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Southeast Asia and the politics of vulnerability

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ABSTRACT *The economic and political crises that have engulfed Southeast Asia over recent years should not have come as such a surprise. A consideration of the region's historical position and economic development demonstrates just what formidable obstacles still constrain the nations of Southeast Asia as they attempt to restore growth and stability. This paper places the Southeast Asian experience in historical context, outlines the political and economic obstacles that continue to impede development, and considers some of the initiatives that have been undertaken at a regional level in the attempt to maintain a degree of stability and independence. Despite the novelty and potential importance of initiatives like the Asean +3 grouping, this paper argues that the continuing economic and strategic vulnerability of the Southeast Asian states will continue to profoundly shape their politics and limit their options.*

The economic and political crises that have recently engulfed the countries of Southeast Asia provide a stark reminder of just how difficult the challenge of sustained regional development remains. In retrospect, the hyperbole that surrounded the 'East Asian miracle' looks overblown, and testimony to the manner in which rhetoric can outstrip reality, especially in the minds of international investors. Certainly, some observers had questioned the depth and resilience of capitalist development in Southeast Asia,[1] but in the years immediately before 1997 such analyses tended to be in the minority. Now, of course, it is painfully obvious that much of Southeast Asia's economic and political development was extremely fragile. And yet, when seen in historical context, this outcome should not have been so surprising. For the fact remains that the countries of modern Southeast Asia, both as independent nations and as colonies of various imperial powers, have been highly vulnerable to the actions of powerful external political and economic forces. This paper will examine the economic bases and the political consequences of this vulnerability, both domestically and at a regional level. I argue that the recent crisis has served as an unwelcome reminder of just how constrained, dependent and vulnerable the Southeast Asian region's development prospects remain, a situation that is exacerbated by, and which contributes to, domestic political crises.

The first part of this paper places the Southeast Asian region in its specific historical context. It is simply not possible to understand the economic challenges

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and political responses that have emerged in Southeast Asia without giving appropriate consideration to the—often overwhelmingly powerful—external forces that have shaped the region. Not only have such forces fundamentally influenced the course of domestic political and economic development, leading to a concomitant preoccupation with nation building and the protection of national sovereignty, but they have also underpinned a number of important intra-regional developments. Consequently, the second part of the paper looks at the political economy of Southeast Asia, especially in the aftermath of the crisis, as this places fundamental constraints on possible future development. Finally, I consider what sort of presence the Southeast Asian region has on the wider world stage in which interregional interaction is coming to play an increasingly important role. Here I suggest that the historical pattern of Southeast Asian vulnerability and subordination to greater external forces looks set to continue, despite the efforts of local political elites.

Southeast Asia in historical context

The disparate ethnic and religious formations that are so characteristic of Southeast Asia present a major initial challenge to national and regional coherence—for policy makers *and* analysts. The incorporation of much of Southeast Asia into a powerful, increasingly global capitalist system in a process that fundamentally transformed existing social structures and gave economic control to the colonial powers, helps to explain why most of Southeast Asia has been plagued by poverty ever since.[2] Yet this common history, especially when combined with the more recent experience of Japanese militarism, decolonisation, the impact of the Cold War and the structurally embedded position the region occupies in the international system, means that for all its striking heterogeneity, it makes sense to think of Southeast Asia in particular and East Asia more generally as an increasingly distinctive region.[3]

The origins of the contemporary political structures of Southeast Asia, and many of the problems that have subsequently confronted them, can be traced to the colonial powers' intrusion into, and subsequent withdrawal from, Southeast Asia over the course of the 19th and 20th centuries. The expansion of the states system from Europe throughout the rest of the world not only generated an overarching institutional infrastructure into which the freshly minted states of post-colonial Asia would subsequently aspire to fit,[4] it also profoundly influenced the domestic shape of these states. The development of domestic bureaucracies, the scope and style of government and the increasing centralisation of power all reflected the influence of European organisational practices.[5] And yet, when many of the European colonial powers were finally expelled from the region in the aftermath of the Second World War, the newly independent governments found themselves confronting profound challenges of nation building and economic development.

