From Miracle to Crash

Benedict Anderson on South-East Asia

Benedict Anderson died on 13 December 2015, a few days after correcting the proofs of his memoir, Life beyond Boundaries. Initially written for Japanese academics, and published there in 2008, it comes out from Verso in March 2016. His essay in the LRB of 16 January 2016 is an extract.

On 11 March, 32 years after he directed the coup de force which brought him to power, President Suharto of Indonesia spoke the following words as he was sworn in for a seventh term of office: ‘We will never enjoy again an economic growth such as we have experienced for more than a quarter of a century.’ This is the language of the milltowns of New England, the coal-and-steel belts of Pennsylvania and Belgium, the ghost towns of Australia and the American West – places where capitalism has been and gone, leaving behind scarred landscapes and ruined social edifices. It is a language that poses two related questions about the ‘Asian crisis’ which are rarely raised in the flood of contemporary analyses of its proximate causes. The first: what made the World Bank’s ‘Asian miracle’ of the past two decades possible? The second: is Suharto’s prognosis correct, not merely for Indonesia, but also for the other advanced countries of South-East Asia?

Anyone who predicted in 1950 that within a generation ‘miracles’ would occur in the region would have been regarded as an idle dreamer. Indonesia, devastated by ten years of military occupation, war and revolution, had a literacy rate of not more than 10 per cent. Even a decade later, the income accruing to the Indonesian state was not much bigger than that of a large American university. The Philippine economy, weak even in colonial times, had been trampled to rubble by the Japanese and American Armies. The country had no national language beyond an American English commanded (perhaps) by a quarter of the population. Thailand was a sleepy, rice-exporting country which, even in 1960, had no effective nationwide system of primary education. Malaya’s tin-and-rubber economy was prostrate, and the colony was a battlefield where Imperial British forces fought against a powerful, audacious Communist insurrection.

Four basic conditions made the ‘miracle’ possible, and these existed only in the long strip of coastal capitalist states stretching from South Korea to the eastern edge of the Indian Ocean.
The first was the peculiar arc of the Cold War in the region. Nowhere else was it 'hotter' in the third quarter of the century, and perhaps nowhere else did it cool down more rapidly, thanks to the Peking-Washington rapprochement of the mid-Seventies. The only two big wars the Americans fought were in this zone: on the Korean peninsula they were forced to accept a costly stand-off, while in Indochina they suffered a bitter and humiliating defeat. In every important country of South-East Asia, with the exception of Indonesia, there were major, sustained Communist insurrections, and Indonesia, in the early Sixties, had the largest legal Communist Party in the world outside the socialist bloc. In all these states, except Malaysia, which was still a colony, the Americans intervened politically, economically, militarily and culturally, on a massive scale. The notorious domino theory was invented specifically for South-East Asia. To shore up the line of teetering dominoes, Washington made every effort to create loyal, capitalistically prosperous, authoritarian and anti-Communist regimes - typically, but not invariably, dominated by the military. Many were tied to the US by security arrangements, and in some the Americans had a broad range of military installations. Each disaster only encouraged Washington to put more muscle and money behind its remaining political allies. No world region received more 'aid'.

On the other hand, the Washington-Peking coalition against Moscow, consolidated after the 'fall' of Indochina, meant that from the late Seventies till the collapse of the Soviet Union those countries of South-East Asia who so wished could continue to profit from Washington's Cold War largesse without facing any severe internal or external constraints (the Philippines was a partial exception, as we shall see).

The second, accidental condition was the region's propinquity to Japan. Tokyo came late to the imperialist game. When it did so, at the very end of the 19th century, tsardom threatened its northern periphery, Europeans were entrenched in South-East Asia and dominant in China, and the Americans were pushing fast across the Pacific - Alaska, Hawaii, Midway, Wake, Guam, the Philippines. Beginning with the acquisition of Taiwan in 1895, and the annexation of Korea in 1910, Japanese ruling élites sought by economic, political and military means to create for their country, in East and South-East Asia, a zone of hegemony equivalent to that of the United States in the Western hemisphere. The end-results were the onset of the Sino-Japanese War in 1937, the outbreak of the Pacific War at the end of 1941, the conquest of most of South-East Asia in 1942, and atomic collapse in August 1945. In the period of postwar recovery, the old ambitions did not disappear, but took an essentially economic form. Assured of its political and military dominance over Japan, and eager to make the Japanese economy a cornerstone of capitalist strength in Asia, Washington put no real obstacles in Tokyo's way.
In those early postwar years, however, Mao’s China was closed to Japanese capital, and the South Koreans’ bitter memories of Japanese colonialism made them scarcely more welcoming. South-East Asia was the only real possibility, not least because Europe had now lost its colonial fortresses there. Beginning in the Fifties, thanks to a series of war reparations agreements whereby Japan provided substantial funds to South-East Asian countries for the purchase of its manufactures, Tokyo’s economic presence rapidly increased: first in Thailand, which had been an ally in World War Two, later in other new nation-states which had had less pleasant experiences under Japanese military rule. By the early Seventies, Japan had become the single most important external investor in the region, both as extractor of natural resources (timber, oil and so on) and in industrial and infrastructural development. All this meant that South-East Asia was the only region in the world in which the two most powerful capitalist economies were deeply and, on the whole co-operatively, committed for four decades. Later, when South Korea and Taiwan in their turn became major exporters of capital, they followed the leading goose, reinforcing the already huge inflows of capital and technology from America and Japan.

