The Politics of Economic Reform: A Comparative Study of Thailand, Indonesia, and Burma (Myanmar)

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The Politics of Economic Reform:
A Comparative Study of Thailand, Indonesia, and Burma (Myanmar)

Priyambudi Sulistiyanto

Introduction

This paper attempts to make a comparative study of the interrelationship between politics, economic reform and democratisation in Thailand, Indonesia, and Burma (Myanmar). The questions I would like to ask are what factors have influenced the implementation of economic reforms in Thailand, Indonesia, and Burma? What are the historical and socio-political characteristics of each country and what impact have they had in shaping the political and economic reforms? What kind of political dynamics have emerged in these countries while undertaking economic reform and what are the consequences for the democratisation process?

This paper is divided into five parts: first, a brief discussion about the limited number of comparative studies of economic and political change

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1 In 1989 the military government known as the State Law and Order Restoration Council (SLORC) changed the name of the country from “Burma” to “Myanmar”. However, the name change has not been generally accepted, with many still preferring to use “Burma” and this paper will used “Burma”.
in Thailand, Indonesia, and Burma; second, a review of the growing number of studies of the politics of economic policy reforms; third, case studies of Thailand, Indonesia, and Burma; and fourth, a brief discussion on the significance of comparing these three countries in the context of debates on economic reform and political liberalisation.

Thailand, Indonesia, and Burma in Comparative Perspective

Why is a comparative study of Thailand, Indonesia, and Burma needed and illuminating? Although these countries had different colonial experiences (Indonesia and Burma were colonised by the Dutch and the British respectively and experienced political and economic crises in the post-colonial periods, while Thailand is the only country in the region which was never colonised) there are similarities which are significant.

The governments of these countries have experienced periods of political instability in the post-colonial era. The military has been a dominant actor in these countries, creating either political stability or political crisis. Military-backed governments remain in place in Indonesia and Burma in the 1990s.
Comparison of Basic Social and Economic Data in the 1990s

<table>
<thead>
<tr>
<th>Social:</th>
<th>Thailand</th>
<th>Indonesia</th>
<th>Burma/Myanmar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population growth rate (pa.)</td>
<td>1.4%</td>
<td>1.66%</td>
<td>1.84%</td>
</tr>
<tr>
<td>Capital city</td>
<td>Bangkok</td>
<td>Jakarta</td>
<td>Yangon</td>
</tr>
<tr>
<td>Official language</td>
<td>Central Thai</td>
<td>Indonesian</td>
<td>Burmese</td>
</tr>
<tr>
<td>Main ethnic group</td>
<td>Thai</td>
<td>Javanese</td>
<td>Burmese</td>
</tr>
<tr>
<td>Religion</td>
<td>Buddhism, Islam</td>
<td>Predominantly Muslim</td>
<td>Predominantly Buddhism</td>
</tr>
<tr>
<td>Administrative provinces</td>
<td>72</td>
<td>27</td>
<td>14</td>
</tr>
<tr>
<td>Executive branch</td>
<td>Prime Minister (elected)</td>
<td>President</td>
<td>Prime Minister (unelected)</td>
</tr>
<tr>
<td>Legislative branch</td>
<td>National Parliament</td>
<td>National Parliament</td>
<td>People's Assembly</td>
</tr>
<tr>
<td>Political system</td>
<td>Multi-party system</td>
<td>“Three” party system</td>
<td>Military government</td>
</tr>
<tr>
<td>Leader</td>
<td>Chaovalit Yongchaiyut (politician)</td>
<td>Suharto (ex-military)</td>
<td>Than Shwe (active military)</td>
</tr>
</tbody>
</table>

Economy:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>GDP (% share):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>Baht</td>
<td>Rupiah</td>
<td>Kyat</td>
</tr>
</tbody>
</table>

The most important similarity is that these countries have undertaken economic reforms processes during the 1980s and into the 1990s with the aim of establishing market economies. Structural changes in various sectors have happened since then (see Figure), and as a consequence of undertaking economic reforms, the governments of these countries have been confronted with a situation where the need for more public participation or greater political liberalisation has become a major domestic focus.

Not much comparative research has been done on these three countries. Many scholars have written comparisons only on two countries. John Furnical\(^2\) pioneered the comparative study of colonical governments in Burma and Indonesia; Bandyopadhaya\(^3\) compared the foreign policies and economies of Indonesia and Burma; M. Lissak\(^4\) studied military-civilian relations in Thailand and Burma; Josef Silverstein\(^5\) compared the military and foreign policies of Indonesia and Burma. Only Takashi Shiraisi\(^6\) has compared the political roles of the military in these three countries. Indeed, as far as I know, there is no serious study which compares the political dynamics of economic reform in these three countries in the contemporary setting. Thus, a central aim of this paper is to fill this gap.


\(^3\) K. Bandyopadhaya, *Burma and Indonesia: Comparative Political Economy and Foreign Policy* (New Delhi and Madras: South Asia Publishers, 1983).


This paper follows the path of the growing numbers of recent studies on the political economy of the Southeast Asia region in giving attention to the inter-country comparison rather than country-based studies. Generally speaking studies of the Southeast Asian political economy can be placed in the context of state-society relations: state-centered and society-centered. The first argue that the state played an important role in economic transformation and dominated the social relations within society. The state becomes very strong and relatively autonomous from society. The studies which given attention on the state-centered approach can be found in, for example, Richard Robison, *Indonesia: The Rise of Capital* (Sydney: Allen and Unwin, 1986; Kevin Hewison, *Bankers and Bureaucrats: Capital and the Role of the State in Thailand* (New Haven: Yale University Southeast Asian Studies, Monograph Series, No. 34, 1989); Garry Rodan, *The Political Economy of Singapore's Industrialization: National State and International Capital* (London: Macmillan, 1989); and Jomo Kwame Sundaram, *A Question of Class: Capital, the State, and Uneven Developments in Malaysia* (New York: Monthly Review Press, 1988). While the society-centered sees the state as more responsive to the contribution of society-based actors such as business groups, NGOs, business-based networks, professional-based organisations, and other similar organisations, in creating economic development. The studies which a more society-centered, see for example, Anek Laothamatas, *Business Associations and the New Political Economy of Thailand: From Bureaucratic Polity to Liberal Corporatism* (Boulder: Westview, 1991); Andrew MacIntyre, *Business and Politics in Indonesia* (Sydney: Allen and Unwin, 1991); Alasdair Bowie, *Crossing the Industrial Divide: State, Society, and the Politics of Economic Transformation in Malaysia* (New York: Columbia University Press, 1991); and Richard Doner, *Driving a Bargain, Automobile Industrialization and Japanese Firms in Southeast Asia* (Berkeley: University of California Press, 1991). However, it can be argued that the society-centered approach actually complement the state-centered approach. The state-centered approach is useful in understanding the big picture of the social, political and economic transformation that has taken place in the region, while the society-centered approach is useful in explaining the fine detail of micro picture of the dynamics of society-based initiatives during the period of economic transformation. For this reason, I agree with the argument that the statesociety linkages should not be placed in a zero-sum game and therefore both approaches are needed as tools of analysis of the Southeast Asian political economy. On this argument, see, Hawes and Liu, “Explaining the Dynamics of the Southeast Asian Political Economy, State, Society, and the Search for Economic Growth”, *World Politics*, 45 (July, 1993).
In the past few decades, many of the studies on the interrelationship between economic development and political change have been influenced by Seymour Martin Lipset's hypothesis that once a country reached a high level of economic development (or per capita income), then the establishment of a democratic political system automatically followed. James Morley, et.al., in 1993 applies this hypothesis to several countries in the Asia-Pacific region and argues that there is wide variation in political system among those countries which can regarded themselves as the middle-income countries. Even today scholars from the Southeast Asian region are still puzzling with the Lipset's hypothesis by linking it with the issues of democratisation.

In this paper, I am using a series of case studies and placing them in comparative perspective. Particularly I would like to draw attention to the political consequences which emerged after Thailand, Indonesia, and Burma have undertaken economic reform during the 1980s and the 1990s. But in order to carry out this complex task, first we need to look briefly at the existing studies on the politics of economic policy reforms.

The Political Explanation of Economic Policy Reforms

For a number of reasons--both domestic and international--both the developed and the developing countries have implemented economic reform policies in the 1980s and into the 1990s. As is widely known,

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many countries moved away from *dirigisme* to embrace market economies by implementing a series of economic policy reforms such as managing the current account deficit, tightening monetary policies, reforming the financial and taxation sectors, adjusting the currency exchange, trade liberalisation, reducing tariffs, and encouraging the private sector.\(^{11}\)

The growing number of studies of the politics of economic policy reforms in developed and developing countries in the 1980s and 1990s offer a few insights which are useful for this paper.\(^{12}\) Basically, the studies argue that the implementation of economic policy reforms is not merely an economic but also a political process, and one which has never been smooth and easy because it generates winners and losers. Both sides use their economic and political resources to influence the policy-making process. Therefore, it is important to understand the political dynamics which accompany the implementation of economic policy reforms. It is necessary to draw attention to the kind of political leadership, political

\[\text{ASIAN REVIEW 1996 73}\]

\(^{11}\) For further discussion on this subject, see A.E.Jilberto and A.Mommen, eds., *Liberalization in the Developing World: Institutional and Economic Changes in Latin America, Africa and Asia* (London and New York: Routledge, 1996).

institutions, domestic coalitions, "ideas" of economic policies, and external support which may influence the reform effort.\textsuperscript{13}

The recent study by Stephen Haggard and Robert\textsuperscript{14} gives particular attention to matters such as the role of executive authority and political institutions in mediating the struggle among contenders for power during the implementation of economic reforms. In the context of authoritarian regimes (military governments and dominant party regimes), the initiation of economic reform is likely to succeed when the executive authority has control over the formulation of the policies of economic reform and the recruitment of the reform supporters, and has the capacity to handle political opposition to the reform process.\textsuperscript{15}

But this can only work for a short-term period particularly when the authoritarian regimes experience crises such as high inflation, balance-of-payments and fiscal problems, and political crisis. Indeed, a "strong" executive authority is needed to end economic crisis and once this has been achieved, then the executive's political legitimacy will come under question. If this gets out of control, it may jeopardise the consolidation of the economic reform process.

