

No. 16

**Crisis and Transformation:
ASEAN in the New Era**

Etel Solingen

**Institute of Defence and Strategic Studies
Singapore**

MAY 2001

With Compliments

This working paper is part of a series on Non-Traditional Security Issues in Southeast Asia. It has been produced under a grant from the Ford Foundation, for which the IDSS gratefully acknowledges.

The Institute of Defence and Strategic Studies (IDSS) was established in July 1996 as an autonomous research institute within the Nanyang Technological University, Singapore. Its objectives are to:

- Conduct research on security, strategic and international issues;
- Provide general and post-graduate education in strategic studies, defence management, and defence technology;
- Promote joint and exchange programmes with similar regional institutions; organise seminars/conferences on topics salient to the strategic and policy communities of the Asia Pacific.

Research

Through its publications, the Institute seeks to share its research findings with the strategic studies and defence policy communities. The focus of research is on issues relating to the security and stability of the Asia-Pacific.

Teaching

The Institute provides educational opportunities at an advanced level to professionals from both Singapore and overseas through its Master of Science in Strategic Studies Programme. The MSc is a full-time course conducted by an international faculty. The Department of War Studies, King's College, University of London, is the consultant to the Programme.

Networking

The Institute convenes workshops, seminars, and colloquia on aspects of international relations and security developments, which are of contemporary and historical significance. The Institute also serves as the Secretariat for the Council for Security Cooperation in the Asia-Pacific, (CSCAP) Singapore.

ABSTRACT

This article examines the political consequences of the 1997-1999 Asian crisis for ASEAN's regional cooperation and institutionalization. It relies on a conceptual framework that analyzes the links between political-economy and security, tracing regional relations to the makeup and grand strategies of domestic coalitions (internationalizing, hybrid, backlash) forming in response to internationalization. No backlash turn was evident during 1997-1999 in the leading ASEAN states, despite some aggravating effects of both IMF-style reforms and cronyism-related government vacillations, although Indonesia remains in turmoil. On the whole old and new variants of internationalizing coalitions stayed the course in both the domestic and international dimensions of their grand strategy, while adapting policies to new socio-economic and political-institutional requirements. Against a shock of major proportions in every realm of life, ASEAN states retained the fundamentally cooperative relations characteristic of the pre-crisis era, even if they navigated through serious challenges in bilateral relations and multilateral collective action on issues of economic cooperation, expansion, intervention, and security. This preliminary assessment notwithstanding, and in light of the greater vulnerability that financial and capital account liberalization has induced, the full distributional effects of the economic crisis may not be evident for some time. Coalitional forms may be altered and no linear or irrevocable progression towards internationalization or regional cooperation should be implied.

Etel Solingen is a Professor of Political Science at the University of California, Irvine. She is the author of *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton University Press 1998), and *Industrial Policy, Technology, and International Bargaining* (Stanford University Press 1996). Her research interests include globalization, democratization, and international security regimes. She is the recipient of a Social Science Research Council-MacArthur Foundation Fellowship on Peace and Security in a Changing World (1998-2000).

CRISIS AND TRANSFORMATION: ASEAN IN THE NEW ERA

Introduction

This article examines the political consequences of the Asian crisis for regional cooperation and institutionalization in ASEAN (Association of Southeast Asian Nations). Interstate conflict in Southeast Asia (SEA) has declined significantly in recent decades, after a history of deadly conflicts and heightened military tension. Notwithstanding disputes such as the Spratly Islands (between China and Vietnam, Brunei, Malaysia, Indonesia and the Philippines) war has been avoided and ASEAN has emerged as a presumed architect of this peaceful era. At the same time lingering ethnic, religious, and territorial cleavages always have the potential of undermining ASEAN cooperation. Economic crises have a special status in the international relations literature as harbingers of change, of institutionalization, and sometimes as handmaidens of war. It is thus important to understand what conditions unleashed by the 1997 economic crisis might validate, or alternatively refute, such concerns. The crisis itself had subsided by 1999 but its political consequences could be more durable, particularly if one goes beyond classical security to consider the broader socio-political dimensions that underpin regional security.

The next section establishes the conceptual framework that will guide this evaluation, addressing the links between political-economy and security. This framework builds on earlier work that traces regional orders to the makeup and grand strategies of domestic coalitions forming in response to internationalization. The subsequent section provides an overview of the impact of the crisis on the domestic politics of ASEAN countries and on their respective coalitional arrangements. Next I examine the presumed effects of these political changes for regional interactions in ASEAN from late 1997 to early 2000, during the crisis and its aftermath. The section addresses expectations regarding ASEAN's behavior stemming from the theoretical framework outlined earlier. I end with some conclusions and implications.

I. The Conceptual Framework: Domestic Impact of Internationalization

What is the impact of internationalization on the domestic politics and, in turn, on the regional behavior of states? What futures can we envisage for regional orders from what we know thus far about internationalization and its impact on regions? There is no simple formula for estimating the precise domestic political impact of global economic processes, let alone the

implications for regional orders. Nonetheless, we can begin by clustering domestic political constituencies according to their hypothesized position regarding internationalization, and then estimating some of the policy consequences in the regional domain.¹ In the economic domain, internationalization involves increased openness to international markets, capital, investments, and technology. Internationalization also threatens norms, cultures, and values. Political leaders rely on material and ideal aspects of internationalization to broker coalitions across different socio-political groups. Three ideal-typical coalitions can be identified: internationalist and backlash--neither of which can be found in pure form in the real world--and hybrids.

Political leaders that craft internationalist coalitions may lean heavily on particular bureaucratic allies. Such leaders aim at attracting the beneficiaries or potential beneficiaries of reform, such as export-intensive sectors and firms, highly-skilled labor employed in competitive industries or firms, analysts oriented towards an open global economic and knowledge (technology) system, consumers of imported products, and bureaucracies central to reform (independent central banks, finance ministries, managers of export-processing zones). Many internationalist coalitions retain state intervention and industrial policy although they do allow the expansion of private capital--local and international--far more significantly than backlash coalitions. Politicians organizing backlash coalitions--fearful that internationalization will erode their statist-nationalist or ethno-religious basis of political patronage--attract import-competing firms and banks closely tied to the state, state-owned enterprises and banks, urban unskilled blue-collar and white-collar sectors, state bureaucracies rendered obsolete by reform, segments of the military and its industrial complex, and in some cases, some civic-nationalist, ethnic, and religious movements.² Hybrid coalitions are much less clear cut in their composition, and can bring together otherwise strange bedfellows. The more heterogeneous the coalition the more it is likely to be affected by distributional conflicts within itself. So-called "crony capitalism" defies the internationalist/backlash divide and can be compatible with internationalist grand strategies even if it does not necessarily represent its "best practice."

Internationalist and backlash leaders and coalitions differ in their preferences over domestic and international resource extraction and allocation and in their orientations toward

¹ For an extensive elaboration of the argument in this section, see Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton, NJ: Princeton University Press, 1998).

² The armed forces join internationalizing coalitions when economic openness does not threaten them financially or institutionally or when expansive military-industrial-complex tendencies in their midst are purged.

regional and international behavior. Accordingly, each advances a grand strategy with synergistic effects across the domestic, regional, and global arenas. The concept of grand strategy here departs from the one commonly advanced in classical security studies in at least three ways. First, it refers to the broad socio-political and economic arrangements underpinning governance, not simply military postures and preparedness. Second, those arrangements differ from coalition to coalition, and cannot be imputed from any particular concept of geopolitics, as neorealism assumes. Third, grand strategy defines a coalition's relation to the internal extraction and allocation of resources among groups and institutions no less than its relation to global and regional power and economic structures.³

Domestically, the grand strategy of internationalist coalitions includes the pursuit of economic policies compatible with global access and the decimation of its political opposition. Externally, the strategy is designed to maintain secure access to foreign markets, capital, investments, and technology. Regionally, a cooperative (non-violent) neighborhood serves the grand strategy in all its aspects, allowing a stable investment environment and appropriate macroeconomic conditions, while avoiding expensive arms races. Central to their economic program is the primacy accorded to macroeconomic stability and to international competitiveness. Macroeconomic stability reduces uncertainty, encourages savings, and enhances the rate of investment (including foreign). These preferences induce internationalists toward cooperative regional behavior, lest they would be required to mobilize resources for military conflict. Such eventuality would involve unproductive and inflation-inducing military investments and the protection of state-owned enterprises under a mantle of "national security," which are disruptive for the kind of domestic political economy they seek to develop. High military and ancillary budgets increase governmental and payments deficits, raise the cost of capital, curtail savings and productive investment, deplete foreign exchange coffers, and induce overvalued exchange rates, currency instability and unpredictability.

The grand strategy of backlash entrepreneurs and coalitions seeks to preserve allocations to military and other protected (mostly statist) industrial complexes, and to weaken internationalist adversaries at home. Externally, it resists pressures for internationalization while challenging an array of international regimes depicted as anathema to statist-nationalist and

³ For more classical definitions of the concept, see Barry R. Posen, *The Sources of Military Doctrine* (Ithaca: Cornell University Press, 1984) and Richard Rosecrance and Arthur A. Stein, eds. *The Domestic Bases of Grand Strategy* (Ithaca: Cornell University Press, 1993).

military objectives. Regionally, a context of insecurity and competition helps sustain their grand strategy. Regional cooperation threatens backlash coalitions because it compels downsized allocations to the military and weapons-producing enterprises, deprives backlash entrepreneurs of mythmaking opportunities, and endangers the extraction and allocation of fiscal resources to backlash constituencies.

The relative strength of coalitions--at home and throughout the region--accounts for the degree to which grand strategies are more pristine or diluted versions of the ideal-type. Hybrids are expected to straddle the grand strategies of their purer types, domestically, regionally, and internationally, but rarely forcefully or coherently. Furthermore, taking note of the regional coalitional context helps explain a particular coalition's behavior. Strong internationalist coalitions facing each other in a region are expected to create more cooperative and peaceful regional orders than a cluster of strong backlash coalitions. Hybrid coalitions, diluted strategies, and mixed coalitions in a given region, create open-ended regional orders that elude extensive cooperation or warfare.

II. THE ASIAN CRISIS: COALITIONAL EFFECTS ON ASEAN STATES

The crisis that enveloped East Asia in mid-1997 had serious domestic impacts in the social, political, economic, and cultural fabric that might have affected intra and extraregional international relations. According to Lim (1999), there is some consensus that the domestic origins of the crisis may be found in macroeconomic imbalances, structural deficiencies in financial sectors, and failures in political and corporate governance.⁴ Not only were domestic financial sectors imprudent in overextending credit but they were also unrestrained by weak governments unwilling to curtail asset bubbles. "Crony capitalism" became a frequently cited source for the malaise of East Asia's developmental model as was the herd behavior of foreign lenders, fund managers, and other international portfolio investors.

