POLITICAL CHANGE AND CONSOLIDATION

Democracy's Rocky Road in Thailand, Indonesia, South Korea, and Malaysia

Amy L. Freedman

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Printed in the United States of America.

This book is dedicated with love to Eric,
Alyssa, and Cameron Kopczynski

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List of Acronyms

ABRI	The Indonesian military under Suharto
ADIL	Pergerakan Keadilan Sosial (Social Justice Movement, Malaysia)
AMIN	Angkatan Mujahidin Islam Nusantara (Indonesia)
ASEAN	Association of Southeast Asian Nations
BA	Barisan Alternatif (National alternative party coalition, Malaysia)
BIN	The State Intelligence Agency (Indonesia)
BN	Barisan National (Malaysia's ruling party coalition)
CDA	Constitutional Drafting Assembly (Thailand)
DAP	Democratic Action Party (Malaysia)
DDC	Democracy Development Committee (Thailand)
DI	Darul Islam
DJ	Kim Dae Jung (commonly referred to as DJ)
DJP	Democratic Justice Party (South Korea)
DMZ	demilitarized zone
DPR	Dewan Perwakilan Rakyat (Lower house of Parliament, Indonesia)
EIU	Economist Intelligence Unit
ELSAM	Lembaga Studi dan Advokasi Masyarakat (The Institute for Policy Research and Advocacy, Indonesia)
FEER	*Far Eastern Economic Review*
FPI	Islamic Defenders Front (Indonesia)
GAM	Free Aceh Movement (Indonesia)
GDP/GNP	Gross Domestic Product/Gross National Product
GNP	Grand National Party (South Korea)
GOLKAR	Joint Secretariat of Functional Groups (Indonesia)
IGGI	Inter-Governmental Group on Indonesia
IPPS	Institute for Public Policy Studies (Thailand)
IMF	International Monetary Fund
ISA	Internal Security Acts (Malaysia)
JI	Jemaah Islamiyah
KCIA	Korean Central Intelligence Agency
KKN	*Korupsi, Kronyisma*, and *Nepotisma* (Corruption, Cronyism, and Nepotism, Malaysia)
KL	Kuala Lumpur
KLSE	Kuala Lumpur Stock Exchange
KMM	Kumpulan Militan Malaysia
KPK	Corruption Eradication Commission (Indonesia)
MCA	Malaysian Chinese Association
MDP	Millennium Democratic Party (South Korea)
MIC	Malaysian Indian Congress
MMI	Majelis Mujahidin Indonesia
MOF	Ministry of Finance
MP	Member of Parliament
MPR	Majelis Permusyawaratan Rakyat (Upper house of Parliament, Indonesia)
MUI	Council of Ulema (Indonesia)

NATO	North Atlantic Treaty Organization
NCCC	National Counter Corruption Commission (Thailand)
NCNP	National Congress for New Politics (South Korea)
NEP	New Economic Policy (Malaysia)
NGO	Nongovernmental Organization
NII	Negara Islam Indonesia
NIP	National Integrity Plan (Malaysia)
NKP	New Korea Party
NMDP	New Millennium Democracy Party (South Korea)
NU	Nahdlatul Ulama (Indonesia)
OECD	Organization for Economic Cooperation and Development
PAD	People's Alliance for Democracy (Thailand)
PAN	National Mandate Party (Indonesia)
PAS	Partai Islam se Malaysia
PBB	Parti Bulan Bintang (Crescent Star Party, Indonesia)
PD	Democratic Party (Indonesia)
PDI	Indonesian Democratic Party
PDI-P	Indonesian Democratic Party in Struggle
PERMANTAU	Malaysian Citizens' Election Watch
PKB	National Awakening Party (Indonesia)
PKI	Communist Party of Indonesia
PKS	Keadilan Sejahtera, Prosperous Justice Party (Indonesia)
PNI	Indonesian Nationalist Party
PPP	Unity Development Party (Indonesia)
PRM	Parti Rakyat Malaysia
RDP	Reunification Democratic Party (South Korea)
SBY	Susilo Bambang Yudhoyono
TNI	The Indonesian National Military (Tentara Nasional Indonesia)
TRT	Thai Rak Thai (Thai Love Thai)
TMB	Thai Military Bank
ULD	United Liberal Democrats (South Korea)
UMNO	United Malays National Organization
URI	Open Our Party (South Korea)