In the long-term, the authoritarian or dominant party regimes will face the question of public accountability, as the people demand more participation in the policy-making process. This happened in Latin America and in Asia from the middle of the 1980s to the early the 1990s, after


authoritarian regimes in these regions implemented a series of economic reform policies. Various political parties, business groups, and other interest groups started to get involved in influencing the formulation and the implementation of economic policy reforms. This put pressure on these regimes to "reorganise" their political institutions, providing more channels for popular participation in the decision making process. Some countries then moved toward establishing representative political institutions such as a two-party system, a multi-party system, or a coalition type of government.

Scholars like Stephan Haggard and Peter Gourevitch in their studies have argued that the success of the implementation of economic policy reforms also depends very much on the ability of the policy makers to create a broader coalition among those who are against the reforms and the reform supporters. The process of coalition building is needed to overcome the problems that can emerge during the reform process and, if necessary, to find an institutional arrangement that can facilitate the interests of different groups.

The policy makers also need "ideas" which they can rely on particularly in formulating the policy reforms. These "ideas" often come from domestic and international sources and are disseminated among economists, policy analysts, political economists who occupy various positions in bureaucracies, universities, think tanks, and research institutions. During the 1980s and the 1990s, there are varieties of "ideas" such as the

16 This is based on their empirical cases from twelve countries such as Argentina, Bolivia, Brazil, Chile, Peru, Mexico, Uruguay, South Korea, Taiwan, the Philippines, Thailand, and Turkey. See, Stephan Haggard and Robert R. Kaufman, 1995, p. 17.


neoclassical economy, East Asian developmentalism/statist perspective, the so-called "Washington Consensus", and globalisation, have all had currency.\(^{19}\)

The implementation of the economic policy reforms depend also on the availability of external support, particularly financial assistance, from institutions such as the World Bank, the International Monetary Fund (IMF), or, on the regional level, the Asian Development Bank (ADB). However, it can be argued that external support can also ineffective especially if attached to conditionalities. For countries with a strong sense of nationalism, the conditionalities can create political problems.

Following section of this paper will look closely at the historical and socio-political settings which have shaped the contemporary situations of Thailand, Indonesia, and Burma as a basis for a comparative analysis of their experiences of economic reform during the 1980s and 1990s.

**Thailand**

*The Historical and Social Context.*

Thailand is the only the country in the Southeast Asian region which has never been colonialised. In 1855, Thailand's King Mongkut (King Rama IV) signed a commercial treaty with the British representative, Sir John Bowring which marked the integration of Thailand into world economy. The Bowring Treaty was a part of the British Empire's ambition to establish a trade and economic links across Asia, from India-Burma, to

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Singapore, Hongkong, and China. The Treaty caused significant changes in the Thai economy as more foreign companies, particularly from Europe, entered Thailand, and engaged in economic activities such as mining, logging, trade, shipping, rice exports and others.

This integration caused the decline of local industries particularly among the Thai-owned companies and placed them behind the foreign companies and the Thai-Chinese companies. For example, from 1887 to 1993, only five major Thai companies survived under the domination of foreign companies. These Thai companies were owned by the royal families and the elites and were known as the Sakdina group. The survival of the Sakdina groups was due to the fact that at that time the power of King in Thailand was absolute. This gave these family companies the power and opportunity to be involved in economic and trading activities.

This situation caused widespread disappointment among educated Thais and eventually created a strong nationalist sentiment among the Thai people. They saw that the national economy was controlled by foreigners and the Thai elites and was no longer in the hands of Thai people as a whole. In June 1932, a political organisation known as the People’s Party launched a coup d’etat to replace the Thai monarchy. The coup was masterminded by a group of high ranking military to officers and elite bureaucrats (who

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21 These companies are The Siam Cement Co., Ltd. (cement); the Bangkok Industry Co., Ltd. (leather); The Siam Ice Works (ice); Surasindhu, Ltd. (ice); Sarasindhu, Ltd. (ice); and Boor Rawd Brewery Co., Ltd. (beer). See, Suehiro Akira, 1989, p.39.

22 For the further discussion on the origins of the Sakdina society in Thailand, see, Kevin Hewison, *Bankers and Bureaucrats: Capital and the Role of the State in Thailand* (New Heaven: Yale University Southeast Asian Studies, Monograph No.34, 1989): especially ch. 2.
mostly were educated in the West). The 1932 coup marked the beginning of the military intervention in Thai politics which has continued to shape political developments in Thailand until today.

The 1932 coup was followed by the establishment of several military-dominated governments and by changes in the economy, which became more nationalist in nature. This was mostly due to the actions of General Phibun Songkram, who gave his support for a state-led industrialisation process in Thailand. The governments increased their intervention and involvement in economic activities in order to develop the Thai economy. Consequently, state enterprises (SEs) increased dramatically in size as well as in breadth of operation. The military leaders and the elite bureaucrats became involved directly in economic activities such as banking, financing, insurance, exporting, importing, and others. This situation continued until 1957 when a military coup led by General Sarit Thanarat overthrew General Phibun’s government.

The new military leader, General Sarit Thanarat, implemented political and economic policy changes. He emerged as a dictatorial leader and allied himself with the US government. He abandoned Phibun’s state-led nationalisation strategies and allowed an increase in the number of foreign investors coming to Thailand. He also implemented the First National Economic Development Plan (1961-1966). To do so he asked for financial assistance from the World Bank and other international financial

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24 For the discussion on the Phibun period and his political and economic policies, see, Kobkua Suwannathat-Pian, *Thailand’s Durable Premier, Phibun through Three Decades 1932-1957* (Kuala Lumpur: Oxford University Press, 1995), ch. 3; also Kevin Hewison, 1989, ch. 3.

25 For the full lists of the military leader’s involvement in business activities, see, Suehiro Akira, 1989, pp. 142-143.
institutions. In contrast to his predecessor, Sarit’s government encouraged the participation of the private sector and reduced the government’s involvement in economic activities. During his rule, domestic capitalists increased rapidly in numbers and multinational companies operated widely in the Thai economy. Simillar policies were implemented by Sarit’s successors, General Thanom Kittikachorn and Field Marshal Praphat Charusathien who governed Thailand until the early 1970s. The Thanom period was marked by rapid changes in the economic arena. Thailand’s economic performance was very good in sectors such as industry, manufacturing and banking. The Thai domestic industrial and capital groups expanded rapidly. Among them were Thai conglomerates, the military business groups, and Chinese business groups. Some of them were owned by what was known as the “big five groups/families”: the Bangkok Bank group (Sophonpanit family), the Siam Commercial Bank/Siam Cement group (Crown Property Bureau), the Bangkok Metropolitan Bank group (Taechaphaibun family), the Thai Farmers Bank group (Lamsam family) and the Bank of Ayudhya group (Rattanarak family).

This period was also a period of import-substitution industrialisation (ISI) in Thailand. According to a Thai specialist, Kevin Hewison, the supporters of the ISI strategy throughout the 1960s mostly came from the Board of Investment, the Bank of Thailand, the National Economic Development Board, and domestic manufacturers. With this kind of


27 For further discussion on the rise of the domestic capitalist groups in Thailand, see, Kevin Hewison, Power and Politics in Thailand (Manila: Journal of Contemporary Asia Publishers, 1989), especially ch. 4.


29 Kevin Hewison, 1989, p. 119.
support, the government championed those trade and industrial policies which favoured the protection and the growth of local industries. For example, from 1960 to 1971, the manufacturing sector share of the GDP increased from 12.5 per cent to 17.5 percent, while the agriculture share decreased from 39.8 per cent to 29.8 percent.\(^3\)

Economic success, however, did not give Thanom’s government a strong political base in Thailand. The declaration of martial law after an attempted military coup in November 1971, created widespread political opposition across the country. Consequently the Thanom-Praphat government was not popular in the eyes of the Thai people. As John L.S. Girling noted:

\[\text{There was a groundswell of opposition to a regime whose leaders, after a decade of unchallenged power, had become ever more arbitrary, corrupt, incompetent, and complacent. The rising demand for genuine constitutional rule embraced all strata of urban society, from the king to the professionals, teachers, students, shopkeepers, and workers.}\]

Finally, in October 1973, the Thanom-Praphat government collapsed after being confronted with popular protests in Bangkok and other cities. Elected democratic governments led by Kukrit Pramoj (the leader of Social Action Party) and Seni Pramoj (the leader of Democrat Party) were then established in Thailand until 1976. Among Thai people, the democratic period from 1973 until 1976 is known as the “open politics” period because it marked the period of the establishment of constitutional rule, freedom of press, freedom of assembly, and the respect of human

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30 Quoted from Table 8 (Gross Domestic Product by Industrial Origin, Selected years, 1960-83 (percentage) in Kevin Hewison, 1989, p. 100.

rights in Thailand.  During this period the power of the Thai military was gradually reduced, especially under the 1974 constitution which restricted the appointment of active military officers to various political positions.

The involvement of politicians in formulating national security issues caused disappointment among the military leaders. This finally led to another military coup in October 1976 which brought Thailand into a serious political crisis. Students (particularly from Thammasat University) and other pro-democracy supporters responded to the coup by launching nationwide mass protests. In Bangkok many protesters clashed with military troops and many students died in the streets. Some of them fled to Northern Thailand and joined the Communist Party of Thailand (CPT). From 1976 until 1978 Thailand was governed by a civilian leader Thanin Kraivichien and the country once again entered a period of authoritarianism. The Thanin government abolished the 1974 constitution, declared martial law and banned political parties.

In order to avoid further a political crisis, the army commander, General Kriangsak Chomanan, was elected as the new leader of the country to replace Thanin in 1978. Although General Kriangsak called a general

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33 The return of former dictators, Praphat and Thanom, to Thailand from their exile in mid-August 1976 created widespread protests and also contributed the political crisis as well. For further information about the origins of the 1976 military coup in Thailand, see, John L.S. Girling, 1981, pp. 116-117; and David Morell and Chai-anan Samudavanija, 1981, pp. 272-273.
election in 1979, Thai’s political situation remained far from stable. This was partly because General Kriangsak lacked political support from the military as well as from the politicians. Meanwhile, in the economic arena, the Kriangsak government faced serious problems such as a worsening trade and balance of payment deficit, high inflation, energy shortages and an increase in international debt. These political and economic problems contributed to the downfall of General Kriangsak in 1980. He was replaced by General Prem Tinsulanond, a former commander-in-chief of the Army, who governed Thailand until 1988.