By mid-1997, currency devaluations, capital flight, high debt burdens, and regional contagion effects led to a deep socio-economic crisis, with rising unemployment, pauperization, and decimated businesses. The poor and the nearly-poor, including unskilled workers in urban

⁴ See also K.S. Jomo, "Comment: crisis and the developmental state in East Asia," in Richard Robison, et al., *Politics and Markets in the Wake of the Asian Crisis* (Routledge: New York, 2000), pp.25-33 and Stephan Haggard, "The Politics of the Asian Financial Crisis." *Journal of Democracy* Vol.11, No.2 (April 2000), pp.130-144.

areas, were forced to absorb the burden of price increases on basic commodities such as food and fuel. Between 1975 and 1995 poverty in all of East Asia had dropped by two-thirds, making the rate of poverty reduction the fastest in the industrializing world. Notably, deepening liberalization since the mid-1980s had contributed to an even faster rate of poverty decline than in previous years.⁵ It had also bolstered a significant middle class and the rise of a wealthy segment of beneficiaries of a globalizing economy. Hence, the 1997 crisis gave a significant blow to an evolutionary process of rising expectations at all levels, the political consequences of which will take years to assess.

This section outlines how the Asian crisis affected coalitional changes in some of the major ASEAN countries during the first two years after the onset of the crisis. It is thus no more than a preliminary assessment. Reasons of space preclude more than a brief background on pre-crisis coalitional histories.⁶ Furthermore, the same reasons call for Thailand, Malaysia, and Indonesia to be given particular attention given the severity of the crisis there (with economic contractions ranging between five and twelve percent in 1997-1998).⁷

There are three basic schools of thought about the role of the International Monetary Fund in the Southeast Asian crisis. The first contends that harsh and misguided measures imposed by the IMF as soon as the crisis erupted were counterproductive (Stiglitz 1999) and responsible for the worsening of the economic and political turmoil, most notably in Indonesia. A second school condones IMF measures as the most appropriate tools--given the circumstances--to prevent a complete collapse of the economy and polity and to phase out Asian "crony capitalism." A third school gathers strange bedfellows that share their common hostility to international institutional intervention, either from a supply-side (conservatives in the US

⁵ World Bank. *Social Policy and Governance in the East Asia and Pacific Region*, "Poverty in East Asia" (8 November 1999) <<http://www.worldbank.org/eapsocial/sector/poverty/povcwp2.htm>> World Bank. *Social Policy and Governance in the East Asia and Pacific Region*, "What is the Social Crisis in East Asia?" November 9, 1999 <<http://www.worldbank.org/eapsocial/whatis.htm>>

⁶ For the historical coalitional evolution of ASEAN states prior to the crisis and a more extensive overview of ASEAN's pre-1997 record in regional cooperation, see Etel Solingen, "ASEAN, *Quo Vadis?* Domestic Coalitions and Regional Cooperation." *Contemporary Southeast Asia* Vol.21, No.1 (April 1999),pp.30-53.

⁷ Donald K. Emmerson, "A Tale of Three Countries." *Journal of Democracy* Vol.10, No.4 (October 1999),p.36; Samuel S. Kim, "East Asia and Globalization: Challenges and Responses." *Asian Perspective* Vol.23, No.4 (1999),p.36.

Congress, for instance) or from a demand-side (rejecting neo-colonial exploitation).⁸ The three schools vary in their assessment of the socio-economic and political impact of the post-1997 crisis, but few refute the fact that the crisis returned widespread misery to the region. Hence, in shattering expectations that rose throughout the 1980s and early 1990s, the crisis arguably made Southeast Asia riper for backlash politics. Clearly, the IMF bailout benefited foreign investors while punishing many domestic firms while socialising the debt.

The old domestic ruling coalitions in ASEAN were lubricated by state-directed lending and extensive family-owned conglomerates, with lending based on personal and political connections. This was a far cry from a market-based model of political economy. However, private entrepreneurship had flourished in this region in recent decades to an extent virtually unparalleled in other industrializing regions, and perhaps anywhere beyond the OECD community. Furthermore, none of these other regions embraced the opportunities (and risks) of the international marketplace more fully. On the whole, export-led strategies in Malaysia, Indonesia, and Thailand succeeded with much less emphasis on industrial policy than in South Korea and Taiwan, let alone other NICs (McIntyre 1994, Haggard and Kaufman 1995). States did intervene selectively to promote exports, provide credit, and subsidize declining domestic industries but price distortions were within bounds (Fischer 1999:80). States were active lenders and regulators but less active entrepreneurs than elsewhere in the industrializing world. Some of the weak economic fundamentals characteristic of many industrializing states--current account and budget deficits, inflation, foreign exchange reserves, sluggish exports--were far more sound in Southeast Asia. Public sector fiscal profligacy, for instance, was clearly not a cause of the 1997 crisis, as it has been in many other cases throughout the world. Mean government final consumption for ASEAN as a group oscillated between 11 percent of GDP in the early 1970s to 12.5 percent in the early 1980s, declining to 10 percent in the early 1990s. In contrast, mean government final consumption as a percentage of GDP for Middle East states was twice that of ASEAN in the early 1970s, three times larger throughout the late 1970s and late 1980s, returning to twice as large only after reform efforts in the early 1990s.⁹

⁸ Nicola Bullard, with Walden Bello and Kamal Malhotra, "Taming the Tigers, Focus on the Global South," (Ms. Bangkok, Thailand, March 1998). Even as they criticize Asian development models for sharpening income gaps, environmental exploitation, and the absence of democracy, Bullard et al. acknowledge that the models had brought improvements in health, education and living standards. See also transcript of Address to the Overseas Development Council Conference on Asia's Coming Explosion by James D. Wolfensohn, President, The World Bank, Washington, D.C., 19 March 1998.

⁹ On further regional comparisons, see Alasdair Bowie and Danny Unger, *The Politics of Open Economies: Indonesia, Malaysia, the Philippines, and Thailand* (Cambridge University Press, 1997)p.10). Data for 1950-1992 is from Alan Heston and Robert Summers, "The Penn World Table (Mark 5): An Expanded set of

That markets played a far more important role in this part of the world is also reflected in the levels of government deficits. Mean government deficits for ASEAN were around 3 percent of GDP during the 1970s and early 1980s (long before Maastricht became history), turning to surplus by the late 1980s. Finally, military expenditures as a percentage of GDP declined sharply despite absolute growth in the context of dramatic economic growth (Solingen 1999:39-40). All in all, one might characterize most of these coalitions as *internationalizing*, i.e., moving in the direction of internationalist grand strategies even if none (anywhere) ever fits the ideal type.

During the two decades preceding the crisis, ASEAN states came to be dominated by leaders and key bureaucratic allies prone to develop and coalesce internationalizing constituencies (favoring foreign direct investment, natural resource and manufacturing exports) alongside more traditional import-substituting interests (particularly in Indonesia and notably automobiles in most ASEAN states). The political power of internationalist constituencies grew significantly by the 1980s, in tandem with the growth of private entrepreneurship, progressive internationalization, and the ability to maintain economic growth.¹⁰ In time, and in most cases, a burgeoning middle class--with vested interests in political stability--came to support the internationalist strategy, even as it began questioning the legitimacy of its political agents. Labor movements were never an integral part of these ruling coalitions but an implicit social bargain provided high per capita growth, employment creation, high investments in health and education, and increasing returns to small business and farmers. Radical nationalist and ethno-religious groups were, for the most part, marginalized by these coalitions, preventing exclusivist political forms from undermining domestic, global, and regional purposes. Economic growth was the foundation of this coalition's grand strategy, embedded in the concept of "national resilience," (*ketahanan nasional*) which, writ large, would endow ASEAN itself with resilience.¹¹ Different institutional frameworks, particularly democratic versus non-democratic, compelled different forms of coalitional aggregation throughout ASEAN states.

International Comparisons, 1950-1988." *Quarterly Journal of Economics* Vol.106, No.9 (May 1991) pp.27-68, and update in National Bureau of Economic Research, Cambridge, Mass. (January 1995) <www.nber.org/pwt56.html>, supplemented for 1992-1996 by *World Development Indicators* (1998) p.310 and *World Development Reports* (1991-1997).

¹⁰ On the domestic politics that led key ASEAN states to favor economic openness, see Bowie and Unger, *passim*.

¹¹ Muthiah Alagappa, *Political Legitimacy in Southeast Asia: The Quest for Moral Authority* (Stanford: Stanford University Press, 1995), Donald K. Emmerson, "Indonesia, Malaysia, Singapore: A Regional security Core?," in

Malaysia

On the whole, the 1997 crisis did not immediately transform the long-standing coalitional basis of Malaysia's Prime Minister Mahathir Mohamad, a hybrid coalition (*Barisan Nasional*) of import-substituting, heavy-industry, public enterprise, and export-oriented manufacturers representing primarily Malays-first (Muslim *Bumiputera*) constituencies and aggregated in UMNO (United Malays National Organization).¹² A new Malay middle class (*Melayu baru*), the beneficiary of preferential treatment for Malays, was by now an active factor in coalitional politics, as were small and medium Chinese firms benefited by a new National Development Policy since 1990 (Malays represent about 51 percent of the population, ethnic Chinese about 30 percent, and ethnic Indian and other minorities the rest). Mahathir had steered this hybrid coalition using highly contradictory rhetoric and policies, endorsing and disparaging integration into the global economy according to the circumstances. In his Vision 2020 program in 1990 he had encouraged an economy "subjected to the full discipline and rigour of market forces" warning that "when the going gets tougher, we must not turn inward."¹³ A Ratings Agency, a Securities Commission, an Options and Financial Futures Exchange, a Monetary Exchange, and a Multimedia Super Corridor were introduced in the early 1990s to encourage foreign investment. A dramatic increase in FDI, an eight percent annual rate of growth, and low inflation helped Mahathir keep the coalition together and counter demands for democratization.

Once the crisis hit, neither UMNO's partners in the coalition--the Malaysian Chinese Association (MCA) and Malaysian Indian Congress (MIC)--nor the opposition challenged him initially, but within UMNO a power struggle began brewing. In addition to other policy and personal differences, Mahathir's deputy and finance minister Anwar Ibrahim advanced a more internationalist rejoinder to the crisis and was reluctant to rescue heavily indebted Malaysian corporations, such as Konsortium Perkapalan associated with Mahathir's son Mirzan, and

Richard J. Ellings and Sheldon W. Simon, eds., *Southeast Asian Security in the New Millennium* (Armonk: M.E. Sharpe, 1996), p.38, and Haggard, *passim*.

¹² The rent-seeking activities of most politically connected *Bumiputera* firms are in protected import-substituting manufacturing and services, including real estate, construction, and infrastructure, according to Terence E. Gomez and K.S. Jomo *Malaysia's Political Economy: Politics, Patronage, and Profits* (Cambridge, Cambridge University Press, 1999) p.179).

¹³ Bridget Welsh, "Malaysia and Globalization: Contradictory Trends." *Asian Perspective*, Vol.23, No.4 (1999), pp.266.