Preface

This project began with a summer research project on the connections between economic crisis and political change. With research assistance from Rachel Ellenport and later Stephen Cochi and Vanessa Vincent, I became familiar with the theoretical literature exploring the relationship between economic problems and political consequences. We then dug further into the details of the popular and political reactions throughout Asia to the crisis. The puzzle of why Malaysia's leader Prime Minster Mahathir was able to hold on to power seemed directly linked to his decision not to turn to the IMF for help. But, clearly, the IMF was not itself the agent of change. So, my research continued and I examined popular protests, elite politics, and relationships between leaders in power and opposition forces. As the book details, successful political reform is a result of a mixture of these factors.

Of all the countries discussed in the book, Indonesia has clearly been transformed the most. Despite the continued challenges that the country faces, I remain amazed by all the positive changes that have happened there over the last seven years. In the aftermath of Suharto's authoritarian New Order, mostly free and fair elections have been held, the press is no longer muzzled, and a wide variety of civil society organizations articulate and advocate a range of interests. Ultimately, Indonesia, and to a lesser extent Thailand and South Korea, need to wrestle with problems of corruption and the balance of power among political institutions. These shortcomings are not unique to Asia or to new democracies, but they are important elements of the democratization process. It is vital in a democracy that people feel the political and economic systems are fair and transparent. Of course, democracy is not a fixed state, it is always changing and evolving. For Indonesia, South Korea, and Thailand democratization is a process without a predetermined end. Malaysian politics too is an open question. The groundwork is certainly there and if a reform-minded leader or a set of elites comes to

power in the future, I have no doubt but that Malaysian political reform will occur quite rapidly. The promise and possibility of a more fair political system and better economic conditions are what make Asia so interesting to study.

I am in debt to a number of people for making this project possible. First, I want to thank Franklin & Marshall College for its generous support. Through the Hackman scholars program the college provided funding for research assistance during the summers, and the college generously granted me a research leave in order to write the manuscript. I appreciate my colleagues' encouragement and suggestions on my work and for putting up with my absence during my junior research leave and a subsequent sabbatical. Thanks are due to my friends and contacts in Asia, as well as to conference panelists, discussants, and participants who pointed out shortcomings and made suggestions for improvements. I appreciate my editor Toby Wahl's ideas and feedback on the work as well as the cogent and constructive criticisms of the external reviewers. As always, errors and omissions are entirely of my own doing.

Lastly, I want to thank my family—Kevin, Eric, Alyssa, and even Cameron—they have sustained me with their love and confidence throughout the project.

Introduction

In 1997 and 1998 Asia was hit by a severe economic crisis. Most countries in the region (from South Korea through Southeast Asia) were faced with massive currency fluctuations, banking crises, and plummeting stock markets. These economic problems were compounded by political turmoil. Given Asia's experience of massive financial difficulties coupled with political upheaval (specifically in Thailand, South Korea, Indonesia, and Malaysia), this book begins with a broad question: what is the relationship between economic crises and political reform or democratization?