The third condition was, ironically, the successful Communist revolution in China. The Maoist project of building a mighty, autarchic, socialist economy outside the global capitalist order, reinforced for a long time by an American-orchestrated trade embargo, kept China from playing a significant economic role in, or in competition with, South-East Asia until the mid-Eighties. Only then, under the regime of Deng Xiaoping, did the former Middle Kingdom – with its vast internal market and its unlimited pool of desperately poor peasants and workers under the iron control of the CCP – start attracting huge investment from America, Japan, the EC, Taiwan and even South Korea. In the Nineties, therefore, China was finally in a position to outcompete South-East Asia in manufacturing exports, a situation which seems certain to continue indefinitely. Seen retrospectively, the South-East Asian miracle was thus in part the product of an extraordinary forty-year sequestration from the global market of the greatest power in Asia.

The last condition was indirectly connected to the third. Over the melancholy century of decline between the Opium War and the onset of the Sino-Japanese War, millions of young, mostly male, mostly illiterate people left the coastal districts of Fukien and Kwantung for the labour-hungry European colonies in South-East Asia, as well as for Thailand. Until the turn of the century most of these people, speaking such (on the whole) mutually unintelligible languages as Hokkien, Cantonese, Hakka, Hainanese and
Teochiu, scarcely regarded themselves as ‘Chinese’. They identified themselves by clan, home village or district, and by language group. Where circumstances were favourable, especially in Buddhist Thailand and the Catholic Philippines, intermarriage with, and assimilation to, the local population were common, producing over time a distinct ‘mestizo’ social stratum. In less favourable circumstances, as in (Muslim) Malaya and the Dutch East Indies, they tended to be ghettoised by colonial policy-making. After 1900, however, the situation began to change. Migrant communities became more rooted and stable as women started to arrive from Kwantung and Fukien; as schools were set up to teach children all-Chinese writing, as well as spoken Mandarin; and as Chinese nationalism proper made its various inroads. While most immigrants long remained poor – until World War Two, they formed the bulk of the true working class in Thailand and Malaya – a significant number, through habits of hard work and the freedom created by uprooting, were working their way up the occupational ladder, becoming small traders, entrepreneurs and entering the professions, even the bureaucracy. Particularly in the Dutch East Indies, such people came to form a middle tier between the colonial administrative apparatus and the peasant bulk of the indigenous population.

In the same period, however, nationalism began to emerge, first in the Philippines and last in Cambodia, Laos, Malaya and Singapore. (This article is focused on the large capitalist states of South-East Asia.) The immigrants and their descendants often found themselves, for the first time, caught between increasingly racist colonial regimes (who despised, exploited, but also protected them) and nativist nationalists (who despised them as aliens and colonial collaborators, but envied their economic success). As European imperialism collapsed in the postwar period and the former colonies became independent, the precariousness of their situation was accentuated. Colonial subjecthood could be worn lightly: modern citizenship could not. (Even today in Indonesia the only people referred to as ‘citizens’ are the ‘Chinese’: everyone else is a ‘son/ daughter of the soil’.) Choices had to be made, few of them easy; and the difficulties were compounded by the appearance of rival Chinas centred in Peking and Taipei, each eager to attract loyalty but neither able, or even much inclined, to intervene protectively. Yet the end of colonialism also opened up opportunities for economic advancement undreamt before the Pacific War.