Renong, Malaysia's largest conglomerate headed by Mahathir's supporter Halim Saad.¹⁴ Domestically-oriented firms including construction and services and many state-supported Bumiputera businesses were markedly affected by the crisis. In April 1998 the World Bank/International Monetary Fund (IMF) Development Committee had picked Anwar as its new chairman. In this capacity Anwar had met in Washington with World Bank President James Wolfensohn and with Deputy Managing Director of the International Monetary Fund Stanley Fisher, reaching an agreement with the World Bank for a US\$700 million loan to finance social programs and undertaking a country survey.¹⁵ In his opening address at a round-table discussion with U.S. Treasury Secretary Robert E. Rubin, Anwar expressed Malaysia's commitment to economic reform and to facing the challenges of globalization as an irreversible process, arguing that inherently destabilizing and volatile capital flows should be managed and minimized. Anwar encouraged cooperation between national regulators and international institutions to ensure stability arguing that private creditors should share the risks and responsibilities in resolving the crisis.¹⁶ Both Anwar and the central bank supported higher interest rates to contain inflation and shore up the ringgit, as recommended by the IMF.

Countering this position, Mahathir appointed Daim Zainuddin, his confidant and finance minister between 1984 and 1991--who favored lowering interest rates to ease the burden of troubled Malaysian firms--as director of the National Economic Action Council and later Minister with Special Functions. While bailing out his political allies in the private sector, Mahathir blamed foreign currency speculators, open capital, and international economic institutions for the crisis. In September 1998 he imposed capital controls, fixed the ringgit exchange rate, and then dismissed and imprisoned Anwar, ridding himself of a competitor/successor with grass-roots appeal, as he accused him of sexual offenses and of serving foreign powers while suggesting that Anwar "does not understand finance or economic management."¹⁷ Mahathir, determined to avoid Suharto's fate, also purged Anwar's allies such as

¹⁴ Haggard, 134-5; Chandra Muzaffar, "Power struggle in Malaysia: The Anwar Crisis." *ISIM Newsletter* (February 1999),p.13); Welsh, 267); Gomez and Jomo, *passim*; Prema-Chandra Athukorala, "Swimming Against the Tide: Crisis Management in Malaysia," in H. W. Arndt, and Hal Hill, eds., *Southeast Asia's Economic Crisis: origins, Lessons and the Way Forward* (Singapore, Institute of Southeast Asian Studies, 1999),pp.28-40.

¹⁵ Kuala Lumpur, Voice of Malaysia 21 July 1998 (*FBIS-LAT-98-202*)

¹⁶ Kuala Lumpur Voice of Malaysia 29 June 1998 (*FBIS-EAS-98-180*). For a schema of political patronage in Malaysia's ruling coalition, see Gomez and Jomo,p.190.

¹⁷ Kuala Lumpur, RTM Television Network 1, 23 September 1998, (*FBIS-EAS-98-266*).

Ahmad Don, the governor of the Central Bank and his associates, leading Malay language newspapers, and the largest private TV network TV3. He also bailed out state banks (Bumiputra and Sime) that had financed largely unproductive ethnic Malay businesses and allowed selected ethnic Chinese businesses to bail out some Malay firms.¹⁸

Public disillusionment with Mahathir allowed Anwar to attract more than 50,000 supporters at a demonstration. Protesters from a non-governmental organizations' People's Assembly also expressed support for Anwar, attacked "the dictatorship in Malaysia," and condemned the Asia-Pacific Economic Cooperation (APEC) leaders assembled in Kuala Lumpur for serving global and regional elites.¹⁹ Hundreds of lawyers marched on Malaysia's court of appeal in support of Anwar's lawyer, sentenced to jail for contempt of court. The Islamic opposition party--Parti Islam Se-Malaysia (PAS)--joined in protests with a coalition of opposition groups including the mainly-Chinese Democratic Action Party (DAP). The response was swift. Many were detained, including UMNO's Youth Movement Chair Ahmad Zahid (who had raised corruption charges against Mahathir), opposition People's Party leader Syed Husin Ali and associates, human rights activist leader Tien Chua, and others, all suspected of supporting Anwar's reform movement.²⁰ Anti-riot police crushed 5,000 Moslem demonstrators at a national mosque.

All in all, an incipient *Reformasi* movement had been decapitated, repressed, and weakened. In the course of popular outrage after Anwar's beating by the police while in custody, Mahathir reshuffled his cabinet with loyalists and postponed elections. Mahathir's responses may have deepened the crisis somewhat initially (given Malaysia's relative strong economic fundamentals and relatively low foreign debt) but also helped him save his coalition, at least in the short term. Mahathir and UMNO thus stood in the way of reforming Malaysia's political economy. The hybrid nature of Mahathir's coalition was also reflected in Malaysia's regional and international responses, lambasting the West and calling for regional alternatives to Western-

¹⁸ Gomez and Jomo, 191-2; Hong Kong, AFP 29 August 1998 (*FBIS-EAS-98-241*).

¹⁹ Hong Kong, AFP 15 November 1998 (*FBIS-EAS-98-319*).

²⁰ Kuala Lumpur, *Utusan Malaysia* 1 October 1998 (*FBIS-EAS-98-274*); Melbourne, Radio Australia 5 January 1999 (*FBIS-EAS-99-005*).

dominated institutions. "Be careful of the plot to use calls for patriotism and nationalism as the wool to cover up corrupt acts and internal oppression," Anwar warned in a letter from jail.²¹

By the time of the November 1999 elections Malaysia's economy was recovering, after a seven percent contraction in 1998 and one percent in 1999. The collapse of imports helped create a current account surplus of ten percent of GDP in 1998 and maintain foreign exchange reserves at \$20 billion.²² Restrictions on capital controls were relaxed by 1999 and investor confidence was partially restored. Barisan retained a two-third parliamentary majority but Malay support for UMNO decreased. The Islamic party PAS led an opposition front, *Barisan Alternatif*, including DAP, *Keadilan Nasional*, and the Peoples' Party. PAS won in Terengganu, rose in other areas, and retained control of Kelantan.²³ Keadilan, the *Reformasi* party including Anwar's wife, won five seats but has been precluded from organizing public gatherings since. Even as 40 percent of the vote rejected the current leadership (about double the opposition's strength in 1995 elections) these results could not reflect an even wider discontent among the new generation, excluded by a 25 year-old minimum voting age rule. The future shape of Malaysia's ruling coalition will be affected by these generational and social changes, as well as by the fate of economic reforms, political liberalization, and *bumiputra* big-business preferential policies. Mahathir himself is expected to leave office by the next elections.

Indonesia

Since the onset of the crisis, Indonesia has undergone dramatic transitions, from democratization to economic upheaval, ethnic and religious strife, and separatist secession. The magnitude of crony capitalism under Suharto was in a category of its own, with his own family capturing widespread state-protected business emporia. Pivotal partners in Suharto's New Order (*Orde Baru*) coalition were his party (GOLKAR) the armed forces (ABRI), a small group of industrial entrepreneurs and bankers (mostly ethnic-Chinese), *pribumi* (native Indonesian) economic groups with ties to the Indonesian Muslim Intellectual Association (ICMI), and key

²¹ "Anwar Warns Against Oppression, Corruption in Malaysia," Hong Kong, AFP 17 January 1999 (*FBIS-EAS-99-017*).

²² Linda Y. C. Lim, "The Asian Economic Crisis: The Challenges for Government Policy and Business Practice," (New York: Asia Society, February 1999).

²³ See "Common Manifesto: Toward a Just Malaysia," Parti Islam SeMalaysia (PAS), Parti Keadilan Nasional (KeADILan), Parti Rakyat Malaysia (PRM), Democratic Action Party (DAP) <<http://www.malaysia.net/dap/ba-mani.htm#C. Social Contract for a New Millennium>>

state bureaucracies coordinating integration with the global economy. Suharto's coalition thus presided over an open, deregulated economy that coexisted with a more closed crony system.²⁴ And yet this coalition had come a long way, particularly by the 1980s, in erasing Sukarno's backlash grand strategy, launching an export-led strategy of integration into the global economy, seeking US, Japanese, and other Western trade and investment partners, applying IMF stabilization plans, reducing state enterprises, and deepening regional cooperation.²⁵ The liberalization of the banking sector allowed industrial barons to further their economic reach.

The 1997 crisis caught Suharto personally and politically weakened, unwilling to take on his family and cronies as part of a process of building confidence in the rupiah and creating a more transparent economy. Instead he stalled on reforms and toyed with a currency board opposed by the IMF but favored by his allies, while reducing fuel and electricity subsidies and unleashing widespread violence (including anti-Chinese riots). B. J. Habibie, vice-president and first ICMI chair and a long-standing economic nationalist-populist, replaced Suharto in 1998 for a transitional period. Indonesia's economy shrunk by 14 percent in 1998, with inflation rising to over 60 percent. State-subsidized sectors such as the controversial aircraft and national car industries lost their financing under fiscal austerity. The financial sector, construction, transport, and non-oil manufacturing contracted by more than 5 percent but employment in agriculture grew in 1998.²⁶ The subsequent inflation had dramatic effects on the poor and on urban wage and salary workers.

Elections for a People's Consultative Assembly in June 1999, Indonesia's first free and fair elections since 1955, gave Megawati Sukarnoputri's Democratic Party-Struggle the largest majority (34 percent) but less than the total won by Muslim-affiliated parties. Golkar got 20 percent of the votes, Abdurrahman Wahid's National Awakening Party (PKB) 16 percent, the Islamic party PPP 11 percent, and Amien Rais' PAN 7 percent of the vote. The 500-member Assembly also included 200 representatives from "functional groups" (religious, ethnic) and, notably the military (38 members).

²⁴ Kim,31.

²⁵ Andrew MacIntyre, "Power, Prosperity, and Patrimonialism: Business and Government in Indonesia," in Andrew MacIntyre, ed., *Business and Government in Industrialising Asia* (Ithaca: Cornell University Press, 1994),pp.244-267.

²⁶ Anne Booth, "The Impact of the Indonesian Crisis on Welfare: What Do We Know Two Years On?" In Chris Manning and Peter Van Diermen, eds., *Indonesia in Transition: Social Aspects of Reformasi and Crisis* (Singapore, Institute of Southeast Asian Studies, 2000),pp.145-162.

A presidential election compromise in October 1999 brought Wahid (who had led the largest Muslim organization Nahdlatul Ulama with 35 million members) to power, heading a cabinet representative of a wide gamut of interests. This was indeed a grand coalition backed by key political actors, business, and the (reforming) military, reflecting Wahid's main objective of achieving national reconciliation.²⁷ The coalition's heterogeneity and weakness has overwhelmed, to some extent, Wahid's efforts to restore political and economic stability, human rights and democratization, and to prevent further centrifugal forces from Aceh to Irian Jaya from pushing for the geographical disintegration of Indonesia. While overriding economic nationalist and populist ministers Wahid asked his cabinet to concentrate on IMF commitments, pressed the Financial Audit Board to announce the results of an audit of the Indonesian Bank Restructuring Agency (IBRA), to appoint an Oversight Board, and to expedite the privatization of a \$50 bn. pool of assets.²⁸ Despite nationalist opposition, by early 2000 car-maker Astra was acquired by foreign investors led by a Singaporean firm. However, IBRA's slowness and a corrupt court system unwilling to pursue old Suharto allies stalled reforms and IMF commitments, leading to the rupiah's lowest point in over a year. Attacks on Chinese communities resumed by mid-2000.