In describing the historical and social context of Thailand, there are several points to draw out. First, Thailand has experienced various types of political system from absolutist monarchy, and parliamentary democracy, to authoritarianism. Second, the military has been heavily involved in politics and has intervened in civil life through various coups since 1932. According to the Thai political scientist, Chai-anan Samudavanija, in 1981 the Thai military had staged 14 coups in Thailand, and as a country, Thailand had 13 constitutions, 14 elections, and 42 cabinets. In 1985 there was another coup, which failed to overthrow the Prem government. Therefore, the number of coups reached 16 when General Suchinda Kaprayoon overthrew the civilian government led by elected Prime Minister Chatichai Choonhavan in 1991. Since 1973 the power of the Thai military has not


35 The chronology of the military coups in Thailand since 1932 until 1981 as follows: 1933 (June); 1933 (October); 1947 (November); 1948 (October); 1949 (February); 1951 (June); 1951 (November); 1957 (September); 1958 (October); 1971 (November); 1976 (October); 1977 (March); 1977 (October); and 1981 (April). see, Chai-anan Samudavanija, The Thai Young Turks (Singapore: Institute of Southeast Asian Studies, 1982), p. 4.
been as effective as it was into the past, but it still poses a threat to democratic institutions in Thailand. The third point to draw out is that the economic development which occurred in Thailand in the 1960s and the 1970s created domestic capitalists who later on played an important role in shaping the Thai economy in the 1980s and the 1990s. Fourth, Thailand experienced political stability when General Prem Tinsulanond was elected as the Prime Minister in the early 1980s. This gave him the capacity to implement political and economic policies effectively compared with the leaders of the 1970s.

The Politics of Economic Reform in the 1980s.

The continuation of Thailand’s economic performance was one of the important tasks which Prime Minister Prem Tinsulanond tackled during the 1980s. Until the end of the 1970s, Thailand’s economy still relied very much on the export of primary products (mostly rice and agricultural goods) and import-substitution industrialization. This situation changed totally in the early 1980s especially when the economic recession and the collapse of oil prices plunged the Thai economy into a crisis. Suddenly, Thailand faced a decline in GNP growth, a trade deficit, high inflation, and a blow out in the current account deficit. Primary products were no longer high income export commodities.

Consequently, the Prem government chose to reorient the direction of the economy by implementing economic reforms in Thailand. During this

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There was, however, the military coup which launched by the young military officers known as the “Thai Young Turks” in April 1981. But the coup failed to overthrow the Prem’s government because he received the support from the King of Thailand. In addition, the coup leaders comprised the young officers who graduated from the Chulachomklao Military Academy class 7 and the leader of this group are Major Manoon Repekajorn, Major Chamlong Srimuang, Major Chanboon Choopong Matavaphand, Major Saengak Mangklasiri, Major Chanboon Phentragul, Major Pridi Ramasoot, and Major Prajark Sawangjit. For further discussion on the political role of the “Thai Young Turks”, see, Chai-anan Samudavanija, 1982, especially ch. 3.
period, Thailand gradually moved toward a phase of export-oriented industrialisation (EOI). Under Prem's leadership, the government launched a series of economic reforms such as the readjustment of the exchange rate, changes in tariffs and taxes, export promotions, and others. The reform packages were implemented at a fast pace.

The most controversial reform was the devaluation policy. From 1981 until 1987, the government devalued the local currency (Baht) several times with the aim of restoring the worsening economic situation in Thailand. Although there was opposition to this policy the effect of the devaluations in the 1980s was an increase in the level of exports of manufactured and agricultural products, which in the end improved Thailand's economic performance. A Thai economist, Pasuk Pongpaichit, describes this success:

*....the devaluation was eventually accepted by the public because it benefited the economy and local export businesses. Importantly, the export sector was growing rapidly and helped to increase employment and raise the foreign exchange earnings. The triumph of the exchange rate adjustment was brought home when manufactures exports became large enough to sustain economic growth in lieu of agricultural exports.*

Despite this success story, the formulation and the implementation of the policies of economic reform in Thailand in the 1980s was not easy. It involved political struggle among the contenders in Thai politics such as

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37 For example, in 1981 the Baht was devalued by 1.07 per cent (in April) and again by 8.7 per cent (in July), in November 1984 by 14.7 per cent, and then over 20 per cent by 1985 and 1987. See, Pasuk Phongpaichit, "Technocrats, Businessman, and Generals: Democracy and Economic Policy-making in Thailand", in *The Dynamics of Economic Policy Reform in South-east Asia and the South-west Pacific*, Andrew MacIntyre and Kanishka Jayasuriya, ed. (Singapore: Oxford University Press, 1992), p. 21.

the government and the technocrats, the military, business people, politicians, and other groups. Each contender pursued and protected their own agendas and interests in an attempt to influence the formulation and the implementation of the economic reform policies.

Another controversial issue was the implementation of the structural adjustment program which was funded by the World Bank in the 1980s. In an interesting study on this subject, a Thai political economist, Anek Laothamatas, argues that although the World Bank played an important role in encouraging economic reforms in Thailand the success of the reforms lay in the hands of Prime Minister Prem Tinsulanond and his key ministers. How was Prem and his “reform” team able to do this?

First of all, Prem himself (and the Prime Minister’s Office/the Budget Bureau) was involved in the process of formulating the reform policies. These policies were mainly formulated by a group of technocrats who occupied important positions in areas such as the Ministry of Finance, the National Economic and Social Development Board (NESDB), and the Bank of Thailand. For the most part the technocrats were educated in Western universities and had specialised in economics. To win more political support, Prem joined with Boonchu Rojanasathian, the leader of Social Action Party (SAP), who himself was an economist and a supporter of trade liberalisation and export driven strategies in Thailand in the 1980s. Boonchu was a champion of the so-called “Thailand, Inc’ and had a close relationship with the business organisations such as the Thai Chamber of Commerce, the Association of Thai Industries, and the Thai Bankers’

During the Prem period government-business relations were very good especially after Prem established the Joint Public-Private Consultative Committee (JPPCC). Indeed, this "reform" team was capable and provided insulation against the political pressures within Thai politics.

With these kinds of supporters, Prem successfully won over those who opposed the reform policies such as the military and the political parties who supported the policies of import-substitution industrialisation and also the Ministry of Industry who preferred the continuation of trade protection policies in Thailand. The military opposed the World Bank loans because their financial ability to purchase military equipment overseas was reduced after the government implemented the devaluation policies. Because of this, the relationship between Prem and the Thai military leaders (particularly with General Arthit Kamlang-ek) deteriorated and threatened political stability in Thailand. Political parties such as the Chart Thai party opposed the reforms because this party had a good relationship with big industrialists in Thailand.

This conflict of views and interests over the reform policies has caused some problems. Prem's cabinet had to be reshuffled several times in order to please the opposition parties and to avoid further political crisis. But Prem was able to survive politically until 1988 and continued to implement the reform process.


Prem also had some success in political reform. He gradually enhanced the democratisation process in Thailand by managing to balance the political differences between the military, the bureaucrats, and the politicians. He held general elections in 1981, 1986 and 1988 and initiated a series of political reforms aimed at strengthening the democratic institutions of Thailand. Above all, he enjoyed the support of the Thai monarchy, especially King Bhumipon Adulyadej. This is why Thailand the period under the premiership of Prem Tinsulanond in the 1980s is known as the "semi-democracy" period.

By the end of his premiership in early 1988, Thailand's economic performance was ahead of other countries in the region. Economic growth had reached almost 7 per cent (similar to South Korea and Taiwan), manufacturing increased from 16 per cent of GDP in 1970 to 21 per cent in 1987, and agriculture dropped from 33 per cent in 1970 to 22 per cent in 1987; while exports increased 20 per cent, and foreign investment increased dramatically.44

**The Rise and Fall of Thai Democracy.**

Thailand reembraced democracy in 1988. When Chatichai Choonhavan, the leader of Chart Thai party, became the first elected civilian prime minister since 1976 (when the military launched a coup to overthrow a civilian government).45 Chatichai formed a coalition government and invited many politicians to occupy cabinet positions. This action was slightly different from that of the previous leader, Prem, who allocated several cabinet positions to non-politicians (mostly technocrats). Despite


45 The results of the 1988 general elections as follows: the Chart Thai Party (87 seats); the Social Action Party (54 seats); the Democrat Party (48 seats); the Ruam Thai Party (35 seats); the Prachakorn Thai Party (31 seats); and the Puangchon Chao Thai Party (17 seats). See, Larry A. Niksch, "Thailand in 1988, The Economic Surge", *Asian Survey*, xxix, 2 (February, 1989), p. 168.
this difference, in the beginning the Chatichai government was supported by the Thai people and democratic groups because it marked the beginning a new era in Thailand. Chatichai consolidated democratic institutions such as the parliament, the press, the court, and the non-governmental organisations and allowed them to participate freely in the national political discussion.

In addition, the Chatichai government also enjoyed the rapid economic growth which was mostly the result of Prem’s economic reform policies. The Chatichai government continued to deregulate the economy and privatised many state enterprises. Chatichai launched an aggressive foreign policy toward the countries of Indochina, Cambodia, Vietnam, and Laos and gave a strong emphasis to trade and business cooperation. Therefore, the economic indicators in 1988 showed that Thailand was heading toward memberships of the so-called “newly industrialising countries” (NICs) club in the Southeast Asian region.46

However, the continuation of the economic reforms and the consolidation democracy in Thailand was disrupted by another military intervention. In early 1991, the Thai military overthrew the Chatichai government through a military coup. The coup leaders were top military leaders, including General Sunthorn Kongsompong, General Suchinda Kaprayoon, Admiral Praphat Krisanachan, Air Chief Marshal Kaset Rojananil, and General Issarapong Noonpakdi, many of whom were graduates of the Chulachomklao Military Academy Class 5. After the coup, the Thai military established National Peace-Keeping Council (NPKC) and declared the martial law in Thailand. This coup, marked the fall of democracy in Thailand.

It is true that the relationship between the Chatichai government and the Thai military was not a smooth one. There are at least three issues

which contributed to this. First, there was a deep suspicion among the military leaders about the integrity of the politicians in the Chatichai cabinet. The military suspected some politicians were involved in corruption activities and their scandals. Second, the military accused the politicians of introducing what they called "parliamentary dictatorship". Third, the military felt that they were being alienated from decision making, particularly on sensitive national security issues. Fourth, the military leaders were angry over the appointment of General Arthit Kamlanghek as Deputy Prime Minister.