In 1997 Thailand and South Korea held democratic elections and opposition parties came to power. In Indonesia, Suharto's long period of authoritarian rule came to a crashing close when riots and demonstrations forced him to become more and more politically isolated and finally compelled him to resign. In Malaysia, the ruling coalition was able to maintain power but a new sense of political activism developed in the wake of Prime Minister Mahathir's firing of his popular deputy Anwar Ibrahim. When parliamentary elections were held in Malaysia in the fall of 1999 the ruling party faced two challenges: a new political party was formed based on a desire for greater social justice, democracy, and civil rights; more significantly the Islamic opposition party, PAS (Partai Islam se Malaysia), won an unprecedented number of seats at the state and national levels. This brings me to my next set of questions: how can we explain the variation in political change in Asia as a result of the economic crisis? In order to answer this more specific question, I have looked at the conditions leading up to the political transformations and at institutional differences such as elite coalitions and the party structure, the nature of political protests (from whom did calls for change come, and were demonstrations peaceful?), and the conditions imposed by the International Monetary Fund (IMF) to try and understand what impact these had on political changes.

In Indonesia, Thailand, and South Korea the challenges to entrenched political leaders and practices caused many to hope that a new era of greater openness and accountability would continue. Nine years have passed and additional elections have taken place, new issues have replaced economic crises as the most important agenda items. Have political reforms stuck and been successful at truly democratizing or reforming politics, in other words, have greater levels of democracy been achieved? The answer is a qualified yes. Changes that occurred to the political landscape have not been overturned, however, the new elites are not necessarily the harbingers of decency and the promoters openness that people hoped for and it is not at all clear that liberalization has been fully realized or institutionalized in South Korea, Thailand, or Indonesia. As for Malaysia, the apparent weakness of the ruling party, United Malays National Organization (UMNO), in the 1999 elections has vanished. Skillfully using the aftermath of 9/11 and the global war on terror, Prime Minister Mahathir capitalized on negative images of political Islam to regain support once directed at PAS—the main opposition party that calls for the implementation of an Islamic state.[1] Also, he was able to scare many in the electorate by continually raising questions about what PAS might do as an Islamic party in power.

Unfortunately, economic crises are not new phenomena. Several financial downturns have occurred in other regions of the world at other points in time. What then does the literature tell us about the relationship between economic crises and politics? Is the situation in Asia unique or does the theoretical work on economic crises and regime change describe the current dynamic in the region? The questions posed in this book fall into different sets of political science literature. The first set of questions relates to the relationship between economic crises and political change, and the questions are fundamentally about how transitions to democracy work. The second set of questions is comparative in nature. Why do we see changes in some places and not in others? Lastly, the book tries to tackle questions about democratic consolidation; what does it take to create institutions, cultures, or systems that can sustain a more open, more fair political system? This chapter provides a theoretical overview of the relevant literature on these issues and then gives a brief introduction to the four countries compared in this study. Finally, a preview of the book's conclusions is presented.

Theoretical Issues: Democracy

There are a variety of ways in which political scientists use and define the word democracy, and even the notion that one can "define" democracy is

sometimes argued over. In everyday language, and really in the larger goal of this book, democracy refers to an ideal political system based on fairness, accountability, justice, and rule of law, as well as to a set of practices that aim to achieve the ultimate goal: a fair and just system where rulers are accountable to the citizens. There are procedural views of democracy, whereby it involves specific characteristics such as free and fair elections, legislatures, the rule of law, and other factors. Also, there are more outcome-oriented approaches to understanding democracy; how fair is the system, how well does the political order respond to needs of citizens and does it protect citizen rights? Robert Dahl, who has been writing about democracy for decades, outlines in his most recent article a set of institutions that are necessary for a large-scale democracy to function. He argues that the political institutions of modern representative democratic government are: elected officials, free, fair, and frequent elections, freedom of expression, alternative sources of information, associational autonomy, and inclusive citizenship.[2] While this is a fairly comprehensive list, and he clearly shows in his article why these institutions are so important, there seems to be a critical element missing—protection of rights, particularly for unpopular or minority (they could be ethnic, religious, caste, or any other type) groups. Likewise, having the "right" institutions is no assurance that the system will work in the way the laws and procedures intended. Institutions and individuals can subvert, ignore, or flout the best-intended laws. Hence, one should ask not just if the institutions and systems necessary for democracy exist, but also if they are functioning as intended? If not, what conditions need to exist or what needs to change in order for the laws and institutions to function as envisioned?

