Thailand*. Singapore: Institute of Southeast Asian Studies, 1996.

_____. *The Military in Thai Politics*. Singapore: Institute of Southeast Asian Studies, 1996.

Suehiro, Akira. *Capital Accumulation in Thailand: 1855-1985*. Chang Mai: Silkworm Books, 1996.

Surin, Maiskrod. "The Making of a Democracy." In *Democratization in Southeast and East Asia*, ed. Anek Laothamatas. New York and Singapore: St. Martin's Press and the Institute of Southeast Asian Studies, 1997.

Suthy, Prasartset. *Democratic Alternatives to Maldevelopment.* Occasional Paper Series No. 10. Maigaku: International Peace Research Institute, 1991.

_____. "Thailand on the Brink of Development Disaster." Paper presented at the conference "Is Asia in a State of Peace?" on the occasion of the anniversary of the Osaka International Peace Foundation, Osaka, 2-3 August 1992.

CHAPTER 6

INDONESIA

An Incomplete and Uncertain Transition:

Indonesia After Suharto

by Mastinah Saleh and Joel Rocamora

An Incomplete and Uncertain Transition:
Indonesia After Suharto

by Mastinah Saleh and Joel Rocamora

"Whom the gods would kill, they first blind."
Greek saying paraphrased by
Herbert Feith, *The Jakarta Post*, 8 October 1998

"All must be populist in the new era.
There's no room for anti-populist leaders."
Cooperatives Minister Adi Sasono,
Asian Wall Street Journal, 11 November 1998

In the end, the Suharto regime destroyed itself. President Suharto had become so used to automatic compliance to his wishes that he did not see how much of his authority had been eroded by the uncertainties of the last few years, and more recently, by the economic crisis. He did not see that his political weakness would push his palace courtiers to take steps to preserve their power, including sacrificing the old man. He did not sense the build-up of popular anger that, fueled by military provocateurs, would consume his regime in a paroxysm of blood and fire.

Suharto can make a reasonable claim to having presided over the most sustained period of economic growth in Indonesia's history. But the government's authoritarian methods increasingly agitated middle-class people who wanted to play roles in decision-making and had the growth-generated material and intellectual resources to play such roles. More simply, the frenzied rush by Suharto's children to corner as much of the benefits of growth as possible, especially in the last decade of Suharto's rule, generated resentment among the beneficiaries of such growth in the middle class and the military.

"The issues of *korupsi*, *kolusi*, *nepotisme* (corruption, collusion and nepotism) moved increasingly to the center of public discourse as the business interests and political ambitions of [Suharto]'s children were given free rein. National development policy was transparently subordinated to the interests of the

family. Rumours of the latest depravities of the children and grandchildren regularly shocked, titillated and angered the political public, and embarrassed even many otherwise-loyal supporters of the president."[1]

Suharto's corruption was so gross, so open, paying so little attention to the niceties of civilized corruption, that it added political insult to economic injury. Anyone who knew anything about Suharto's Indonesia, of course, knew about the need to course projects through the children or cronies such as Mohammad 'Bob' Hassan. Natural-resource extraction permits and large infrastructure projects invariably included one or another Suharto offspring or crony, or both. Perhaps because the project so affected national development efforts and pride, perhaps because it was so unequivocal and open in its favoritism, the grant in February 1996, by presidential decree, of monopoly preferential rights for national car production to presidential son Hutomo Mandala Putra (Tommy) set off an avalanche of protest.

The project's antecedents in industrial policy are more prevalent and accepted than neo-liberals would like to admit, but the coarseness with which this project was handled gave industrial policy a bad name. Funding, to start with, came via presidential instructions to the central bank governor and Minister of Finance to form a consortium of banks that would provide US$1.3 billion to the project. Exemption from luxury taxes enabled Tommy to sell the car at half the price of imported Japanese models. Government offices were ordered to buy the car, called the 'Timor'. But it was the violation of the main justification for the project, the increase in the local content of a key industrial product, that infuriated everyone. Another presidential decree allowed Tommy to circumvent the provision on local content with the ludicrous excuse that a few Indonesians worked at the South Korean plant where the "Indonesian" car was fully manufactured![2]

Projects such as Tommy Suharto's 'Timor' gave the impression of Suharto moving ahead on corrupt projects even if foreigners were tearing their hair out in anger. But the larger picture, especially after the decline of oil income after 1982, had Suharto bending to the will of foreign business interests. Regime dependence on foreign funds to finance high rates of growth required acquiescence to the kind of economic policies demanded by the international business community and its 'enforcers', the International Monetary Fund (IMF) and the World Bank. "To gain greater access to foreign funds, [Suharto] had undertaken tax reform, and trade and financial market liberalization, since the 1980s. Until then a complex licensing regime determined access to the market, making investors dependent on political connections. By depriving him of many of these powers, liberalization created economic interests that Mr. Suharto could not control. Those interests grew to resent his domination of the economy, and caused the erosion of his authority."[3]

While "middle-class" individuals and groups were critical of Suharto's nepotism, and resentful of being shut out of decision-making, careful dis-

tinctions should be made of the different "middle-class" groups. Big business, mostly Chinese, tended to avoid political controversy. "For the Chinese conglomerates, their position is so vulnerable to social resentment that political stability takes precedence over any preferences for state accountability or the establishment of liberal or democratic reform. Hence the greatest concern of Chinese businessmen in Jakarta today is that the succession should be achieved without prejudicing either the social order or the economic and political environment provided by the current amalgam of authoritarianism and *dirigisme*, or the practice of extensive government intervention in the economy.[4]

Pribumi (indigenous Indonesians) business people and their organizations were, if anything, even more supportive of the Suharto regime, being even more dependent on government favors than the bigger Chinese business people and their formations.[5] "Public criticism of authoritarian rule and demands for liberal and democratic reform have come primarily from within intellectual and professional elements of the middle classes rather than the bourgeoisie. Reformist academics, lawyers, political and cultural figures, popular entertainers, Muslim preachers and economic commentators enjoy high profiles in the media and have achieved celebrity status. Non-governmental institutions (NGOs), with a leadership drawn predominantly from the urban middle classes, increasingly constitute the institutional channels for reform in a variety of areas from conservation and environmental policy to legal and human rights."[6]

Because the type of growth generated during the Suharto years exacerbated distribution of assets and income, there was a much larger and an even more volatile pool of people who became increasingly resentful of the kind of society Suharto built. To facilitate decision-making, Suharto built an efficient authoritarian regime. But, "Suharto's efforts to depoliticize Indonesia have all but eliminated the secular, moderate middle ground, leaving politics to be played only at the margins."[7] This political economy of dictatorship set the stage for the entry of two key players who, from the margins, took center stage of Indonesian political life — the students and urban poor youth.

The role of students in pushing Suharto out is well known. It was the courage of the students, the "heart and soul" of the pro-democracy movement, that gave expression to the thoughts and feelings of many Indonesians. "The opposition's power was overwhelmingly symbolic. The democratization movements and the symbolic rejection of the New Order by students and other leading opposition figures were potent because they symbolized and gave focus to a widespread desire for change throughout the country."[8]

High unemployment among university students, although most of them were originally middle class, pushed them lower in class standing. The combination of uncertain prospects, enough education to see through regime propaganda and youthful idealism provided the heady mix resulting in student activism. "In part, students were clearly motivated by the destructive impact that the

financial crisis had on their own middle-class lifestyle and aspirations (such concerns were sometimes expressed in a humorous and self-deprecating manner, as when one of the students later killed at the Trisakti University attended a demonstration holding a placard [that read]: 'Reduce the price of photocopying and perfume!'"[9]

Politically self-conscious students provided the organized base of the democracy movement, but the inchoate resentments of urban poor youth inflicted as much damage to the regime when they rioted, not just in Jakarta, and not just in 1998. Riots in urban areas in various places in Java, Sumatra and Kalimantan dating back to three years before Suharto's fall worked insidiously to erode the authority of the regime. As events later showed, "the urban poor are the single most important factor in future Indonesian politics. It's the urban poor who are the most politicized, the most deprived and therefore the most volatile, and it's not difficult to incite them to violence."[10]

The 'aging' of the regime was also partly the result of the aging of Suharto. Succession is always difficult for authoritarian regimes, more so for someone who has been in power for 32 years. Because the issue was bound up with the person of Suharto, his health and even the death of his wife became key factors. "In the final years of the New Order, [Suharto] became an increasingly remote political figure, more and more isolated at the apex of power and turning inward to an ever more narrow palace coterie consisting of family members and a few select favourites. More and more cabinet and other senior government positions were filled by sycophants and loyalists who lacked significant personal support bases and had little credibility in the ruling elite, let alone in the broader political public."[11]

The succession issue was exacerbated by the presidential election in 1997. "The country is moving into election mode amid increasing speculation over the succession, and political uncertainty is more widespread and deep rooted, according to many analysts, than at any time in recent history."[12] With unintended clairvoyance, the authors then continued to say, "With a very open capital account, Indonesia can be vulnerable to destabilizing capital movements caused by sudden changes in investor confidence, the result of actual or potential (or even imaginary!) political crisis."[13]

Succession was also an important element in one of the key political events in the years immediately preceding 1998, the July 1996 riots. The 27 July 1996 riots happened after the regime allowed goons hired by the Surjadi leadership of the PDI (Indonesia Democratic Party), at the behest of government officials, to attack the headquarters of the party's Megawati faction. Jakarta's urban poor youth turned the anger of Megawati's followers into a riot that foreshadowed the May 1998 riots. At first glance, the regime attempts to remove Megawati from the PDI leadership seemed out of proportion to a so-called threat coming from the leader of a small government-controlled party. It should be recalled, however, that: (1) Megawati was the first prominent

Indonesian to challenge Suharto's presidency direct; and (2) Megawati is the daughter of the only other president Indonesia has had, Sukarno.

Organizing his own succession was particularly difficult for Suharto because of the tremendous public resentment of his greedy children. He had even toyed with the idea of making his daughter Tutut his successor because she was the only one he trusted fully to defend the family's massive economic stake. But not having enough authority to make her his vice-president, he selected then vice-president Bacharuddin Jusuf Habibie, a politician so low in people's regard that appointing him was a signal that Suharto was not yet prepared to mentor a successor. In the end, history played a trick on him when his loyal "non-successor" participated in forcing him out of office.

Yet another of the costs of authoritarianism is the constriction of the regime's political options. A strong and vital regime can afford to liberalize because it is confident of its ability to return to repression. A regime under siege has no option but to "tighten the screws" further for the slightest of openings might just bring on a deluge. The 1998 crisis created conditions for bold new moves. Suharto was ruthless in sending the message that the dynamics of politics remained unchanged, and appointed daughter Tutut and crony Bob Hassan to the cabinet. By his reckoning, these were provocations worth the risk to signal that he was still in charge.[14]

Suharto may or may not have been aware of other moves by his men. The arrests, torture and disappearance of pro-democracy activists in March 1998 were military standard operating procedures, so he was probably apprised of these. The killing of four students at Trisakti University in May 1998 was the first among a series of moves Suharto's lieutenants may have made on their own. Media, NGOs and human rights groups provide credible information of organized, military-looking men inciting urban poor to violence and providing them with materials for burning cars and buildings. There are various confirmed reports of widespread and apparently organized simultaneous incidents of gang rape, especially of Chinese women.

According to a government-appointed team assigned to investigate the May 1998 riots, the killing of the students and other provocations were made at "the highest decision-making level." The investigating team said further: "The whole process preceding the riots had a very clear political dimension including efforts to secure extraordinary powers based on [an existing] decree which would have given the president [Suharto] extra constitutional powers to overcome any temporary emergency situation."[15] It recommended the further investigation of Suharto son-in-law and Army special forces commander Gen. Probowo Subianto and former Jakarta military commander Maj. Gen. Sjafrie Sjamsoeddin for their involvement in these incidents.

The provocateurs succeeded beyond their wildest dreams. But their success had a result opposite to their calculations. The riots were so widespread and caused so much damage that it sank the economy further into the ground.

The students, now outside of their campuses and occupying the parliament, demanded no less than the resignation of Suharto. More and more groups, by that time even former supporters of the regime, put forward the same demand. The political tension generated by the riots required a political step to calm the situation.

It was no accident that Chief-of-Staff Gen. Wiranto presided over Suharto's resignation ceremony. Suharto was forced to resign after the military leadership decided he had become one of the main obstacles to the survival of the political system that supported their political and economic interests. The circumstances of the third week of May 1998 — the economic crisis, riots, student demonstrations, middle-class defection from the regime, and perceived dependence on the IMF and the international market — militated against the further use of violence to suppress pro-democracy forces. The next best thing was to sacrifice the king to save the kingdom.

The Crisis: Within and Across Borders

The Asian financial crisis started off an avalanche of debate, of blame and recrimination, of claim and counterclaim. Battered by criticism from many, often unexpected, quarters, neo-liberal ideologues propose the resignation of Suharto and the advance of democracy in Indonesia as a logical consequence of the intervention of the market and the IMF.

In this story line, the withdrawal of foreign capital and speculative attacks on the rupiah were the well-deserved 'punishments' of an angry international market for Suharto's sins: the rent seeking and cronyism in state-market relations inspired by Suharto himself that eventually distorted local markets and weakened the economy. The IMF, the 'enforcer' of the international market, had to step in, invited by the necessarily destructive economic storm, to clean up and organize the reconstruction of more market-friendly economic structures. Since the root of the problem was too much government intervention in the economy, reform had to spill over into political structures.

The IMF, of course, did not deliberately work to ease out Suharto. But if Monsieur Michel Camdessus (president of the IMF at the time), standing over Suharto like a prefect of discipline, helped to erode the Sultan's *wahyu* (mystical source of power), why, thank you, the IMF will take a bow and admit to having contributed to democratization in Indonesia.