To please the Thai people and the international community, The NPKC appointed Anand Punyarachun, a diplomat-turned-business leader, as the caretaker Prime Minister. Without wasting time, Prime Minister Anand invited technocrats, former government and military officers, and business people to fill the cabinet positions. The position of Deputy Prime Minister was held by Snoh Unakul (a former head of the National Economic and Social Development Board and governor of the Bank of Thailand), the position of Minister of Commerce was held by Amaret Sila-on (a former executive president of Siam Cement), and the position of Deputy Finance Minister was held by Virabongsa Ramangkura (a well-known economist).

With the support of these people, Anand acted to restore the confidence of foreign investors by continuing the economic reforms which were in process. There were several economic policies that the Anand government committed itself to uphold: to maintain the macroeconomic stabilisation policy, which involved keeping the budget under control, low inflation, and the balance of payments; to review the big projects spending of the Chatichai government; to liberalise trade barriers and tariffs; to continue the privatisation policies; to reform the tax system; to

reform the financial sector; and to continue drafting the antimonopoly and intellectual property laws.\textsuperscript{48}

However, Thailand's desire for democracy was not finished. The Thai military tried to influence the drafting of new constitution by putting forward the idea of appointing military persons to the upper house and also by including clauses that would give the military more political power in Thailand.\textsuperscript{49} This move by the Thai military triggered protests from several political parties such as the Democrat Party, the New Aspiration Party (NAP), the Solidarity Party, Prachakorn Thai Party and the Palang Dharma Party and also from other pro-democracy groups such as students, unionists, and lawyers. At the end of the 1991, the new constitution was passed in the parliament, but it created widespread protests against the Thai military. This situation brought a deepening political crisis to Thailand and finally forced the Anand government (with the agreement of the military leaders) to call general elections in March 1992.

As predicted, the military-backed new political party, Samakkhitham (led by Narong Wongwan), won the general elections in March 1992.\textsuperscript{50} This party was formed by a former air force officer just few months before the elections and was used as a political vehicle of the Thai military to enter the political arena. But the overall results from the general

\begin{itemize}
\item \textsuperscript{50} The results of the March 1992 general elections as follows: the Samakkhitham Party (79 seats); Chart Thai Party (74 seats); the New Aspiration Party (72 seats); the Democrat Party (44 seats); the Palang Dharma Party (41 seats); the Social Action Party (31 seats); the Solidarity (6 seats); and other small parties. See, Surin Maisrikirod, "Thailand 1992, Repression and Return of Democracy", \textit{Southeast Asian Affairs 1993} (Singapore: Institute of Southeast Asian Studies, 1993), p. 337.
\end{itemize}
elections fell into two camps: pro-military and pro-democracy. The former comprised the Samakkhitham Party, Chart Thai Party, Social Action Party, and other small parties. While the latter comprised the Democrat Party (led by Chuan Leekpai), the Palang Dharma Party (led by Chamlong Srimuang), the New Aspiration Party (led by Chaovalit Yongchaiyuth), and the Solidarity Party.51

The Political division between these two camps widened when General Suchinda Kaprayoon was appointed as the new Prime Minister, after the nomination of Narong Wongwan (the leader of Samakkhitham Party) was dropped because of his involvement in drug trafficking in the past. The pro-democracy camp and the Thai urban middle class protested the appointment of Suchinda on the grounds that the Thai military was trying to control the political system in Thailand. The leader of the Palang Dharma Party, Chamlong Srimuang, went on a hunger strike as a symbolic protest against the appointment of General Suchinda. Popular protests organised by the pro-democracy groups finally clashed with military troops in the streets of Bangkok between the 17-19 May 1992. It was reported that hundreds of protesters died, disappeared, and injured. Even Chamlong himself and other leading figures were arrested. In the end, the King Bhumipon invited General Suchinda and Chamlong to the Palace and urged them to end the political crisis in a non-violent way.

The resignation of General Suchinda Kaprayoon was regarded by the pro-democracy groups as a clear sign that the Thai people has chosen democracy rather than authoritarianism. The overwhelming support for a return to democracy in Thailand was proven when the pro-democracy parties (particularly the Democrat Party) won the general elections in September 1992. Chuan Leekpai, the leader of the Democrat Party, was elected as the new Prime Minister and he governed Thailand with a strong spirit to protect democratic institutions. He even supported the move

toward fostering the democratisation process in the countryside of Thailand. He maintained a good relationship with the Thai military leaders, especially General Wimol Wongvanich, in order to prevent any possibility that the military would launch a coup in the future.

Although the Chuan government was criticised for being a slow and weak government, it succeeded in maintaining the political stability which Thailand needed to provide a good climate for economic and business activities. Under his government, Thailand’s economic growth continued to expand rapidly and became a more export-driven economy than before. However, in 1995 the Chuan government collapsed after the New Aspiration Party withdrew from the coalition government. In that year Thailand held general elections and brought the new government led by Banharn Silapaa-arch, the leader of Chart Thai Party, into power.

In the 1990s Thailand experienced the rise and fall of democracy, while economic performance remained in the good shape. However, Thai modern history suggests that the military could still pose a potential threat to democracy in Thailand.

**Indonesia**

*The Historical and Social Context.*

Historically Indonesia was colonialised by the Dutch for about three hundred years, one of the longest colonial periods in the Southeast Asia region. This period of colonialisation created a strong sense of nationalism among the Indonesian people which contributed to the political and economic developments of the post-independence period. The Dutch colonial government created a fragmented society where only a few elites--both the Dutch and Indonesian aristocrats--occupied the bureaucracy, the Chinese and a small Indian minority controlled trading activities, and the

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majority of Indonesians, lived from and depended very much on agricultural activities.

Only early this century, when the Dutch colonial government was criticised by its own people--by progressive forces in the Netherlands--did they begin to introduce social reforms. Gradually, the Indonesian people started to have a taste of limited democracy through participating in public meetings and political discussions. From here the nationalist movement blossomed and stimulated the idea of establishing a 'new' Indonesia.53

When the Dutch colonial government was defeated by the Japanese in the early 1940s, the Indonesian nationalist leaders began to think seriously about the future of Indonesian independence. Some of the Indonesian nationalist leaders collaborated with the Japanese occupation administration in order to liberate Indonesia.54 The Japanese army of occupation provided training in military skills for many young Indonesians and some of them were influenced by the chauvinistic and militaristic thinking among the Japanese army. With these skills, the Indonesians started to build what would become the Indonesian army and then prepared for civil war against the Dutch at the end of the 1940s. Meanwhile, other Indonesians chose other ways; some nationalist leaders admired the idea of western liberal democracy and believed the future Indonesia should be built along this lines. They preferred diplomacy over military solutions to end the colonialisation of Indonesia. The configuration of these two aspirations dominated political life during the revolutionary period in Indonesia the 1940s.55


54 The most profound study on the Japanese occupation period in Indonesia can be found in, for example, Benedict O'Gorman Anderson, Java in a Time of Revolution, Occupation and Resistance 1944-1946 (Ithaca, N.Y.: Cornell University Press, 1972).

When the Dutch colonial government finally left Indonesia at the end of the 1940s, the Indonesian government began to build a western liberal democracy by implementing a multi-party political system. During the 1950s governments rose and fell in quick succession, created a climate of uncertainty, but the degree of political participation of the Indonesian people was very high. An observer of Indonesian politics has documented the political dynamics of this period and argued that politically this was the most liberal period in modern Indonesian history.\(^{56}\)

During this period, the Indonesian government implemented economic strategies which had a strong nationalist flavour. The sentiment against the foreign capital was very strong, particularly against the Dutch-owned companies. In response to this mood, the government implemented a series of economic policies aimed at creating an indigenous capitalist class in Indonesia.\(^ {57}\) In 1957 President Sukarno decided to nationalise the Dutch-owned companies and also declared a state of emergency. This new emergency situation gave the Indonesian military more power than before by involving it in both politics and economic affairs across the country.

After dissolving the parliamentary democracy system, Sukarno established a new style of government which was known as Guided Democracy (Demokrasi Terpimpin). In the economic arena, the Guided Democracy period was marked by the heavy involvement of state enterprises in economic activities in Indonesia. Sukarno pursued a very nationalistic economic policy which was based on the principle of self-sufficiency.\(^ {58}\) Anti-western sentiment was very strong and caused the withdrawal of many

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57 This was known as the Benteng programme and originally implemented during the period of the Natsir cabinet (1950-1951). For further discussion on this subject, see, Richard Robison, *Indonesia: The Rise of Capital* (Sydney: Allen and Unwin, 1986), especially ch. 2.

58 Richard Robison, 1986, ch. 3.
foreign companies from Indonesia. By the middle of the 1960s, the Indonesian economy was on the edge of collapse with inflation reaching about 600 per cent.\(^\text{59}\)

In the political arena, Sukarno governed Indonesia in a dictatorial style and relied very much on the support of political groups such as the nationalists, the religious groups, and the communists, and of course, the army. However, this support did not sustain him for long because there was tension and rivalry among these groups, particularly between the communists and the army. This tension eventually led Indonesia into the political crisis of 1965 which brought Major General Suharto into power.\(^\text{60}\) The biggest losers in this crisis were the Indonesian Communist Party (PKI) and other left-wing organisations.

With the backing of the army, Major General Suharto formed what was known as the New Order government. He invited a team of prominent economists from the University of Indonesia led by Professor Widjojo Nitisastro to manage the Indonesian economy which was left in total disarray by Sukarno. This team became known as the “Berkeley Mafia” because many of them had graduated from the University of California at Berkeley in the early 1960s.\(^\text{61}\) With this background, the technocrats were advocates of free market and export-oriented strategies and controlled the Ministry of Finance and the National Development Planning Board

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61 Further discussion on the role of the technocrats during the early years of the New order period, see, John Bresnan, *Managing Indonesia, The Modern Political Economy*, 1993, especially ch. 3.
(Bapennas). Under the guidance of this team, the New Order government created a new economic policy which favoured the return of foreign capital/investors to Indonesia and the reintegration of Indonesia into the world economy. With the financial assistance of Western countries and the International Monetary Fund (IMF), Suharto’s New Order government brought inflation under control by the end of 1968.62

To eliminate the communist and left-wing groups and the supporters of former President Sukarno, Suharto relied very much on support from the army and the bureaucracy. With army support, Suharto was able to create the political stability which he desperately needed at the beginning of the New Order period. In preparing for the first general elections, Suharto and the army created a new political organisation called the Golongan Karya (Golkar) or the Functional Groups as the government’s front runner. Golkar won the 1971 general elections, although not overwhelmingly. This win was achieved mostly through the application of political pressure on the civil servants to vote Golkar and also, of course, through Suharto’s achievements in rehabilitating the Indonesian economy.