In this book several terms are used in similar ways: democratization, political reform, political liberalization, political change. While many will take issue with the impreciseness of using these terms interchangeably, what I am interested in here is the process of political change toward a more open, more accountable, more fair political system and to me this is the essence of democracy or democratization. Having relatively free and fair elections is a starting point for democracy, but it is only a first step. In order for elections to be meaningful, a realistic chance of different groups winning the election and affecting policy change once they are in office must exist. For this to happen, many of the elements Dahl mentioned, such as access to a wide range of information, the right of free association, inclusive citizenship, must exist but these may not be enough to check the power of other actors, such as the military or corporate interests. For a political system to reach a more ideal state that I am envisioning, political institutions and processes needs to be more

transparent and the playing field more level. And, most importantly, the state and its elected officials need to be committed to upholding the very laws that they create and supposedly enforce. This is what I have in mind when I talk about a system being "fair."

Transitions to Democracy

Keeping these elements of democracy in mind, the next theoretical task is to understand transitions to democracy. There is a vast body of scholarly work on transitions to democracy. The literature that has the most relevance to what I am doing here is a cluster of work that came out in the late 1980s and early 1990s,[3] as scholars offered explanations of the recent wave of countries undergoing democracy. While terminology often differs, as does methodology, there are some common elements in much of this work. A transition to democracy could happen in one of several ways, but in all of the ways elites within and outside of power are seen as the most important actors. Democracy can evolve when a reform-minded leader takes the reigns of power and marginalizes hard-liners in power; it can come about because of a negotiated process between reform-minded opposition leaders and allies in power, or when an old order collapses and is replaced by democratically inclined newcomers.

This literature was a departure from earlier work on democratization, which was sometimes referred to as "modernization theory." Modernization theory's basic argument was that democracy happened from below when citizens grouped themselves together with other like-minded citizens to assert their interests on the state. Democracy, in other words, was the product of the actions of civil society. Schmitter and Diamond[4] theorize the role of groups or associations in society as contributing to or articulating the demands and interests of various sectors of the population. In such a position civil society is poised to play a significant role in encouraging greater accountability and democratization. In fact, Diamond outlines the ten democratic functions of civil society:

1. setting the limit on state power;
2. supplementing the role of political parties;
3. developing democratic attributes;
4. creating channels for the articulation, aggregation, and representation of interest, and generating opportunities for participation and influence at all levels of governance;
5. mitigating the principal polarities of political conflicts;
6. recruiting and training new political leaders;

7. monitoring elections;
8. disseminating information and aiding citizens;
9. supporting economic reform;
10. strengthening the democratic state.[5]

One particular question that has generated a great deal of scholarly literature has been the autonomy of civil society from the state.[6] While this book does not weigh in explicitly on this debate, I have assumed that in order for civil society to have an impact on democratization it must be at least somewhat free from state domination.

When scholars first envisioned transitions from authoritarian rule, they looked at the processes that Europe and the United States went through over two hundred years ago. What many argued was that economic development would lead to the creation of a middle class. This middle class would be more likely to form associations and groups to protect and promote their interests. Eventually, these groups would play a larger role in demanding accountability, protection of private economic interests, and responsiveness from the government. These demands would evolve into greater political openness and ultimately into democracy. In democratic states, interest articulation comes from a variety of sources within society, but the preferences that are best able to be heard are those coming from well-organized, well-funded, and well-connected groups; civil society rather than just mass mobilization or participation. During times of crisis, does civil society play an important role in demanding accountability and change, or does the impetus for change come from elsewhere? To answer this, I turn to the literature that deals more specifically with the relationship between economic crises and political change.