An odd array of interlocked oppositional forces have exacerbated economic, political, and ethnic tensions in Indonesia, although these do not seem to constitute a viable alternative coalition as of late 2000.²⁹ Suharto allies, industrialists hurt by efforts to restructure, moderate Islamists favoring IBRA's creation of state enterprises to foster a *pribumi* business class à la Malaysia, radical Islamist groups (such as the Laskar Jihad which oppose the IMF and communism while supporting Maluku's Muslims), and segments of the military resentful of its institutional decline, have all challenged Wahid's heroic efforts to stabilize the economy, develop democratic institutions, reconstitute civil-military relations, and relieve ethno-religious tensions. In a veiled criticism of Wahid, his own Coordinating Minister for Finance and Economy Kwik

²⁷ Wahid himself acknowledged his cabinet reflected "horse trading." See Hadi Soesastro, "ASEAN during the Crisis," in Arndt and Hill, 137). On the ruling coalition and its opposition see (International Institute of Strategic Studies) *Strategic Comments* Vol.5, Issue 9 (November 1999), pp.1-2; Bambang Harymurti, "Challenges of Change in Indonesia." *Journal of Democracy* Vol.10, No.4 (October 1999.), pp.69-83; Ann Marie Murphy, "Indonesia and Globalization." *Asian Perspective* Vol.23, No.4 (1999), pp.229-260; and Mohammad Sadli, "The Indonesian Crisis," in Arndt and Hill, 16-27.

²⁸ "Wahid Prods Ministers to Fulfil IMF Obligations," Jakarta *Kompas* 28 June 2000 (FBIS-EAS-2000-0628); *Far Eastern Economic Review* 6 April 2000, p.64 and 13 April 2000, p.5; *Asiaweek* 21 April 2000, p.19. See also Murphy, 256.

²⁹ Seth Mydans, "Indonesia Recoils at Uncurbed Island Killings," *New York Times*, 28 June 2000, pp.A1, A8.

Kian Gie, a nationalist and earlier advocate of fixed exchange rates and capital controls, commented that he had to play a lone hand against big business.³⁰ Both Kwik and state-owned enterprises minister Laksamana Sukardi are leaders of Megawati's party and advance populist policies as well as credits to small business and agriculture, which the IMF has accommodated. Assembly President Amien Rais [PAN - National Mandate Party] represents an Islamist opposition that rejects Wahid's efforts to maintain a separation of state and Islam, a policy that Wahid believes will prevent the Algerian dilemma of a choice between military or theocratic rule. Rais also challenged Wahid's efforts to reform the economy along "Western" criteria to restore international investors' confidence. Thanks to democratization, for the first time in decades, a People's Representative Council (DPR) was consulted on the IMF's Letter of Intent. Speaker Akbar Tandjung conveyed the DPR's criticism of IMF's policies and of proposals to reduce subsidies and increase electricity prices in particular.³¹

As for the military, General Wiranto, the former armed forces chief, attempted to mobilize some opposition after Wahid suspended him from his cabinet position pending the completion of a probe into military-induced violence in East Timor.³² Armed forces commander Widodo Adisucipto expressed that all branches of the military backed the decision to suspend Wiranto.³³ There was a reshuffle in the top brass and Defence Minister Yowono Sudarsono later delivered Wahid's instruction to Wiranto to resign from the cabinet. Meanwhile, ethnic and religious clashes in West Kalimantan, Batam, and Maluku flared up and the future of Chinese-Muslim and Christian-Muslim relations remains uncertain. Despite signs of economic recovery and growing exports, economic and political instability have kept foreign investors away. Wahid himself has become the target of impeachment threats. The extent to which Wahid can survive these challenges and proceed to solidify his inclusive coalition--and for how long--will affect not only Indonesia's own future, but also that of ASEAN.

³⁰ Indonesia's Wahid 'Too Close To Big Business' Jakarta Kompas, 22 June 2000 (*FBIS-EAS-2000-0622*).

³¹ Jakarta Kompas 15 December 1999 (*FBIS-EAS-1999-1214*).

³² Major General Agus Wirahadikusumah described the military's internal reform and repositioning process, including forces plotting to oust President Wahid. "General Criticises Military Leadership," Jakarta Kompas 15 December 1999 (*FBIS-EAS-1999-1215*). See also "Defense Minister Says He Has Asked Wiranto To Resign," Hong Kong, AFP 4 February 2000 (*FBIS-EAS-2000-0204*).

³³ 'All' Indonesian Armed Forces Back President Wahid," Hong Kong AFP 14 February 2000 (*FBIS-EAS-2000-0214*).

Thailand

Thailand had a succession of weak, unstable ruling coalitions representing an array of political parties and private sector interests. A coalition of export-intensive entrepreneurs and new business groups in electronics, telecommunications, manufacturing, finance, merchant banking, tourism, and retailing, as well as some older Bangkok family oligopolies, technocrats in the Bank of Thailand, the Ministry of Finance, and the National Economic and Social Development Board had gained the upper hand by the late 1980s-early 1990s.³⁴ Prime Minister General Prem Tinsulanond deepened internationalization through FDI, export promotion and diversification, and tight budget, monetary, and fiscal discipline. By the early 1990s controls on interest rates and the capital account were removed, leading to increased competition and internationalization and to heavy dependence on foreign capital inflows. The military played a key role in ruling coalitions but since the re-establishment of democracy in 1992 a concern with political stability, appeal to foreign investors, and continued economic growth had tamed the military's political role, even as it maintained its business interests in electronic media among others.

When hit by the crisis--with foreign reserves plummeting from \$38bn. to \$3 bn. from May to July 1997--Thailand agreed to the conditions of an IMF rescue loan of \$17 bn., including increased access to foreign investors, privatization, legal reforms on bankruptcy and foreclosure, and enhanced transparency. Yet the Chavalit Yongchaiyudh (New Aspiration Party) government maintained support for financial firms rather than confronting their practices. Chavalit was highly constrained by an unwieldy institutional context, where a multi-member electoral system, a proliferation of parties, and a fractured cabinet coalition provided far too many veto points to allow swift responses.³⁵ Efforts by the finance minister and central bank governor faced resistance from the second largest party in the coalition (Chart Pattana) and other politicians responsive to affected finance companies. By December 1997, after pressure from business leaders and middle class demonstrations, the opposition leader Chuan Leekpai (Democratic Party) a former Prime Minister, took over after an orderly cabinet transition.

³⁴ Natasha Hamilton-Hart, "Thailand and Globalization." *Asian Perspective* Vol.23, No.4 (1999),pp.293-4, Kevin Hewison, "Thailand's capitalism before and after the economic crisis," in Robison et al.,192-211.

³⁵ Andrew MacIntyre, "Political Institutions and the Economic Crisis in Thailand and Indonesia," in Arndt and Hill, 142-157.

The Chuan government addressed IMF commitments seriously, advancing banking and financial institutional reform, corporate restructuring, debt restructuring, export-promotion, agricultural sector reform, foreign direct investment promotion, sharply-reduced defense budgets and institutional contraction of the military. His grand strategy--domestic, regional, global--was in step with the one described above for internationalist coalitions, emphasizing a commitment to the rewards and penalties of free markets:

Economically, we have no choice but to be more responsive to market conditions and trends, especially given today's world of rapid globalisation. We have to ensure that our economies are competitive, with sound macro-economic policies, with professional and accountable public and private sectors, and with internationally accepted regulatory and supervisory frameworks... There is thus a need to extend structural change to the regional and global levels as well... The onus is on Asean to achieve a truly stable, prosperous and highly competitive Asean Economic Region.³⁶

In 1998 Thailand's GDP had contracted by ten percent but exports rose by seven percent from 1998 to 1999, improving even further by early 2000. ASEAN states were absorbing 40 percent more of Thailand's exports than in 1999. Thailand's exports reached US\$52.87 billion in the first 11 months of 1999, enabling the country to record a trade surplus for 27 consecutive months. The Cabinet reaffirmed its earlier decision to cut import taxes on thousands of goods from 1 January 2000 to meet its obligations to the World Trade Organisation (WTO) and its ASEAN partners, steps not opposed by the Federation of Thai Industries.³⁷ Economic growth resumed, expected to reach nearly five percent in 2000. Nationalist groups represented by opposition parties in the House of Representatives and Senate opposed Chuan's reforms arguing it amounted to selling off the economy to foreign interests. At the end of 1998 the government attempted to reduce the bonuses of state enterprise employees by 30 percent in 1999 but strong resistance from the State Enterprises Employee Confederation limited the cuts to senior executives.³⁸ As women represented 90 percent of the work force in textiles and electronics industries they were severely affected by the crisis.

³⁶ "Edited Text" of Speech by Prime Minister Chuan Likphai at the World Economic Forum in Singapore on 18 October 1999, Bangkok Post 19 October 1999 (FBIS-EAS-1999-1019).

³⁷ "Thailand To Cut Import Tariffs To Meet WTO Obligations," Bangkok, *The Nation* 29 December 1999 (FBIS-EAS-1999-1229).

³⁸ Frank Ching "Social Impact of the Regional Financial Crisis." (New York: Asia Society, February 1999).

The opposition advocating “self-reliance” now included big and heavily-indebted industrial firms and banks, blue-collar workers in state enterprises threatened by privatization, state bureaucracies weary of budget reforms and new accounting procedures, rural villagers, and opponents of globalization wielding equity issues and Buddhist ethics.³⁹ The new Thai Patriot Party, headed by a telecommunications magnate under investigation for corruption, wields denationalization of Thai assets as its core line of attack against Chuan. Without a decisive turnaround in the domestic benefits of internationalization the coalition challenging Chuan cannot be dismissed politically, but neither should it be construed as a coherent backlash force. Thailand’s engagement with the global economy is deep historically and its local beneficiaries are likely to demand no more than correctives in a continued internationalizing thrust. The campaign for the January 2001 elections reveals the extent of frictions exacerbated by the crisis that any incoming coalition will be forced to address.

Other ASEAN states

Space constraints preclude more than a cursory overview of other ASEAN states. The Philippines and Singapore were relatively less affected by the crisis than Thailand, Indonesia, and Malaysia. Singapore--ASEAN’s most open economy with high dependence on international capital flows--avoided a severe recession despite large declines in the neighboring economies of Malaysia and Indonesia with which it trades.⁴⁰ Singapore’s ruling coalition--in command of important sectors of the domestic political-economy--deepened its internationalist drive in response to the crisis by developing financial services, information technology, and electronic commerce capabilities through liberalization and new investments. It maintained floating exchange rates, large current account surpluses and foreign exchange reserves, little external debt, negative inflation, and export-oriented high-tech manufacturing. Lee Kwan Yew outlined Singapore’s direction by encouraging US style “new economy” principles:

Sustained success of private-sector-led productivity growth will depend on creating conditions where innovation can thrive, capital markets are liquid and flexible, and governments are willing to deregulate... That which did us good in the phase that was, will not do us good in the next 20,30 years.⁴¹

³⁹ Hamilton-Hart, *passim*; Hewison, *passim*.

⁴⁰ Lim, *passim*.

⁴¹ *The Strait Times*, 11 March 2000,p.2.