In 1974, the New Order government entered a period of political crisis. Many students from various universities protested against the government’s economic policies which favoured foreign investors and against widespread corruption among high level government officers. The students’ protests eventually led to urban riots in Jakarta during an official visit by the Japanese Prime Minister, Mr. Kakuei Tanaka, to Jakarta, on 15 January 1974. Many students and politicians were arrested following the riots. A year later, in 1975, the government faced another crisis when the state oil company Pertamina was reportedly to be in financial crisis; it failed to repay a debt worth about U$ 10.5 to several overseas banks.63

62 John Bresnan, 1993, pp. 70-71.
63 According to the Minister of Mining, Dr. Mohammad Sadli, most the money that Pertamina has already been spend was not all connected with the mission of Pertamina. See, John Bresnan, pp. 166-167.
Despite these crises, the New Order government enjoyed economic growth continuously after Indonesia integrated into the world economy. The rise of the global oil price at first contributed a large part to this economic growth. For example, in the middle of the 1970s, the total export earning from oil was about 70 per cent, while non-oil domestic earning was about 25 per cent, and foreign aid was about 12 per cent. The oil boom era also saw the resurgence of nationalist and protectionist attitudes to the direction of economic policy in Indonesia. The proponents of the nationalist/protectionist camp in the 1970s included the head of Pertamina, Ibnu Sutowo, the Ministry of Industry (led by Soehoed and later by Hartarto), and the Ministry of Research and Technology (led by Professor B.J. Habibie). With the oil money, an increasing number of state enterprises and big private companies became involved in financing and investing in various costly industrial projects. The government initiated many expensive and prestigious projects such as the aircraft and shipbuilding industries which could not have been funded in previous years. Indeed, by the end of the 1970s, the influence of the nationalist/protectionist camp in directing the industrialisation agenda in Indonesia expanded rapidly compared to the technocrat/pro-market camp.

In describing the historical and social context of Indonesia, the points to be drawn out include: First, Indonesia has always experienced a crisis during the transition periods; from the Dutch to the Japanese occupation and then to Independence. But the most serious crisis was the transition from Sukarno’s Guided Democracy to Suharto’s New Order government. It is true to say that Indonesia has not had the experience of

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65 The state enterprises comprised, for example, Pertamina (Indonesian state oil company) and Krakatau Steel, while the private counterparts comprised the Chinese conglomerates such as Liem Sioe Liong, Bob Hassan, Prajoga Pangestu and others. See, Richard Robison and Vedi R. Hadiz, “Privatization or the Reorganization of Dirigism? Indonesian Economic Policy in the 1990s, Canadian Journal of Development Studies, special issue (1993): p. 19.
going through a transition period smoothly and peacefully. Second, Indonesia experienced a democratic political system in the 1950s and this has not been forgotten. There is always a strong aspiration within a section of Indonesian society to return to a democratic political system. Third, at the same time, the tradition of authoritarianism is also strong in Indonesia. Both national leaders Sukarno and Suharto, despite their differences, created authoritarian political systems in their respective periods. However, the main force in maintaining the continuity of authoritarianism in Indonesia lies with the Indonesian military. The fourth point is that the formulation of social, political and economic policies has always been influenced by nationalist sentiment. This sentiment is strong and can be traced back to the nationalist movement period in the early 1920s. In the economic arena, there is constant rivalry between the nationalist/protectionist camp and the technocrats/pro-market camp in formulating economic policy.

The Politics of Deregulation in the 1980s and the 1990s

The collapse of the oil price and the global economic recession which occurred in the early 1980s caused serious problems for the Indonesian economy. The New Order government had to find sources of revenue from the non-oil sector. This period is known as the deregulation period (jaman deregulasi). From 1983 until 1989 the government introduced deregulation measures in the banking sector, taxation, customs, export and import, tariffs, financial institutions, foreign investment, and state enterprises reforms. These deregulation measures were implemented incrementally, rather than all at once.

The government also devalued the Indonesian currency (Rupiah) in 1983 and 1986 in order to increase export earning and to stabilise the balance of payments. The deregulation measures were generally aimed at

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reorienting the economy toward more export-oriented industrialisation (EOI) and to make the Indonesian economy much more competitive internationally.

The technocrats/pro-market camp was the main force behind the formulation of the deregulation policies in the 1980s and into the 1990s. The technocrats camp was led by Ali Wardana, Radius Prawiro and Sumarlin who were also members of the so-called “Berkeley Mafia”. As mentioned earlier, the technocrats and their supporters occupied important positions in the government such as the Ministry of Finance, the Bank of Indonesia, and the National Development Planning Agency Board (Bapennas). They also had a good relationship with the major international financial or research institutions such as the World Bank, the International Monetary Fund, and the Harvard Institute for International Development (HIID) which regularly gave input on the economic issues.67

Once again, the deteriorating situation of the Indonesian economy in the 1980s brought the technocrats back into influence in the economic policy making process. Of course, the technocrat camp did not reach this influence without the support of the President Suharto himself. This support was needed in order to give political weight to the policies of deregulation. This was similar to the case of the “stabilisation period” at the end of the 1960s when President Suharto became involved directly in discussion with the technocrats camp (led by Professor Widjojo Nitisastro) about the details of the state of Indonesian economic affairs.

The implementation of the deregulation policies in the 1980s, was not a smooth process. The deregulation policies gradually eroded the economic interests of various government and private groups which had enjoyed the protectionist policies during the oil boom period in the 1970s. These were mostly the state enterprises, the Chinese-owned business groups, and the President’s family businesses.\(^6\) The existence of the state enterprises in the Indonesian economy is guaranteed by the 1945 Constitution and because of that, the government has a strong responsibility to protect them.\(^6\) Not only that, many former military officers and elite bureaucrats occupied important positions in state enterprises. However, during the 1980s the government suddenly realised that many state enterprises were facing big debt problems and insufficiently funded.

During the 1980s the resistance to the deregulation measures came from the so-called “technologists/engineers” camp led by Professor B.J.Habibie, the Minister of Research and Technology and the head of the state aircraft company, IPTN (Industri Pesawat Terbang Nusantara). Habibie also controlled nine state enterprises which were classified as “strategic industries” such as high technology, ship-building, arms, and others. Habibie’s views on high technology as a “solution” for Indonesia in the future were shared by President Suharto personally.\(^7\)

In addition, the technologist camp also received support from several important figures in the government such as Hartarto (the Minister of Industry), Ginanjar Kartasasmita (Junior Minister of Domestic Industry),

\(^6\) I draw most this information from, John Bresanan, \textit{Managing Indonesia}, 1993, especially, ch. 10 and also in Richard Robison and Vedi R.Hadiz, “Privatization or the Reorganization of Dirigism?”, 1993: 13-32.


\(^7\) For an interesting discussion about the relationship between Habibie and President Suharto in the 1980s and in the 1990s, see, Adam Schwarz, \textit{A Nation in Waiting, Indonesia in the 1990s} (Sydney: Allen and Unwin, 1994), especially ch. 4
and Sudarmono (the Secretary of State). These prominent figures supported the protection of domestic industries in Indonesia. Thus, many of the high cost projects carried out by Habibie received approval by President Suharto, making it very hard for the technocrat camp to pursue their deregulation policies. By regulating state enterprises, the technocrats’ camp has faced opposition from the inside section of the government itself.

The Chinese-owned business groups were also among those who enjoyed the government’s facilities and protection. These “Chinese conglomerates” were headed by figures such as Liem Sioe Linong, William Soeryadjaya (Tjia Kian Liong), Prajoga Pangestu, Bob Hassan (The Kian Siang), Sofyan Wanandi (Liem Bian Koen), Dharmala Gondokusumo (Go Ka Him), Hendra Rahardja (Tan Tjoe Hing), Mocthar Ryadi, and others. These Chinese conglomerates controlled and monopolised various business activities such as cement, flour, banking, pharmaceuticals, automotive industries, electric industries, fertilizers, manufacturing, chemicals, and textiles. In building up their business activities, the Chinese conglomerates enjoyed a close relationship with many important figures in the government and even with President Suharto himself. The political connections have helped them to nurture their business activities for years.

The President’s family businesses were among those being targeted during the deregulation period. In Indonesia the are known as “the Palace Family” (Keluarga Istana) and comprised of, for examples, Sudwikatmono (a cousin of the President), Probosutejo (the President’s foster brother), Tutut (Suharto’s eldest daughter), Sigit (his oldest son), Bambang Trihatmodjo (his second son), Tommy (his youngest son), and Ari Sigit (the President’s grandson). Much has already been written about the family wealth of President Suharto and until now it remain a “sensitive” topic to discussed in Indonesia.

71 For the development of the capital accumulation of the Chinese conglomerates, see, Richard Robison, 1986, especially ch. 9.

Similar to the Chinese conglomerates, the business activities of "the Palace Family" flourished because of their political connections and the protection they enjoyed from the government. In Indonesia, people joke that no economic activity is beyond the reach of "the Palace Family".

Besides these business groups, there are a number of successful indigenous business groups (pengusaha pribumi) such as the Bakri group, the Kodel group, and Bambang Wiyoga's group whose business activities flourished because of political connections particularly from Sudharmono, the Secretary of State in the late 1970s and the early 1980s.

Not everyone was satisfied with the deregulation policies of the 1980s. The technocrats and their deregulation policies were criticised because of widening gap between the rich and the poor in Indonesia. In this context, "the rich" usually refers to the Chinese conglomerates, "the Palace Family", and other big business groups. In fact, there is plenty of evidences that their business activities increased during the deregulation period. For example, the Chinese conglomerates are now the major players in the banking sector, while Bambang (the President's second son) with his holding company, Bimantara, was the first to start the operation of a private television channel in Indonesia at the end of the 1980s. Thus, during the period of deregulation in the 1980s, these groups had to "readjust" their business activities according to new rules set by the technocrats. But since there were not many competitors and since they were already big "players" in the Indonesian economy, these business groups were the ones who were ready to engage with 'market forces'.

It must be pointed out that the politics of deregulation in the 1980s and the 1990s has been characterised by constant rivalry between the

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73 Adam Schwarz, 1994, pp. 79-83.

technocrat camp and the nationalist/protectionist camp. In addition, there are also various business groups who want to continue and to protect their economic interests as well. Thus, the process of reforming the Indonesian economy has involved a power struggle between these contenders for influencing the formulation and the implementation of the deregulation policies.