Economic Crises and Political Change

Earlier scholarship on economic crises and political change seemed to fall into two distinct camps. Some scholars, such as Samuel Huntington, Adam Przeworski, and Londregan and Pool, found that economic problems trigger political instability and an end to democracy, whereas other studies (such as those by Raymond Duch and Karen Remmer) showed that fiscal crises helped consolidate democracy. What can the turmoil in Asia tell us about the link between economic conditions and political change and about the larger theoretical debate? This book finds that the economic crisis in Asia facilitated and strengthened democracy. Where this research departs from earlier work on crises and political change is my finding that political change comes as much from shifts in political

elites' preferences and coalitions as from popular demands of a frustrated citizenry. While I show that political mobilization and civil society groups were important components of the reform movements, they were most significant in having supported and given clout to elites within the system to take control. In this way, my work follows more closely the arguments of the transition literature than that of the modernization literature.

The point that economic conditions impact politics is hardly new and to some people it would seem obvious to say that economic crises lead to significant political change. Bill Clinton's campaign mantra in 1992, "it's the economy stupid," illustrates the ability of political challengers to use economic problems as a weapon to defeat an incumbent. Even more than giving ammunition to opposition candidates and parties in their quest for power, many have found a link between economic upheaval and political instability. Diamond and Linz found that "an economic crisis represents one of the most common threats to democratic stability."[7] Much scholarly literature has argued that economic turmoil threatens democratic regimes, particularly new democracies, and that democracies are less able to implement policies that will effectively ameliorate economic crises. For example, Przeworski argues that because of the political risk involved in adhering to fiscal austerity programs, democratic regimes would be less likely to "do the right thing."[8] Likewise, Huntington argues that "modernity breeds stability, but modernization breeds instability."[9] As an elaboration on this point, Londregan and Pool find that economic "backwardness" is a necessary condition for coups to occur, but that the process of modernizing (if it involves economic growth) may inhibit coups. They would, however, agree that if economic crisis occurs and economic growth turns into stagnation or decline, then a change in the executive (a coup) is more likely to transpire.[10]

In contrast to the arguments presented earlier, much scholarship has actually found that economic crises can help consolidate democracy. Raymond Duch looked at former communist regimes in Eastern Europe and found that regardless of "civic culture" (elements of which include levels of education and access to information) citizens were not likely to give up on democratic institutions and capitalism because of economic problems. He found that citizens do not abandon democracy and capitalism because they have negative memories of authoritarian regimes and because they value having a political choice. People understand the difference between institutions and politicians. Therefore, they may vote out incumbents and replace them with new leaders, but most citizens do not favor an end to the democratic political order.[11]

Similarly, Karen Remmer looked at the effect of economic crises on electoral outcomes in Latin America from 1982 to 1990. Unlike Diamond and Linz, Remmer found that during the debt crisis in Latin American in the 1980s, economic woes were bad news for incumbents, but people did not turn to extremism and there were few breakdowns of democracy.[12] In fact, instead of the disintegration of democracy during the economic crisis of the 1980s, democracy appears to have been consolidated or strengthened. Remmer found that the relationship between economic conditions and electoral results was impacted by the nature of the party system. Those countries with robust two-party systems were the most stable. It did not seem to matter how many years a country had been democratic.[13]

Gasiorowski bridged the disagreement between those who argued that economic crisis inhibits democracy and those who found that it helps consolidate democracy. Using event history analysis, Gasiorowski found that from 1950 to 1970 economic crises hindered democratization, but after the 1980s crises may have facilitated democratization. He further examined if the same independent variables were able to explain both the consolidation and the breakdown of democracy. He found that this was not really the case. Gasioromski questioned if economic crises led to democratic transformation or if they inhibited a transition to democracy. The evidence did not support either hypothesis, "economic crises do not simply undermine the legitimacy of whatever regime is in power, thus triggering change in one direction or the other."[14] Instead, Gasiorowski's analysis argued that a number of other variables should be pointed to as determinants of regime change. For example, rather than just looking at socioeconomic or social–structural conditions, he looked at the characteristics of economic crises and found that inflationary crises facilitated regime change in some cases, whereas recessionary crises led to regime change in other circumstances.