Though there were wide variations from country to country, the general sociological trend after independence was for upwardly-mobile ‘natives’ to secure for themselves an impregnable position in the political realm – especially in rapidly expanding state bureaucracies, and above all in the military and police. The trend has been particularly evident in Indonesia and Malaysia; but even in Thailand, which has had a large number of Chinese politicians, it is rare to find a senior military or police officer who is not a
'native'. Open or veiled policies of discrimination against Chinese in state universities were felt to limit their chances of a successful career in public service, and even in some professions. In consequence people of Chinese ancestry have concentrated their energies and ambitions in the private commercial sector - legal and otherwise. In Indonesia, between March 1966 and March 1998, not a single person of known Chinese descent became a cabinet minister, senior civil servant, general, admiral or air marshal; there have even been very few Parliamentarians. At the same time, the estimated 5 per cent of the population said to be Chinese control 70 to 80 per cent of the domestic economy, and almost all the biggest crony capitalists around Suharto have come from this group. The effect of this 'racial' division of labour has been to encourage massive profiteering on the part of state officials, to limit the growth of a vigorous 'native' entrepreneurial class, and to make a marginalised minority the real domestic motor of the 'miracle'.

What portion of these conditions will survive into the next century? The American investment in Cold War South-East Asia - which made possible the tyrannies of the Thai generals in the period 1948-77, the Marcos regime in the Philippines, and Suharto's endless Neues Ordnung - is no more. The American bases in the Philippines are gone, and the country matters very little to its former colonial master. Thailand is no longer seen as a bulwark against anything. Even Indonesia, with its 200 million people, is understood more as a worry than an ally. The anti-Western vociferations of Malaysia's durable Prime Minister Mahathir barely earn him a shrug in Washington.

Japan has long-term geopolitical interests in the region, but it is likely that the country's 'historic moment', symbolised by the Plaza Accord of 1985, and the anti-Japanese scare that swept America in the Eighties, has passed. During the present decade, Tokyo has struggled, mostly unsuccessfully, to emerge with vigour from the burst bubble of the late Eighties. The country's inability to provide much help in overcoming the Crash in South-East Asia is evidence of this weakness. On the other hand, although China's political future is full of uncertainties, the chances are high that it will soon resume its historically central role in eastern and south-eastern Asia. It has resources which vastly outmatch those of any country in the region, and it will for a long time be a domineering competitor on the world market. It may be that only the overseas 'Chinese' will remain as an enduring miracle ingredient, though one with fragile aspects.

If most of the conditions that made the 'miracle' possible have passed, or soon will be passing, this does not necessarily mean that the countries concerned failed to use the period of extraordinary growth to create the basis for long-term, and more self-sustaining, development. Both Germany and Japan, after suffering military defeat,
economic ruin and enemy occupation, became major economic powers within a long
generation. A closer comparison is offered by strongly nationalist South Korea, which
took advantage of the growth possibilities that American-backed Cold War tyranny and
its own historic fears of its mighty neighbours afforded, to create an industrial society
producing world-class manufacturing products: there are good grounds for thinking that
the country will recover quickly from the Crash and soon resume much of its earlier role
in the global economy. The central question to be asked, therefore, is how far the
resources and assets accruing in the era of the 'miracle' were used to prepare for the
day when the favourable conditions would diminish?

There are three obvious policies one needs to look at in order to answer this question:
the development of a skilled, well-educated work-force; the use of domestic savings and
investment; and the care of the national environment and natural resources. Of these,
the most important factor for the future is the first.

Consider uncolonised Thailand, which, until just before the Crash, was trumpeted by the
World Bank as an example that all forward-looking Third World countries might emulate
for its very high rates of growth over three decades. At the end of the Eighties, a mere
28 per cent of its high school age population was in a high school of any kind. It is
reliably estimated that in the year 2000, 70 per cent of the labour force will have had
only a primary education, if that. Tertiary institutions produce no more than half the
engineers that Thailand needs. Thai vocational schools are more famous for the savage
brawls between their student bodies than for the advanced industrial skills that they
Teach. The quality of its universities, still overwhelmingly state-owned, is uneven, to put
it kindly, not least because professors and lecturers are wretchedly paid, and so spend
much of their time moonlighting or speculating off-campus. Finally, in Thailand, as
everywhere else in capitalist South-East Asia, many upper class and middle-class
parents have decided to sidestep the national education system as far as possible,
sending their children to local 'international' high schools and on to colleges in,
depending on income levels, the United States, the UK, Canada and Australia. Some of
these young people never return home, and those who do rarely wish to take up positions
in the educational system.