The challenges of independence

The leaders of Southeast Asia's newly independent nations therefore faced acute problems, not the least of which was the challenge of nation building itself. This problem was compounded by the complex ethnic legacy of colonialism. The dominant European powers encouraged large-scale migration into the region to supply the labour needs of their colonial empires. Labour from China, in particular, not only created racial divisions which have provided potential sources of social conflict in countries like Indonesia and Malaysia, but also laid the foundations for an enduring source of economic power that has shaped subsequent economic *and* political development throughout the region. As a consequence of these multifaceted questions of ethnic and national identity, which were compounded by the difficulty of operating within fragile political structures that often lacked political legitimacy, to say nothing of the broader challenge of promoting economic development, the governments of these emergent nations developed a predictable preoccupation with internal stability and security.[6] In such circumstances the development of the authoritarian rule that has been characteristic of much of the region's history is, perhaps, unsurprising. Whatever we may think of such patterns of rule and development, the key point to emphasise here is that the wider geopolitical environment in which such contingent political practices were nourished has been transformed, exposing the region to sustained external reformist pressure.

The postwar geostrategic situation in which the states of Southeast Asia either gained or, in the case of Thailand, attempted to consolidate their independence, was a complex mixture of threats and opportunities. Although the economically tiny and militarily insignificant nations of the region were incapable of independently affecting the overarching security environment of which they were a part, for some countries there were potential advantages to be exploited. The Vietnam war may have been a tragedy for much of Indo-China, but for countries like Singapore and Thailand, it provided—in much the same way as the earlier Korean War had for Northeast Asia—a catalyst for export-orientated industrialisation.[7] The end of this sort of strategic rivalry in Asia means that a fundamentally new set of circumstances obtains, one in which the USA is less prepared to tolerate economic and political practices of which it does not approve,[8] a consideration that has profound implications for Southeast Asia. Before considering regional responses to the reality of Asian decline and US ascendancy, it is important to consider why Asia in general and Southeast Asia in particular find themselves in such a vulnerable position.

The rise and fall of the Southeast Asian miracle

When the World Bank produced its seminal report on East Asia's 'miraculous' economic development, it was not just describing established industrial powers likes Japan and the celebrated 'tiger' economies of Hong Kong, Korea, Singapore and Taiwan. Also included in this group of stellar performers were Indonesia, Malaysia and Thailand.[9] When judged by the remarkable economic growth rates they began to achieve from the 1960s onwards, their inclusion is not as surprising as it may now seem with the benefit of hindsight. We now know, of course, that Southeast Asia in general was especially badly affected by the crisis, but it is important to remember that before the crisis hit there were few sceptics about either the basis or the resilience of the region's phenomenal performance.[10] Paradoxically, the positive sentiment evinced towards the region as a whole, not just by influential international financial institutions (IFIs) like the World Bank, but also by increasingly powerful institutional investors, played a major part in unravelling the Southeast Asian component of the 'Asian miracle'. Ill-informed institutional investors recklessly and indiscriminately poured money into 'Asia', creating unsustainable economic bubbles, especially in the smaller Southeast Asian economies.[11] Indeed, one of the enduring factors that the crisis highlighted, and which contributed to the dramatic transformation in the region's fortunes, has been a widespread failure adequately to discriminate between the Northern and Southern parts of 'East Asia' generally, and between the individual countries that constitute these very different areas in particular.

The first step in trying to understand why the countries of Southeast Asia were so badly affected by the crisis, therefore, is to distinguish between the successive waves of industrialisation and economic development that have occurred in the broader East Asian region. Significantly, the original Asian miracle—Japan—was already an established industrial power even before the Second World War. Despite the devastating blow the war dealt Japan, it had a basic institutional infrastructure, replete with a competent bureaucracy and—at that time—highly effective business–government relations which allowed it to 'catch up' with its North American and Western European rivals in a remarkable and unprecedentedly short space of time.[12] The Japanese pattern of state-led industrialisation and economic development proved an influential model for the majority of the second wave of industrialising nations that followed in its wake. Of the highly successful 'gang of four'—Taiwan, Korea, Singapore and Hong Kong—only Hong Kong was not highly influenced by the Japanese exemplar.[13] Crucially, however, these successful acolytes possessed a number of fundamental advantages that allowed them to emulate much of Japan's success in an even more truncated time frame. On the one hand, they were able to take advantage of a general upturn in, and restructuring of, the wider global economy, allowing them to occupy specialist niches in an emergent 'new international division of labour'. On the other hand, they were able to target lucrative export markets, especially in the USA, secure in the knowledge that their often unashamedly mercantilist economic strategies would be tolerated because of the USA's wider strategic interests. Arguably of greatest significance, however, was the existence of significant 'state capacity', underpinned by competent and relatively independent bureaucracies.[14]