Philippines' President Ramos had presided over extensive financial and trade liberalization and privatization since 1992, representing a coalition of business, technocrats, and academics that captured the state bureaucracy and representative institutions, with middle class support.⁴² Backed by a very similar coalitional formula but with broader support among the poor, Joseph Estrada assumed office in June 1998 in the midst of the crisis, declaring the country bankrupt. He proceeded to adopt new measures to attract foreign direct investment, deepen financial liberalization and structural reforms, and promote regional and international initiatives to revise and strengthen global financial preventive mechanisms while stressing transparency, accountability and integrity. Estrada's team was highly critical of Malaysia's response to the crisis. High interests and tight budgets led to protests from members of the Federation of Philippine Industries and the growing unemployed population. In time, Estrada's own governing style came under scrutiny as the legislative, with widespread support from most sections of society, impeached him on corruption charges. Estrada's resistance to dislodge himself from power brought an already troubled economic situation into an even more precarious one by the end of 2000.

Continental Southeast Asia inched backwards to a backlash mode and forward toward incipient internationalization, with different degrees of success and internal opposition. The crisis exacerbated some domestic political struggles and policy dilemmas, as the old guard in the Communist party in Vietnam, for instance, could point to the crisis as ammunition for opposing *Doi Moi II*, a second phase in economic reforms.⁴³ The July 2000 agreement normalizing trade relations between the US and Vietnam and a subsequent visit by President Clinton helped strengthen economic reform efforts. Cambodia's Hun Sen coalition implemented some macroeconomic stabilization but warned that his government is "determined to safeguard investments and the system of protecting state-owned capital and assets to show how the government, through its activities, has been responsible for its task toward investors in Cambodia."⁴⁴ An armed attempt to unseat Hun Sen was foiled in November 2000 but suggests more widespread discontent. Laos faces a rebel insurgency and Myanmar's generals continue to defy extensive domestic and international opposition. The demand for greater transparency in

⁴² Walden Bello, "The Philippines: the making of a neo-classical tragedy," in Robison et al., pp.238-258.

⁴³ On winners and losers from *doi moi*, see Dinh Quan Xuan, "The Political Economy of Vietnam's Transformation Process." *Contemporary Southeast Asia* Vol.22, No.3 (August 2000), p.366.

⁴⁴ Phnom Penh, *Reaksmei Kampuchea* 14 May 2000, p.2a (FBIS-EAS-2000-0518).

politics and economics has not spared even the most repressive rulers in Southeast Asia while their ability to attract foreign investments has declined as China's has risen.⁴⁵

Summing up: General political effects of the crisis

Despite a dramatic economic shock the region appeared to have turned around by 1999-2000, with the resumption of capital inflows (particularly direct investment), positive current accounts, stronger currencies, and improvement in foreign exchange reserves (except Indonesia).⁴⁶ No backlash turn has characterized the first two years following the 1997 crisis in the leading ASEAN states, despite some aggravating effects of both IMF-style reforms and cronyism-related government vacillations. Yet, Malaysian banks and privatized conglomerates, Thai financial institutions, and Indonesian state-owned enterprises have indeed resisted responses threatening their ownership and control. Nationalist reactions to the unprecedented market access of US and European firms were widespread in the business community and beyond. Military institutions and military-industrial complexes suffered from both budgetary declines and efforts to restrain them politically. While policy responses in Thailand, Malaysia, and Indonesia expanded the reach and regulatory power of the state in the short term, with virtual nationalization of bank assets in Thailand and Indonesia, they also created conditions for deepening reforms and internationalization. As argued above, certain state agencies (particularly Finance Ministries and Central Banks) can and have played important roles in defining external openness and providing coalitions with key bureaucratic allies.

Institutional differences (unwieldy coalitions against a contrasting institutional framework in Thailand and Indonesia, a residually dominant party-coalition in Malaysia) help explain the nature, sequence, and modalities of response and change in each case. Democracies such as Thailand (and Philippines in 1998 but not 2000) were able to replace failing leaders with much less turmoil than Indonesia but democracy was not strengthened by the crisis everywhere (certainly not in Malaysia).⁴⁷ Ruling coalitions in centralized states that were less affected by the crisis than Indonesia (Singapore, Malaysia) were able to retain control. The replacement of individual leaders not always altered the basic coalitional structure and even where oppositions

⁴⁵ David Lamb, "Good-and Bad-Times for ASEAN." *Los Angeles Times* 26 November 2000,p.A13.

⁴⁶ Charles Wolf Jr., "Have you heard about the incredible recovery?" *Los Angeles Times* 23 July 2000,p.M2.

⁴⁷ Emmerson (1999), MacIntyre (1999), Haggard, *passim*.

grew stronger they not always reflected uniquely backlash constituencies but, in many cases, democratizing ones. As private sector debt was socialized, even where internationalizing coalitions remained in control the crisis forced greater transparency in state-business relations and created pressures for new social pacts to safeguard against future crises. On the whole, old and new variants of internationalizing coalitions stayed the course in both the domestic and international arenas of grand strategy, while adapting them to new socio-economic and politico-institutional requirements. I turn now to the regional expressions of these changes.

III. Regional Conflict and Cooperation in ASEAN since the crisis

Where does ASEAN fit in the configurations of alternative regional orders outlined in section I above? Have ruling coalitions--old and new--developed common and non-predatory responses to the crisis? Where responses have diverged (as in Anwar's case) have they become nested in broader regional disagreements? Have earlier institutional mechanisms, principles, or *modus operandi* been discarded or transformed? Have extant bilateral and regional conflicts intensified? Have states taken advantage of each others' relative weaknesses, as anticipated by some perspectives in international relations? What are the implications of this collective behavior for coalitional analysis?

ASEAN as an institution can be regarded as a product of the convergence of domestic political forces that created and cultivated it, an internationalizing cluster favoring domestic and regional political and economic stability and global access.⁴⁸ However, internationalist strategies are quite vulnerable to domestic and international sources of instability.⁴⁹ Furthermore, where internationalist coalitions are both feeble at home and threatened by backlash neighbors in the region, the quality of cooperation erodes in response to these domestic and regional threats. Insofar as a crisis strengthens backlash political forces, regional cooperative patterns typical of earlier times could unravel.⁵⁰ Such a scenario would be compatible with a coalitional account, as would the scenario of rebounding internationalist coalitions that stay the cooperative course (see

⁴⁸ ASEAN reflects no more than its members' narrowly-defined interests according to Narine (1999).

⁴⁹ Solingen (1998),pp.47,57,58,61.

⁵⁰ On the potential for backlash responses given IMF conditions, see Richard Higgott, "The International relations of the Asian Economic Crisis: A Study in the Politics of Resentment," in Robison et al.,pp.261-282. On the weakness of populist challenges prior to the crisis, see Stephan Haggard, "Inflation and Stabilization," in Jeffrey A. Frieden and David A. Lake, eds., *International Political Economy: Perspectives on Global Power and Wealth* (New York: St. Martin's Press, 1995)p.455.

Figure 1). Two other scenarios would point to anomalies for coalitional analysis. The first addresses a situation where backlash coalitions prevail throughout the region while cooperation amongst them deepens, broadens, and remains durable. A second anomaly would be suggested by strong rebounding internationalist coalitions that upset their earlier cooperative pattern by, for instance, waging a war (over the Spratlys?). Heavy military investments in the midst of efforts to restore the health of internationalist agendas would be more conceivable where backlash constituencies grow stronger.

		Coalitions	
		Internationalist	Backlash
Regional outcomes	Armed Conflict	Anomaly	Compatible
	Cooperation	Compatible	Anomaly

Figure 1: Coalitional dynamics and regional conflict/ cooperation in a post-crisis era

On the whole, ASEAN's configuration as of early 2000 best fits the pattern of internationalizing coalitions that retained the fundamentally cooperative relations characteristic of the pre-crisis era. At the same time, old and new challenges continue to re-define that pattern. The region has undergone its worst economic and political debacle in thirty years. Stiglitz (1999:16) argued that since 1965 Indonesia, Malaysia, and Korea have each had a single year of negative growth and Thailand none, and that East Asia had exhibited less volatility (vulnerability to outside shocks) than the economic regimes in place anywhere else. The 1997-1998 period was thus a shock of very major proportions in every realm of life in Southeast Asia and its consequences might have been ominous for the social fabric, political stability, and resulting ruling coalitions that underpin regional security regimes in a broad sense.

Yet none of the gloomy scenarios regarding regional repercussions of a ravaging economic crisis became evident by the end of 2000. The onset of the crisis in 1997 did reveal uncertainties and tensions--stemming from the possibility of domestic coalitional changes throughout the region--that enhanced bilateral frictions (particularly involving Singapore, Malaysia, and Indonesia) and held back more forceful multilateral responses.⁵¹ Few special concessions to partners in trouble were agreed and foreign workers were repatriated (500,000 Indonesians from Malaysia alone).⁵² However, notwithstanding socioeconomic turmoil, nationalist revivals, ethnic and religious tensions, and the expulsion of foreign workers from neighboring countries, states did not act to undermine their most ravaged partners and in some cases actively supported them, as Singapore did with Indonesia. Indeed, some mechanisms to ensure collective recovery developed, largely along the lines of ASEAN's informal, non-interventionist tradition. There were phases and changes in the quality of ASEAN cooperation since 1997, both in the economics and security spheres as well as in ASEAN's norms, expansion, and institutional development.

Economic Cooperation

Different expectations regarding ASEAN as an institution determine whether one views responses to the economic crisis in a more or less positive light. One view finds the collective response lacking, given the essentially unilateral nature of economic policies adopted by different states. However, given the particular institutional texture of ASEAN--relatively weakly institutionalized and sovereignty-sensitive--it may be less valid to suggest that the institution "failed" in confronting the crisis. One may, however, propose, that the crisis and its consequences have not *yet* transformed the texture of ASEAN, although it may be too early to tell. In other words, any comparison with the European Union (EU), the most frequent (but not necessarily the most valid) comparison available, might indeed find ASEAN's multilateral reactions wanting.

⁵¹ Suspicions of potential backlash reversals in Malaysia and Indonesia seemed rather central to Lee Kwan Yew's criticisms of Mahathir and Habibie. Relations between Malaysia and Singapore deteriorated further when Mahathir curbed ringgit trading abroad, including Singapore's US\$10 billion.

⁵² Malaysia and Thailand deported foreign workers following the onset of the 1997 crisis. In Malaysia, rioting at refugee camps led to the death of 8 Indonesian immigrants. Singapore jailed and caned 117 illegal immigrants (*The Economist* 28 March 1998,p.4).

Another view would appraise ASEAN's post-crisis behavior largely in relation to its own extant institutional mechanisms and its particular *modus operandi*, an approach that might be moderately more generous in interpreting multilateral developments since 1997.⁵³ It is critical to emphasize that the coalitional approach discussed above maintains that internationalizing regions are generally cooperative, but does not require regions to integrate economically or politically. Coalitional analysis does not hinge on economic interdependence among regional partners or on institutionalized regional interdependence, even if the extent of such interdependence increases. Internationalizing grand strategies are geared to nation-to-system or internationally-oriented interdependence. The EU path is not inherent or necessary. The requirements of regional peace and stability, not regional economic interdependence, are the main conceptual link between the regional and global dimensions of an internationalist grand strategy.