Finally, there is no doubt that deregulation policies in the 1980s has transformed the Indonesian economy. As political economist John Bresnan writes:

...by early 1992, deregulation had produced several demonstrable results. A recovery was evident in private investment, foreign as well domestic, most of it in manufacturing. Non-oil exports increased significantly, and the economy was made dramatically less dependent on oil in other respects as well. The financial services sector was surging with new dynamism. The private sector was now, for the first time since independence, the driving force behind economic growth, which in 1990 increased at a real rate 7.25 per cent for the second consecutive year.75

Above of all, the Indonesian economy is now more export-driven in orientation and open to the world market.

**Authoritarianism and the Politics of Succession.**

As mentioned earlier, the policies of deregulation of the 1980s led to rapid changes not only in the economy but also in the social and political arenas. Among these changes were an increase of the size of the middle class, the globalization process, and the push for more political openness.

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75 John Bresnan, 1993, p. 264.
in Indonesia. Not only that, from the end of the 1980s until the middle of the 1990s, there were more public protests, worker's disputes, urban unrest, and political debates than ever before under the New Order. Even in the economic arena itself, some business associations started to increase pressure to influence the government's policy making process. With these changes, there was an argument as to whether the existing political system in Indonesia could cope with these changes. What sort of political system existed in Indonesia?

Many studies has been done on the nature of the New Order government. It has been described as a “military regime”, “bureaucratic state”, “patrimonial state”, “bureaucratic pluralism state”, “bureaucratic authoritarian state”, “corporatist authoritarian state”, and “restricted pluralism regime”. But everyone seems to agree that there are at least three important pillars which can be described as the foundation of the New Order government: President Suharto, the military, and the bureaucracy. With the support from the military and the bureaucracy, President Suharto has successfully created and maintained political stability in Indonesia until now.

The New Order government has also created an authoritarian political system which gives strong emphasis to ‘harmony’ rather than ‘conflict’ in solving political differences, and does not recognise “the government-opposition” type of political system which exists in western

76 The discussion on the debate of the political openness in the end of the 1980s, see, Max Lane, 'Openness', Political Discontent and Succession in Indonesia: Political Developments in Indonesia, 1989-91 (Brisbane: Centre for the Study of Australia-Asia Relations, Griffith University, 1991).

77 The best of a study on the government-business relations in the 1980s, see, Andrew MacIntyre, Business and Politics in Indonesia (Sydney: Allen and Unwin, 1990).

78 For summary on these theoretical explanations of the New Order government, see, Andrew MacIntyre, 1990, especially ch. 2.
countries. Until today, The New Order government only allows three political parties to compete in the general elections. These political parties are the ruling party, the Golongan Karya, the Indonesian Democratic Party (an alliance of the nationalist and Christian-based parties), and the Development Until Party (an alliance of Islam-based parties). Since the 1971 general elections until the most recent in 1992, the Golongan Karya has always won overwhelmingly. The general elections in Indonesia have never changed the government or the head of state. Rather they formalise and justify the dominance of the New Order government in power.

Therefore, whatever it may be called, the New Order government’s political system has preserved President Suharto’s strong position above other contenders for power. In Indonesia everyone knows that no other political actors can match the power of President Suharto. He, as everyone believes in Indonesia, has the ability and capacity to create a situation where every political group or figure look for his support. With this situation he can easily exercise his power whenever or however he likes. In the past a few political groups such as the students, ex-military officers, and prominent civilian figures, have criticised Suharto and tried to challenge his power, but they all failed. 

The question is: how much longer can President Suharto maintain his power? The most crucial issue in Indonesian politics today is the political succession. Who is going to replace President Suharto? From which political groups will that person come? Military or Civilian? The question follows: Will Indonesia have a democratic political system in the post-Suharto period? The answers are, unfortunately, not known. Indonesia has never experienced a change in leadership smoothly, or institutionalised change of government on a regular basis.

79 For an interesting discussion on this issue, see, Michael R.J. Vatikiotis, *Indonesian Politics Under Suharto, Order, Development and Pressure for Change* (London and New York: Routledge, 1993), especially ch. 3.
Seemingly, the existing political system is no longer able to cope with the rapid changes that were created by the deregulation policies of the 1980s and the 1990s. What is needed is a more democratic political system which can manage a more complex society and can reconcile the interests of different political groups. Unfortunately, this kind of political system will not be easily established while there is still uncertainty about the political succession in Indonesia. In other words, the establishment of a representative political system in Indonesia will depend very much on how the existing political system can solve the issue of political succession. Indeed, we could suggest that President Suharto has become a victim of the political system which he himself built.

Burma
The Historical and Social Context.

Power in Burmese politics has historically been both personalised and centralised. During the period of Burmese monarchies, power was in the hands of strong rulers such as King Anurawtha of Pagan, King Bayyinaung of Taungoo, and King Alaungpaya of the Konbaung monarchy. The Burmese monarchies successfully united the whole of Burma three times through wars. The transition to colonial power under the British, was not peaceful. The British annexed Burma at the end of the 19th century and replaced--by force--the Burmese monarchies with a new ruler, the colonial government. From that time Burma was integrated into the world economy.

The British colonial government began to introduce a laissez-faire system which allowed the private sector to run the economy and helped to increase international trading activities. The expansion of international trading became an important source of revenue. Despite some economic

80 Export and import values in Burma from around the end of 19th untile early in the 20th century increased rapidly. For example, the Burma Oil Company increased its production from 465,000 barrels of oil in 1898 to around 6.4 million barrels in 1923. The annual production of rice increased from 732,000 tons in the 1870s to 3.6 million tons by 1920. For the discussion on the policies of the British colonial government in Burma, see, J.S. Furnivall, Colonial Policy and Practice: A Comparative Study of Burna and Netherlands' India (New York: New York University Press, 1947).
and political achievements, the colonial government contributed to the division within Burmese society by applying a divide and rule policy which favoured the ethnic minorities and Indians.\textsuperscript{81}

As was the case in other colonized countries in the Southeast Asian region, Burmese society was divided into three categories: the British expatriates and the Burmese upper class who occupied various important positions in the bureaucracy; the Indians and the local traders who controlled the economic activities; and the majority of Burmans who lived in poverty. This division contributed in part to the emergence of the nationalist movement in Burma in the 1920s and the 1930s and also affected ethnic relations in post-Independence Burma.\textsuperscript{82}

The Japanese occupied Burma from 1942 until their defeat and the return of the British in 1945. In 1948, U Nu proclaimed the independence of the Union of Burma and introduced a western type of parliamentary democracy which gave the Burmese people a taste of democracy. This period was known as the golden era of democratic movement in Burma although from the beginning, U Nu had to face political conflicts and armed rebellions.\textsuperscript{83}

However, during the U Nu period Burma experienced economic development to a level that was admired by other nations in the region. In the 1950s, there was a push to industrialise Burma by increasing the


\textsuperscript{82} A good explanation of the early years of nationalist movement in Burma, see, \textit{The Voice of Young Burma} (Ithaca: Southeast Asia Program, Cornell University, 1993); and Khin Yi, \textit{The Dobama Movement in Burma, 1930-1938} (Ithaca: Southeast Asia Program, Cornell University 1988).

\textsuperscript{83} For the discussion on the U Nu government period, see, John. F. Cady, \textit{A History of Modern Burma} (Ithaca: Cornell University Press, 1960).
output of manufactured products. But this push failed due to the poor performance of the state enterprises and political crisis. Despite this, U Nu succeeded in attracting international investors to stay in Burma. For example, Rangoon, the capital city, was one of the busiest regional ports after Singapore in the early 1960s. The development of international trade was one of the main achievements of U Nu’s government. Bertil Lintner describes how:

...Rangoon [was] a booming and bustling international trade centre where a number of foreign banks were represented: the Hongkong and Shanghai Bank, the Chartered Bank, Grindlay’s Bank, the State Bank of India, the Habib Bank and others. Several international airlines had Rangoon as a major destination in Southeast Asia, and Mingaladon Airport was then considered one of the most modern in the region.

Due to difficulties in ending civil war in Burma and the political crises which the country experienced in the 1950s and the 1960s, U Nu and his parliamentary democracy were overthrown by General Ne Win in 1962.

With the support of the military apparatus and its allies, General Ne Win transformed the Burmese military into an authoritarian government.

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87 For the classic works on Ne Win period, see, Josef Silverstein, Burma: Military Rule and the Politics of Stagnation (Ithaca: Cornell University Press, 1977); and David J. Steinberg, Burma: A Socialist Nation of Southeast Asia (Boulder: Westview Press, 1982).
He ruled Burma in a dictatorial style. The Burma Socialist Programme Party (BSPP), headed by General Ne Win, became the only legal party in Burma. The First decade of General Ne Win in power demonstrated that political stability in Burma was indeed hard to achieve. The BSPP government faced increasing discontent and opposition both in the Burma heartlands and the hills areas. The general population was not permitted to select its own leaders because all political decisions were made by the military leaders in Rangoon. Political opposition to General Ne Win always failed because of the weakness of the civil society and the lack of an alternative leader.  

A xenophobic attitude to foreign countries and opposition to capitalism decreased the flow of foreign investment to Burma. The BSPP government introduced the radical socialist development strategy known as *The Burmese Way to Socialism* and abolished the private ownership system through nationalisation programs. The government controlled all economic activities throughout the country. Many Indians, Chinese, Anglo-Burmese, and even educated Burmese decided to leave Burma to settle in other countries. They took with them their capital and skills. Burma was then forced to depend on its own internal resources for its economic and development activities. Only a few countries, such as Japan, China, and the former West Germany granted special loans to Burma. For example,

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88 At the end of the 1960s, the former Prime Minister U Nu decided to fight against General Ne Win by forming the National United Liberation Front (NULF) at the Thai-Burmese border. Unfortunately, due to internal conflicts and a lack of international support, the NULF was not successful in destabilising Ne Win government. For further discussion on this subject, see, Bertil Lintner, *Burma in Revolt: Opium and Insurgency Since 1948*, p. 209.

from 1962 to 1972 Burma only received something in the range of US$ 28 million per year in foreign aid.90

After more than three decades in power, the BSPP government failed to create economic development or to end the political crises. Signs that the BSPP government was entering a political and economic crisis emerged during the Party Congress held in August 1987. At that meeting many leaders, including General Ne Win himself, acknowledged that changes to economic policy were needed to avoid political crisis. The BSPP government then announced a currency demonetisation in September 1987 which affected about 80 percent of the money supply in Burma. This action triggered the anger of the urban population which was already frustrated by the deterioration of the economic situation and the political instability in Burma.