The literature reviewed earlier has one key element in common: there is an assumption of political mobilization or participation from a fired-up citizenry. That is, democracy is either consolidated or undermined because popular discontent about the economic situation fuels politicization, either in a destructive way when democratic institutions are flung aside, or in a manner in which entrenched political elites are swept out of power while political institutions remain viable and credible. Although much of this scholarship is useful as a starting point for understanding the relationship between economic crisis and political change, it does not seem to provide a complete picture of what happened in Asia from 1997 to 1999. On first glance it appears that one could argue that

the economic crisis of 1997 brought about greater democracy in Asia: opposition parties won elections in South Korea and Thailand, new signs of social unrest and political activism appeared in Malaysia, and President Suharto was forced to resign after thirty years of authoritarian rule in Indonesia. However, it is far too simple to say that a causal chain of events took place: economic crisis → popular politicization → greater democratization. On closer inspection the events did not neatly conform to this model.

In Indonesia the economic crisis hit in the summer of 1997 and there were demonstrations and acts of violence throughout the rest of 1997 and in 1998. Yet, it was not until May of 1998 that Suharto finally stepped down. In South Korea economic turmoil began in late fall of 1997, just as the presidential campaign got underway. In years past, student and worker activism in South Korea was quite common. Yet, the economic crisis neither brought on extraordinary protests, nor did the presidential candidates attempt to effectively use the crisis to their advantage. Opposition candidate Kim Dae Jung won the election in part because people were disappointed with Kim Young Sam and his party due to corruption and because of President Kim's decision in 1992 to join Roh Tae Woo's Democratic Justice Party (DJP), a party that was associated with the previous authoritarian order. While Kim Young Sam could not run for reelection, the constitution barred him from doing so, the candidate from his party was tainted by his weaknesses. In Thailand a revised constitutional charter that aimed to weaken money politics, directly elect senators and local officials, and create oversight bodies to monitor corruption during elections (among other things) seemed dead in the water in the period just before the economic crisis. When the crisis hit in July, a groundswell of popular support for the new constitution and opposition to the old political order and the changing dynamics among political elites combined to effect the likelihood of change.

In Malaysia it was less the economic crisis that brought people into the streets to demonstrate against Mahathir than the sense of injustice about the way the prime minister drove out and allowed judicial proceedings to be taken against Anwar Ibrahim. By the time Mahathir called for parliamentary elections at the end of 1999, the economy had rebounded somewhat and the ruling coalition returned to power, albeit losing a number of seats in parliament and an additional state government.

By itself, mass mobilization as a result of economic turmoil cannot explain political change. The missing element was that certain political elites were able to take advantage of this activity by citizens and use the

economic crisis to position themselves to either retain their leadership (like Mahathir) or outmaneuver entrenched leaders and help bring about political change. Only by looking at internal political dynamics and coalitions can we explain when and why political change and democratization occurs and why it might not. This statement is not particularly surprising. As Keohane and Milner have explained, one can no longer understand domestic politics without understanding the world economy and the links between the two. Internationalization affects the opportunities and constraints facing social, political, and economic actors. For Keohane and Milner the dependent variables were policy preferences of key actors and the national policies and policy institutions themselves.[15] This argument expanded on the "second image reversed"[16] literature of Gourevitch and Katzenstein.[17] Writing before the economic crisis hit Asia, Keohane and Milner seem to have almost predicted the region's events. They found that increased international trade and capital movement made a larger proportion of each country's economy vulnerable to world market pressures. In other words, domestic economies were (and are) more sensitive to international price trends and shocks. Economic shocks from abroad can thus trigger political crisis that can reshape domestic politics.[18] Domestic politics changed not because of mobilization from below but because of realignments and shifting political coalitions among elite players.