At the height of the crisis, a Japanese proposal for an Asian Monetary Fund to bail out economies in crisis was opposed by the US and the IMF, either on grounds that it could be used to undercut tough IMF loan conditions or because of its regional East Asian nature, as well as by China.⁵⁴ The ASEAN Manila Framework Agreement (December 1997) created an innovative "surveillance mechanism" to prevent potential crises through "peer pressure." It also reflected a commitment to avoid protectionist responses, deepen capital markets, and promote further liberalization and foreign investment. The Manila Framework also pressed for global solutions to the negative externalities of international financial flows, including a stronger IMF.

The Vision 2020 plan adopted at the Kuala Lumpur summit in December 1997 was a reaffirmation of ASEAN's strategies as developed over the decades, calling for:

... a concert of Southeast Asian nations, outward-looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies... We reiterate our resolve to enhance ASEAN economic cooperation through economic development strategies, which are in line with the aspiration of our respective peoples, which put emphasis on sustainable and equitable growth, and enhance national as well as regional resilience.⁵⁵

⁵³ See, for instance, Soesastro, *passim*.

⁵⁴ Higgott, *passim*. See also "Agreements Reached on Asian Fund Facility Outlined," Manila Business World 20 November 1997 (*FBIS-EAS-97-323*); "Southeast Asian Senior Officials Dismiss ASEAN Fund," Hong Kong, AFP, 30 November 1997 (*FBIS-EAS-97-334*). "ASEAN Ministers Want ADB To Lead Surveillance Group," Manila, Business World, 2 December 1997 (*FBIS-EAS-97-335*).

⁵⁵ <www.aseasec.org/summit/vision97/htm>.

In 1998 ASEAN adopted the Hanoi Plan of Action (1998-2004), the first in a planned series to advance the goals of Vision 2020.⁵⁶ The Plan recognized the need to strengthen the economic fundamentals of member states, restore confidence and direct foreign investment, regenerate economic growth and promote regional financial stability through sound macroeconomic and financial policies, the need to strengthen the Surveillance Process, promote liberalisation of services (including financial), study the feasibility of an ASEAN currency and exchange rate system, encourage the increased use of regional currencies for intra-ASEAN trade transactions, accelerate the implementation of the ASEAN Free Trade Area (AFTA), enhance private sector activities (particularly small and medium enterprises), complete implementation of the ASEAN Investment Area commitments by 2010 or earlier, promote ASEAN tourism and the development of trans-regional infrastructure, implement the ASEAN Plan of Action on Social Safety Nets to protect the most vulnerable sectors, and complete the implementation of the ASEAN Cooperation Plan on Transboundary Pollution with particular emphasis on the Regional Haze Action Plan by the year 2001. This agenda clearly reveals a deepening internationalizing strategy even as it retained ASEAN's essentially informal and non-intrusive style. Even here, however, there were some new developments.

In 1998 financial officials and central banks continued working out the mechanics and content of a surveillance mechanism with the Asian Development Bank (ADB) and the ASEAN Secretariat. Doubts regarding the Secretariat's capacity in this realm, by Singapore for instance, played a role in holding up the creation of this mechanism. Indonesia (at the time) and Malaysia resisted too much transparency but were reassured that they would only be required to reveal information similar to that provided to the IMF. By November 1999 the early warning system and a peer review process to enhance macroeconomic stability were placed under the supervision of finance and central bank officials, supported by a Jakarta-based ASEAN Surveillance Coordinating Unit (ASCU) and a Manila-based ASEAN Surveillance Technical Support Unit (ASTSU).⁵⁷

In May 2000, following ASEAN's initiative, finance ministers from ASEAN, South Korea, Japan and China (ASEAN plus Three henceforth) agreed to increase their hard currency

⁵⁶ See ASEAN Secretariat website <<http://www.asean.or.id>> and "Joint Communiqué by ASEAN Foreign Ministers," Hong Kong, AFP, 25 July 1998 (*FBIS-EAS-98-206*).

⁵⁷ Romulo T. Luib, Raymond G. Falgui, and Daxim L. Lucas, "Set Up of ASEAN 'Financial Surveillance System' Approved," Manila, Business World, 26 November 1999 (*FBIS-EAS-1999-1126*).

reserves to defend their economies from speculative attacks. The "Chiang Mai Initiative" of a currency swap system, proposed during the Asian Development Bank's (ADB) 33rd annual meeting, was designed to avert potential liquidity crises stemming from unexpected capital outflows. Asian countries would lend US dollars to each other to be repaid in local currencies at fixed exchange rates, in an arrangement that would arguably complement IMF activities.⁵⁸ This required an economic and financial monitoring system. Some regard this as an important step in building an Asian regional mechanism to help avert economic crises.

President Estrada urged the study of a common regional currency and the need to accelerate AFTA's implementation (from 2003 to 2002). "Given the growing intimacies among East Asian countries, the idea of a common East Asian currency should no longer be far-fetched," he said, arguing it could decrease dependence on the US dollar, facilitate trade and transactions, and lead to greater monetary and fiscal cooperation within East Asia.⁵⁹ Over 85 percent of manufactured products would have tariffs between zero and five percent by 2000 but progress on the removal of non-tariff barriers on goods, services and investments has been slower.

Backlash constituencies throughout the region resisted the thrust of these responses. Demonstrators denounced ASEAN as a tool of "US imperialism" and a crowd of 3,000 anti-globalisation activists marched against a meeting of the ADB in May 2000, in a sequel to anti-WTO protests in Seattle.⁶⁰ In terms of rhetoric, and sometimes in policy terms as well, the more hybrid the coalition in a given ASEAN state, the stronger was the effort to blame global markets and institutions for the crisis, resisting domestic reforms that might be politically prohibitive. Mahathir's strident efforts to mobilize nationalism and international conspiracies to explain the crisis away are now legendary. Stronger versions of internationalizing coalitions in Singapore and Thailand, instead, deepened reforms even if they also demanded, as many outside the region, the design of a new financial architecture able to prevent similar crises. Thailand and the Philippines

⁵⁸ "Asian Nations Agree on Currency Protection Swap", Seoul, The Korea Times 8 May 2000, p.1 (*FBIS-EAS-2000-0508*).

⁵⁹ "Estrada Reiterates Call for Common East Asian Currency," Manila, Business World 22 October 1999 (*FBIS-EAS-1999-1022*).

⁶⁰ "Demonstrators Break Through ASEAN Security Cordon," Hong Kong, AFP 24 November 1999 (*FBIS-EAS-1999-1123*); "Mass Protests as ADB Meet Opens in Thailand," Hong Kong, 6 May 2000 (*FBIS-EAS-2000-0506*).

pressed for deepening regional economic integration that, in time, would facilitate WTO accession. Whereas Thailand placed minimal tariff exceptions, Malaysia sought the most, far ahead of Laos, the Philippines, and Vietnam.⁶¹ In late 1998 Thailand included 1,190 more items to its fast-track program in tariff schedules. Malaysia, instead, pulled out automotive parts from its earlier commitment. Thailand offered to lift barriers to politically-sensitive palm oil to pressure Malaysia not to renege on its AFTA commitment.⁶² At the same time, Thailand--a democracy--proposed to establish an "Asean-PMC Caucus on Social Safety Nets" to address social problems created by the financial crisis, calling for the recognition that such problems could pose future security threats if unresolved. In Minister Surin's own words:

The social and economic dislocation, poverty, disease, illiteracy, alienation, disorientation among our peoples would surely lead to violence, rebellion, instability and insecurity. All these would impact upon all the achievements that we have made together so far. And these would inevitably threaten the region as a whole.⁶³

Expansion, intervention and security

The logic of internationalizing regions also suggests that if some backlash states linger in that region they are to be encouraged to shift gears through economic reform and declining military expenditures, buttressing regional peace, stability, and foreign investment. ASEAN leaders and track two activities indeed helped socialize internationalizing forces within the old backlash states of continental Southeast Asia. Cambodia, Laos and Myanmar were thus able to apply for ASEAN membership by 1996, despite opposition from Western countries and human rights groups. Although some ASEAN leaders remained quite critical of Myanmar's State Law and Order Restoration Council (SLORC), Laos and Myanmar were admitted in July 1997. Cambodia's admission was delayed until April 1999 when it became ASEAN's tenth member. In 1998, ASEAN also agreed on the Second Protocol Amending the Treaty of Amity and Cooperation in Southeast Asia, (Article 18, Paragraph 3) to establish that "States outside

⁶¹ Achara Ashayagachat: "Reduction in Tariff Levels Tops Thai List of Priorities" Bangkok Post 8 December 1998 (*FBIS-EAS-98-342*); Wichit Chaitrong, "Thai Government Queries Malaysia's Afta Promises" Bangkok, The Nation 7 January 2000 (*FBIS-EAS-2000-0106*).

⁶² Editorial: "KL's Afta Decision Could Cause a Schism," Bangkok, The Nation 22 October 1999 (*FBIS-EAS-1999-1025*).

⁶³ Bangkok The Nation 29Jul 98 (*FBIS-EAS-98-216*).

Southeast Asia may also accede to this Treaty with the consent of all the States in Southeast Asia."⁶⁴

The case of Malaysian Deputy Prime Minister Anwar Ibrahim suggested incipient change in ASEAN's commitment to non-intervention. In July 1997 Anwar had proposed a policy of "constructive intervention," designed to strengthen civil society in ASEAN countries and to help steer the collective design of legal, electoral, and administrative mechanisms in the region. The Vision 2020 document endorsed Thailand's call for establishing open societies in the region. In July 1998 Thai foreign minister Surin Pitsuwan initiated the idea of "flexible engagement" or open discussion among member states of internal issues that are of regional concern: economic reform, democracy, and wider popular participation in both processes. Except for the Philippines, most others (particularly Burma, Indonesia, Malaysia and Singapore) opposed the idea, wielding the principle of non-interference.⁶⁵ Estrada, B.J. Habibie, and Thai officials strongly censured Anwar's imprisonment in 1998, leading Mahathir to vow to retaliate against other countries' criticism of his government's treatment of Anwar.⁶⁶ Surin responded by arguing that the Malaysian government should not regard as enemies other countries which make "constructive remarks" on political matters, because such "constructive engagement...will help the Southeast Asian region as a whole."⁶⁷

Thailand and the Philippines became closely allied as democracies seeking openness and transparency, with Estrada supporting Thailand's "flexible engagement" proposal. Indonesia's Wahid, although a fervent supporter of democracy, appeared more of an inclusive, eclectic, pragmatic, middle-of-the-road bridge-builder. He did not raise the Anwar issue at a meeting with Mahathir and even suggested Indonesia could learn from Malaysia's response to the crisis, for which he was rewarded with pledges for Malaysian investments and purchases of raw materials, and with Mahathir's commitment not to help Aceh separatists.⁶⁸ However, in a visit to Thailand,

⁶⁴ See ASEAN Secretariat website <<http://www.asean.or.id>>.

⁶⁵ Anuraj Manibhandu: "Thailand Takes Up the Struggle for Freedom From Self-Reliance" Bangkok Post 31 July 1998 (*FBIS-EAS-98-218*).