The problem with this deliberately stylized interpretation is that it simplifies the story into good and evil. If you don't like the way the IMF intervened in the Indonesian crisis, then you have to defend Suharto. If you don't like Suharto, you have to applaud the indignities the IMF subjected him to. The usual analyst's recourse: the story is much more complicated. It was not just Suharto who worked to defend his interests. Far from being a politically

neutral technician of economic well-being, the IMF carries its own share of political baggage. Indeed, in providing its standard prescription of decontrol and deregulation, the IMF could very well be accused of being blind to Indonesia's political realities and of ignoring the social displacement such a prescription would cost. There is more than enough blame to pass around.

One of the reasons the currency crisis turned into a firestorm of generalized economic crisis is that Suharto did not see the seriousness of the economic crisis any more than he could see the political crisis of his regime. More than a month after Thailand ignited the crisis in early July 1997, Suharto failed to see the gathering storm. His independence day speech of 17 August 1997 blithely ignored the problems in Indonesia's economic fundamentals, insisting instead that these were "very solid." He dismissed the crisis as a "temporary upheaval" that will pass in time. To be fair, Suharto was not the only who had to eat his words. Dennis De Tray, World Bank director for Indonesia, also said at the time he "would be very surprised indeed if Indonesia would require such an international aid package as Thailand did."[16]

Anyone who had seen the size of Indonesia's unhedged foreign debt, Suharto included, should have worried. According to World Bank data, in just four years — from 1989 to 1993 — private-sector foreign debt (including short-term debt) had ballooned by US$22 billion, from US$15 billion to US$37 billion.[17] This debt doubled again in the next four years. While public debt remained manageable, by international standards, private debt was already more than US$70 billion by the onset of the crisis in mid-1997. Worse, much of this was short-term. From 17.7% of total debt in 1994, the proportion of short-term debt to total debt had risen to 24.8% by 1998.[18]

"Foreign loans were especially attractive sources of financing. . . new private sector investments, for several reasons. First, interest rates on rupiah loans were very high compared with offshore rates. Second, a significant portion of the investment was by joint ventures with foreign firms that had well-established offshore banking relationships. Third, in May 1989, Bank Indonesia (BI), the country's central bank, lifted the ceilings that had limited the foreign exposure of domestic commercial banks and other financial institutions, allowing them to borrow offshore and on-lend locally. Fourth, BI's 'swap' facility eliminated foreign exchange risk for offshore borrowers by guaranteeing an exchange rate at which foreign exchange could be repurchased at a specified future date. Indeed, at times, the swap premium implicitly subsidised offshore borrowing."[19]

Another problem, apart from the size of total debt and the short-term maturities of a large chunk of this, is the one-two punch of government guarantees. "A substantial portion of the build-up since 1989 in what is labelled as 'private sector' debt has financed projects in which the public sector plays a significant role, such as oil refineries and infrastructure construction. To differing degrees, some of this debt carries what creditors probably perceive

as implicit government guarantees. . . . The public sector connection can take many forms: low interest (or no interest) loans from state banks, subsidised inputs from state enterprises, guaranteed supplies of raw materials at favourable prices, guaranteed monopoly power, or government capital participation. What such projects share (to differing degrees) is an implicit guarantee, so foreign (or domestic) creditors have less incentive to appraise projects carefully, and relatively weak projects are more likely to obtain financing. When such projects threaten to fail, public resources are likely to be used to keep them afloat."[20]

These practices created a massive mess in the banking system. "A survey found that 39 of the 239 banks had performed very poorly in 1996 and are at high risk of bankruptcy. The most common reason is non-performing loans to members of the bank's own business group. . . Following deregulation of the sector in 1988, many investors appear to have established banks simply to provide their businesses with easier access to funds."[21] The worst performers were government banks. As early as 1993, the government knew that six of the seven state-owned banks were technically insolvent, but not much was done. In April 1995, state banks accounted for 72% of all bad debts in the banking sector.[22]

Yet, the problems of Indonesian banks have political causality. "First, standards of accountability were ignored so that funds could be channeled to friends of the regime. Non-performing loans to cronies of the Suharto regime, meaning those on which no interest is currently being paid, account for much of the $84 billion in private sector foreign debt. . . . Second, internal corruption within the banking system was tolerated. Loan supervisors, typically, would collect 10 to 15 percent of a loan up front as a kickback. Projects to be financed were not chosen on their economic merits. Banks did not develop skill at assessing the risk of particular investments because such skills were unnecessary."[23]

The Indonesian Bank Restructuring Agency (IBRA), set up in January 1998 as part of the IMF agreement to speed up bank up restructuring, guarantee banks' liabilities, prevent runs, supervise troubled banks and resuscitate the financial system, has uncovered "massive so-called intergroup loans the tycoons essentially made to themselves from their banks. . . The loans, many of them high risk, have gone bad as Indonesia's economic crisis deepened. . . They not only violate central bank regulations barring a bank from lending more than 20% of its capital to a single borrower, but also helped lead to the government bailouts."

Of the BI's total US$11 billion (146 trillion rupiahs) bailout funds for ailing banks, two-thirds went to three banks: Bank Central Asia (BCA) and Bank Dagang Nasional Indonesia (BDNI) both got US$2.5 billion each; and Bank Danamon, US$2 billion. Evidently, more than half of BCA's loans were intergroup; in Bank Umum Nasional, 80%; and in Bank Danamon, 33%. Bank Central Asia is controlled by the Salim Group and another old-time Suharto

crony, Liem Soei Liong. It is also 30% owned by two of Suharto's children, Siti Hardijanti Rukmana and Sigit Hardjojudanto.[24] Bank Umum Nasional is controlled by Suharto crony Bob Hassan.

Another cause of the banking crisis was the policy regime geared toward attracting 'emerging market' funds: liberalization of capital markets, overvalued currencies, high interest rates, narrow monetary parameters and government surpluses. As in other countries in the region, this led to the financial sector's hyper-growth, pushed by cheap foreign funds; stable, pegged currencies; and high local interest rates. Much of this money went into speculative real estate and stock market assets that consequently swelled to 'bubble' proportions. This type of growth, whose emblems are the gleaming skyscrapers of Jakarta, Bangkok and Manila, could only be sustained at high velocity. Like a moving bicycle, a pause would lead to a fall. Bangkok, July 1997, was the pause.

Suharto could not see the Indonesian economy's vulnerability, but business people and some senior government economists could. The foreign currency speculators did not necessarily start the stampede. "Rather than foreign speculators attacking the currency, it was local and regional investors who had their ear to the ground and realized the overexposed nature of their investment. In particular, they sensed a property glut and were the first to pull out, as was the case with Indonesian industrialists who held dollar loans and feared a devaluation against the rupiah. . . . In their wake, the rest of the international 'pack' followed, causing a panic."[25]

Instead of examining the policies that led to the crisis, Suharto's economic managers intensified implementation. Forced to allow a free float of the rupiah, the government then squeezed liquidity hard in the hope of restraining speculation and attracting capital back with high interest rates. Reserve or base money fell by a massive 17% in the month of August 1997 alone. "The money supply contracted at a very rapid rate, reportedly by several hundred billion rupiah a day. Interest rates on monthly deposits climbed to 40% per annum, and the overnight rate on interbank loans briefly touched 125% during the tumultuous days following the free float."[26]

Manuel Montes, one of the most insightful analysts of the Asian financial crisis, writes: "The Indonesian financial system. . . faced the 1997 Asian currency crisis with a banking system heavily in need of recapitalization (and the consequent writeoffs of non-performing debt). The private corporate sector and the banking system had heavy external liabilities unhedged and denominated mostly in US dollars. A fall in the international value of the rupiah would immediately impose debt servicing difficulties on the part of the corporate and banking sectors. A strategy of tight liquidity to defend the rupiah had the potential of causing a crash in the banking system teetering on bankruptcy."[27]

Indonesia's macroeconomic policy before and soon after the start of the crisis was classic IMF-World Bank policies, but Indonesia did not conclude a formal agreement with the IMF until end-October 1997. "With the start of

the IMF program. . . 16 commercial banks were closed. Instead of improving confidence in the banking system, the closures had the opposite effect to that intended: it accelerated deposit withdrawals from the remaining banks and forced the central bank to provide liquidity beyond the IMF ceilings."[28] J. Soedradjad Djiwandono, former BI governor, said: "The domestic reaction to the closure of the banks ran contrary to expectations. Ironically, a step taken to bring back confidence in the banking sector plunged it into further chaos and resulted in a massive flight of capital."[29]

Loan defaults were estimated to be 75% of total loans by end-1998. To prevent the outright collapse of the banking system, the government began a massive infusion of liquidity from November 1997 to January 1998. In early October 1998, outstanding liquidity support to ailing banks was still 141.6 trillion rupiahs (US$13.30 billion), down only 566 billion rupiahs paid back.[30] Recapitalizing the banks could cost as much as 200 trillion rupiahs, more than the country's budget of 132 trillion rupiahs, and nearly one-third its GDP. (The World Bank's own estimate of the cost of recapitalization is 20% to 30% of GDP.) This recapitalization measure was to have profound implications on Indonesia's post-Suharto political economy, as we shall see later.

The economic situation continued to deteriorate in the first few months of 1998 as a gasping banking system added to regional currency dynamics to push the rupiah further and further down. Another factor was the perception that Suharto was not seriously implementing the IMF stabilization program. His January 1998 announcement of a new budget with large projected deficits and low rupiah exchange rate assumptions was interpreted as defiance of the IMF. The following day, the rupiah fell to 10,000 to the dollar. His appointment of Habibie as vice-president plunged the rupiah further to 17,000 to the dollar. On 15 January 1998, a new agreement with the IMF was announced, one which, like the October agreement, was quickly overrun by events.

Between January and May 1998, political events became the main determinants of the economic crisis. Economic measures that might have at least merited more consideration under other circumstances, such as the proposed currency board, were dismissed out of hand. Meantime, Suharto's resistance to Western pressure to dismantle family and crony monopolies led to even more pressure. When Western leaders, led by US President Bill Clinton, were mobilized to support IMF demands, Suharto dug in and appointed his daughter and top crony to the cabinet. The deadly mix of student demonstrations and military provocation steadily increased the pressure generated by mayhem and destruction. In the end, Suharto was forced to give way.

The role of the IMF in dealing with the crisis in Indonesia has been a cutting-edge issue in the larger controversy over the IMF and its handling of the Asian crisis.[31] Many critics use Indonesia as a prime example of the inappropriateness of the IMF austerity formula for dealing with the Asian

financial crisis. In particular, these analysts, and apparently even some people within the IMF, believe that forcing the Suharto government to close 16 banks in November 1997 was one of the main steps in the transformation of Indonesia from an ordinary, garden-variety country caught in the Asian crisis to an unmitigated economic and political disaster.

Another item in the IMF formula, reduced fuel and transportation subsidies, is blamed for the intensification of social unrest and its explosion into the May 1998 riots. Although the timing of the cutbacks was decided upon by the Suharto government,[32] the IMF cannot be exonerated for what in the end was clearly a terrible economic and political mistake.

To be sure, not all IMF demands had negative impact. The IMF voice was crucial in the dismantling of government-sanctioned monopolies, the repeal of Suharto decrees for his family interests, and the lessening of other opportunities for corruption. But these comprised only a few of the 150 items in the IMF shopping list. Another set of IMF demands, what Rizal Ramli calls 'sponsored items', cannot be seen as anything other than the IMF taking advantage of an economically prostrate Indonesia to push the demands of the US and other Western countries for the liberalization of retail trade banking and other industries.[33]

Apart from the political issues raised by this kind of IMF bullying, even mainstream economists now believe these demands were precisely what hindered the solution of the immediate crisis. "The list of reforms contained in the third and current IMF agreement was so extensive that reformers would have virtually nothing more to talk about if they were all implemented. . . . The IMF would have done well early on to pare down drastically its wish-list of reforms to those unambiguously relevant and necessary for Indonesia's recovery from the crisis. Nirvana could well have waited."[34]

After the Fall

There is a palpable sense of excitement in Indonesia today. People go about criticizing the military or the president, organizing political parties or labor unions — the usual things people do in democracies — with a mood of grateful disbelief, as if they have to pinch themselves to remind themselves that, yes, this is the Indonesia reality now. Indeed it is. There is a vibrant, dynamic, very creative democracy in Indonesia today. The fall of the man who ran the country for 32 years is a big deal, as if a big banyan tree has been cut down (or at least retired to Jl. Cendana). And, long denied growth-giving sunlight, a variety of flowers, even weeds, are sprouting all over.

The crucial constraints under authoritarian regimes, Suharto's not excepted, are psychological. People have to believe in the overwhelming power of authoritarian rulers. They have to be convinced of the futility of political

action because of the certainty of political cost, or the uncertainty of political gain. This psychological prison has been shattered, however. The appreciation of this newfound freedom, of course, varies from one section of the opposition to another. Students and their allies among urban poor youth are the most exuberant, and the most unrestrained in their demands and their tactics. Opposition political parties and their leaders, on the other hand, must suffer the moderation of colleagues who believe themselves, or are perceived by others, to be closer to power. Everyone else is in between.

True, except for Suharto, most of the top leaders of the (old) New Order, starting with Habibie and Wiranto, remain in power. It is also true that the structures of authoritarianism mostly remain in place. But the democratic space seized by the pro-democracy movement is space seized from the authoritarian regime. The opportunity to demonstrate freely today means the old repressive apparatus for preventing and controlling demonstrations has been badly damaged, if not altogether destroyed. The opportunity to organize political parties today means the old charade that passed for a political party system has been shattered. The opportunity to publish critical newspapers and magazines today means the old system of self-censorship has been overturned by renewed courage and self-respect among journalists.

The main arena of the democratic movement is the streets, or the "parliament of the streets," as it is called in the Philippines. Its shock troops are the students and their allies among urban poor youth. The movement's most important source of power is belief in its capacity to generate political instability. This power is magnified by the fragile and highly fluid political and economic order that has been carved out of the May 1998 aftermath. Those who hold political and economic power in Indonesia today are particularly vulnerable to the power of destabilization because they have created an economy extremely dependent on the "confidence" of foreign sources of investment and markets.