Southeast Asia, by contrast, faced a very different set of circumstances. First, the industrialisation process generally and the switch to export-orientated development in particular occurred later than in other parts of the region. Whereas countries like Taiwan and Korea had rapidly industrialised from the 1950s and shifted towards the promotion of export-orientated manufacturing industries during the 1960s, Thailand, Malaysia and Indonesia did not consolidate the transition to more industrialised, export-orientated economies until the 1970s and 1980s.[15] Significantly, this process was accelerated by, and largely dependent on, the foreign investment strategies of multinational corporations, especially from Japan, taking advantage of emergent international production strategies in which the region provided an endless supply of cheap labour.[16] While such investment clearly accelerated the industrialisation process, as barriers to entry in formerly lucrative manufacturing sectors fell,[17] so did returns —a problem which was compounded by the structure of regional production.

The idea that the East Asian region would collectively make steady progress towards increasingly sophisticated forms of industrial production underpinned some of the most powerful ideas about the region and the concomitant prospects for an 'Asian century'.[18] Among a number of influential—mainly Japanese—economists, this idea was captured in the metaphor of the 'flying geese', in which Japan pioneered the Asian route to industrial development and pulled along the other regional economies in its wake.[19] The reality has been very different. Not only have Japanese companies often not transferred technology to those countries at the bottom of the development pyramid in Southeast Asia, they have also not necessarily shifted out of lower value-added production in the expected manner either.[20] Consequently, many neighbouring countries have found it difficult to break into some of the more lucrative and sophisticated forms of manufacturing, or to establish the sorts of complex domestic linkages that have allowed a 'deepening' of the industrialisation process to occur.[21] The smaller economies of the region have, however, found themselves caught in a web of complex and constricting economic and political relationships where investment has occurred.[22]

Japan's dominance of the wider East Asian economic region has implications that merit elaboration. First, Japan has been a crucial source of investment for the rest of the region, especially in the wake of the so-called Plaza Accord, which saw a fundamental restructuring of Japanese industry as a consequence of the yen's appreciation.[23] The massive outflows of Japanese capital that intensified at the end of the 1980s had an important global impact, but were especially influential among the smaller Southeast Asian economies.[24] But as Japanese industry moved offshore it did so with the assistance of the Japanese government in a co-ordinated manner that reproduced the hierarchical dominance of Japanese industry across the region, effectively locking other countries into subordinate and dependent positions.[25] As a consequence, the triangular relationship between Japan, its Asian neighbours and the lucrative markets of North America and Europe was consolidated, as Japan exported capital goods to Asia and finished products to the USA. Southeast Asia found itself simultaneously dependent on, and vulnerable to, both Japan and the export markets that underpinned Southeast Asia's industrialisation strategies. The structural development of industry in Southeast Asia and its location in the wider regional scheme of things helps to explain the impact of the crisis.

Southeast Asia in crisis

There is no intention of re-telling the story of the East Asian economic crisis in any detail here, as numerous accounts now exist of this episode.[26] However, it is necessary to highlight a number of aspects of the crisis as it both transformed the way Southeast Asia is viewed by potential investors and the powerful IFIs like the International Monetary Fund (IMF), and fundamentally altered the circumstances in which future development will take place.