This led to the birth of popular protests of 1988 in which the people of Burma demanded the return of a multi-party democracy and the replacement of the BSPP government.91 Eventually, the BSPP government was replaced through a military coup by the Burmese armed forces (the Tatmadaw) led by then was the Minister of Defence, General Saw Maung, in 18 September


1988. On his first day in office, the leader of the new military government, (known as the State Law and Order Restoration Council-SLORC) General Saw Maung, explained the reasons behind the takeover as being: (1) to restore law and order; (2) to ensure transportation and communication; (3) to ease the food and shelter needs of the population; and (4) to stage democratic multi-party elections. To ensure the completion of these tasks, SLORC declared martial law and abolished existing government institutions. SLORC also created law and order councils in every city and town in the country, all of which were headed by local military officers.

However, the military coup was condemned by opposition leaders. Together with the students, the opposition leaders such as Tin Oo, Aung San Suu Kyi, U Nu, and others opposed the coup on the grounds that it was a setback for the return to democracy in Burma. The military government reacted immediately by arresting many students and also by sending troops throughout the country. The coup was also attracted international criticism. The western countries responded by withdrawing their financial support and by threatening to impose economic and military sanctions toward Burma.

Neighbouring countries such as China, Thailand, and the members of Association of Southeast Asian Nations (ASEAN), however, have refused to use economic and military sanctions to influence Burma. Instead, ASEAN has adopted what they called a “constructive engagement” approach


93 To register their protest, the students demonstrated in major cities. Clashes between demonstrators and troops occurred in many places, and there were many casualties. An independent sources estimated that about 1,000 civilians died during these confrontations and at least another 10,000 students left the cities for ethnic minority controlled areas along the borders with neighbouring countries. See, Martin Smith, Burma: Insurgency and the Politics of Ethnicity, p. 16.
to Burma which means promoting non-intervention in the domestic affairs of Burma and direct contact in order to bring about political change. The reaction of the international community, however, placed the military government in difficult situation in terms of international diplomacy and created a potential for political instability in the region.

SLORC has had to deal with these political and economic difficulties, although domestic and international pressure did not cause the collapse of SLORC, its has pushed the military government into a deepening domestic political crisis, which has the potential to threaten the military’s political future.

Several points can be made here. First, Burma has never experienced durable political stability. The transition from one power holder to another has been traumatic and sometimes has been brought about through wars and military coups. Second, authoritarianism has always been a feature of Burmese politics, from the 1960s until today. The military has emerged as the most powerful force in modern Burma and now is dominating the power structure in Burmese society. It is true, however, that democratic forces have tried to challenge military power from time to time. Third, the government still controls economic activity in Burma. The legacies of socialism and the domination of the state sector are still widespread. Fourth, there is no domestic capitalist class which can assert its political influence in Burma. The people who owned and operated the domestic capital left the country in the early 1960s. Fifth, Burma is in a strategic location sharing borders with India, China, Thailand and Bangladesh. Because of that, Burma has historically been a focus for international and regional rivalries.

The Politics of Economic Reform in the 1980s and the 1990s.

One of the reasons for the collapse of BSPP government was the failure of the Burmese Way to Socialism to create prosperity and economic progress in Burma. After the military coup in 1988, SLORC initiated what it called an “Open-Door” program of economic reforms. This aimed to dismantle the socialist economy which was dominated by the state sector.
and move toward a market-oriented system.94

Between late 1988 and 1990, SLORC introduced new foreign investment laws, finance and banking regulations, and major privatisation programs. The reform measures were implemented in a gradual way rather than with a “big bang” approach. Generally, this shift was intended to respond to the economic crisis which was left by the previous government and was dubbed by observers as “a survival strategy”.95 Later on, the reforms broadened into various policies such as reducing government expenditure and monetary expansion, allowing private banks to operate, giving more investment incentives to domestic investors, and freeing foreign exchange activities.96

As far as economic reform is concerned, there are several ministries involved in the policy-making process: the Prime Minister’s Office, the Ministry of National Planning, the Ministry of Finance, the Ministry of Trade, and the Ministry of Industry. But the most prominent minister involved in formulating the economic reform policies is the Minister of National Planning, Major General David O. Abel and his team. It is still not clear whether there are technocrats or prominent economists who work with him. In Burma there are few professional or academic-oriented institutions which can spread freely the ideas of economic growth. Many prominent academics and professionals left the country after General Ne Win launched his military coup in 1962. These people are now still living in exile. Some of them are prominent economists, policy analysts and technologists.97


97 Few of them, for example, Professor Mya Maung, a well-known economist who teach at Boston College, USA, and Professor Khin Maung Kyi, a prominent economist who lives in Singapore.
The economic reforms, however, brought immediate response from some neighbouring countries. For example, the visit of the Thai military leader in December 1988 resulted in many trade agreements. From Thailand alone, SLORC received around US$ 112 million from logging and US$ 17.7 million from fishing, but overall there was a dramatic increase in foreign investment, from US$ 10 million in September 1988 to US$ 28 million in March 1989 and US$ 150 million in June 1989. SLORC had another source of revenue in its long-time partner, China, and other Asian countries such as Singapore, South Korea, Japan, Taiwan, and Malaysia.

The level of foreign investment in Burma is still small compared with other countries in the region. The competition for attracting foreign investors in the region has increased markedly in recent years, particularly with the opening of “new” markets in Vietnam, Cambodia, Laos, Bangladesh, and Southern China. Over a five year period, SLORC’s economic reforms have attracted about US$ 1.5 billion and only recently reached about US$ 3.09 billion in foreign investment. Most of these foreign investors have invested in oil and gas, hotels and tourism, fisheries, mining, real estate development, and manufacturing.

However, the economic reforms in Burma are still far from being regarded as successful. Economic reform has benefited only some groups


99 For example, by 1990/1991 the flow of exports (94 per cent) and imports (70 per cent) in Burma were predominantly among Asian trading partners. See, G. Siemers, “Myanmar in 1992: Heading for ‘Guided Democracy’”, Southeast Asian Affairs 1993 (Singapore: Institute of Southeast Asian Studies, 1993), pp. 256-261.

100 The Nation (3/12/1994); Bangkok Post (2/12/1994); and an official’s report on foreign investment by February 1996 printed in Government of Myanmar Homepage.
within society, namely, those who are engaged economic activities with SLORC. One of these groups is the military’s holding company, Union of Myanmar Economic Holdings (UMEH). This is the biggest company in Burma and owned by the armed forces’ Directorate of Procurement (40 per cent), and the rest belong to ex-military officers. The UMEH involved in a wide range business activities such as in manufacturing, hotels and tourism, oil exploration, and real estates. For example, some international companies such as South Korea’s Daewoo, the British cigarette company Rothmans, and Malaysian Kemayan group are doing business with the UMEH. Meanwhile, there are also local business groups who are benefiting from doing business with the military government. The biggest one is the Asia World group owned by Steven Law who recently entered into a joint venture agreement in various business areas with a Malaysian tycoon Robert Kuok.

Generally, many foreign investors (particularly from the western countries) still hesitate to invest in large scale projects because they see the future of SLORC as uncertain. Other factors, such as the lack of infrastructure to support industrial projects, the poor exchange rate and the continuing pressure against SLORC by western countries have contributed to investor’s reluctance to invest heavily.

In this light, in a recent report the World Bank suggests that the current economic reform policies have not gone far enough and Burma still needs and comprehensive reform agenda which includes such issues as

101 UMEH was established in 1990 and believed to be one of financial sources for the military government in Burma. See, David Steinberg, “Democracy, Power, and the Economy in Myanmar, Donor Dilemmas”, Asian Survey, xxxi, No. 8 (August), pp. 734-735.


restoring macroeconomic stability, reorienting the incentives system, and reforming the state enterprises sector.\textsuperscript{104} It seems that until now the military government is still hesitant about implementing more comprehensive economic reforms because it is against their own economic interests. This is, for example, very clear in the context of military government’s refusal to adjust the exchange rate of the local currency, the Kyat. The World Bank has identified that reform on the exchange rate would create losers such as:

\ldots those who have access to official imports, either directly or indirectly through the resulting cross-subsidies. Those with direct access to cheap imports including many SEs, which receive underpriced inputs while exporting little, as well as sections of the population (mainly government officials and military personnel) who receive these products and electric power at official prices.\textsuperscript{105}

In the political arena, the opposition groups particularly the National League for Democracy (NLD) have criticised the economic reforms on the basis that they fail to reach the majority of the people and lack vision. As Aung San Suu Kyi argues:

There are many requirements, fundamental requirements, for a country to develop and to enjoy sustainable economic growth. The most fundamental requirement is the rule of law, because [the] trust and security [are] needed for economic development...That is why, we would like to stress that the political system, the legal system, and the economic system all go together, they are inseparable.\textsuperscript{106}

\textsuperscript{104} World Bank, Myanmar, Policies for Sustaining Economic Reform, 1995, pp. xi-xv.

\textsuperscript{105} World Bank, 1995, p. 23.

\textsuperscript{106} Quoted from an interviewed carried out by the British Broadcasting Corporation (BBC) with Aung San Suu Kyi on 30 January 1996.
Authoritarianism and the Burmese Way to Capitalism.

The implementation of the economic reforms in Burma has brought up the issue of political liberalisation as well. To what extent will the economic reforms force SLORC to liberalise politics in Burma? The evidence of the last few years shows that the military remains strong and has only taken small step toward political liberalisation.

SLORC refused to honour the results of the May 1990 multi-party general elections in which the National League for Democracy (NLD) won about 80 per cent of seats in the National Parliament (Pyithu Hluttaw). The refusal of SLORC to hand over power to NLD has been as source of political crisis in Burma ever since. Even though the political scene in Burma has gradually changed since the 1992 replacement of military leader Senior General Saw Maung by General Than Shwe, the likelihood of a return to an elected civilian government is still doubtful.

SLORC has shown an unwillingness to accommodate the democratic aspirations of the Burmese people by drafting a new constitution which guarantees the domination of the Burmese military in national politics. The most contentious issue was the idea of giving the leader of the military the right to appoint military members of parliament and also to choose the future head of state in Burma. This system is similar to that which exists in Indonesia and to a lesser degree in Thailand. The democratic forces in Burma who oppose this system question the extent to which the constitution could be democratic, if such a system is in place.