Indonesian democracy, of course, cannot be shaped only in the streets. It cannot long sustain the democratizing energies of instability. At some point, democracy has to settle in, through new but more stable political relationships and institutions. The question is where that point will be. How much more of the structures of dictatorship will be dismantled? This is the first crucial step, one that requires dealing with Suharto and the issue of corruption. The other is military. More important than the issue of the *dwi fungsi* (dual function) of the military — the official justification for its extensive political role — is human rights violation.

The next issue is 'reform and restoration'. How much democratic space will remain after the struggle between those who would extend it further and those who would push it back to old molds? What formal institutions of democracy — electoral systems, systems of representation and local-central government relations — will be put together? What organs of popular power

— social movements, NGOs and political parties — will succeed in channeling the passions and energies of today's warriors of the streets?

The Dictatorship Refuses To Be Dismantled

Suharto

Suharto insists he was not fired. Why, he did not even resign — he merely stepped aside. This is not just an attempt at cushioning the blow of being forced out of the presidency — it is careful manipulation of the delicate Javanese nuances of power. It is a claim to a continuing share of power, a claim which the Armed Forces (ABRI) leadership is only too willing to concede. In his speech at the ceremony of Suharto's 'stepping aside', Wiranto made a point of saying that the defense of Suharto and his family remains one of ABRI's most important tasks. Other generals twist themselves into pretzels in arguing against Suharto's prosecution for corruption.

Attorney General Muhammad Ghalib is one of the most adept at this special skill. Ghalib chose to visit Suharto at his home instead of inviting him to his office because, as he said, he was not 'investigating' Suharto, only gathering information. When Suharto denied allegations of corruption in a TV address early in September 1998, Ghalib went out of his way to say that he saw no reason to believe that Suharto was lying. "Suharto is a former president, so he would not lie." When Habibie revoked several Suharto presidential decrees because they had created opportunities for corruption, Ghalib said Suharto's intentions were "noble but had been manipulated later."[35]

Pro-democracy groups are demanding Suharto's prosecution for corruption and other crimes. Unless he is actually punished, they say, he will have residual power and the capacity for a comeback, no matter how small. One of the attributes of power in Javanese culture is invulnerability. Other holders of power, especially those in the military, will continue to defer to him until he is perceived to be completely powerless. There is also a practical side. The government cannot deprive Suharto of his financial resources and the potential use of these for political intervention until after he is convicted of corruption.

There has been some movement on the issue of corruption, of course, due to intense pressure coming mainly from the students, but also from abroad. A November 1998 session of the MPR (People's Consultative Council) produced a resolution requiring government to conduct anti-corruption investigations. Some lower government units have reported on the Suharto wealth, including hundreds of thousands of hectares of land. And, in March 1999, one of the Suharto children was indicted on a corruption charge. But there has been no evidence of political will on the issue at the highest levels. This may be partly explained by the threat one Suharto lawyer has made several times: If Suharto is seriously prosecuted for corruption, other heads will roll.

Because the head of the gargantuan system of corruption remains unpunished, you cannot make the lower ones in the system accountable. You cannot dismantle the dictatorship until you dismantle the elaborate system of patronage that reaches down to the villages through the structures of the military and civilian bureaucracy. It is this system of patronage that Habibie and the Golkar, the administration party, are using to lay the constitutional and organizational groundwork for victory in the forthcoming elections. As long as Habibie and the Golkar remain in power, the dictatorship remains. The possibility of rolling back the democratic gains of the last few months then comes closer to (a different kind of) reality.

The Military

The military leadership has persistently defended Suharto for it continues to see him as one of its own. The officers know that Suharto's political fate is in many ways bound up with their own. As long as they can prevent Suharto from being punished for his crimes, they cannot be made accountable for their own crimes. Unlike Habibie, whom Suharto accuses of being an ingrate, Wiranto remains close to Suharto. Although Wiranto admits to having visited Suharto only a couple of times since May 1998, rumor has it that the two consult each other at least once a week.

Because the current military leadership has not distanced itself from Suharto, it has also suffered from his fall. All the regime's sins have been visited on the military, the main prop of the dictatorship. Unlike Suharto who, so far, has been targeted mainly for corruption, the military is under fire as well for human rights violations. The charges raised range from the kidnap, torture and murder of human rights activists in the months before May 1998; to the killing of Trisakti University students; to military provocation and soldier rapists during the riots; to extensive human rights abuses in East Timor, Aceh and West Irian; to continuing imprisonment for political 'crimes'; to "ninja" killings in East Java; to the unnecessary violence against demonstrators during the MPR sessions in the second week of November 1998.

The most damaging among these is the military's role in the events leading up to the traumatic May 1998 riots. In July 1998, the military admitted its role when the police announced the arrest of seven Kopassus (Army special forces) soldiers for involvement in kidnapping and torture of oppositionists. The following month, Probowo was discharged from military service, while Maj. Gen. Muchdi Purwopranyoto, who replaced Probowo as head of the Kopassus, and Col. Chairawan, Kopassus intelligence chief, were removed from their posts (though not dismissed). More recently, Probowo was also implicated in provoking the May 1998 riots — by a government-appointed investigating body, no less.

While the military has been forced to concede involvement in human rights violations because of overwhelming evidence, the light punishments it has

been meted out, and more importantly, the packaging of these punishments, render an admission of human rights violations senseless. Of Probowo and his two staff officers, Wiranto said, "We should know that a mistake has been made by those officers. But on the other hand, we don't close our eyes to what has been done by them while serving the country." Of the seven Kopassus soldiers, ABRI spokesman Maj. Gen. Syamsul Ma'arif said they were guilty of "procedural errors" in carrying out the orders of a superior officer to uncover the roots of a radical movement.[36] It should be noted that 14 activists are still missing and feared dead.

Apart from vague apologies about violations, Wiranto has not done anything concrete about human rights violations in East Timor, West Irian and Aceh. According to human rights groups, 10 mass graves have been discovered in Aceh alone. Local reports say over 15,000 people have disappeared over the past ten years. Disturbing too are reports that the military continues to use terror tactics against its political opponents. Internationally, the most damaging reports of human rights violations have been the organized gang rapes of Chinese women by suspected military special forces' groups.[37]

More ominous still is the possibility that some elements in the military might be provoking the inter-religious violence in rural areas in East Java. In July 1998, rural religious leaders, mostly members of Nahdatul Ulama, were murdered by small groups of men dressed in black (thus the description 'ninja'). Vengeful villagers have, in turn, killed suspected shamans, village idiots and strangers. In a recent public opinion poll, an overwhelming majority of Indonesians (91.6%) believe these East Java killings are politically motivated.[38] Nahdatul Ulama leader Abdurachman Wahid (Gus Dur) has been more direct, accusing two unnamed cabinet ministers of organizing the attacks on his group.

Recent developments have not been uniformly bad for ABRI. As a player in intra-elite factional competition, it may be stronger now than in the last years of Suharto. While close, the Suharto-military connection has been amorphous. In Suharto's last years, he tried to develop a civilian base of support, especially among Muslim middle-class groups, to counter criticism of his children's business depredations by resentful military leaders. He wanted a support base within a group the military, including Suharto himself, had traditionally been suspicious of. Indeed, it was probably the possibility of recapturing some of their economic and political power under a weaker president such as Habibie that convinced the military leaders to push Suharto into resigning. Under Habibie, the military's clout has remained as strong as ever, captured in one of Habibie's more charming remarks: "I take Gen. Wiranto with me everywhere. As long as he is smiling, I know I'm OK."

Most observers of the Indonesian political scene consider Wiranto more powerful than Habibie. While a Suharto appointee, his role in the political compromise that led to the resignation of Suharto and the political neutralization of Probowo has given him considerable political capital in elite circles.

His calm, non-threatening demeanor, a stark contrast to the volatile and arrogant Probowo, has helped his TV packaging as a 'responsible leader'. Some analysts say he might be a more effective presidential candidate of a military-Golkar status quo than Habibie.

However, before Wiranto starts fantasizing about occupying the presidential palace, he has to deal with a number of formidable organizational and political problems. He has reportedly put together a skilled and cohesive military staff that includes the respected military intellectual Gen. Bambang Jodhoyuno. Military finances are a more intractable problem. The military budget has been cut; its money-generating 'foundations' are under attack for corruption; and its businesses are insolvent, as with many other large enterprises. With "contributions" from local businesses also down, local commanders are reportedly engaged in smuggling, drug dealing and other illegal activities to sustain payments to their men. Apart from the damage to military professionalism, these illegal activities have led to competition and even outright firefights between different military units.

Politically, Wiranto will have to learn to deal more effectively with the pro-democracy groups' call for the removal of military representation in the national legislature. While reaffirmed in the mid-November 1998 MPR meeting, the military's 55 seats in the 500-seat Lower House (DPR) were reduced to 38 when the DPR passed the election laws of January 1999. And even in this reduced form, military representation in the parliament continues to be attacked. Wiranto's problem is that the military *dwi fungsi* has moved out of 'not-to-be-discussed' principles of state into detailed discussion of institutions, and their powers, functions and balance with each other.

Opponents of *dwi fungsi* point out, for example, that despite the ABRI's smaller representation in the DPR, each ABRI seat represents only 10,000 soldiers while other seats have constituencies of over 600,000 voters. Strong military representation in parliament guarantees a strong ruling party, by virtue of the principle of lines of command followed in the military that demands obedience to the head of government as commander-in-chief.[39] Indeed, military representation in parliament is logical only in an authoritarian system — where parliament is largely ceremonial. In an authoritarian system, only the interests of the powerful elite are "represented," such a parliament serving no other purpose than to lend legitimacy to government policy and pay obeisance to the king.

Wiranto will also have to deal with the increasing division in the military leadership. Unity in the military was easier to maintain during the dictatorship. However, the onset of democratic politics, no matter how limited, has exacerbated the divisions as jockeying for positions among the civilian politicians has spilled over to the military. Some of the discord is personality-based. Wiranto may have been successful in managing Probowo, but it is widely believed that many of the disturbances in the provinces are actually the handiwork of some units loyal to both Probowo and Suharto. The disunity also

stems from religious orientation — that is, between the 'Islamic' officers and 'secularists'. Tensions between the two groups have reportedly surfaced. The Islamic group is allegedly stronger now, forcing Wiranto to focus on appointing "secularists" such as himself in the reshuffle of early January 1999.[40]

While Wiranto and Habibie are potentially political competitors, they have been forced to work closely together. The only way they can justify continuing to occupy positions of power in government is by arguing 'constitutional continuity', thereby giving Habibie the advantage. Although no one, including Suharto, took Habibie seriously as vice-president, his being a civilian immediately gives him an advantage over the military amid the widespread anti-military sentiment. But Habibie also needs the military desperately to take back the streets and narrow the democratic space won by pro-democracy activists.

Reform and Preservation

The major players in the reform process on the government side, Habibie and Wiranto, both from the (old) New Order, have much to defend. Both seek to regain control over a political situation marked by the severe deterioration of government authority and the rambunctiousness of newly liberated political groups. Also because of his political location, Habibie has been more open to reform. As a civilian politician without a military background, unlike Suharto, Habibie is more predisposed to tapering the powers of the military. Desperate for a political base, he has promoted the demand of Islamic groups for more political power, even within the military. His agenda is a reelection in late 1999. He appears prepared to ride the demand for reform (minus the demand for his resignation) and to develop both the Islamic and populist avenues for winning popular support for his reelection.

Wiranto, on the other hand, wants to retain the secular politics of the military leadership, a tradition that goes back to the early years following Indonesia's independence. Habibie might no longer be around by the turn of the century, but the military will. They will continue to carry the institutional burden of curbing dissent and maintaining the territorial integrity of the country. Obviously, therefore, Habibie's and Wiranto's time perspectives differ.

Conservatism is an occupational hazard of the military. A document on the reform process billing the ABRI headquarters as a source says: "ABRI believes that reform should take place as soon as possible but conducted in a controlled manner. . . . [T]he unity of the nation is a condition that should be maintained."[41] In a later article in *The Jakarta Post*, Gen. Jodhoyuno said: "The reform movement must be wisely managed and directed so that it does not inadvertently create more problems than it solves." Under present circumstances, however, this is more easily said than done.

Because of the military's central role in the (old) New Order, almost all areas of reform require dealing with the military. The most important in dismantling the dictatorship is to bring the military accountable for human rights violations and its share in corruption. The task of building new institutions involves more than settling the question of (the proper amount of) military representation in the national parliament. The military has maintained structures parallel to civilian ones all the way down to the village. Retired and active officers occupy half of the "civilian" governorships and 40% of the positions of district head.

Habibie

Habibie is the most unlikely president. No one, least of all Suharto, thought Habibie of presidential material. His often outlandish ideas about economics inspired fear among Western neo-liberals who mistook him for an economic nationalist and spendthrift. He was appointed vice-president in 1998 only because Suharto wanted to spite his Western tormentors while proving to his domestic audience that he was still in charge. The presidency has not really changed Habibie, but precisely because he is perceived as weak, he has lasted much longer than pundits had given him. He has shown the cunning of the weak, carefully and quietly laying the groundwork for being elected president on his own.

Neither does Habibie make economic policy. The agreement with the IMF is so detailed, and supervision (including monthly reviews to determine disbursements of IMF loans) so close that it is practically the IMF and its Indonesian technocrat allies formulating economic policy. Another large chunk of policy decisions, public security and supervision of the military and the police, is in the hands of Wiranto. What is left to Habibie is 'political policy', or the shaping of new political institutions and the use of these so that the current holders can retain their hold on the centers of power.

No doubt Habibie is a remnant of the Suharto era. More than half of the ministers in Habibie's cabinet (20 of 36) served on the last Suharto cabinet. Wiranto is a Suharto appointee. The legislature, both the Lower and the Upper houses, is still vintage (old) New Order. But since his refusal to move out of the way to enable Suharto to stay, Habibie has warmed to the job. The new members of the cabinet are people loyal to him. More than 250 MPR members, mostly from Golkar, have been replaced with Habibie people.[42] The seven-member Home Ministry team crafting the new political laws and the electoral and political party system is stocked with pro-Habibie academics.