The first point to make about the crisis is that there are a number of quite different explanations of what happened, even though most observers agree on the basic facts. In essence, the story of the East Asian economic collapse is that in late 1997 a localised currency crisis in Thailand rapidly and unexpectedly spread throughout Southeast Asia and then on to Korea and even Japan. This caused a massive withdrawal of capital from the region, a major loss of confidence in most of its economies, and a collapse in foreign exchange and equity markets as a consequence. In countries like Korea, Malaysia, and especially Thailand and Indonesia, economic collapse was followed by political instability, as a number of countries in the region rapidly descended into a negative downward spiral in which declining confidence undermined local currencies, creating further problems for domestic banks, companies and ultimately households.[27] Although the IMF was quickly called in to try and restore stability, a number of influential observers have argued that its actions actually made things worse rather than better,[28] and that its heavy-handed intervention fuelled a sense of resentment about the region's vulnerable position in the international system.[29]

Plainly, there were problems associated with the 'minister's nephew' syndrome, in which political connections were often more important than economic credibility in accessing foreign funds from domestic financial intermediaries with little regulatory oversight.[30] Yet the existence of 'crony capitalism' and the possible distortion of market forces is not a sufficient explanation of the region's problems. Indeed, if such factors were so important, why were they not highlighted as dangers and obstacles to growth by either potential investors or institutions like the IMF *before* the crisis? In a noteworthy fracturing of the so-called 'Washington consensus'[31] that underpinned the market-based international economic orthodoxy, the World Bank's chief economist argued that there is no simple relationship between 'corruption', a lack of transparency and economic crisis. On the contrary, Stiglitz pointed out that China, one of the least open or transparent countries in the region, had been insulated because it had a closed capital account and a non-tradeable currency.[32] The crucial source of vulnerability as far as the Southeast Asian economies were concerned, then, was to embark upon rapid financial liberalisation without adequate supervisory controls, leaving them exposed to abrupt changes in market sentiment and possible rapid capital flight.

In short, the crisis revealed yet again the enduring vulnerability of the countries of Southeast Asia to more powerful external forces, both economic and political. Not only were these economies decimated as foreign capital withdrew, but their economic systems came under sustained reformist pressure from the likes of the USA and the IMF as a consequence. The influential IFIs associated with postwar US hegemony have effectively established the international 'rules of the game' by which less powerful, smaller economies must compete, often on highly unfavourable terms.[33] What is significant about the recent crisis is that the vulnerable and dependent position of Southeast Asia meant that IFIs could attempt to extend this process directly to the domestic economies of the most badly affected countries. Before considering the implications of these latter developments, it is worth spelling out just how economically vulnerable much of the region remains a couple of years after the initial economic trauma.

Southeast Asia's current economic position

One of the fundamental weaknesses that the Asian crisis exposed was the degree of indebtedness that some of the most affected countries had developed. However, it is important to note that, unlike earlier debt crises in Latin America, the Asian debt problem was overwhelmingly a private sector affair: a symbiotic relationship developed between cash-rich lenders in the 'North' and would-be borrowers in the 'South', which both parties appeared to believe was a certain source of continuing profitability. Even though governments were generally not directly involved in such relationships, the build-up of debt before the crisis, particularly the short-term form which could be rapidly withdrawn, was one of the major factors that allowed the crisis to develop with such rapidity. In 1996, before the crisis, short-term debt represented more than 40% of overall borrowing in Thailand and about 25% of borrowing in Indonesia and Malaysia. As a percentage of foreign reserves, short-term debt represented about 100% in Thailand, 80% in the Philippines, and a remarkable 176% in Indonesia.[34]

In the aftermath of the crisis private capital flows to the developing world have generally declined, as have indebtedness ratios as a consequence.[35] In Southeast Asia, however, indebtedness ratios were still on the rise in 1998 in the immediate aftermath of the crisis and the currency collapses it initiated.[36] Simply put, as the region's pegged exchange rates collapsed and their respective currencies plummeted, the cost of servicing hitherto cheap external borrowings blew out, compounding the affected nations' problems. In such circumstances, the ability of the hardest hit countries like Indonesia and Thailand to resist the demands of the IMF in return for crucial financial aid was limited, despite noteworthy domestic opposition to the role of the IMF across the region.[37]