⁶⁶ The Malaysian ambassador also notified the Thai Foreign Ministry that the Thai media's critical comments about the Malaysian leader could affect bilateral relations. Bangkok, Matichon 12 September 1998,p.2 (*FBIS-EAS-98-257*). Bangkok, The Sunday Nation 20 December 1998 (*FBIS-EAS-98-355*).

⁶⁷ "Surin Urges Calm Over 'Constructive Remarks' on Malaysia," The Nation 19 October 1998 (*FBIS-EAS-98-291*).

⁶⁸ Derwin Pereira, "Mahathir offers economic package to Jakarta," The Straits Times 10 March 2000,p.2.

Wahid expressed the need to study Thailand's quite different economic recovery path. During a visit to Burma he expressed sympathy for, but did not meet with, Aung San Suu Kyi.

Despite efforts to avoid intra-ASEAN tensions, the growing gap between democracies and nondemocracies brought issues of intervention to the fore. Shortly before the Foreign Ministers' annual conference in Bangkok, in a June 2000 academic seminar on "Asean in the New Millennium," Thailand's deputy Foreign Minister Sukhumbhand Paribatra insisted that ASEAN members would eventually have to let go of their "sacred" tradition of non-interference in each other's affairs, "otherwise regional integration will not be able to move forward."⁶⁹ Thailand was also proposing to push for the creation of an *ad hoc* mission comprising three ASEAN ministers to mediate in conflicts between or problems *in* member states that could have "regional ramifications." Some also suggested that, as Mahathir was scheduled to leave politics, this would herald a new chapter in ASEAN history, arguably providing Thailand and the Philippines with the opportunity to assume a more prominent role.

The collapse of Suharto's regime posed additional dilemmas to ASEAN neighbors in light of Indonesia's economic debacle, political transformation, ethnic violence, and separatist tendencies. On the whole, however, ASEAN leaders retained a cooperative stance towards the state most severely affected by the crisis and its aftermath, emphasizing territorial integrity but also warning against human rights abuses that would trigger international intervention. At a meeting in Manila (November 1999) the ASEAN plus Three declared none would provide support for Aceh separatists, in the classical ASEAN tradition of cooperating to resist territorial secessions. In turn, Indonesia favored military forces from its ASEAN neighbors during the East Timor crisis. A Thai became deputy commander of the Australian-led International Force for East Timor (Interfet) and, subsequently, both a Filipino and a Thai were appointed as commanders of the UN peacekeeping force. Wahid later praised Thailand's contribution to restoring peace in East Timor and asked Prime Minister Chuan to support any bid by East Timor for ASEAN membership.⁷⁰

⁶⁹ Bangkok, *The Nation* 22 June 2000 (FBIS-EAS-2000-0622).

⁷⁰ Sa-Nguan Khumrunroj, 'Wahid Asks Chuan to Support East Timor's Asean Bid,' Bangkok, *The Nation* 8 November 1999 (FBIS-EAS-1999-1107).

The Spratly Islands dispute continued to be a major potential focus for widespread regional conflict in the aftermath of the financial crisis. The Spratlys straddle key shipping lanes in the South China Sea and are partially or wholly claimed by China, the Philippines, Malaysia, Vietnam, Taiwan and Brunei. The 1992 Declaration on the South China Sea had called for the renunciation of force and urged all parties to exercise restraint in the settling of disputes. Yet in May 1999 a Philippine ship chased three Chinese fishing boats off Scarborough Shoal, a rocky outcrop north of the Spratlys, reportedly sinking one boat, which the Philippines claimed was an accident. China, in turn, was reported to have built a three-storey complex on Mischief Reef, to have fired at a Philippine surveillance aircraft, and to have demanded the urgent removal of a grounded Filipino ship from "its reef."⁷¹ In June 1999 the Philippines protested Malaysia's construction of structures west of Manila-claimed Pawikan Shoal (Kalayaan Islands), declaring that "the Philippines views the recent act of Malaysia as violation of the letter and spirit of the ASEAN declaration on the South China Sea, the Joint Statement of the Heads of State and Government of ASEAN and China and the Hanoi Declaration of December 1998."⁷² Malaysia declared it favored the implementation of a code of conduct for the South China Sea but insisted that ASEAN states must first define geographic boundaries.⁷³ In October 1999 Vietnamese troops fired on a Philippine air force reconnaissance plane flying over the disputed Pigeon Reef/Tennent Reef. The Philippines protested these actions "with the greatest concern" and Vietnam reiterated its support of bilateral and multilateral negotiations.⁷⁴

At the 1999 ASEAN summit, the Philippines put forward a draft "code of conduct" proposal calling to stop "any new occupation of reefs, shoals and islets in the disputed area to ensure peace and stability in the region." China rejected the proposed code of conduct at the time but agreed to hold further discussions on the draft at another time, always favoring bilateral negotiations over a multilateral approach, either regional or UN-based. The Philippines was most vocal in its call for an ASEAN response to China, similar to the 1995 ASEAN statement

⁷¹ "Asia's Bully Up To Mischief Again" Bangkok Post 27 November 1999 (*FBIS-EAS-1999-1126*).

⁷² Manila, Business World 25 June 1999 (*FBIS-EAS-1999-0625*).

⁷³ Sa-Nguan Khumrunroj, "Malaysia Said to Favor 'Code of Conduct' To Solve Spratly," Bangkok, The Sunday 10 October 1999 (*FBIS-EAS-1999-1010*).

⁷⁴ "Siazon Confirms SRV Shot Philippine Plane Over Spratlys," Hong Kong, AFP 28 October 1999 (*FBIS-EAS-1999-1028*); "Vietnam Refuses Direct Comment on Spratlys Shooting," Hong Kong, AFP 28 October 1999 (*FBIS-EAS-1999-1028*).

deploring China's action on the Mischief Reefs.⁷⁵ Since other ASEAN states, particularly Malaysia but also Vietnam, held a more tamed position, Estrada advanced new initiatives, suggesting the need to redefine the ASEAN Regional Forum's (ARF) mandate, the possible reliance on the ASEAN plus Three forum to address regional security concerns, or the creation of a new security mechanism to confront conflicts over the Taiwan Straits, South China Sea and the Korean Peninsula. In short, Estrada bluntly pushed for preventive diplomacy, while his chief of staff candidly suggested that ASEAN would not become a military alliance as long as the South China Sea dispute was unresolved, citing China as the biggest obstacle to such an alliance.⁷⁶ The Philippines also played a key role in the 6th ASEAN Summit decision (December 1998) to hold regular meetings of the ASEAN plus Three (which met in 1997 for the first time).

How do these developments relate to continuity and change in coalitional grand strategies? As argued, an internationalizing strategy is compatible with, even if it does not require, enhanced regional institutional frameworks that do not endanger the strategy's global pillars. Maintaining regional stability, a peaceful environment, and foreign investment remains key to the agenda of internationalizing coalitions. In the economic arena, AFTA is designed to create a regional market as a building bloc for a global trading system and at attracting foreign investment to the region.⁷⁷ The November 1999 ASEAN summit and ASEAN plus Three meeting created an East Asia forum on political and economic problems that, although not institutionalized, may be considered an updated version of the old East Asia Economic Caucus (EAEC) advanced by Mahathir.⁷⁸

However, extensive and in some cases deepening (Philippines) US bilateral relations suggest that East Asia's regional efforts continue to follow the pattern of "open regionalism." A debate persists over the evolution of the ARF, the Asia-Pacific all-inclusive security forum which has progressively involved more senior officials in confidence-building measures but has also

⁷⁵ Kavi Chongtitavorn: "Asean-China Ties Face New Challenge" Bangkok, The Nation 1 April 1999 (*FBIS-EAS-1999-040.1*).

⁷⁶ "Estrada Renews Call for Expansion of ASEAN Security Forum," Manila, Business World 22 October 1999 (*FBIS-EAS-1999-1022*); Cathy Rose A. Garcia, "Philippines' Reyes: ASEAN Not Ready for Military Alliance," Manila, Business World 6 December 1999 (*FBIS-EAS-1999-1206*).

⁷⁷ AFTA is less important in promoting intra-ASEAN trade and far more important as a symbolic regional commitment to promote members' unilateral liberalization in the context of open regionalism, according to Soesastro, 166.

⁷⁸ Bangkok, The Nation, 26 November 1999 (*FBIS-EAS-1999-1126*). See also Daljit Singh, "Southeast Asia in 1999: A False Dawn?" *Southeast Asian Affairs 2000* (Singapore: ISEAS) pp.3-24.

failed to move beyond such measures and into preventive diplomacy, chiefly due to China's opposition.

Finally, the delicate security issues facing ASEAN notwithstanding, the post-crisis era witnessed further declines in military expenditures. Although the economic crisis itself can be certainly made to account for such declines, it is important to remember that decreasing military expenditures as a proportion of GDP have preceded the crisis.

IV. CONCLUSIONS

Relations among ASEAN states are profoundly influenced by classical security considerations, from bilateral alliances to geostrategic predicaments. At the same time, focusing uniquely on such considerations provides a rather limited perspective on what ASEAN is about and what makes it tick. Insufficient attention has been given to understanding ASEAN through a different perspective, one that takes account of systematic aspects of domestic politics and their relationship to the regional environment. This article addresses these non-traditional aspects of security by conceiving of domestic coalitions and their grand strategy in a way that differs from classical definitions of grand strategy in security literature. For one, it identifies grand strategies as addressing the domestic political-economy no less than regional and global aspects. For another, grand strategies in this alternative framework are not the result of geostrategic predicaments but are, instead, highly responsive to the nature of ruling coalitions. The nature and durability of coalitions, in turn, is strongly affected by events such as the Asian financial crisis. Clearly the balance between supporters and detractors of internationalization can be dramatically affected by crisis situations, as well as a potential slowdown in the United States, Europe, and Japan.

The experience of the first three years following the onset of the crisis in 1997 suggests that, despite the mobilization of nationalist and backlash political forces, ruling coalitions remained, on the whole, more representative of internationalizing groups and constituencies. There are significant differences across countries and many coalitions retain a hybrid composition. Regional effects--what others in the neighborhood are doing--are far from inconsequential. Both coalitional composition in other ASEAN countries and their policy responses place constraints on what coalition emerges in any given country and what policies it is

likely to pursue. Institutional differences also matter a great deal, helping to explain a coalition's nature, sequence, and modalities of policy response. As argued, democracies were able to replace failing leaders with much less turmoil than autocracies, although democracy was not strengthened by the crisis everywhere. In any case, the replacement of individual leaders did not, in most cases, alter the basic (internationalizing, hybrid, backlash) coalitional structure, although democratization allowed further inclusion of previously excluded social forces.

At the same time, it is important to remember that the distributional effects of the economic crisis may not be evident for some time. Furthermore, and despite the remarkable economic recovery, one cannot lose sight of the greater vulnerability that financial and capital account liberalization has induced. For reasons elaborated earlier regarding the dynamic nature of coalitions and the growing role of global forces in catalyzing their relative strength, this preliminary assessment should not lead to complacency. In addition, myopic policies of internationalist coalitions inattentive to distributional effects of the costs and benefits of internationalization could well lead to their own demise. In some cases (Thailand) the crisis has led to a search for mechanisms to develop a more politically and socially viable framework to engage the global economy. In most cases, however, formal safety-net mechanisms are sorely lacking.