Habibie himself has focused his energies on reshaping Golkar. At the party's congress in July 1998, he put up his own candidate against the supposedly Suharto family candidate, former defense minister and retired Army general Edy Sudradjat.[43] He supported his State Secretary, Akbar Tandjung, who won

in 17 of 27 provincial Golkar chapters. In these moves, Habibie had the ABRI leadership's support. He went one step further and excised all remaining avenues for the Suharto family to recover its position in Golkar: Suharto himself was moved out of the way with the abolition of the board of patrons he headed, while his two children were removed from the Golkar national leadership.

Habibie has also devoted considerable energy to winning the support of the West. Advised that East Timor was one of issues that preoccupied Western governments, he quickly took initiative on the issue. In June, he met with Bishop Carlos Ximenes Belo and offered 'special status' for East Timor as part of a deal to secure international recognition of the Indonesian position in the territory. He also offered to withdraw some troops and to release political prisoners. The following month, Foreign Minister Ali Alatas submitted a plan to the UN providing more details on the 'special status' proposal. Per the plan, East Timorese elect their own local legislature and executive, which will have power over immigration, internal security, education, and religious and economic policy, while Jakarta retains external security, foreign affairs, and monetary and fiscal policy.

UN Secretary General Kofi Annan responded by sending Jamsheed Marker, a special UN envoy, to Portugal, Indonesia and East Timor. An interim agreement with Portugal was concluded in early August 1998.[44] The Habibie government made a big deal of withdrawing 400 troops and releasing 16 Timorese political prisoners. Both these steps subsequently proved to be less than they were made out to be. Xanana Gusmao, leader of the Fretilin, the pro-independence guerilla group in East Timor, was not among those released. He was released later after the mayhem that occurred following the UN-managed referendum. And, based on an internal ABRI report, there are actually more troops in East Timor now than before the so-called troop withdrawal. In September, Alatas admitted Indonesia and Portugal were still at odds on whether agreement on autonomy would be a prelude to independence or an 'end in itself'.[45] By November, Portugal withdrew from the discussions pending clarification of reports that as many as 50 East Timorese were killed in a recent Indonesian military operation.

On 27 January 1999, Habibie moved again to push the East Timor process further by opening up the possibility of independence for the territory. The whole process is marked by a lot of probably deliberate ambiguity that might be settled once the UN-brokered talks between Indonesia and Portugal yield an agreement sometime at the end of April 1999. The plan outlined in earlier talks calls for a referendum in the next few months — perhaps at the time of the June elections — when the East Timorese choose between autonomy and outright independence. The MPR was to ratify the referendum results when it met in October 1999.

Meantime, elements in the Indonesian military began its sabotage of the process. It first armed the pro-Indonesia militias, then stood aside while these

goons attacked the pro-independence groups. The most gruesome episode was when pro-Indonesia militias killed more than 50 people huddled inside a Catholic church. Apparently, the military plan was to destabilize the situation so that further progress would be impossible. What they did not count on was provoking Nobel laureate Bishop Belo into renewed political activity and more importantly, into enlisting Western governments' more active involvement in the issue. Indeed, Western pressure from countries such as Australia and the US was the key element that pushed Habibie and Wiranto to regain control of the situation and to rein in the military in East Timor in late April 1999.[46]

The opening up of democratic space since May 1998 happened despite Habibie simply because people reclaimed that space. This is especially true for the freedom of the press, freedom of assembly, and the organization of political parties, unions and other popular organizations. Acquiescing to intense pressure, Habibie has released some more political prisoners — though not the leftist PRD (People's Democratic Party) leader Budiman Sudjatmiko nor the pro-independence advocate Gusmao. In addition, Habibie refused to abandon the government-created Surjadi leadership of the PDI and was determined to prevent Megawati from holding the party's congress in Bali.

Together with the military, Habibie tried to take back some of that democratic space. In the third week of October 1998, to provide legal basis for controlling demonstrations, the DPR passed a "Freedom of Expression" law. Although opposition legislators prevented passage of sections requiring demonstrators to secure prior permit for their assembly, the new law mandates the organizers' notification of the police three days before their scheduled rally of details of their activity including leadership, purpose and site.[47] More important, the military has became increasingly brutal in handling demonstrations. To secure the MPR session in mid-November 1998, it fielded 30,000 troops one week before, organized over 100,000 civilian vigilantes, and used electrified barbwire. Even the Navy weighed in and threatened to use its ships.

The civilian 'volunteers' quickly earned opprobrium with their thuggish tactics and had to be recalled in the middle of the MPR sessions. As the sessions wore on and demonstrations intensified, security forces' tactics became even more vicious. Reports are conflicting, but according to Reuters, the military gunned down as many as nine demonstrators.[48] Foreign observers were particularly aghast when troops lined up in front of Catholic University Atmadjaya and fired repeatedly at students who had retreated there. Media reports say troops fired at point-blank range. "What's the objective of this military operation? To wound the students? The kids are inside the campus now. The shooting should stop," bewailed one foreign diplomat.[49]

By providing demonstrators a convenient political target — a largely Suharto-era MPR passing resolutions that affirmed, among others, *dwi fungsi* — and then raising the level of student anger with savage crowd-control tactics, the Habibie government extended the demonstration-driven period of political

instability. The military also angered journalists by beating up some reporters. Already sympathetic to the students, to start with, indignant journalists then helped mobilize public support for the demonstrators. Foreign accounts of the military shooting at students cowering within a Catholic university campus certainly do not restore investor confidence in Indonesia.

New Political Institutions

Long term, the instability of the streets can only be countered by the stability of political institutions broadly accepted by key political actors and the public. As Habibie adviser Dewi Fortuna Anwar put it, allowing opposition groups to organize political parties and prepare for elections has diffused the political situation. The gambit provides "safe" channels for political energy.[50] However, because several crucial issues remain unresolved, the process of shaping these institutions has generated occasions of instability. Demonstrating students, for example, were incensed by the MPR's failure to deal decisively with Suharto's accountability for corruption and to remove the military from the parliament.

No one denies the need to shape new political institutions. The old Electoral Law was tailored to keep the Golkar in power:

(1) Only two "opposition" parties created by the government were allowed.
(2) These so-called opposition parties were forbidden to set up branches below the district level, keeping out of their reach the majority of the population who live in 50,000 villages.
(3) Civil servants were not allowed to join an opposition party and were compelled instead to join Golkar.
(4) ABRI was allocated 25% of parliamentary seats (100 out of 500, 75 since 1997), automatically making the military one of the largest factions in parliament.[51]

A replacement electoral bill submitted to the DPR in October 1998, which was drafted by a team of academics (Team 7) commissioned by the Minister of Home Affairs,[52] proposes instead a 550-member DPR where 420 of the seats go to the highest rankers in a single-member district system of election and representation; 75 are allocated through a system of proportional representation based on the votes cast for losing parties in single districts, accumulated nationally; and 55 are reserved for the ABRI.

Opposition parties and critics of the government in media, NGOs and the academe denounce the bills as "made by Golkar for Golkar." In the 87-strong special committee of the DPR to deliberate on these political laws, 52 are Golkar; 14, ABRI; 16, the government-sanctioned opposition party of the PPP (United Development Party); and five, the other government-sanctioned opposition party PDI. (These seat proportions are reflected in the full DPR.)[53] Critics point out that a system of district representation puts a

premium on local organization and provides insurmountable advantages to Golkar because of its long-term links with local government officials and other local elites. On the other hand, organizing by the opposition parties which, for most of the 48 accredited parties today, started only after May 1998, is not allowed below the *kabupaten* (district) level. Not even the PPP and PDI are exempted from this caveat.

Other provisions in the draft are similarly prejudicial to Golkar's rivals. "The rules for the funding of parties are so restrictive that Golkar stands to benefit enormously because currently it holds US$90 million in its coffers. By contrast the [other] parties will find it almost impossible to keep to the ceilings on funding if they intend to set themselves up at a national level. The problem of funding is further complicated by the fact that a party is required to establish offices in at least 14 out of the country's 27 provinces and half of the districts (usually 10) in each of the 14 provinces."[54] Although in theory, people are free to establish as many parties as they want, registration requirements (branches in at least 14 of the 26 provinces, one million signatures) and minimum threshold of votes required to participate in subsequent elections (10%) are steep.

The final version passed by the DPR in January 1999 surprised many. The most important departure from the Home Affairs Ministry draft was the return to the old system of proportional representation. Interestingly, all of the party factions in the DPR, including Golkar, approved the change. Another major shift in the right direction is the ban on civil servants from joining and campaigning for a political party, a provision that strikes at the heart of Golkar's electoral mobilization machinery. The DPR also temporarily neutralized demands for abolishing the ABRI representation in parliament by further reducing the proposed allocation of 55 seats in the Home Affairs ministry draft to 38.[55]

Clearly, the Habibie-Wiranto strategy for stabilizing the situation requires the expeditious passage of political laws that will channel political activity away from the streets to more conventional arenas. As Ben Anderson points out: "You often find that elections are expanded or developed in order to contain a much more complicated and socially varied range of popular participation, which is often more directly and deeply democratic . . . The other side of the electoral mechanism is that it works only through a theory of representation . . . This means that, very quickly, real political participation on an everyday basis is increasingly confined to a specialized class of politicians and their hangers-on."[56]

It is also certain that Habibie and Wiranto will work mainly through Golkar. Though popular disaffection with the (old) New Order lessens Golkar's chances in the coming election, the financial and organizational advantages of incumbency, plus the stacking of election competition through new laws, should place Golkar among the top four or five parties. With several newly accredited opposition parties competing against one another for the vaunted

position of the alternative to Golkar, plus the difficulties of campaigning in a new electoral system, it is doubtful that even the major parties such as PDI, PAN (National Mandate Party) or National Awakening Party (PKB) will get more than 15% to 20% of the vote. If their lead over Golkar is kept under 7.5%, a Golkar-ABRI majority in the DPR remains a very distinct possibility.

The main outlines of Habibie's election strategy are already in place. At the MPR special session, Golkar proposed a "People's Economy" framework for economic policy that makes small and medium-size industries the "central pillar of national economic development" and creates 10,000 mid-size CEOs in place of cronies.[57] Habibie's 1999 budget allocates substantial amounts to 13 different mechanisms designed to boost small and medium-size enterprises, including the channeling of funds to 9,000 community-based lending agencies called *perkreditan rakyat* (people's credit).

This appeal to economic nationalism and populism would be easy to dismiss as campaign froth, except for the availability of a huge pool of assets turned over by insolvent Suharto cronies and now controlled by the IMF-created IBRA. If Habibie's allies such as Cooperatives Minister Adi Sasono have their way, these assets will be broken up and distributed under their supervision. With a huge, new pool of patronage resources, Golkar might just be able to pull off an election victory. [58]

The other leg of the Habibie strategy is his appeal to the Muslim community. Coming from a family of devout Muslims from Makassar, Habibie was one of the main architects of Suharto's tactical move to develop a Muslim base for his regime. A highly educated (if at times intellectually erratic) man, Habibie easily dominated the ICMI (Association of Islamic Intellectuals), an organization of Muslim intellectuals. It is largely from this group as well that Habibie recruited his share of cabinet posts in the post-Suharto cabinet, including Sasono. Habibie is also known to be using a radical Muslim youth group to intimidate student demonstrators. The meeting of the Indonesian Muslim Congress in early November 1998 where the Minister of Religion and Habibie himself were speakers is seen as a Habibie move. It should also be stressed that the Council of Ulamas used the occasion to call for the safeguarding of the upcoming MPR session.

Profiting from Privation

As Jeffrey Winters points out in his excellent study of the intersection of politics and economics under Suharto: "The central tension in the country's political economy since the mid-1960s has been over the terms of economic access and opportunity. Those defending allocation through a clientelist network radiating outward from President Suharto have struggled against those demanding allocation by more impersonal market forces. The first system favors political supporters and regime clients down to the village level, while

the second favors those controlling capital, production facilities and networks of distribution."

This competition has a history. The controllers of capital and their technocrat allies had the upper hand during periods when Indonesia's oil income declined. The palace-backed clientelist network gained ascendancy when oil income allowed them to circumvent the restrictions imposed by technocrats. [59]

The situation today is unique. Oil income is at its lowest point in decades while the crisis has dried up other sources of government income. But there are, at the same time, possible sources of patronage bigger now than at any time in the distant past. One of these is IBRA which now controls the assets of some 67 banks completely taken over by the government, following the failure of the BI's US$11 billion bailout of the banking system (for this was minus the requisite correction of the practices of individual banks). Many other banks are under pressure now to turn over their corporate assets to pay their loans.

Because of the size of the loans and the importance of defaulting companies to the economy, the issue is not just financially but politically complex. In mid-October 1998, for example, the government announced agreements with the Salim Group (Bank Central Asia) and the Gajah Tunggal Group (Bank Dagang Nasional Indonesia) to turn over their stakes in a total 116 companies to repay a combined US$7 billion in liquidity credits. The problem is that the current value of shares in the 104 companies surrendered by Salim group is only US$160 million, not the US$4.4 billion it is supposed to be. IBRA has bent over backwards to accommodate the Salim Group because its companies have 200,000 employees and IBRA believes the companies will only survive if the current management is kept at the helm.[60]

In many ways, IBRA is one of the potentially most strategic sources of agency in the political economy of Indonesia today. With its leverage and resources, politicians naturally want a piece of the IBRA action. The banks and corporate assets seized or under negotiation with IBRA are the bluest of Indonesia's blue stocks, owned by the most powerful *cukong* families linked to Suharto and his children. How tough IBRA is in bargaining with them will determine how much of the financial resources of the Suharto *cukong* will remain, and in turn, how much capability to intervene politically the group will retain. In the same vein, the question of whether the assets under BI's and IBRA's control will be available to Habibie's allies, and how much, will also determine whether he will be able to build a system of patronage extensive enough to help him stay in power.