Bienen and Gersovitz have also pointed to the centrality of elite coalitions in understanding political stability. Their work directly addressed the impact of coming under an IMF program for domestic politics. Bienen and Gersovitz argued, "Economic and political concerns work in opposite directions. Politics calls for bargaining and incremental change . . .; economics often argues for rapid adjustments."[19] "A regime that has lost legitimacy for other reasons becomes especially vulnerable to its opponents during negotiations with the IMF and during the implementation of an IMF package."[20] Since political elites might be divided on the question about whether to accept IMF conditions and/or how to implement necessary changes, it is logical that political instability, derived from a lack of elite unity, may result from IMF involvement.

The literature has offered various perspectives on the broad question of the relationship between economic crises and political change. While much of it has pointed to a positive relationship between economic crises and democratic political reforms, this book finds that the catalyst to reforms is not just mass mobilization, but the impact the mobilization and the crisis have on the ability of reform-minded elites to consolidate their own power within the highest institutions of political control.

Consolidation of Democracy

In the flurry of scholarship that was produced in the happy aftermath of the fall of communism, most of the focus was on the end of the authoritarian order. It quickly became apparent that ending repressive rule was not the same as creating a solid, enduring system that guaranteed free and fair elections, protection of civil rights and civil liberties, an open press, and some sort of checks and balances or a sharing of power among political institutions in general.

Consolidation of democracy is generally taken to mean a system that is unlikely to break down, that is, we can expect it "to last well into the future."[21] This seems simple, but it poses significant problems of operationalization and measurement.[22] In order to describe and even to try and predict consolidation, scholars look at the institutional or structural underpinnings of the regime, and/or the attitudes and behavior of key actors. In simple terms, do leaders play by the rules of the game and not see themselves as above the law; are they willing to lose elections and abide by the results? Schedler found that scholars pronounce a democratic regime to be consolidated when leaders behave democratically, when major political actors acquire democratic attitudes, and when the socioeconomic and institutional foundations for democracy are in place.[23]

Linz and Stepan use as a working definition of a consolidated democracy the following criteria:

> Behaviorally, a democratic regime in a territory is consolidated when no significant *national*, social, economic, political, or institutional actors spend significant resources attempting to achieve their objectives by creating a non-democratic regime or turning to violence or foreign intervention to secede from the state. [Indonesia, South Korea, and Thailand all seem to meet these conditions.[24]]
>
> Attitudenally, a democratic regime is consolidated when a strong majority of public opinion holds the belief that democratic procedures and institutions are the most appropriate way to govern collective life in a society such as theirs and when the support for anti-system alternatives is quite small or more or less isolated from the pro-democracy forces. [There may not, in fact, be strong Korean or Thai public opinion supporting this. Indonesians seem to demonstrate these criteria.]
>
> Constitutionally, a democratic regime is consolidated when governmental and nongovernmental forces alike, throughout the territory of the state, become subjected to, and habituated to, the resolution of conflict within the specific laws, procedures, and institutions sanctioned by the new democratic process.[25] [Thaksin seems to have had little regard for

these elements; Indonesia is still struggling with this; in South Korea leaders seem more habituated to this, but corruption is still a huge problem.]

Linz and Stepan have also detailed five interacting elements that must exist in order for such consolidation to take place. Conditions must exist for civil society to play a role in politics, there must be relatively free and valued political society, rule of law to protect freedoms, a state bureaucracy usable by the government, and an "economic society" (a way of mediating or balancing between state and market).[26]

One can assess these conditions over time, and perhaps feel that democracy might be secure in the future if there have been successful elections and transfers of power to different leaders. However, as investors in the stock market know, past performance may not be an indication of future success. In fact, as the case studies will show, it is not clear that all of these criteria have been met in the countries where successful political reforms were triggered by the economic crisis. In offering an explanation about the variation in political transformations connected to the economic meltdown in Asia in 1997, it is necessary to look carefully at what was different about the way the crisis was handled in South Korea, Indonesia, and Thailand and to compare that with what happened in Malaysia.