The Philippines has five times as many college students as Malaysia (38 as against 7 per
cent), but most are in miserable diploma-mills which teach them next to nothing.
Neither country has an effective industrially-orientated system of vocational education.
Both have experienced substantial brain-drains, not least because of the marketable
legacy of English-language colonialism. In Malaysia, bright young Chinese, facing
educational and other discrimination, have been leaving in large numbers. Marcos's
immiseration of the Philippines initiated a mass emigration of 'native' Filipinos, many with local college degrees, to work all over the world as maids, nurses, bartenders, whores, chauffeurs and so on. (Their remittances home are the largest single contribution to the Philippines' foreign exchange earnings.) Indonesia is worse off still. The problems of education have been accentuated by authoritarian regimes, which have usually regarded students as a dangerously volatile group, and have used the education system mainly to instil political loyalty. My highly intelligent younger Indonesian foster-son, educated in the best high school his provincial home-town could offer, had, on arriving in America at the age of 17, no basic geographical knowledge whatever, no knowledge of elementary world history and only the most distorted understanding of his own country's history.

One key reason for the shortcomings of education policy was that for many years the main investors in industrial development came from outside the region, especially from the US, Germany, Japan, Korea and Taiwan. All were looking for low-wage, submissive and non-unionised workers, and the latter three for offshore 'investment zones' offering low-tariff access to the American and European markets. Such investors rarely had the interest or the resources to engage in vocational training outside the immediate needs of their businesses. The manufacturing plants they developed had very weak back-linkages into the domestic economy and society, tending rather to operate as enclaves. In effect, rich foreigners and poor natives did much of the real work of export growth. But this situation was always dependent on the low-wage, low-skill status of the workforce: any marked improvements encouraged the investors to move to still poorer countries such as Vietnam. Yet as long as GNP figures continued to rise, few of the local governments thought seriously and structurally about the future until just before the Crash.

Because export-oriented growth was so heavily dominated by external investment, domestic investors, especially those with political connections, concentrated their activities in protected sectors of the economy: banking, real estate, construction and natural resource exploitation. When the Crash came, Indonesia had more than two hundred banks, most of them shady and politically connected, and virtually all wildly in debt. Metropolitan Bangkok had an estimated 700,000 unoccupied housing and office units. The Malaysian Government ordered the construction of the tallest building in the world, only to find that the space was largely unrentable. The Suharto regime invested billions of dollars in an aeroplane industry, whose products, lacking FAA safety approval, still have almost no customers. And so on, white elephant after white elephant. The very length of the miracle encouraged not merely the ruling élites, but also the new middle classes to use their high levels of saving to plunge into every kind of speculative and
unproductive endeavour.

These inclinations, perhaps natural enough in themselves, were encouraged after the mid-Eighties by the very large gap between Japan’s artificially low interest rates and those prevailing in the region. It was all too easy for South-East Asian financiers to borrow cheaply and on an almost unlimited basis, and then lend out profitably to all and sundry in their domestic markets. American pressures for ‘liberalisation’, under conditions where overvalued local currencies were pegged to the dollar, and the World Bank’s insistent promotion of local stock exchanges, further accentuated - or aggravated - these speculative tendencies.

Of the capitalist countries, only Indonesia and Malaysia proved to be endowed with substantial mineral resources. But in the Fifties they all had extensive, rich and varied forests, and well-stocked coastal waters. Today, the Philippines has become one of the most environmentally damaged countries in the world. Thailand’s forests are nearly gone, and unscrupulous Thai loggers have stretched their tentacles into impoverished Burma and Laos. The great fires of the past year, which have destroyed hundreds of thousands of hectares of forest in Borneo and Sumatra - and poisoned the air for millions of people living in Malaysia, Indonesia and southern Thailand - are the consequence of the greed of conglomerates connected to the Suharto family, which, to create vast plantations, have found it convenient to burn people out of the way, along with a great deal of fauna and much of its jungle habitat. (The primary villain, Mohammad ‘Bob’ Hassan, at least nominally a Muslim, is of Chinese origin, and made his billions initially by logging and later by cornering, through a crony cartel, a substantial part of the world’s plywood export business. In the new Cabinet announced after Suharto’s reselection as President, he has been made minister of trade, the first Chinese cabinet member in 32 years.) High-tech, highly-placed Japanese, Korean and other fishing corporations have severely depleted the marine environment at the expense of poor local populations. For most of the ‘miracle’ period, Indonesia and Malaysia had the advantage of huge oil and/or natural gas deposits, as well as the prices for petroleum that at various points Opec was able to impose. But these deposits are finite and running down, and will never again be available on the scale of the Seventies and Eighties. It is difficult, especially when one thinks of how different things have been in South Korea, not to conclude that the ‘miracle years’ were used by South-East Asian leaders in a short-sighted, profligate and even anti-patriotic manner.