In early October 1999, for example, Habibie had begun to give expression to politicians' demands for redistributing the government's recent new holdings. Ally Sasono, for one, wanted the transfer of 20% of IBRA's assets to his ministry, besides the control of rice and cooking oil distribution networks. Habibie also demanded the sale of the foreclosed assets, or the borrowers' payment, in cash, as soon as possible. His agenda here is probably less the

quick recovery of government's loans because he knows that borrowers do not have the cash, and that selling their assets now when they are worth one-fifteenth of their pre-crisis value does not make sense. Rather, Habibie wants a say in the work of the IBRA. In a letter to Habibie, IMF Asia Pacific Director Hubert Neiss said "no," and warned government against selling assets too quickly and/or demanding cash from banks to repay liquidity infusions.

Similar problems have plagued the government's privatization program. In July 1999, top Mexican cement giant CEMEX offered to pay premium prices for Semen Gresik, Indonesia's biggest state-owned cement company. The deal would have netted US$418 million for a controlling share. Instead, government sold only a 14% stake. Minister of State Enterprises Tanri Abeng has had enormous difficulty implementing privatization. "Abeng's reform plans soon faced opposition from Suharto-era bureaucrats and politicians. He received a lukewarm response from top cabinet officials such as Coordinating Minister for the Economy Ginanjar Kartasasmita. In the business leaders' opinion, Abeng's moves affronted the old guard who had no wish to see their lumbering, inefficient enterprises sold off." As a result, the whole privatization program has been cut back. It is now estimated to net only US$200 million, well short of US$1.5 billion promised to the IMF.[61]

This political maneuvering is occurring in the context of an economy that economists expect will contract by some 20% in 1998. On an annualized basis, inflation was 82.4% in September 1998. The Manpower Ministry says unemployment affects nearly 17 million of a workforce of 90 million.[62] The Central Bureau of Statistics estimated poverty incidence in July 1998 at nearly 96 million, about half of the population. Before the crisis, per capita income was above US$1,000 year and poverty incidence, only 11.3% of the population. In the countryside, the combined effects of prolonged drought and the economic crisis have brought hunger and near starvation for the first time in many decades.

There has been some improvement in the value of the rupiah. From a low of 16,525 rupiah to the US dollar in mid-June 1998, about 85% of its value a year earlier, the rupiah somewhat recovered in four months. Attracted by yields of as high as 70% in 30-day central-bank notes, dollars came in and drove the rupiah to breach 7,000:US$1 by end-October. Other factors include the delay in private debt restructuring which softened demand for dollars as corporations stopped paying their foreign debts, as well as the approval of US$7.9 billion in foreign aid in August. The central bank then started selling these dollars to drive the rate below the 10,000-mark set by IMF.[63]

Relenting to pressure from the IMF, the government finally implemented the plan for bank recapitalization, a necessary step for the resuscitation of the financial system. Nearly 100 banks, representing 90% of the assets of the

country's banking system, could not meet the required capital adequacy ratio of 4%. The rehabilitation program provides for owners to raise 20% of recapitalization costs and for government to buy 80% of the ailing banks with bonds. Intense criticism delayed implementation two weeks past the end-March 1999 deadline. With an additional US$1 billion IMF loan as carrot, government finally closed 38 banks that could not cover the 20% cost of participation, and took over seven more banks. It was also around this time that the government passed a "good" national budget. The IMF reward for good behavior was quick approval of additional money, and the scaling down of Fund reviews from monthly to quarterly.[64]

Forces for Change

The economic crisis has been the most important force not just because it helped bring Suharto down but because it has brought about a major rearrangement of economic power. The Suharto family and cronies are in bad shape, not only because their source of rents is gone, but because the crisis itself ripped through their vulnerable businesses like a tornado.[65] Other groups in the economic elite have also suffered. The stock-market valuation of listed companies crashed from US$118 billion to US$17 billion, and only 22 of the 286 companies listed on the Jakarta exchange might be considered solvent.[66]

Confounding neo-liberal hopes, the crisis has even strengthened the economic power of government. After years of liberalization when government's share of productive and financial assets declined, suddenly, government owns almost 90% of the banks, and by extension, large corporations with unpaid loans. The scramble for control of these assets will be one of the main battles in the coming years. For now, IMF micro-management of the economy and depressed economic conditions have toned down the fighting, but once the economy improves and the IMF starts pulling back, this will rage more fiercely.

The second most important force for change is the riots and other civil disturbances. By the police's count, in 1998, there were 1,995 student demonstrations, 1,287 demonstrations by other groups, 496 strikes and 48 riots that caused 263 deaths and 112 serious injuries; destroyed 15 churches, 28 mosques, 16 other places of worship, 64 offices and 4,890 shops; and damaged 1,402 cars and 32 motorcycles.[67] These numbers, of course, hide the layer upon layer of pain and tragedy. The very word 'riot' does not begin to encompass the meanings of these events.

To start with, there is considerable evidence that many of these disturbances were deliberately provoked. Sidney Jones, director of Human Rights Watch-Asia, elaborates: "There is a strong likelihood that elements in the Army have been directly involved in the series of communal incidents, including Ambon, a city in Sulawesi where some of the worst inter-religious killings

occurred, that have broken out in the country since last November. . . . Many leaders believe that Army officers or Djakarta-based Ambonese gangsters with ties to the family of Pres. Suharto acted as provocateurs. . . . Many senior officials in the Indonesian government have charged that the violence in Ambon and elsewhere has been been provoked as part of a nationwide strategy of rogue military officers to disrupt June's scheduled parliamentary elections and create the conditions for a return to military rule."[68]

To say, therefore, that these riots signal a breakdown of public order resulting from government's loss of authority is to state the obvious. "It would be a mistake to think of the unrest only as evidence that the social fabric is unraveling. Rather, what may be unraveling is an elitist concept of statehood, and the authority of an elite whose world this has always been. But for the people, this could be just the start of something new."[69]

Student demonstrations, whether or not "unruly" because they were provoked by the military, are purposive political actions. So are workers' strikes. Most important, the erosion of government authority is not a condition that then leads to mass actions. It is not a unilinear, cause-effect situation. In many places, the decline in government authority is the result of a direct affront on the personalities representing authority. Local officials are physically expelled from communities where people's patience have gone past waiting for th elections. In places such as Aceh, police and military outposts were stormed by people frustrated by the failure to bring the military to account for human rights violations in their locales.

For now the most important actors pushing change are the students and their urban poor allies in the streets. Despite massive preparations by the military, they were able to disrupt the MPR session and provoke the military into politically damaging acts of brutality. ABRI got the MPR to reaffirm *dwi fungsi*, but it lost on the issue of the MPR's call for investigating Suharto for corruption. By its very nature, however, student activism, like the students, is transient. The more of its demands are conceded, the fewer occasions for anger, and the more likely the students' energies get rechanneled to other forms of political activity. As, in the end, they should.

Because they do not count in the millions (people or dollars), journalists and other intellectuals are not often identified as major forces for change. This is unfortunate because in the case of Indonesia, journalists and intellectuals have been the main bridge between the students, middle-class groups and, deeper into society, the students' allies on the street, the urban poor youth. Working through organizations such as the Asian Journalism Institute, journalists have also been a major source of information and analysis for the international community. At a time when the international media concentrated on the IMF's and Indonesian technocrats' support for Suharto, Indonesian journalists carried the anti-corruption and human rights critiques that were to gain dominance in international media just before Suharto fell.

As long as the economy is in crisis, the IMF will continue to be a major force in Indonesian politics. The IMF played a major role, though a largely negative one, in the events leading up to May 1998. How much of a force for change the IMF will be in the coming period is as yet uncertain. Its role in the IBRA issue indicates that at this point, it is opting to act as a brake on 'the destructive force of the market'. By the IMF's own standards, not only should Bob Hassan and Liem Soei Liong be forced to turn over all their assets, they should be put in jail. Instead, it is the IMF itself urging caution and retaining them in the management of their corporate assets. Far from being an avatar of liberalization and transparency in policy making, Kartasasmita, the Minister Coordinator for Economic Affairs, is known for his expertise in organizing rent seeking, a reputation that goes back to his term in the Sekneg state secretariat, the powerful agency under the Office of the President.

On the issue of East Timor, Western governments have played positive roles. Once the Australian government changed its policy of support for Indonesia's occupation of East Timor, Australia became a major force, pushing moves toward East Timor's autonomy or independence. Habibie's decision to open the possibility of independence for East Timor in January 1999 is said to be in response to a letter from Australian Prime Minister John Howard. Australian pressure in April 1999, including a meeting between Australian Foreign Minister Alexander Downer and Habibie in Bali, was a major factor in pushing Habibie and Wiranto to rein in the military in East Timor. Foreign ODA donors are also playing an important role in increasing pressure for free and fair elections through voters' education and organizing for monitoring the actual conduct of elections.

Potentially the most powerful force for change in the coming years is Islam. "Almost 90% of the population is Muslim. . . . But Muslim leaders often sound and act like members of a persecuted minority. That is partly because Christians have held many important government and military posts [perhaps more importantly, economic posts, since many Chinese business people are Christian] during Suharto's tenure. More fundamentally, there is, in a practical sense, no Muslim majority; instead, there are a handful of Muslim minorities."[70] Today, there is a strong sense among Muslim groups that in any new regime, they do not want to be marginalized again.

A combination of (old) New Order policy and the international activism of political Islam has increased its political potential in the last couple of decades. "Thirty years of New Order religious policy has created a majority of Muslim believers through state promotion of religion, the building of mosques and religious schools, and the requirement to practice a faith. These changes have shifted the *aliran* (sectarian) balance in Java toward Islam and away from religio-cultural diversity."[71] More broadly, the depoliticization of Indonesian society during the long period of the dictatorship meant that the only allowed identification was religion and ethnicity.

Elections

Everyone is waiting for the elections like some political holy grail. Investors are holding back to see what happens, depriving Habibie of the kind of economic upturn that could expedite his reelection. ODA donors are holding back disbursements for fear that funds would be diverted for campaigning. Rogue military have scaled up their efforts to generate enough instability to justify stopping the elections. The political thrust of student demonstrations has been blunted by the public's willingness to wait until June 1999 and by disagreement in student ranks on how to relate to the elections. The most anxious and wired, of course, are the political parties.

Golkar's potential is most difficult to predict. It has the advantages of incumbency, patronage resources, and a network of local officials and notables. But this network is as discredited in many areas as Golkar itself is nationally. The recent ban on civil servants' joining political parties affects Golkar much more than other parties. Throughout its history, Golkar was an instrument of the President and ABRI. Internal constraints on differences and other dynamics were suppressed. Under current conditions, the constraints are much weaker, and today's Golkar is riven with factionalism. One should not count the party out of the election race, however. If its vote stays within the range of other major parties, ABRI's 38 seats in the DPR and the seats of smaller Islamic parties such as PPP might be enough to put it back in power.

The Muslim parties will be major players. Since May 1998, at least 10 new Muslim political parties have been formed. A core set of ideas drives this mobilizing, organizing impulse. The most important is a sense of outrage at being minoritized in a society dominated since independence by secular governments. These new parties therefore easily find popular resonance in their demand for criminalizing alcohol and prostitution, and the incorporation of other Muslim social laws into the legal system. Another core set of ideas centers around anti-Chinese business sentiments. Because of Western colonialism, and in the case of Indonesia, Dutch support for Chinese business, plus the perception that Western societies are Christian and worse, secular, there is a deep undercurrent of mistrust of the West.

There are no Talibans and Ayatollahs lurking in the Indonesian political future. Except for isolated pockets, Islamic fundamentalists are outnumbered by syncretic Javanese Muslims. The most prominent Muslim leaders such as Gus Dur and Amien Rais are preaching moderation. Indonesian Islam is also heavily factionalized and reflects these divisions in politics. Nahdatul Ulama's Gus Dur organized the PKB, and the other large Muslim grouping, the 28-million strong Muhammadijah, led by Amien Rais, the PAN. While there are other Muslim parties, these two are considered the largest and most organized.

Of the two, PKB and PAN, the former is stronger, if only because the Nahdatul Ulama is a more cohesive organization than the Muhammadijah.

Nahdatul Ulama's support is more concentrated geographically and, from past experience, easier to transform into votes. PAN, however, is a more interesting party. While everyone sees PAN as a Muhammadijah party, it has formally declared itself a secular one. Its platform does not reflect strong preoccupation with the political issues of Indonesian Islam. Working with Amien Rais and Muhammadijah within PAN are the reform, academic, journalist and student groups represented by PAN's secretary general, University of Indonesia economist Faisal Basrie. Some observers consider PAN the reincarnation of the 1950s' Masjumi-Partai Sosialis Indonesia alliance.

PAN leader Amien Rais is also more interesting because of his complex personality. Progressive students, NGOs, journalists and other reformers who have tried to convince the main opposition leaders — Megawati, Gus Dur and Amien Rais — to unify around a more coherent and consistent pro-democracy platform have long been frustrated by the silence of Megawati and the flip-flopping of Gus Dur at crucial political junctures. Amien Rais, though, has consistently taken public positions closer to those of the students on such issues as *dwi fungsi*, punishing Suharto for corruption and East Timor, at least in the period before Suharto's fall and since then. However, except for those who have actually joined PAN, these groups and individuals continue to harbor a visceral mistrust of Amien Rais.

One reason for this has to do with his being a Muslim leader. As Muhammadijah leader, Amien Rais has voiced strong Islamic positions and anti-Chinese sentiments in the past. Although his recent political persona is more consistently secular, many continue to worry that in a crunch, he might choose to ally himself with Habibie around an Islamic platform after the elections. Amien Rais, however, is more than an Islamic leader. He has a PhD in politics from an American university and earns a living as a university professor. It remains to be seen whether his gamble to marry modernist Islam with secular, urban middle-class reformers pays off.

The third major opposition party is Megawati's PDI. In the face of overwhelming support for Megawati's PDI, the future of the Suryadi-led PDI appears bleak, even though it continues to enjoy government patronage. The strength of Megawati's PDI is mainly drawn from her name and her political heritage, and is driven by the romantic notion many young Indonesians entertain about her father's rule. Having been brought up in the New Order's constricted educational system that blackens, if not demonizes, Sukarno, they gather around his memory as an expression of their anti-Suharto sentiments.