Despite the loss of faith in the region among the holders of mobile portfolio capital and short-term lenders, with the noteworthy exception of Indonesia, foreign direct investment (FDI) apparently held up surprisingly well.[38] There are three important caveats to note here, however. First, the bulk of the continuing flows of FDI into the region were directed towards merger and acquisition activity. In other words, new FDI was intended to take over existing assets that had suddenly become extremely cheap as a consequence of the region's collapsing currencies.[39] Second, Japan has become a much less significant source of investment for Southeast Asia than it has been in the past.[40] From its peak in 1996, when Japanese bank lending accounted for 40% of all lending in Asia, it had fallen to 28% by 1999, reflecting Japan's own domestic economic problems. Japanese FDI also fell by 71% during 1998, with only 20% of Japanese companies indicating that they intended to undertake new investment.[41] Third, China has received the lion's share of new FDI flow into the East Asian region.[42] The potential size of China's domestic market, its entry in the World Trade Organization (WTO), and its increasing presence in precisely the same sort of low-end manufacturing that has traditionally been Southeast Asia's great strength, has meant that China has emerged as a formidable competitor, not least as a potential regional investment location.[43] Again, the increasing disparity in economic weight between a rising China and the much smaller economies of Southeast Asia leave the latter potentially vulnerable to competitive pressures from their much larger regional neighbour, a problem which looks likely to intensify as China develops.

Southeast Asia's trade relations have centred on the region's other 'great powers', Japan and the USA. Japan has supplied the capital and technology with which the Southeast Asian countries have produced commodities for sale in other countries, primarily the USA.[44] As a consequence, and despite rising exports of intermediate products to Japan, Southeast Asian countries have tended to run substantial trade deficits with Japan and trade surpluses with the USA. Although this has helped the industrialisation process throughout the region, it has tended to reinforce its vulnerability and dependence. Consequently, a number of countries are heavily dependent on continued access to and demand for exports of manufactures, especially electrical goods to the USA and to a lesser extent Japan.[45] In the event of a sustained downturn in the USA, countries like Malaysia look extremely exposed to shifting external conditions. Revealingly, Singapore—long considered the regional benchmark of competent economic management—has succumbed to a recession caused largely by its dependence on North American markets.[46] Although intra-regional East Asian trade now accounts for nearly half of overall trade,[47] much of this is a reflection of the pivotal role of Japan and the trade in intermediate goods. Significantly, more than a quarter of the region's exports continue to be absorbed by North America, a factor that continues to influence the behaviour and limit the options of the countries of East Asia.

Overall, then, while the Southeast Asian nations have reaped some benefits from their incorporation into an overarching regional division of labour, their position remains dependent and vulnerable. Not only can changes in market sentiment inflict major damage on their economies and developmental prospects, leaving them vulnerable to the influence of powerful IFIs, but the manner of their integration into regional and global production structures means that industrialisation processes are often shaped by patterns of economic integration that remain centred on the established industrial heartlands of North America, Western Europe and Northeast Asia.[48] In such circumstances the countries of Southeast Asia have attempted to develop political and strategic responses that will lessen their vulnerability and improve their overall position. An examination of these initiatives tells us much about the possible future development trajectory of the region.

The politics of economic vulnerability

The current situation in post-crisis Southeast Asia is sufficiently dire to have undermined the more optimistic prognoses about its development that were so prevalent only four or five years ago. Paradoxically, what seems to be emerging in the region is a volatile combination of continuity and change which reflects a complex mix of internal and external factors. Both are important and merit examination.

Domestic political pressures

At the outset it should be re-emphasised that political development in Southeast Asia is intimately bound up with, and cannot be separated from, prevailing economic circumstances. While the state may have played a significant role in most of East Asia's developmental experience, in Southeast Asia the relationship between key economic actors and political elites has often been extremely close, if not inseparable. As a consequence, major political and economic players have frequently been precisely the same people, with the result that major political struggles are frequently played out within the confines of the state itself, rather than within what are often still modestly developed civil societies.[49] This has major implications for the type of future development that can be expected to occur—a crucial consideration given the pressure placed on these countries to adopt policies in keeping with predominantly 'Western' ideas of 'good governance'.[50] A brief glance at the experiences of some of the more important regional countries, especially following the recent crisis, illustrates this point.