For most of the ‘miracle years’, the Philippines was seen as the sad exception: the one capitalist nation-state - and the one former American colony at that - which sank into poverty while the others soared ahead. But during the Crash its currency has survived
better than the Thai baht, the Malaysian ringgit, and the Indonesian rupiah; and the
country is even in the process of extricating itself from, rather than falling into, the
clutches of the IMF.

What made this possible was the character of the Marcos regime and the reasons for,
and timing of, its collapse in February 1986. Except for the fact that he was a civilian,
Marcos was a typical tyrant of the ‘hot’ Cold War era. He was first elected President in
1965, as Lyndon Johnson began sending large-scale American forces to Vietnam.
American bases in the Philippines, especially the naval base at Subic Bay, and the huge
air-base at Clark Field, were central to the prosecution of the war. Marcos charged high
rents for these facilities, hired out Filipino troops for service in Vietnam, kept a happy
silence on the storage of nuclear weapons on Philippine soil and vociferously supported
the American war effort. In turn, and perhaps also because of large personal
contributions to the finances of Nixon’s last two Presidential campaigns, Washington
turned a blind eye to the installation of his kleptocratic dictatorship in 1972, towards
the end of his legal tenure as President. Between 1972 and 1986, the Marcoses and
their entourage, relying on continued American support, systematically pillaged the not
very strong Philippine economy. In the process they precipitated a debilitating
separatist rebellion in the Muslim south and a Maoist insurrection that spread in due
course to almost all parts of the country. By the beginning of the Eighties, cooler heads
in the Reagan White House recognised that the Marcos dictatorship had to go: it was
ruining the country politically and economically, with no benefits for the United States.
The CIA participated actively in the popular mobilisation against the regime, and it was
American military aircraft that finally whisked the hated couple from their palace to
gilded imprisonment in Hawaii. Corazón Aquino took over the Presidency, and
immediately restored much of the pre-Marcos system of cacique democracy. When
ultra-right-wing militarists came close to overthrowing her government in December
1989, Washington intervened decisively against them.

In 1986, then, at the height of the ‘miracle’, the Philippines was effectively bankrupt;
but at the same time, and for that reason, it escaped the Cold War system. On the one
hand, Aquino was forced to accept an IMF regimen of deregulation, liberalisation and
austerity (which continued under her successor, Fidel Ramos) - though she was with
justice able to blame everything on her odious predecessor. On the other hand, for a
complex of reasons, including the eruption of Mount Pinatubo, which buried Clark Field
in volcanic ash, the Americans started phasing out their military installations, a process
that ended in 1991. With the fall of Marcos, the Communist insurrection lost momentum,
broke up into factions, and gradually disintegrated. A settlement of sorts was finally reached with the main groups of Muslim rebels. The current oligarchic, but competitive, political regime seems quite stable, and there are no strong reasons for thinking that the Philippines will not chug along at the modest pace it has managed over the Nineties.

In comparison, Malaysia and Thailand have been harder hit. Malaysia, in significant ways an anomaly in the 'hot' Cold War era, was only created in 1963, when Whitehall arranged a hasty amalgam of Malaya, Singapore and the Bornean regions of Sarawak and Sabah. (London was careful to except Shell's Brunei, a tiny combination - 5780 square kms - of two enclaves entirely surrounded, on land, by Sarawak.) Singapore's durable dictator, Lee Kwan-yew, agreed to the original merger because he believed he needed help against the left-wing opposition. By 1964, he had destroyed this opposition, and began to fancy himself as a big-time player in Kuala Lumpur; at that point, the Malay political rulers more or less politely kicked him out. Peninsular Malaya itself had only been granted its independence in 1957, after the colonial state had smashed the powerful local Communist movement. Malaysia inherited (and later improved on) the colonial regime's draconian anti-subversion laws and steely bureaucracy, but not the insurrection itself. Partly for this reason, and partly because of London's insistence (at least through Harold Wilson's premiership) on keeping its own presence in South-East Asia, Washington intervened less in Malaysia than in any other part of the region. The country has had a permanent authoritarian government throughout its existence, but the basis of its permanence has nothing to do with the Cold War, and everything to do with a collective determination on the part of the Malay ethnic group (52 per cent) to monopolise real political power in the face of the large Chinese (35 per cent) and the smaller (10 per cent) Indian minorities. This has meant that all the prime ministers have had to be Malays and civilians, and none has been removed from office by overt violence.