However, few Indonesians, perhaps even Megawati herself, know what PDI stands for and what vision it has for a new Indonesia. If she does, she has been resolutely silent. Although Megawati has very able advisers, she has not demonstrated any overwhelming signs of leadership and vision. Her deafening silence in the weeks leading up to Suharto's resignation has left many

Indonesians distinctly uncomfortable. However, says one of her senior advisers by way of explaining this, Megawati has had such bitter experiences of government's regular intervention and manipulations that she fears any action, meeting or statement she makes will only be counterproductive to PDI's long-term goals.[72]

Megawati's recent moves in forging a loose alliance with Gus Dur and an even looser coalition with Amien Rais and Sultan Hamengku Buwono X have not provided her constituents with any further insights into what she and her PDI specifically stand for, apart from the obvious strategic advantage such an alliance brings. Nevertheless, Megawati enjoys tremendous prospects in the forthcoming general elections. Indeed, Gunawan Mohammad, a political analyst, believes that as long as Megawati does not make any glaring blunders or stupid mistakes, she will easily ride back to the palace.[73]

While a Megawati presidency should not be dismissed out of hand, the current organizational reach and financial base of Megawati's PDI is probably as inadequate as the other new political parties'. Indeed, relative to PKB and the PAN, Megawati's PDI is very weak. The PKB and PAN can draw on, to a certain extent, the vast membership of the Nahdatul Ulama and Muhammadijah for a nationwide organizational network and capabilities, as well as a foundation on which to build their financial strength. The PDI has nothing comparable to build upon; Megawati is its sole strength.

While the divisions in the Muslim community make it unlikely that one particular Muslim party win an electoral majority, the sociological Muslim majority means that only authoritarian regimes such as Suharto's and Sukarno's Guided Democracy can afford to disregard Muslims with impunity. All political groups facing the coming elections, therefore, have their own Muslim agenda. Habibie's Golkar is working closely with ICMI. Megawati's PDI looks to Gus Dur's PKB as a potential coalition partner. Young, secular reformers have chosen to work with Amien Rais and the Muhammadijah. Some have suggested that a Gus Dur-Megawati-Amien Rais ticket might win the opposition power. In such a scenario, Megawati undertakes a ceremonial role, Gus Dur an advisory/spiritual role, and Amien Rais more of an executive role. Whether any of the three seriously entertains this idea is unknown, but it promises Indonesians a certainly exciting future with exciting uncertainties.

In many ways, people are loading too many of their hopes and fears on the June 1999 elections. It is a crucial, even imperative, step. Without credible elections, Indonesia will have no government with enough legitimacy to undertake the many difficult tasks of political and economic reconstruction. But far from being politically decisive, its results could just as easily be inconclusive. The best possible outcome is two compatible parties winning more than 50% of the vote. More likely, the top three or four parties will split 50% of the vote. The subsequent election of the president will then be occasioned by the kind of horsetrading that will disappoint and frustrate everyone.

We have to remember that this is going to be the first "real" election in Indonesia since the mid-'50s. Since independence in 1949, Indonesians have had only two presidents, Sukarno and Suharto. Not only do the Indonesians lack practical experience of elections, they also have to outgrow a conception of authoritarian leadership backed by instruments of power and a deeply ingrained Javanese conception of power. Because of its focus on the personal authority of the ruler, this conception is not easily amenable to Western-style institutions of constitutional democracy. Even now when the June elections should be about voting for parties and the election of the president by the MPR does not happen until November 1999, much of the relevant discourse is about presidential candidates.

The current set of candidates for president is another problem in itself. Looking for meaning beyond opportunist tactical maneuvering in the silences of Megawati or the flip-flopping of Gus Dur is a hopeless task. The reason is that although several oppositionist images have been developed, they simply are all conservative. They all come out of the small Indonesian upper class. More important, no one has projected a vision of Indonesia's future that goes beyond the remnants of the Suharto clique and replacing the authoritarian structures of the (old) New Order with formal, constitutional democracy. Except for nationalist populism, no one has come up with an economic strategy that goes beyond neo-liberal formulas for post-crisis recovery.

To be sure, political groups with alternative visions do exist, but at this time, they are too weak. Going beyond the immediate demands of the student movement, the left party PRD is working hard to redefine in programmatic and organizational terms a new progressive alternative for Indonesia. The Indonesian NGO movement has been the main channel for democratic ideas from the international progressive movement. During the dark days of the dictatorship, NGOs provided resources and more importantly, political shelter for unions, students and other pro-democracy groups. Even before Suharto fell, these groups moved out of the umbrella of NGO 'protection'. Now NGOs have to redefine their specific new role.

Given these realities, one can only hope that the new political institutions of formal political democracy and the radical reconfiguration of economic power will set into motion the formation of new political organizations — especially political parties that can undertake the twin tasks of finding a new liberative vision for Indonesia, and accumulating power through elections and other forms of popular action.

Apart from the amendments regarding parties and elections in the country's political laws, there is potential change in the movement away from an all-powerful central state and toward local autonomy. While several powerful social forces pushing change in post-Suharto Indonesia are at work, all of them, without exception, need room to grow outside the narrow confines of national, Jakarta politics.

Two more crucial and sensitive tasks should be noted. ABRI will also need to take its proper place in a democratic Indonesia. Clearly, that role must be significantly reduced from what it is under the (old) New Order. The question is how and at what pace. This is an issue that the Indonesian elite, military and the international community must understand. Also, although Indonesia's Islam is no Taliban, continued denial of its political role is unhealthy and dangerous to the future of a democratic Indonesia.

In the medium to long term, the challenges for Indonesians will be how to manage and nurture their hard-won democratic space while fixing their economic problems. These they will have to undertake with at least an entire generation of the population educated under the New Order, that is, a generation largely illiterate and unpracticed in democratic behavior, habits and conventions, without any direct memory of living even in a quasi-democratic society, nor with any real idea of what to realistically expect of their leaders, their communities or themselves.

There is little doubt that the next general election, even if conducted openly and fairly, will yield Indonesia a relatively unstable political scene. Any new government, which will almost certainly be a coalition, will operate in a context where Indonesia's political institutions still need to further evolve and stabilize (e.g., *dwi fungsi*). And since most Indonesians voters have yet to learn how to play their role in this evolution, the next few years will be a fairly rough ride.

Endnotes

[1]Ed Aspinall, "Opposition and Elite Conflict in the Fall of Soeharto," in *The Fall of Soeharto*, ed. Geof Forrester and R.J. May (Australia: Crawford House Publishing, 1998), 133.

[2]Chris Manning and Sisira Jayasuriya, "Survey of Recent Developments," *Bulletin of Indonesian Economic Studies* 32, no. 2 (August 1996): 18-21; and Tubagus Feridhanusetyawan, "Survey of Recent Developments," *Bulletin of Indonesian Economic Studies* 33, no. 2 (August 1997): 25-27.

[3]Hilton Root, "In Indonesia, Political Reform Has to Come First," *International Herald Tribune*, 11 August 1998.

[4]Richard Robison, "Indonesia: Tensions in State and Regime," in *Southeast Asia in the 1990s*, ed. Kevin Hewison, Richard Robison, Gary Rodan (Sydney: Allen and Unwin, 1993), 58.

[5]Anders Uhlin, *Indonesia and the "Third Wave of Democratization"* (London: Curzon Press), 1997.

[6]Robison, "Indonesia: Tensions in State and Regime," 60.

[7]Adam Schwarz, "Indonesia After Suharto," *Foreign Affairs* 76, no. 4 (July-August 1997): 124.

[8]Ken Young, "The Crisis: Contexts and Prospects," in *The Fall of Soeharto*, ed. Geof Forrester and R.J. May (Australia: Crawford House Publishing, 1998), 106-107.

[9]*Gatra* 23 (May 1998): 36.

[10]Minister of Education Juwono Sudarsono, quoted in Schwarz, "Indonesia After Suharto," 129-130.

[11]Aspinall, "Opposition and Elite Conflict in the Fall of Soeharto," 132.

[12]Manning and Jayasuriya, "Survey of Recent Developments," 11.

[13]Ibid.

[14]Herbert Feith, "Last-Ditch Stand Politics Revisited," *The Jakarta Post*, 8 October 1998.

[15]Jakarta Post, 4 November 1998.

[16]Quoted in J. Thomas Lindblad, "Survey of Recent Developments," *Bulletin of Indonesian Economic Studies* 33, no. 3 (December 1997): 6-7.

[17]World Bank data cited in Steven Radelet, "Indonesian Foreign Debt: Headed for a Crisis or Financing Sustainable Growth?," *Bulletin of Indonesian Economic Studies* 31, no. 3 (December 1995): 46.

[18]Manuel F. Montes, and Muhammad Ali Abdusalamor, "Indonesia: Reaping the Market," unpublished paper dated 16 February 1998, p. 7.

[19]Radelet, "Indonesian Foreign Debt: Headed for a Crisis or Financing Sustainable Growth?," 46.

[20]Ibid., 49 and 61.

[21]Tubagus Feredhanusetyawan, "Survey of Recent Developments," *Bulletin of Indonesian Economic Studies* 33, no. 2 (August 1997): 24.

[22]Montes and Abdusalamor, "Indonesia: Reaping the Market," 5 and 8; and William E. James, "Survey of Recent Developments," *Bulletin of Indonesian Economic Studies* 31, no. 3 (December 1995): 9.

[23]Root, "In Indonesia, Political Reform Has to Come First," 11 August 1998.

[24]*Asian Wall Street Journal*, 17 and 24 August 1998.

[25]Marc Purcell, "Sinking Asia," *ACFOA Development Issues* 4 (August 1998): 14.

[26]Lindblad, "Survey of Recent Developments," 9.

[27]Montes and Abdusalamor, "Indonesia: Reaping the Market," 5-6 and 8.

[28]Ibid., 7.

[29]*International Herald Tribune*, 19 August 1998.

[30]*Asian Wall Street Journal*, 6 October 1998.

[31]Nicola Bullard, *Taming the Tigers: The IMF and the Asian Crisis,* (London: Focus on the Global South and CAFOD, 1998).

[32]Because key decisions were closed to the public, political rumor often took the place of analysis. Suharto's decision to cut off subsidies was interpreted by many as the dictator's attempt to show the IMF that doing things its way — cutting subsidies, resulting in riots and deaths — was wrong. There was also the hope that if he was publicly seen to be doing the IMF's disastrous bidding, alternative solutions more palatable to the public might be accepted, thereby strengthening his political position.

[33]Rizal Ramli, "Indonesia's Free Fall," *AMPO: Japan-Asia Quarterly Review* 28, no. 3 (1998): 30.

[34]Ross H. McLeod, "Indonesia," in *East Asia in Crisis*, ed. Ross H. McLeod and Ross Garnaut (London: Routledge, 1998), 46-47.

[35]*Today*, 9 September 1998; and *The Jakarta Post*, 23 October 1998.

[36]*International Herald Tribune*, 15 July 1998.

[37]*International Herald Tribune*, 15 July and 8-9 August 1998.

[38]*The Jakarta Post*, 4 November 1998.

[39]Emil Salim, Economic Affairs Minister, interview by Dr. Joel Rocamora, 3 November 1998.

[40]See, for example, *Far Eastern Economic Review*, 18 March 1999.

[41]ABRI HQ, "ABRI and Reform: Executive Summary," dated June 1998 and reportedly written by Gen. Susilo Bambang Jodhoyuno, chief of staff for territorial affairs.

[42]*Asian Wall Street Journal*, 9 November 1998.

[43]Jakarta's prodigious rumor mills had alternative backers for Sudradjat, but doubtless, Tandjung is Habibie's man.

[44]*International Herald Tribune*, 13 July-6 August 1998.

[45]*Asian Wall Street Journal*, 11-12 September 1998.

[46]Mark Baker, "East Timor — Indonesia's Divided Conquerors," *Sydney Morning Herald*, 24 April 1999.

[47]*The Jakarta Post*, 23 October 1998.

[48]*The Manila Times*, 15 November 1998.

[49]*International Herald Tribune*, 14-15 November 1998.

[50]Dewi Fortuna Anwar, adviser to President B.J. Habibie, interview by both authors, 2 November 1998.

[51]Indraneel Datta, "Indonesian Electoral Bill 1998: A Comparison of Three Competing Drafts," report submitted to the International IDEA [International Institute for Democracy and Electoral Assistance], October 1998, p. 1.

[52]Two other drafts not formally submitted to the DPR, however, have also entered public debate, one commissioned by the Indonesian Institute of Science, a government body critical of the Suharto regime, and the other by the National Committee for Legal Reform organized after Suharto's fall by prominent opposition lawyers.

[53]*The Jakarta Post*, 24 October 1998.

[54]Indraneel Datta, "Indonesian Electoral Bill 1998: A Comparison of Three Competing Drafts," 2.

[55]*Far Eastern Economic Review*, 11 February 1999.

[56]Benedict Anderson, "Elections and Participation in Three Southeast Asian Countries," in *The Politics of Elections in Southeast Asia*, ed. P.H. Taylor (Washington D.C.: The Woodrow Wilson Center Press, 1996), 14.

[57]*Asian Wall Street Journal*, 11 November 1998.

[58]*Far Eastern Economic Review*, 3 December 1998.

[59]Jeffrey A. Winters, *Power in Motion: Capital Mobility and the Indonesian State* (Ithaca: Cornell University Press, 1996), 214.

[60]*Far Eastern Economic Review*, 8 October 1998; and Adam Schwarz, "Perils of Restructuring Indonesia," *Asian Wall Street Journal*, 12 October 1998.

[61]*Far Eastern Economic Review*, 22 October 1998; and *Asian Wall Street Journal*, 26 August 1998.

[62]*International Herald Tribune*, 13 July 1998.

[63]*Asian Wall Street Journal*, 1 September 1998.

[64]Dow Jones News Wires, 16 March 1999; and *Far Eastern Economic Review*, 4 February 1999.