Indonesia is both the most populous and the most badly affected of Southeast Asia's crisis countries. Although many celebrated the demise of Suharto, the highly entrenched system of patronage politics over which he presided has not disappeared,[51] nor has his demise ushered in a new era of governmental competence and transparency. Given the scale of Indonesia's problems this is, perhaps, unsurprising. After years of steady economic growth, the scale of Indonesia's collapse was starkly revealed by the renewed spectre of starvation in the aftermath of the crisis.[52] Even though some limited recovery has now occurred, Indonesia's future prospects are blighted by the size of its accumulated debts. Overall it is estimated that Indonesia owes some US$262 billion or 170% of GDP, of which $152 is government debt.[53] The agency charged with resolving the debt problem and instituting economic reform—the Indonesian Bank Restructuring Agency (IBRA)—is widely considered to be incompetent and lacking in the political authority to challenge the powerful vested interests that constitute Indonesia's distinctive political economy.[54] Compounding Indonesia's problems are the simultaneous challenge of attempting to develop new patterns of decentralised political rule while confronting the possible fragmentation of the nation itself as ethnic minorities take the opportunity to put pressure on a weakened central government. All this at a time when the government itself is wracked by internal political manoeuvring and doubts about the competence and independence of newly installed President Megawati Sukarnoputri.[55]

Similarly, in the country that was at the original epicentre of the crisis—Thailand—although initially praised by the IMF for its willingness to adopt the full panoply of neoliberal reforms, 'money politics' and political corruption seem as important as ever. Thailand's recent history illustrates the acutely difficult position Southeast Asian governments find themselves in. The coalition government of Chuan Leekpai, which took office in the immediate aftermath of the original crisis, attempted to demonstrate its orthodox economic management credentials to both the IMF and to foreign investors. However, there has been widespread domestic opposition to the intrusive role of the IMF and the painful reforms it advocates, partly from non-governmental organisations and organised labour, but also from elements of the domestic business class.[56] The massive economic contraction that followed in the wake of the initial currency crisis—more than 10% in both 1997 and 1998—paved the way for the rise of the populist government of prominent business tycoon, Thaksin Shinawatra, which rode to power on promises of increased public spending and blatant pork-barrelling. Ominously for the future of Thailand's continuing political reform process, there are signs that Thaksin is using his economic leverage and control of the local media to stifle debate about his trial on corruption charges.[57] Revealingly, Thaksin's first prime ministerial trip was to Malaysia—the Southeast Asian country which has been the most vocal in criticising 'Western' reform initiatives and championing Asian alternatives.

Not only has Malaysia attempted to pursue its own distinctive response to the crisis in particular and the challenge of economic development more generally, it has also been at the forefront of promoting East Asian regionalism. The Malaysian response to the crisis was motivated both by the apparent failure of the orthodox IMF remedy, and by a number of contingent politico-economic factors that made possibly incurring the wrath of foreign investors and the IFIs a risk worth taking. At the heart of Malaysia's economic policies under the leadership of Prime Minister Mahathir Mohamad has been a desire to accommodate or overcome the twin colonial legacies of an ethnically divided population and a resource-dependent economic structure. This produced a pattern of development in which political and economic activities became highly integrated, as the indigenous Malay class assumed a pivotal position through policies of positive discrimination. The United Malays National Organisation (UMNO) became the principal expression of this dominance and the centre of a comprehensive system of political and economic patronage.[58] In such circumstances, where non-transparent business–government relations are central to the operation of the Malaysian political economy, it is less surprising that Malaysia should be willing to flout conventional orthodoxy and experiment with capital controls as a response to the crisis. Importantly, however, and the self-serving motivations for Malaysia's post-crisis policies notwithstanding, it effectively demonstrates that even the governments of small economies have policy options in a global economy if they manage to retain a degree of independence.[59]