The advent of the post-1997 East Asian crisis in itself neither confirms nor challenges the coalitional argument advanced here, which does not portend to explain cycles in the global political economy. The crisis does reinforce, however, the need to understand more fully how the global economy and international institutions affect domestic coalitional balances, and how different coalitions approach the opportunities and constraints offered and imposed by international structures and processes.⁷⁹ Having stated the centrality of international institutions to the domestic coalitional interplay, one should not infer that international institutions uniquely determine the fate of economic reform, domestic political change, or regional orders. The domestic coalitional balance is not merely derivative of global forces.

⁷⁹ For an effort to re-think the principles of a post-crisis financial architecture, see Barry Eichengreen, *Toward A New International Financial Architecture: A Practical Post-Asia Agenda* (Washington D.C.: Institute for International Economics).

Not only do myopic internationalist coalitions plant the seeds of their own destruction but they also risk making regional cooperation a collateral casualty, as leaders tend to move towards more symbolic, nationalist, or ethnic-confessional instruments to build political support. On the whole, continuities and changes in ASEAN's coalitional composition have not yet translated into a rejection of its previous internationalizing trajectory, in terms of regional policies. Old and new variants of internationalizing coalitions essentially stayed the course, navigating through serious challenges in bilateral relations and multilateral collective action. These challenges included forced repatriation of labor from neighboring countries, severe environmental threats (Indonesia's haze), pressures to coordinate responses *vis-à-vis* global financial institutions and the US, and the possibility of an escalation in claims to sovereignty over South China Sea. Given the centrality of sovereignty to ASEAN's classical institutional makeup, the fact that war among ASEAN contenders to the Spratlys continues to be quite improbable requires further attention. A shared internationalizing agenda that recoils from the consequences of war and militarization must be an important part of the puzzle regarding responses to the Spratly Islands conflict.

Finally, distributional issues along rural-urban, class, sectoral, regional, and ethnic-religious lines will continue to alter coalitional forms throughout ASEAN. Most importantly, no linear progression or irrevocable process towards internationalization or regional cooperation should be implied, as backlash politics at home and in the region may be more resilient than it is possible to estimate today.

This research was assisted by an award from the Social Science Research Council of an SSRC-MacArthur Foundation Fellowship on Peace and Security in a Changing World. I would like to acknowledge comments and suggestions from IDSS Director Khong Yuen Foong and participants at the workshop on Non-Traditional Security Issues in Southeast Asia (20-2 September 2000) as well as anonymous reviewers.

Bibliography

- Alagappa, Muthiah. 1995. Political Legitimacy in Southeast Asia: The Quest for Moral Authority (Stanford: Stanford University Press, 1995).
- Arndt, H.W. and Hal Hill, eds. 1999. Southeast Asia's Economic Crisis: origins, Lessons and the Way Forward. Singapore, Institute of Southeast Asian Studies.
- Athukorala, Prema-Chandra. 1999. "Swimming Against the Tide: Crisis Management in Malaysia." In Arndt and Hill, pp.28-40.
- Bello, Walden. 2000. "The Philippines: the making of a neo-classical tragedy." In Robison et al.:238-258.
- Booth, Anne. 2000. "The Impact of the Indonesian Crisis on Welfare: What Do We Know Two Years On?" In Chris Manning and Peter Van Diermen, eds., Indonesia in Transition: Social Aspects of Reformasi and Crisis. Singapore, Institute of Southeast Asian Studies:145-162.
- Bowie, Alasdair and Danny Unger. 1997 The Politics of Open Economies: Indonesia, Malaysia, the Philippines, and Thailand. Cambridge, Mass: Cambridge University Press.
- Bullard, Nicola with Walden Bello and Kamal Malhotra, "Taming the Tigers, Focus on the Global South," Ms. Bangkok, Thailand, March 1998.
- Bunbongkarn, Suchit. 1999. "Thailand's successful reforms." Journal of Democracy Vol. 10, No.4 (October):54-68.
- Ching, Frank. 1999. "Social Impact of the Regional Financial Crisis." New York: Asia Society Feb. 1999.
- Eichengreen, Barry. 1999. Toward A New International Financial Architecture: A Practical Post-Asia Agenda. Washington D.C.:Institute for International Economics.
- Emmerson, Donald K. 1996. "Indonesia, Malaysia, Singapore: A Regional security Core?" In Richard J. Ellings and Sheldon W. Simon, eds., Southeast Asian Security in the New Millennium, Armonk:M.E. Sharpe.
- Emmerson, Donald K. 1999. "A Tale of Three Countries." Journal of Democracy, Vol. 10, No.4 (October): 35-54.
- Gomez, E. Terence, and Jomo K.S. 1999. Malaysia's Political Economy: Politics, Patronage, and Profits. Cambridge, Cambridge University Press.
- Haggard, Stephan. 1995. "Inflation and Stabilization," in Jeffrey A. Frieden and David A. Lake, eds., International Political Economy: Perspectives on Global Power and Wealth. New York: St. Martin's Press.
- Haggard, Stephan. 2000. "The Politics of the Asian Financial Crisis." Journal of Democracy, Vol. 11, No.2, April 2000: 130-144.
- Hamilton-Hart, Natasha. 1999. "Thailand and Globalization." Asian Perspective, Vol.23, No.4 :287-314.
- Harymurti, Bambang. 1999. "Challenges of Change in Indonesia." Journal of Democracy Vol. 10, No.4 (October):69-83.
- Hewison, Kevin. 2000. "Thailand's capitalism before and after the economic crisis." In Robison et al.:192-211.

Higgott, Richard. 2000. "The International relations of the Asian Economic Crisis: A Study in the Politics of Resentment," In Robison et al.:261-282.

IISS (International Institute of Strategic Studies). 1999. Strategic Comments, Vol.5, Issue 9 (November):1-2.

Jomo K.S. 2000. "Comment: crisis and the developmental state in East Asia." In Robison et al.:25-33.

Khong, Yuen Foong. 1997. "ASEAN and the Southeast Asian Security Complex," in D. Lake and P. Morgan, eds., Regional Orders: Building Security in a New World, University Park: The Pennsylvania State University Press:318-342.

Kim, Samuel S. 1999. "East Asia and Globalization: Challenges and Responses." Asian Perspective, Vol.23, No.4 :5-44.

Lim, Linda Y. C. 1999. "The Asian Economic Crisis: The Challenges for Government Policy and Business Practice. Asia Society, New York (February).

MacIntyre, Andrew "Power, Prosperity, and Patrimonialism: Business and Government in Indonesia," in his edited volume Business and Government in Industrialising Asia (Ithaca: Cornell University Press, 1994): 244-267.

MacIntyre, Andrew. 1999. "Political Institutions and the Economic Crisis in Thailand and Indonesia." In Arndt and Hill, pp. 142-157.

Murphy, Ann Marie. 1999. "Indonesia and Globalization." Asian Perspective, Vol.23, No.4 :229-260.

Muzaffar, Chandra. 1999. "Power struggle in Malaysia: The Anwar Crisis." ISIM Newsletter February.

Posen, Barry R. 1984. The Sources of Military Doctrine. Ithaca: Cornell University Press.

Quan Xuan Dinh. 2000. "The Political Economy of Vietnam's Transformation Process." Contemporary Southeast Asia 22,3 (August):360-388.

Robison, Richard, Mark Beeson, Kanishka Jayasuriya and Hyuk-Rae Kim. 2000. Politics and Markets in the Wake of the Asian Crisis. New York: Routledge.

Rosecrance, Richard and Arthur A. Stein, eds. 1993. The Domestic Bases of Grand Strategy. Ithaca: Cornell University Press.

Sadli, Mohammad. 1999. "The Indonesian Crisis." In Arndt and Hill, pp.16-27.

Solingen, Etel. 1998. Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy. Princeton, NJ: Princeton University Press.

Solingen, Etel, "ASEAN, *Quo Vadis?* Domestic Coalitions and Regional Cooperation." Contemporary Southeast Asia Vol. 21, No.1 (April 1999):30-53.

Singh, Daljit. 2000. "Southeast Asia in 1999: A False Dawn?" Southeast Asian Affairs 2000. Singapore: ISEAS:3-24.

Soesastro, Hadi.1999. "ASEAN during the Crisis." In H.W. Arndt and Hal Hill, eds. Southeast Asia's Economic Crisis: Origins, Lessons, and the Way Forward, Singapore: Institute of Southeast Asian Studies:158-169.

Soesastro, Hadi. 2000. "The Indonesian Economy under Abdurrahman Wahid." Southeast Asian Affairs 2000. Singapore: ISEAS:134-146.

Solingen, Etel. 1998. Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy. Princeton University Press.

Solingen, Etel, 1999. "ASEAN, *Quo Vadis?* Domestic Coalitions and Regional Cooperation." Contemporary Southeast Asia Vol. 21, No.1 (April):30-53.

Welsh, Bridget. 1999. "Malaysia and Globalization: Contradictory Trends." Asian Perspective, Vol.23, No.4 :261-286.

Wolfensohn, James D., President, World Bank, Address to the Overseas Development Council Conference on Asia's Coming Explosion (The World Bank, Washington, D.C., 19 March 1998).

IDSS Working Paper Series

1. Vietnam-China Relations Since The End of The Cold War (1998)
Ang Cheng Guan
2. Multilateral Security Cooperation in the Asia-Pacific Region: Prospects and Possibilities (1999)
Desmond Ball
3. Reordering Asia: “Cooperative Security” or Concert of Powers? (1999)
Amitav Acharya
4. The South China Sea Dispute re-visited (1999)
Ang Cheng Guan
5. Continuity and Change In Malaysian Politics: Assessing the Buildup to the 1999-2000 General Elections (1999)
Joseph Liow Chin Yong
6. ‘Humanitarian Intervention in Kosovo’ as Justified, Executed and Mediated by NATO: Strategic Lessons for Singapore (2000)
Kumar Ramakrishna
7. Taiwan’s Future: Mongolia or Tibet? (2001)
Chien-peng (C.P.) Chung
8. Asia-Pacific Diplomacies: Reading Discontinuity in Late-Modern Diplomatic Practice (2001)
Tan See Seng
9. Framing “South Asia”: Whose Imagined Region? (2001)
Sinderpal Singh
10. Explaining Indonesia's Relations with Singapore During the New Order Period: The Case of Regime Maintenance and Foreign Policy (2001)
Terence Lee Chek Liang
11. Human Security: Discourse, Statecraft, Emancipation (2001)
Tan See Seng
12. Globalization and its Implications for Southeast Asian Security: A Vietnamese Perspective (2001)
Nguyen Phuong Binh
13. Framework for Autonomy in Southeast Asia’s Plural Societies (2001)
Miriam Coronel Ferrer

14. Burma: Protracted Conflict, Governance and Non-Traditional Security Issues (2001)
Ananda Rajah
15. Natural Resources Management and Environmental Security in Southeast Asia: Case Study of Clean Water Supplies in Singapore (2001)
Kog Yue Choong
16. Crisis and Transformation: ASEAN in the New Era (2001)
Etel Solingen