[65]*Asian Wall Street Journal*, 4 January 1999.

[66]Young, "The Crisis: Contexts and Prospects," 109.

[67]*Asian Wall Street Journal*, 11 January 1999; and *Far Eastern Economic Review*, 4 February 1999.

[68]Quoted in InterPress Service, 18 March 1999.

[69]Gerry van Klinken, "Is Indonesia Breaking Down?" *Far Eastern Economic Review*, 19 March 1999.

[70]Schwarz, "Indonesia After Suharto," 129-130.

[71]Geof Forrester, "A Jakarta Diary, May 1998," in *The Fall of Soeharto,* ed. Geof Forrester and R.J. May (Australia: Crawford House Publishing, 1998), 62.

[72]Laksamana Sukardi, adviser to Megawati, interview by Mastinah Saleh, July 1998.

[73]Gunawan Mohammad, prominent political analyst, interview by Mastinah Saleh, July 1998.

Bibliography

Anderson, Benedict. "Elections and Participation in Three Southeast Asian Countries." In *The Politics of Elections in Southeast Asia*, ed. P.H. Taylor. Washington D.C.: The Woodrow Wilson Center Press, 1996.

Asian Wall Street Journal, various issues.

Aspinall, Ed. "Opposition and Elite Conflict in the Fall of Soeharto." In *The Fall of Soeharto*, ed. Geof Forrester and R.J. May. Australia: Crawford House Publishing, 1998.

Baker, Mark. "East Timor — Indonesia's Divided Conquerors." *Sydney Morning Herald*, 24 April 1999.

Bullard, Nicola. *Taming the Tigers: The IMF and the Asian Crisis*. London: Focus on the Global South and CAFOD, 1998.

Feith, Herbert. "Last-Ditch Stand Politics Revisited." *The Jakarta Post*, 8 October 1998

Feridhanusetyawan, Tubagus. "Survey of Recent Developments." *Bulletin of Indonesian Economic Studies* 33, no. 2 (August 1997).

Far Eastern Economic Review, various issues.

Forrester, Geof. "A Jakarta Diary, May 1998." In *The Fall of Soeharto*, ed. Geof Forrester and R.J. May. Australia: Crawford House Publishing, 1998.

Gatra 23 (May 1998).

Indraneel, Datta. "Indonesian Electoral Bill 1998: A Comparison of Three Competing Drafts." Report submitted to the International IDEA [International Institute for Democracy and Electoral Assistance], October 1998.

International Herald Tribune, various issues.

InterPress Service, 18 March 1999.

James, William E. "Survey of Recent Developments." *Bulletin of Indonesian Economic Studies* 31, no. 3 (December 1995).

Liddle, Bill. "Habibie Under Seige? Elections Will Be the Real Test." *Asian Wall Street Journal*, 23 September 1998.

Lindblad, J. Thomas. "Survey of Recent Developments." *Bulletin of Indonesian Economic Studies* 33, no. 3 (December 1997).

Manning, Chris and Sisira Jayasuriya. "Survey of Recent Developments." *Bulletin of Indonesian Economic Studies* 32, no. 2 (August 1996).

McLeod, Ross H. "Indonesia." In *East Asia in Crisis*, ed. Ross H. MacLeod and Ross Garnaut. London: Routledge, 1998.

Montes, Manuel F. and Muhammad Ali Abdusalamor. "Indonesia: Reaping the Market." Unpublished paper dated 16 February 1998.

Purcell, Marc. "Sinking Asia." *ACFOA Development Issues* 4 (August 1998).

Radelet, Steven. "Indonesian Foreign Debt: Headed for a Crisis or Financing Sustainable Growth?" *Bulletin of Indonesian Economic Studies* 31, no. 3 (December 1995).

Ramli, Rizal. "Indonesia's Free Fall." *AMPO: Japan-Asia Quarterly Review* 28, no. 3 (1998).

Robison, Richard. "Indonesia: Tensions in State and Regime." In *Southeast Asia in the 1990s*, ed. Kevin Hewison, Richard Robison, Gary Rodan. Sydney: Allen and Unwin, 1993.

Root, Hilton. "In Indonesia, Political Reform Has to Come First." *International Herald Tribune*, 11 August 1998.

Schwarz, Adam. "Indonesia After Suharto." *Foreign Affairs* 76, no. 4 (July-August 1997).

_____. "Perils of Restucturing Indonesia." *Asian Wall Street Journal*, 12 October 1998.

The Manila Times, 15 November 1998.

The Jakarta Post, various issues.

Today, 9 September 1998.

Uhlin, Anders. *Indonesia and the "Third Wave of Democratization."* London: Curzon Press, 1997.

van Klinken, Gerry. "Is Indonesia Breaking Down?" *Far Eastern Economic Review*, 19 March 1999.

Winters, Jeffrey A. *Power in Motion: Capital Mobility and the Indonesian State.* Ithaca: Cornell University Press, 1996.

Young, Ken. "The Crisis: Contexts and Prospects." In *The Fall of Soeharto*, ed. Geof Forrester and R.J. May. Australia: Crawford House Publishing, 1998.

An Open Letter to Young Friends in Indonesia

IT IS OVER now. The election of Abdurrahman Wahid (Gusdur) and Megawati (Mega) closes the door on the period opened by the resignation of Suharto a year and a half ago. The period of great danger, of things falling apart, is over. The MPR (People's Consultative Assembly) session last month that elected Gusdur and Mega is also a beginning. It opens the door to a future of challenge and hope.

This is your future. None of this would have been possible without the sweat and blood, the fears and extravagant hopes of young people like you. Your student rallies brought Suharto down. You inspired earlier generations of students, now the middle class of business, media and government, to join you in the streets. Together you have prevented the military from taking back the democratic space you carved with your energy and sacrifice.

Neither Gusdur nor Mega belong to your world. By age, economic and social interests, cultural predispositions, and politics, they are, at best, on the cusp between the old and the new. Your task is to encourage them, pull them to join you in the future. You cannot do this without the help of those of you who have joined the political parties, and now the new government. You should understand that as important as demonstrations and the politics of confrontation have been in the past two years, you now have to add other instruments and other tactics in your struggle for a more egalitarian, more participatory, more popular democracy.

President Gusdur

LIKE YOU I am, all at the same time, pleased, anxious, hopeful, fearful of what a future with President Abdurrahman Wahid and Vice-President Megawati will hold. I do not like being so wrenchingly surprised. Like everyone else except Gusdur himself, I had discounted the possibility of a Gusdur presidency. I wonder how Gusdur feels about getting votes from Islamic politicians who have not moved out of the Middle Ages enough to vote for a woman president.

Is a Gusdur presidency going to be an Islamic presidency? I do not think so. I do not think you will be forced to wear a *jilbab* (a scarf) if you do not want to. There is little of what we know of Gusdur or the Nahdatul Ulama

---

This book was going to the press shortly after Indonesia's presidential election in November. The publisher, the Institute for Popular Democracy, of which Dr. Joel Rocamora is executive director, deemed a postscript to the preceding essay, in the form of an address to the Indonesian pro-democracy movement, appropriate.

that connects either in any way with the political culture of the Taliban. None of his cabinet appointments indicates an intention to transform the government into an Islamic government, whatever that would mean. Gusdur has too much of a sense of humor to be an Islamic militant.

I do not wish Islamic fundamentalism on you and your people. But I believe it is a step forward that for the first time since independence 54 years ago, individuals and groups for whom Islam is the central source of political identity do not have to feel excluded. I am not sure what president Sukarno, and later on Suharto, achieved by excluding certain forms of political expression for Islamic groups other than consolidating control of the Indonesian state by the civilian and military bureaucracies they led.

Having a revered Islamic leader as president has important symbolic value. If you add the election of Amien Rais as chairman of the MPR, then you have the leaders of the two largest Islamic organizations in the country occupying the two top elected positions in the government.[1] We can concede the feeling of pride that Islamic leaders must feel without worrying too much about Islamic triumphalism because we know that Amien Rais is even more determinedly secular than Gusdur.

Clearly, whatever deals Gusdur may have cut with Golkar or the military, the core of his support in the MPR was Poros Tengah (Central Axis) and its Islamic parties. Gusdur owes his victory to Amien Rais if he owes it to anyone. Amien Rais' role in building Poros Tengah partly makes up for the poor performance of his party, PAN (National Mandate Party), in the June elections. I hope he does not now think he was mistaken in agreeing that PAN should be a secular party. Maybe Gusdur should also thank Habibie because by emphasizing Islam in building his base in Golkar, Habibie gave an advantage to Gusdur in negotiating Golkar votes once Habibie withdrew from the race.

Mega

I COULD SEE from watching Mega's face on TV as the last votes were being counted that she was not happy about being vice president. I can understand her being disappointed because we all expected her to become president. Did she also feel that Gusdur went back on a promise to support her for the presidency? How did she feel about Islamic leaders openly campaigning against her because she is a woman? I hope she is fuming mad, that she does not retreat into the stance of resigned acceptance that Javanese women have been taught.

Perhaps she had no choice but to accept second best to prevent the continuation of the violent expression of disappointment of her supporters. The riots in Jakarta and, of all places, Denpasar, were indeed worrisome because Indonesia remains a tinderbox. She must also have known that the inclusion of her faction of the PDI (Indonesia Democratic Party), the PDIP,

in the cabinet, and perhaps the very future of the party, depended on agreeing to complete the Gusdur-Mega team. Being the understudy of someone who has already had two strokes is not so bad. Everyone says the odds on her becoming president are good. Is there any truth to the rumors that Gusdur will resign in her favor in the not too distant future?

With Mega, I was also disappointed. Not because I strongly supported her to become president but because my analysis was wrong. I underestimated the forward motion of the Islamic parties in Poros Tengah. I did not see that with the collapse of the Habibie candidacy and the political weakness of the military, only the PDIP and the Poros Tengah were left on the MPR stage. Since neither Gusdur with Poros Tengah votes, nor Mega with PDIP and military votes, had enough to win, they had to negotiate hard with the only remaining large block of votes, that of Golkar.

Gusdur's support for Mega was viable only to block Habibie's reelection. With Habibie out, why not go for it, Gusdur must have thought. With the International Monetary Fund (IMF) pushing the Bank Bali scandal,[2] the Habibie candidacy was finished even before the MPR session. Gusdur's ambitions may date back to that time, though he kept Mega on a string. Before the MPR session, he publicly vacillated between taking his chances seriously and supporting Mega, but I thought that's just classic Gusdur. Especially after he seemed to symbolize his support for Mega by going with her to visit the tombs of their ancestors.

This is where Gusdur's political skills and Mega's political style came in. The political and religious location of Gusdur and Nahdatul Ulama has been conducive to highly honed negotiating skills. In the short period of parliamentary democracy in the 1950s, the "NU" for Nahdatul Ulama was derisively taken to mean *nurut udara* (going where the wind blows). Mega is *anak istana*, literally grew up in the presidential palace when her father was president. Perhaps we can ascribe her not having jumped into the rough world of negotiations to a sense of being born to rule. In Javanese political culture, power is not accumulated, it is manifested.

Coalition Cabinet

I WAS PREPARED for surprise before the announcement of the cabinet. Indeed, I was pleasantly surprised. It is neither a PKB/NU (National Awakening Party/Nahdatul Ulama) nor an Islamic cabinet. Whatever else can or will be said of Gusdur, it does not appear that he went out of his way to secure his or his party's interests in the new cabinet. The only PKB member of any importance in the cabinet is Foreign Affairs Minister Alwi Shihab, a Muslim scholar and expert on comparative religions who studied in Egypt and the US. Hamzah Haz, leader of the United Development Party (PPP), is Social Welfare minister. Jusril Izha Mahendra, head of the Crescent and Star Party, is Justice minister.

After scaring many with talk of having to make deals with Golkar, Gusdur has crafted a cabinet that makes a distinct break with the Suharto/military/Golkar past. It is a finely tuned coalition cabinet with many inspired choices. He asked for only two positions in the cabinet, Gusdur says. The rest were proposed by Mega, General Wiranto, Akbar Tandjung and Amien Rais. Everyone says it is a politically and geographically balanced cabinet. If anything, its problem is going to be how to reconcile the conflicting interests within to forge a coherent, coordinated policy direction in a government headed by a man whose political instincts emphasize compromise and pragmatism.

Gusdur's choices, of course, are not just personnel selections. They indicate policy directions in a number of areas. The question is how far these policy initiatives will be taken and at what pace. It is clear Gusdur has responded to popular demand for curbing the political power of the military. The most important step was removing Wiranto as armed forces chief and minister of defense, while keeping him in the cabinet as coordinating minister for Political Affairs and Security. Gusdur then emphasized a political point by appointing a Navy admiral, Admiral Widodo Adisutjipto, as armed forces chief, and a civilian, Education minister Juwono Sudarsono, as Defense minister, both appointments precedent-setting.

Gusdur also signaled a break with the past by abolishing the Suharto-era propaganda apparatus, the ministry of Information, and creating two new ministries, the ministry of Regional Autonomy and a Human Rights ministry. Appointed ministers were Rias Rasjid, a native of South Sulawesi, for Regional Autonomy, and in the Human Rights ministry, Hasbalah M. Saad, an Acehnese, a stroke of genius given that the most serious recent human rights violations outside of East Timor are in Aceh. Then, to signal a departure from the Habibie administration's refusal to deal with Suharto corruption, Gusdur appointed Marzuki Darusman the Attorney General. Darusman is leader of the reform wing of Golkar, and more importantly, head of the Human Rights Commission.

Two top Mega advisers got key economic policy-making positions. Kwik Kian Gie is coordinating minister, in charge of overall economic policy; Laksamana Sukardi is minister for Capital Investment. The minister of Finance is a US-trained academic, Bambang Sudibyo, who is linked to MPR chair and PAN leader Amien Rais. An ethnic Chinese, Kwik should be able to reassure Chinese investors who took out funds in the wake of anti-Chinese riots in 1998. Long critical of IMF policies, Kwik and his economic policy team had already indicated that they want to renegotiate the terms of Indonesian relations with the IMF and other international economic actors.