At the same time, the Malay leaders have been intelligent enough to permit controlled, and subordinate, political participation by the Chinese and Indians. The government has always been formally an alliance of three ethnically distinct parties, and there have always been minority cabinet ministers. Massive preferential treatment for Malay entrepreneurs, usually in protected sectors, and under state patronage, has never been pushed to the point of completely alienating the prosperous and energetic minority business classes.

The result has been an unusual political stability that has encouraged extensive foreign investment over the years. Substantial revenues from petroleum and natural gas have also provided a steadying basis for government finances. Although the speculative fever and the taste for strutting megaprojects struck Malaysia in the Nineties, and corruption increased rapidly, the country has been partly protected from serious
disruption by two odd factors. The first is its peculiar competitive-symbiotic relationship with wealthy Singapore, a short causeway across from Johore. The overwhelmingly Chinese municipal-state, controlled for forty years now by the Lee Kwan-yew despotism, has always been nervous of its position, sandwiched between two Islamic Malay-speaking nations with modern histories of anti-Chinese violence. It has therefore had every reason to be helpful to Kuala Lumpur, and its wealth has made this possible – at least up to a point. The second factor is, curiously enough, the Malay leadership’s own small-town provinciality, its felt need publicly to stress Malay/Islamic values, and one might even say its inferiority complex vis-à-vis Big Brother Indonesia.

The major difficulties for Malaysia in the longer future may well be the backwardness of its educational system, and a rentier mentality among many Malays, who have for a generation been the beneficiaries of government largesse, in an arrangement that reminds one of such places as Kuwait. In the short term, it remains to be seen whether the ‘permanent government’ responds to the economic crisis by tightening its controls, or by permitting more democratic participation and real public accountability.

Thailand, by contrast, was a frontline state for the Americans virtually from the start. As early as 1932, a military-civilian clique had overthrown the absolutist monarchical regime; from the late Thirties on, the military element, led by Marshal Phibunsongkhram, became ascendant and brought Thailand into the Pacific War as an ally of the Japanese. Momentarily discredited by Japan’s defeat, the military resumed power by coup d’état in 1947 and immediately allied itself with Washington. It was characteristic of the time that the legendary former chief of the OSS (the CIA’s precursor), ‘Wild Bill’ Donovan was sent by Eisenhower to be Ambassador in Bangkok. American domination increased further under the regime of strongman Sarit Thanarat and his lieutenants (1958-73). At the height of the Vietnam War, nearly fifty thousand American servicemen were stationed on Thai soil and the country was covered with a grid of military bases, from which the land, air and sea assault on Indochina was waged. At the same time, very large sums of money were poured in by the United States for military-infrastructural, rural development and educational purposes, and in the late Sixties the Japanese were also becoming a powerful investment presence.

The social changes which resulted had (by the mid-Seventies) produced a large new middle class, as well as (after 1965) a growing Communist insurgency. These developments, combined with a growing reaction against the American alliance, brought about the unexpected and unprecedented mass mobilisation of October 1973 in Bangkok, which, with King Rama IX’s discreet help, drove the dictators from power. A liberal Constitution was promulgated and the fairest elections Thailand has ever experienced
were held. By March 1976, the American military presence had been removed, and cordial relations opened with Peking. In the same year, however, the Communist triumphs in Indochina brought about a violent polarisation inside Thailand, chiefly between the students and the military, which culminated in the coup of 6 October 1976, after which thousands of idealistic and radicalised students fled to the Communist maquis.

It seemed likely that an extreme right-wing, military-dominated regime would consolidate itself in Bangkok. But the Cold War in Asia was by now cooling down very quickly and in October 1977, the extremists were overthrown by another coup, led by the intelligent General Kriangsak Chomanan, who offered amnesties to the students in the maquis and made a point of cultivating good relations with both Peking and Hanoi. Kriangsak’s flexible policies were fortuitously abetted by the triangular China-Cambodia-Vietnam War of 1978-79, in which the Communist Party of Thailand, loyal to Peking, lost its support from the régimes in Indochina, as well as its newly recruited and strongly nationalist student adherents. By 1980, the Party had been reduced to insignificance, along with any other visible Left.

At the beginning of the Eighties, backed now by China, Japan and the United States, Thailand had passed out of its Cold War phase. Though a general served as prime minister for most of the decade, his cabinets were coalitions of loose-knit conservative parties. The economic ‘miracle’ provided the resources for vote-buying on an unprecedented scale, and the political power of big business and provincial notables steadily increased at the expense of the military and the bureaucracy. The Army briefly seized power once again in 1991 - not on traditional ‘red scare’ grounds but on those of the corruption of civilian politicians - but were driven out in the huge middle-class mobilisation of ‘Bloody May’ 1992.