If nothing else, the Malaysian experiment—so far, at least—has managed to ward off the sort of political crisis that has engulfed Indonesia and the Philippines. The Philippines was initially considered to have been less badly affected by the crisis because of its more liberalised economy and the substantial economic reforms—including challenging the position of politically powerful cartels and monopolies—which occurred under the administration of Fidel Ramos during the 1990s.[60] It should also be noted, however, that the Philippines' much slower growth rates, compared with those if its neighbours during the boom years, meant it attracted smaller capital inflows and there was thus less risk of a dramatic turn-around in investor sentiment. The subsequent descent into political and—to a lesser extent—economic chaos was a major blow to the alternative, IFI-approved, route to economic development.[61] In any case, the subtleties of the Philippines' distinctive position and liberalisation efforts were clearly lost on foreign investors and currency speculators, who sold the peso down anyway. Although the election of Joseph Estrada in May 1998 was viewed with some dismay by many outside observers who doubted his economic credibility, it is worth pointing out that Estrada persisted with many of the personnel and policies—especially the commitment to trade liberalisation—of his predecessor. His subsequent exposure and removal for alleged corruption may have provided a convenient scapegoat for the apparent failings of orthodox policy reform, but it has done little to change the fundamentals of the Philippine economy, which remains stuck in a 'developmental bog'.[62] On the contrary, the installation of the supposedly reformist and 'clean' administration of new President Gloria Arroyo has been described as a '"soft revolution" that ejected an elected president in order to return the old, wealthy political and business elite to power'.[63]

Despite the traumas induced by the crisis, therefore, some of the fundamental relationships and structures that characterise political and economic relationships in Southeast Asia have not been radically transformed. Even though some of the *dramatis personae* may have been changed, the script looks surprisingly familiar. Indeed, it should be noted that, even in Singapore, clearly Southeast Asia's most economically developed nation, political liberalisation and a shift from authoritarianism has not been the inevitable corollary of rising living standards. On the contrary, the Singaporean government has displayed a remarkable capacity to retain a form of one-party rule and effective social control.[64] Somewhat ironically, it may prove to be the newer members of the Association of Southeast Asian Nations (ASEAN) and the least developed economies of Southeast Asia—Vietnam, Laos and Cambodia—which will undergo the most profound long-term changes. Vietnam is the quintessential Southeast Asian example of a country which is attempting to make the transition from 'communism' to capitalism, while attempting to retain some of the doctrine, ideology and personnel of its former socialist incarnation. It may find that, while it can develop a distinctive form of capitalism, it will effectively obliterate the political and economic practices that were associated with life in Vietnam under the old order.[65]

Collective responses to external imperatives

Although Southeast Asia's domestic difficulties may serve as a stark reminder of the individual weakness of the region's economies and the fragility of its political structures, the latter's collective response to crisis and the challenge of vulnerability have been innovative, and may yet help to re-shape the broader East Asian region of which they are a part. The proposed 'ASEAN + 3' grouping could—if realised—fundamentally transform the long-term trajectory of the region and its place in the wider international system. Before assessing its prospects, it is useful to reconsider ASEAN's own development as this illustrates some of the potential pitfalls and benefits that confront the nascent grouping.

The first point to emphasise about ASEAN's own evolution is that it was primarily a response to the perceived vulnerability of the ASEAN states at the height of the Cold War,[66] something that provided a compelling reason to seek greater security through collaboration. It should also be noted that the overall orientation to security that distinguishes most of East Asia, and which helps to explain its approach to both domestic and foreign policy, owes much to an overwhelming preoccupation with maintaining the integrity and sovereignty of the state itself. Algappa argues that there are three core concerns that underpin this overriding preoccupation with political survival: 'territorial integrity, international challenges to their political ideologies, and constraints on their autonomy'.[67] The attractions of the so-called 'ASEAN way', or the commitment to non-interference in the domestic affairs of members, and the preference for consensus-based decision-making processes, become easier to understand as a consequence.[68]

It has been suggested that ASEAN should change this underlying *modus operandi* and allow for greater 'interference' in each other's domestic affairs. Thailand has played the most prominent role in advocating a policy of 'flexible engagement', in which members would more closely co-ordinate macroeconomic policies and be given greater licence to criticise the domestic policies of fellow members. Significantly, it was ASEAN's noteworthy failure to play a crisis management role, and its vulnerability to criticisms of ineffectiveness and non-transparency that lay behind the Thai initiative.[69] Despite this potentially significant proposal, however, the ASEAN grouping has proved unable to build upon it. Not only has the 'widening' of ASEAN to include the less politically and economically developed countries of Indochina and Burma made both the co-ordination of policies and the deflection of criticisms about human rights issues more difficult,[70] but Thailand itself has advocated a return to a more 'Asian way' under the new Thaksin government.[71] For ASEAN sceptics such behaviour was simply confirmation of the belief that ASEAN was primarily interested 'in the art of conflict avoidance, but not conflict resolution'.[72]