Sure, a better cabinet could have been put together. But we have to be clear what we mean by "better." This cabinet is already younger, more highly educated than past cabinets. None of the ministers has a history of

corruption. Given its coalitional character, it should have no problems getting legislation passed by the DPR (the national assembly). I do not worry, as some commentators do, about the lack of an opposition in the DPR. There are so many contentious issues, and so many new, untested parties that I am sure an opposition will arise in due course.

Issues

YOUR NEW LEADERS will have to contend with many political and other issues in the future. On top of my list is Indonesia's economic recovery and its heavy dependence at this time on the IMF and the US government. My next three concerns might be said to be preconditions for building stable political institutions in Indonesia: Suharto and corruption, the military and human rights violations, and Aceh, West Irian and local autonomy. You may not agree that this particular set should be on top of the list, but I am sure we can agree that they are important.

Foreign investors are unhappy with, or at best skeptical of, the new Gusdur government. They are not sure if the new government has the expertise and cohesion needed to become efficient crisis managers. They worry about Kwik Kian Gie, coordinating minister in charge of overall economic policy, because he has uttered economic heresies in the past. He once proposed a fixed rate for the rupiah against the US dollar. Worse, they fear that the government, in its attempt to use unfamiliar democratic institutions to eradicate the corruption of its predecessor, may sacrifice economics in the name of popular justice.[3]

This comment illustrates my worries about Indonesia's dependence on foreign investors and their enforcers, the IMF and the World Bank. For all of their recent preoccupation with corruption, they do not want to sacrifice economics (read: profits) for justice. They were happy enough with Suharto's megalomaniac corruption as long as the economy was booming. They only went after him when the economy collapsed. The Habibie government allowed itself to be bullied by the US and the IMF because it did not have a political mandate. The new government should return foreign investors' skepticism in kind.

The government certainly should not tolerate the kind of arrogant bullying that the new US ambassador, Robert S. Gelbard, seems to think he can get away with. In a recent meeting with Finance Minister Bambang Sudibyo, Gelbard bluntly told Sudibyo that the US would not tolerate the replacement of Indonesian Bank Restructuring Agency (IBRA) chair Glenn Yusuf. I certainly support Sudibyo's and Amien Rais' public denunciation of this bullying. It is not just American arrogance. Watch carefully what happens to IBRA because it is, at this time, the most important economic agency in the government.

With US$55 billion in assets and power over the restructuring of the bankrupt banking system, IBRA is more powerful than the central bank.

The Bank Bali scandal provides a recent example of how foreign investors and the IMF can play a positive role in denouncing high-level corruption. But there are many current economic issues, including payments for highly overpriced power plants built during the Suharto period, where the interests of foreign investors and the Indonesian people do not coincide. The US government should certainly not be allowed to determine who runs an agency as important as IBRA.

Given Indonesia's massive US$136 billion debt at this time, it does not make sense for the new government to take a Sukarno-era 'To hell with your aid!' stance. The US and the IMF got used to getting what they want from a lame duck Habibie government. It is time they learned to negotiate with a legitimate government with a strong mandate. Publicly denouncing Ambassador Gelbard is a good first step for strengthening the negotiating position of the new government. Another might be to investigate the collusion of foreign corporations and banks in corrupt deals with Suharto, his family and his cronies.

Rooting out corruption as deeply embedded as it is in the Indonesian political system will require many legal, administrative and other steps over a long period of time. The new government has to adopt a stronger anti-corruption stance than it already has. This can only be done by using Suharto, the symbol of corruption over the last three decades. Before he dies, he has to be punished in order to show that even the most powerful suffer the consequences of corrupt acts. I do not agree with Gusdur that Indonesia has to choose between punishing him and recovering money he has stolen. He will not come clean on where his money is unless he is convinced that the new government is serious about putting him in jail.

Reforming the military is a more difficult and intractable problem. I have always believed that *dwi fungsi* (dual function) is not the most important problem. The very fact of an elected president and parliament automatically weakens the political power of the military. The military's remaining 38 seats in the DPR should be removed by the next election, but as the presidential elections showed, the military is no longer a major player. Wiranto's order requiring officers taking civilian posts to resign from active service is a major step. Together with the implementation of local autonomy, the military's power should gradually decrease.

The problem of financing the military links back to the issue of corruption. The government budget has never been enough to support the military. Businesses controlled by the military provided the rest, in the process creating serious problems for competing companies. The military eventually has to move out of business. The professionalization of the military and putting it under civilian control require financing the military out of the budget. In the meantime, the new government has to find a way to finance the military at a time of severe budgetary constraints. Perhaps the appointment of generals

Yudhoyuno and Gumelar to key economic ministries (Mining and Communications) is part of, I hope, a temporary solution.

The transfer of generals Wiranto, Yudhoyuno and Gumelar to the cabinet creates openings for new appointments at the top of the military hierarchy. Perhaps appointments have already been made from abroad that I do not yet know of. I hope Gusdur has used this opportunity not only to remove all generals closely linked to Suharto, but also to appoint in their place officers with the guts to deal with the problem of former general Prabowo Subianto and the special forces group Kopassus. The Armed Forces (ABRI) should be ashamed, not of having to withdraw from East Timor, but of the sorry sight of Wiranto being unable to control Kopassus and its militia.

Resolving problems of factionalism and lack of discipline will provide a handle for dealing with a more serious problem, making the military accountable for human rights violations. Putting the blame on the Kopassus partly addresses morale problems, but the military as an institution must be made accountable. True, punishing everyone who has ever been guilty of human rights violations is impossible. But a few dramatic trials of recent violators could drill into military culture and consciousness that its monopoly on the legitimate uses of violence has limits, and that those limits are set by internationally recognized and sanctioned human rights standards.

Two recent cases have to be pursued, East Timor and Aceh. The conditions for dealing with these cases are good. With the MPR decision affirming Timorese independence, the conciliatory statements of both Gusdur and Mega, and their meeting with Xanana Gusmao in the works, the new government should now make a strong statement of support for the UN commission of inquiry on human rights violations in East Timor. The new Ministry of Human Rights and its Acehnese minister can make an example of recent atrocities in Aceh. With his background in human rights work, the new Attorney General Marzuki Darusman can facilitate these efforts.

Apart from dealing with human right violations, a solution to the problems posed by Aceh and Irian Jaya requires serious implementation of the new local autonomy law. The territorial integrity of Indonesia has been maintained with the sharp end of a military bayonet in an authoritarian state. A democratic Indonesia cannot continue to use this method. The main demand of outlying provinces such as Aceh is more equitable distribution of government revenue, especially from the extraction of natural resources in the territory. The passage of the law creating the Ministry of Regional Autonomy last year and Rias Rasjid's appointment as its minister are important beginnings. For Acehnese, the appointment of Hasbalah M. Saad should help. But the Acehnese need a lot of persuading, and the implementation of regional autonomy is not going to be a bed of roses.

I am probably being more optimistic about these political developments than you are. As an outsider not directly involved in your political struggles, I

have not accumulated disappointments in political personalities or lost battles on specific issues in the way I am sure you have. Being an outsider, however, also gives me a certain. . . call it 'aesthetic distance'. From the vantage point of the Philippines, I understand, perhaps better than you, how difficult and often frustrating a political system democracy is. Having grown old in the progressive movement here, I have learned the value of incremental change, of patience.

If Mega had been a more inspiring political leader instead of being largely a symbolic one, I might have been more disappointed. Gusdur made way too many political compromises with the old regime. But in the end, he won in a transparent and democratic election. The cabinet he crafted may not quite satisfy foreign investors, but no major domestic political forces that I know of have complained. I am happy with the policy initiatives represented by the abolition of the information ministry, the creation of new ministries, and the political perspectives of key ministers.

There is, too, the pro-democracy movement that you exemplify. A major part of my optimism about the Indonesian situation is the still vibrant pro-democracy movement. I do not think there is really a serious problem between my optimism and your skepticism. I believe they are both valid stances. Your skepticism is necessary, otherwise you will lose your edge of militancy. But do share some of my optimism, otherwise you will not see the many opportunities for working within the government, with some of the ministers who I believe are open to the ideas and intervention of NGOs, social movements and other pro-democracy groups.

You will probably spend less time on the streets in the coming year. But it will not be because you have lost your commitment, as some journalists will likely say. Many of you are already busy doing the less dramatic but ultimately more important work of organizing workers, peasants, women and other disadvantaged groups. Others are busy building the NGOs necessary for supporting such organizing work. Yet others have joined political parties, hoping to infuse them with the spirit of your movement. Some undoubtedly will quietly go back to their studies. But that is as it should be for, except in unusual circumstances when the courage and heroism of the young is required, your main task is to prepare for the future you have just re-claimed for yourselves and your grateful people.

Joel Rocamora
3 November 1999

Notes

[1]Amien Rais is the leader of Muhammadijah, the second largest Islamic organization in the country.

[2]In mid 1999, a clutch of Habibie associates led by A.A. Baramuli, an MPR member from Habibie's home province of South Sulawesi and chair of his Supreme Advisory Council, was tasked to secure his nomination within Golkar. In a space of 24 hours, the group, known as the Habibie Success Team, persuaded 10 wavering provincial Golkar chiefs to switch their vote to Habibie as the party's presidential candidate. The most likely explanation for the group's success: money. Bank Bali's president Rudy Ramil has testified that Baramuli and other Habibie associates pressured him to give a US$73 million kickback in exchange for a transfer of Bank Bali loans from the Indonesian Bank Restructuring Agency. Whether the money went to Habibie's covert campaign or ended up lining the pockets of Habibie associates including Baramuli is still a mystery.

Golkar reportedly experienced a "flood of money" in the runup to the presidential election. An unnamed Golkar MP admitted receiving 500 million rupiah as a downpayment on a promised offer of 3 million rupiah (US$380,000).

Jose Manuel Tesoro and Dewi Loveard, "Stuck in the Middle:" How B.J. Habibie's Aides and Allies Both Help and Hurt Him," *Asiaweek*, 22 October 1999.

[3]Wayne Arnold, "Foreign Investors Wary of Jakarta's New Chief," *International Herald Tribune*, 28 October 1999.

About the Authors

Carmel V. Abao was a research associate for the Democracy Watch Department of the Institute for Popular Democracy in 1997, before being elected secretary general of AKBAYAN (Citizens' Action Party) during the party's founding congress in 1998. She was also project officer of the Megacities Project and the Labor Caucus Program of the Partnership of Philippine Support Service Agencies. Between 1987 and 1993, she was active with several Philippine trade union-related organizations including the Workers College, the Workers' Institute and the Lakas Manggagawa Labor Center. She finished the Legal Management Program of the Ateneo de Manila University in 1987.

Regina S. Abesamis was a researcher at FOCUS for the Global South, engaging in analyses of Thai politics and development, when she wrote the chapter on Thailand. She graduated from Smith College in Northampton, Massachusetts in 1995 with a degree in Government and Third World Development Studies. Before joining FOCUS, she also worked as advocacy officer of the Philippine Rural Reconstruction Movement. She is now continuing her work in the area of development with several non-governmental agencies based in the Philippines.

Walden Bello authored numerous books and articles on the political economy of the third world, debt and development issues. He is currently the executive director of the Bangkok-based FOCUS on the Global South and chairman of the Philippine political party AKBAYAN. He has taught at the University of California at Berkeley and, as a political exile during the Marcos dictatorship, worked in Washington, D.C. as a lobbyist and advocate for democratic rights in the Philippines. Walden obtained his Ph.D. in Sociology from Princeton University in 1975. Besides his active lobby and political work, he also teaches at the Sociology Department of the University of the Philippines.

Dorothy M. Guerrero is a research associate at the Institute for Popular Democracy (IPD). She obtained her Master of Arts degree in 1996 from the Politics of Alternative Development Strategies Programme at the Institute of Social Studies in The Hague, The Netherlands. She finished her Bachelor of Arts degree in Political Science at the University of Sto. Tomas, Manila in 1989. Before joining IPD, she was active in the student movements and in organizing people's councils in squatter communities of Metro Manila for

the now defunct People's Foundation of Organizers for Community Empowerment (People's FORCE), and later on worked as deputy director of the Center for Urban Community Development.

Gregorio Luis Igaya, at 23, is the youngest Research Associate of the Institute for Popular Democracy (IPD). He finished his degree in Business Economics at the University of the Philippines' School of Economics in 1997. His current work at IPD's Development Watch Department is a mix of different topics and fields, which reflects his personal interests as well. He is currently working on local finance and tax reform, economic change and its impact on local politics and, of course, democratization and development in the Philippines.

M. Nadarajah obtained his Ph.D. degree in Sociology at the Jawaharlal Nehru University, New Delhi in 1985. Since 1996, he worked as a consultant on sustainable development projects with regional and other Asian organisations. He has recently published a book entitled *Culture, Gender and Ecology: Beyond Workerism,* which is his Ph.D. thesis. In addition to teaching sociology and organization theory in a programme offered by LSE, University of London, he works as a researcher at the Stamford Center for Economic and Social Research, Stamford College, Kuala Lumpur, Malaysia.

Joel Rocamora received his Ph.D. in Politics, Asian Studies and International Relations from Cornell University, New York in 1974. He taught politics and Asian Studies at the University of the Philippines in the early '70s before the Marcos dictatorship drove him into exile in the US. He lived and worked in the United States (Southeast Asia Resource Center) and the Netherlands (Transnational Institute) until the early '90s. On his return to the Philippines in 1992, he did research and consulting work for various NGOs, becoming the executive director of the Institute for Popular Democracy in 1996. He has authored numerous books and articles on Indonesian and Philippine politics.

Mastinah Saleh is an Indonesian journalist who is now based in Manila.

Charles Santiago heads the Stamford Centre for Economic and Social Research at Stamford College, Kuala Lumpur, Malaysia. He finished his post-graduate studies in economics at the New School for Social Research, New York City. Charles was also with the organizing committee of the APEC People's Assembly in 1998 when the Asia Pacific Economic Cooperation summit was hosted by the government of Malaysia.