From this episode emerged a movement for fundamental constitutional reform - to lessen the power of a corrupt bureaucracy, curb vote-buying, strengthen party discipline and increase accountability. The collapse of the baht in July 1997 discredited those groups who most energetically resisted the reforms; and a new Constitution, progressive in most respects, has recently been promulgated. The Crash itself caused no political upheaval, or even major demonstrations, merely the fall of one corrupt civilian cabinet and its replacement by another, marginally more honest. So far, there has not even been any racist scapegoating, thanks to the long and successful integration of the Chinese into almost all strata of society. The Thai political élite has sustained itself successfully for a century and half by bending with the international winds and it has made little fuss about accommodating the demands of the IMF - for which it
expects, probably rightly, that it will be rewarded as unemployment rises and prices climb. It seems unlikely that the 'miracle' will ever return for Thailand, but there are good reasons to believe that the country's post-Cold War political order is flexible enough, and rooted enough, to ensure a modest recovery in the not too distant future.

Indonesia is a different story. The Indonesian economy effectively collapsed in 1964-65, as a result of hyperinflation, corrupt military management of the huge nationalised sector and the autarchist policies of Sukarno; and the collapse in turn was a key factor in creating the psychological atmosphere in which a vast pogrom against the legal, unarmed Communist Party of Indonesia and its allies took place between October 1965 and January 1966 – costing at least half a million lives, and the incarceration, without trial but often with torture, of hundreds of thousands of others for many years. (As late as 1978 there were still tens of thousands, including the country's leading writer Pramoedya Ananta Toer, in Indonesia's gulag; executions of Communist leaders who had been on death row for more than two decades continued into the late Eighties.) The removal of the radical-populist Sukarno, a bugaboo for Washington, followed soon afterwards. The ghastly destruction of the Communist Party, at a time when American forces were sinking into the Indochina quagmire and the military power of the Soviet Union appeared to be rapidly growing, earned the director of the massacres, General Suharto, the immediate support of the United States. In the spring of 1966, Indonesia's first 'hot' Cold War regime was installed in the wake of the terror.

In its early years, the dictatorship was fully compliant with American wishes, and was amply rewarded. A team of neo-classical, American-trained economists took charge of the economy, ending hyperinflation, privatising, or returning to their original foreign owners, many of the nationalised corporations, and encouraging foreign investment in the extraction of the country's abundant natural resources, as well as manufacturing. A secret agreement was worked out, permitting American nuclear submarines to pass through Indonesian waters without surfacing for the tracking eyes of Soviet satellites. In return, Washington organised the Intergovernmental Group for Indonesia (IGGI), a consortium composed of the United States, Japan and the leading Western European countries, to provide vast and steady infusions to the country's 'development' budget over the next quarter of a century. These policies, whose effect was greatly enhanced for newly oil-rich Indonesia by the Opec price-hikes of 1973, were key foundations for the consolidation of Suharto's power, and for the Indonesian 'miracle' of the Seventies, Eighties and early Nineties. So great was Washington's satisfaction that after December 1975, when Suharto decided to invade and occupy the small former Portuguese colony of East Timor, the Ford and Carter Governments not only ignored the fact that this invasion, 90 per cent accomplished with American weapons, grossly
violated the 1958 bilateral arms agreement between the two countries, but they
defended Jakarta in international fora, and secretly supplied the lethal Vietnam War
OV-10 attack gunships so effective in damaging the East Timorese resistance and East
Timor's rural environment and society. (More than 200,000 East Timorese, one third of
the population, died unnaturally between 1975 and 1979.)

In the early years, Suharto was primus inter pares among the ruling clique of generals,
his power basically that of the military, and his authority based on fear and the salutary
effects of American-arranged economic stabilisation. In those days, the famously rich
were senior military officers. In the longer run, however, Suharto shunted aside his
comrades-in-arms and built the personal dictatorship which Jakarta's wags today call
'our Titanic'.

On the one hand, he perfected an electoral system and a state party based in the huge
bureaucracy that ensured him complete control over the legislature and the People's
Consultative Assembly (which chooses the President and sets broad outlines for state
policy). He was shrewd enough to create and finance two nominal opposition parties, one
for devout Muslims and another for Christians and others afraid of such Muslims.
These mechanisms, and limitless funds from foreign and domestic sources, made
possible an endless series of staged 'free elections', and his own permanent
re-appointment, without opposition, as President.