SLORC has been delaying (perhaps even refusing) to reach a political settlement with Aung San Suu Kyi since her release in mid-1995.107 There is no doubt Aung San Suu Kyi is an important figure in contemporary Burmese politics. She earned the admiration of the Burmese people

during the 1988 Uprising because she reintroduced concepts such as democracy, human rights and non-violent struggle into the Burmese political debate.\textsuperscript{108} She also has the support of many nations in the international community who recognise her as the leader of the opposition in Burma. Therefore, the success of economic reform will depend very much on the abilities of SLORC and the NLD to reach a political settlement in Burma.

In sum, the economic reforms which have been implemented since the end of the 1980s have not succeeded in changing the nature of the economic system in Burma. This suggests that the problem of "old" socialist legacies in the economic arena remains, and it is still difficult for SLORC to overcome.\textsuperscript{109} On the political side, it suggests that the military leadership in Burma does not have a good record in managing the economy. Some argue that the economic reform process in Burma should be implemented with an open-minded political attitude rather than with an authoritarian style of governing.\textsuperscript{110} In Burma, so far there is

\textsuperscript{108} For further discussion about her ideas and writings, see, Aung San Suu Kyi, \textit{Freedom From Fear and Other Writings} (London: Penguin Books, 1991).

\textsuperscript{109} In Burma there are at least 59 State Enterprises (SEs) under various ministries who are engaging in economic activities which strictly allocated for them, for example, (1) extraction and sale of teak; (2) cultivation of forest plantations; (3) exploration, extraction and sale of petroleum and natural gas; (4) exploration, extraction and sale of pearls, jade and precious stones; (5) fisheries reserved for research by the government; (6) postal and telecommunication services; (7) air and rail transport services; (8) banking and insurance; (9) broadcasting; (10) exploration, extraction and sale of metals; (11) electricity generation and distribution services; and (12) manufacture of products relating to defence and national security. It is still hard to imagine the economic consequences for the current military government when the SEs has to be privatised or reduced in the future. This issue is probably the most sensitive one to tackle in the coming years, See, World Bank, 1995, p. 93.

\textsuperscript{110} This view can be found in an article written by a well-known Burmese economist, Khin Maung Kyi, "Will Forever Flow the Ayeyarwady?", \textit{Southeast Asian Affairs 1994} (Singapore: Institute of Southeast Asian Studies, 1994): 209-230.
no evidence that, in David Steinberg’s words, “open markets” are accompanied by “open politics”\(^{111}\). In fact, the continued accumulation of power in military hands is clear. Perhaps this is what some people called the *Burmese Way to Capitalism* where SLORC is only interested in “money” but not in “democracy”.

**Economic Reform and Pathways to Political Liberalisation**

What are the highlights that we can summarise from comparing these three countries? The case studies of Thailand, Indonesia, and Burma show that the process of formulating and implementing economic policy reforms is not an easy process and uniform. There are similarities and differences that have taken place during the reform periods. In a broader sense, the economic reform policies were implemented in these countries because they wanted to establish market economies and to integrate themselves into the world economy. The historical and social backgrounds of these countries have shaped the ways in which they have pursued and implemented reforms, and also the political consequences of the reforms themselves. More importantly, in these three countries the military has played major role in national-level decision making process and therefore, influence the ways in which the economic policies being formulated and implemented.

To some degrees, the similarities can be found in the context that these three countries have all undertaken economic reforms under political systems which give strong power to the executive branch. In Thailand and Indonesia, in particular, the reforms have also been initiated by “strong” leaders in which the roles of former Prime Minister Prem Tinsulanond and President Suharto have been crucial in reforming their economies. They also

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accompanied by capable "reform" teams or technocrats who mostly educated in economics in western universities and generally committed with the creation of a sound macroeconomic policies. Probably is only Burma that has not accompanied with this type of leadership and the technocrats team which could guided the formulation of the reform policies due to the domestic political situation.

There are also similarities in term of domestic and international factors which influence the development of economic reforms. Thailand is an interesting case. The reform policies were carried out in order to respond to a deteriorating economic situation caused by the decline of primary products as exports earners and the global economic recession of the 1980s. This is happened in Indonesia in the early the 1980s as well. The decline of oil prices in the world market caused a domestic economic crisis and this forced the Indonesian government to implement deregulation policies. Thus, the international factor has been very strong in Thailand and Indonesia, because these countries were already open to the world economy.

In Burma the domestic crisis is the main factor influencing the implementation of economic reforms. Economic reforms have been undertaken in the context of economic and political crises inherited from the military government of Ne Win's Burma Socialist Programme Party regime. By reforming the Burmese economy and opening the country to the world economy, the military government has hoped that it might ease these crises simultaneously. But the ability of the current military government to overcome the economic and political obstacles remains to be seen.

The differences can be found also in the outcomes of the implementation of the reform policies. Arguably, the pace and sequencing of the reforms have varied between the countries. In all three countries the implementation of the economic reforms has led to a struggle between the contenders for power. In Thailand, the reforms generated a conflict of interests between the protectionist camp and the pro-market camp. Each contender fought their cause by making an alliance with different political groups and political parties which might represent their interests. To deal with this situation, the government has to gradually reforming the constitution
and political systems and also has to accept the pressures from the societal-based organisations by creating various types of institutional arrangements such as a government-business forum. But overall, since Thailand has a long history of integration in the world economy, and it is in its own best interests to be so, then the desire to maintain this brought the pro-market camp into the strongest position.

In Indonesia, the reforms led to ongoing rivalry between the pro-market camp and the nationalist/protectionist camp. Because of the long history of colonialism, as well as the constraints of the 1945 Constitution, Indonesia developed a strong nationalist sentiment which has to a large extent influenced the formulation of the economic policy reforms. It seems that the reforms have created a “no win” situation. This has happened because both camps have had the capacity to influence the formulation of the reforms agenda and their different interests are somewhat neutralised by the existing political system which gives strong power to President Suharto. In other words, since the source of power is basically in the hands of President Suharto, it makes the consolidation of the economic reform and the direction of the political system in Indonesia depend very much on himself.

In Burma, the reforms have led to a continuation of the power of the Burmese military and have also created a problem of political legitimacy. The reforms were undertaken in a context where the political future of the military is still uncertain. The reforms have not received support within the country. So far the reforms have not changed the nature of the Burmese economy which is dominated by the heavy involvement of the government in economic activities. The future of the economic reforms themselves will depend very much on the ability of the military government to end the domestic political crisis.

If we put these case studies in the context of debates on the interrelations between economic reform and political change, the comparison to others’ experiences is worth mentioning, Stephan Haggard and Robert
Kaufman in their studies explain that these are three models related to the relationship between economic reform and political liberalisation. *First*, the economic reform first and political liberalisation model. This model has been implemented by “bureaucratic authoritarian” (BA) regimes in Argentina, Brazil, Chile and Uruguay during the 1960s and the 1970s, and also in Turkey in the early 1980s. In East Asia this model has been used in South Korea under the Park Chung Hee government in the 1970s and also in Singapore under Lee Kuan Yew.

This model underlines the argument that once the economic growth has been achieved, then these BA regimes gradually make an opening for political participation, which was repressed during the early stages of economic development. However, the process of political opening up is not solely an initiative the “top” or from “within” the regimes but is also a response to pressure from various interest groups and the wider organisations within society as well. During the 1980s and the early 1990s, we witnessed these regimes experiencing the transition to democracy.

*Second*, the economic reform and the political liberalisation come together model. This model is often used when authoritarian regimes face an economic crisis that is a potential threat to their power, but they are still able to control the pace of political change. In other words, political liberalisation is used by these regimes as a political manoeuvre; to gan

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the support of the new political organisations and interest groups for economic reform policies. This support is crucial as a form of symbolic compensation for the losers during the implementation of the economic reform process. This model has been applied, in some degrees, in Nigeria under the Ibrahim Babangida government, Mexico under President Miguel de la Madrid and Carlos Salinas, and in Poland under President Jaruzelski.

Third, the democracy comes ahead of economic reform model. This model emerges where authoritarian regimes are losing political support and experiencing "internal" self-disintegration. It is often the case that these regimes dismantle the authoritarian political systems first without implementing economic reform. The deterioration of the political authority of the regimes in the eyes of their people creates a situation where the political leaders cannot formulate and implement reform policies. The most classic example of this model is the collapse of the Marcos regime in 1986. It has been used Ghana and Nigeria in the early 1980s.

In this context then the question can be asked: Is there a single road for establishing a market economy and the process of political liberalisation in these three countries? The answer is probably "no". The case studies of Thailand, Indonesia, and Burma suggests that these countries have moved toward market economies in different ways. On the issue of political liberalisation itself, Thailand is certainly ahead of the others. In Thailand, the reforms were pursued together with a gradual move toward the establishment of a representative political system. Thailand is certainly match to the second model where the economic reforms have led to political liberalisation. The consolidation of democracy in Thailand is thus better established than in Indonesia or Burma.

In Indonesia economic reforms have been implemented without reform in the political system, although domestic pressure to reform the political system is strong. The prospect of the establishment of a representative political system or democracy remains uncertain. The stumbling block in Indonesia is the unresolved problem of the political succession. Indonesia is a case where economic reform has not led to political liberalisation but with qualification that is once President Suharto relinquish from power then the political liberalisation will take place.
The experiences in Burma are similar to Indonesia in some respects. The economic reforms have been implemented in a situation where the political legitimacy of the military government is in question. The refusal of the Burmese military to enter into a political settlement with the opposition parties creates political uncertainty in Burma. The case of Burma shows that the economic reforms can be implemented in the context of increased authoritarianism. Indeed, Indonesia and Burma can be categorised to be part of the first model where the economic reform is not always follow by political liberalisation.

Conclusion

This paper draws attention to a comparison of the interrelationship between politics, economic reform, and democratisation in Thailand, Indonesia, and Burma in the 1980s and 1990s. It is still a preliminary in nature, and it is intended as a contribution to the growing number of studies of the links between economic reform and political change.

This paper also suggests that the implementation of economic reform policies has caused the rapid changes in the economic, political, and social spheres. The reform effort has created a situation where governments in these countries are constantly facing pressures from their societies to create representative political institutions. The unique configuration of the historical and socio-political backgrounds of these countries have caused them to respond to those pressures in differently ways. Thailand has implemented economic reforms together with a gradual process of political liberalisation, while in Indonesia and Burma, economic reforms have been undertaken without democratising their authoritarian political systems.