These developments remind us that there is nothing certain about either the direction or sustainability of ASEAN's institutional evolution. Nevertheless, ASEAN is the central actor within what could prove to be one of the most significant initiatives in East Asia. 'ASEAN + 3', which includes Japan, China and South Korea in addition to the ASEAN states, represents a potentially major regional grouping with a substantial internal market and major financial strength. Indeed, one of the principal attractions of such a grouping is the economic weight and thus potential independence that such a collaborative enterprise might provide. The East Asian crisis dramatically highlighted the entire region's vulnerability to both externally generated economic dislocation, and to subsequent political intervention from IFIs and the USA. As ASEAN Secretary General Rodolfo Sevrino observed, 'recent events have made clear that there is no other course but closer economic integration and political solidarity in Asean, there are precious few alternatives to closer cooperation in the larger region of East Asia'.[73]

Certainly there is much that could yet derail ASEAN + 3. Japan's initial reluctance to develop its proposed Asian Monetary Fund in the face of US opposition, and the sheer technical complexity of developing a currency swap mechanism with which to insulate the region from future financial crises, suggest that, even if lingering animosities between key members can be overcome, it will be a formidable challenge for the region's limited institutional capacity.[74] Nevertheless, the fact that the ASEAN + 3 relationship was formalised in late 1999 is indicative of surprising momentum behind the project.[75] That ASEAN + 3 has succeeded in at least making a beginning, whereas a similar project sponsored by Malaysia's Mahathir was frustrated by a combination of US opposition and Japanese ambivalence,[76] is indicative of greater regional resolve and a significantly different post-crisis political context.

Yet, even if ASEAN + 3 does develop and ultimately offers a more powerful vehicle for the expression of East Asian interests, there is no guarantee that this will be of unalloyed benefit for the smaller Southeast Asian economies. Certainly, ASEAN + 3 may provide a shell within which East Asian versions of capitalist organisation may continue. It may even provide a platform for a rearticulation of the so-called 'Asian values' discourse which was such a prominent and distinctive part of Southeast Asia's identity during the boom years.[77] But even a successful ASEAN + 3 will see its Southeast Asian nations overshadowed by the strategic, economic and political weight of their regional neighbours.[78] In such circumstances, as the earlier relationship with Japan vividly demonstrates, there is nothing to suggest that Southeast Asia will easily escape from the politics of vulnerability.

Concluding remarks

Southeast Asia has never been the master of its own destiny. Indeed, its very identity, economic structures and social formations have been shaped by powerful external forces it had only a limited capacity to influence or deflect. The recent East Asian crisis vividly demonstrated that little has changed in this regard. What has changed, perhaps, is the speed with which the multifaceted forces associated with globalisation can profoundly undercut the developmental strategies, prospects and autonomy of these nations as they grapple with the challenges of complex interdependence in an increasingly integrated global political economy. Such forces are proving formidable challenges for even the established industrial democracies, which can draw on comparatively competent, long-established state capacities to manage them with. The more vulnerable nations of Southeast Asia are doubly disadvantaged by comparison, in that they have less institutional capacity and more acutely pressing problems with which to deal.[79] In such circumstances it is, perhaps, surprising that they made the progress they did before the recent crisis brought them undone.

In a region as volatile as Southeast Asia, prediction is a foolhardy enterprise. However, the surprising durability of ASEAN—its lack of tangible achievements notwithstanding—suggests that there is a desire to maintain some sense of regional solidarity and identity in the face of common adversity. If this momentum can be sustained and translated to the wider ASEAN + 3 grouping, the possibility that a more significant regional entity will develop—of which the Southeast Asian nations would be an important part—cannot be discounted. Whether this will deliver significant benefits to the less powerful nations of Southeast Asia is a moot point. It may, however, provide a more insulated environment in which distinctively Asian style developmental projects can be taken up once more.

Notes

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