On the other hand, he started to use Indonesia's much-disliked Chinese minority to
ensure personal control of the country's domestic wealth. In the early days of the
regime, Suharto had broken off diplomatic ties with 'Red China', closed down Chinese
schools and newspapers, forced Chinese to change their names to ones sounding Muslim
or Javanese, and legalised tjina/cina (basically 'Chink') as the official term for these
people. It was only later, it seems, that he realised that political-cultural repression and
ghettoisation of the Chinese could serve other purposes. The Chinese were completely
removed from formal political power and at the same time encouraged to concentrate on
business. A small élite among them was elevated to super-tycoon status under his
personal protection. In this divide-and-rule system, one could say that the Chinese
would have economic but not political power, while the indigenous Indonesians (among
whom a rival or successor to Suharto might arise) would have political positions, but no
concentrated independent sources of wealth.

It is thanks to the 'palace tycoons' that the Suharto family can claim fabulous riches
dwarfing the booty of the Marcoses in their heyday. (Thirty billion dollars is the figure
commonly quoted.) Recartelisation and remonopolisation, by political means, of key
sectors of the economy, particularly banking, imports and the exploitation of natural resources brought about these individual 'miracles'. The 'royal children' and other relatives were given large shareholdings in the tycoons' companies, limitless credit from tycoon-owned banks, and spin-off monopolies over particular exports (e.g. cloves) and imports (e.g. plastics). The example set at the top spread downwards during the 'miracle' years, so that Indonesia was regularly listed alongside Nigeria and China as one of the three most corrupt countries in the world; hence a nation which in 1960 enjoyed the same level of development as South Korea, had been completely surpassed by it three decades later.

Suharto has been Head of State longer than any non-monarchical leader with the exception of Fidel Castro, and, at the margins, Togo's Gnassingbe Eyadema. For years he could rely on memories of the matanza of 1965-66 to keep the Indonesian public politically quiescent. But today one would have to be in one's mid-forties to have such memories and the majority of Indonesians are much younger than this. The regime still raises the spectre of 'latent' or 'recrudescent' Communism to justify its repression, but this frozen Cold War rhetoric convinces no one. The generals who now lead the military were moustache-less cadets when the great massacres took place, and are a full generation younger than their President. At the start of the Nineties, a new, much larger generation of factory-workers, many of them women, had come into existence and with increasing boldness undermined, through strikes and other forms of resistance, the regime's corporate control of labour. The early gratitude of the new middle class, born out of the 'miracle', has been turning into frustration and resentment at the greed and oppressiveness of the last Cold War regime in capitalist Asia - not least because they have watched the happy decompressions that have taken place everywhere else.

What the catastrophic collapse of the Indonesian rupiah means is that everyone, Indonesian and foreigner alike, is aware that for the second time in Indonesia's modern history economic crisis is inseparably linked to political crisis. It is characteristic that, despite a bankrupt economy, the political machine of the 'Father of Development' has secured Suharto his unanimous reselection as President and that of his dotty, German-trained aeronautical engineer protégé Habibie as Vice-President. (One can get an idea of the mind of Habibie from the following anecdote: appointed some years ago by his mentor to head a state-sponsored Association of Islamic Intellectuals, he astonished a meeting of pious candidate-members in New York by informing them that the Prophet Muhammad was merely a 'television set' for the transmission of Allah's satellite broadcasts.) A pushy daughter 'Tutut' has been made Minister of Social
Affairs, and his favourite Chinese tycoon Minister of Trade, while his son-in-law is commander of the Army’s Strategic Command.

Years of repression and manipulation of the two parties and of dozens of religious organisations and NGOs seem to have crippled their capacity for the kinds of purposeful social movements that freed South Korea, the Philippines and Thailand from their Cold War political systems. The result has been that the population has so far responded to the pain of the Crash mainly by rioting against, and looting the property of, those ‘Chinese’ it can get its hands on – typically in provincial towns. The effect of such riots is only to cripple the economy further.

Suharto is perfectly aware that he is regarded as a major problem in all the metropoles of the world. He knows that Clinton, still a student at the time of the great massacres, would like him gone. But he is too old, too provincial and too proud to pack his bags. The New Order was built by him and for him. Without him it cannot survive: with him it is also doomed. Yet no one has any clear idea of what is possible after him, and this uncertainty, which increases by the day, only deepens the general fear of a permanently damaged national future, and the likelihood of spreading violence and disorder. Somewhere up there, or down there, Sukarno, the ‘Father of the Nation’ whom Suharto brought down on 11 March 1966, must be rubbing his spectral hands.