This book demonstrates the following arguments: economic crisis leads to democratization when a leader loses political allies. Variation in this process is attributable to the following:

1. The easier it is for opponents to challenge the policies of an incumbent government, the more responsive the system will be to societal pressures. Thus, political change will be less dramatic, as well as faster and easier (i.e., fewer protests and violence) in stable democracies than in authoritarian regimes.[27] This was the case in South Korea.
2. Where there is a credible opposition party (or parties), those who are disgruntled will look to these organizations for support and assistance in meeting their demands. This was the case in Thailand. Where there is no viable alternate group already in a position to gain politically, those who are angry about the economic crisis will seek regime change from outside the system. This was what happened in Indonesia.
3. IMF prescriptions can "make or break" the regime in power based on whether or not its policy recommendations instill domestic

confidence or further the sense of panic and uncertainty. Also, IMF prescriptions changed elite coalitions based on who supported and who opposed IMF policies. More about this will be discussed later. In part, this accounts for the difference between Malaysia and the other countries (South Korea, Thailand, and Indonesia) examined here.

4. The political impact of popular protests: popular protests will have greater impact if they are from an easily identifiable political constituency group (labor or the military, e.g.), if the protestors are well organized, and if they connect themselves to a coalition in or outside of power that broadens their base of appeal (South Korea and Indonesia).

Case Studies

The book contains chapters on, Thailand, South Korea, Indonesia, and Malaysia to gain a better understanding of the relationship between economic crises and political change. For each country I look at the political and economic climate at the time the financial crisis begins. Then I examine the incumbent regime's reaction to the economic crisis, and if there is popular support or opposition to official government policy. The chapters detail the IMF's intervention (or lack thereof in Malaysia) efforts and how these affected particular elites in power and public opinion about the crisis. Overall, I try to explain the internal political dynamics as they shift in confronting the economic crisis. Finally, the political changes that occurred in all three countries will be explained, and the book will examine and analyze what has happened politically since 1998. Specifically, I try and analyze if political reforms have really taken root, and if democracy has progressed, regressed, or stagnated and why. Particular attention will be paid to changing levels of support for various leaders (incumbents and challengers) and how the financial crisis impacted the outcome of so much political uncertainty. Then each chapter turns to the question of democratic consolidation and what the achievements of and obstacles to greater democracy might be.

In order to understand what was happening in Southeast Asia in 1997, I provide here a brief summery of the key events in the four countries examined, and how these events relate to my questions about democratization.

Indonesia

On July 8, 1997, Indonesia faced a currency crisis that badly devalued the rupiah. Throughout the summer Indonesia tried to cope with the

falling rupiah on its own. Suharto and his closest allies were unable to decide if they wanted to accept the terms offered by the IMF for assistance in stopping the economy's free fall. Finally, in November 1997, in an effort to calm domestic and international fears of inaction, Suharto's government closed sixteen insolvent banks and announced additional austerity measures. Instead of increasing confidence in those financial institutions that were sound, financial panic occurred and mass demonstrations erupted across the archipelago. Although it was announced that US$33 billion in loans would be made available to Indonesia, Suharto was still unable to agree to terms of a bailout from the IMF. Finally, in January 1998, Suharto agreed to a large rescue package and a set of economic prescriptions from the IMF. Some of the requirements included curbs on official favoritism for companies controlled by his children and his closet allies, and reductions in subsidies.

In January 1998 Suharto announced that he would seek reelection later that year. It would be his seventh term as president of Indonesia. He also hinted that he would choose B.J. Habibie as his next vice president.[28] Suharto's actions only served to further weaken investor confidence about reforms in Indonesia's economy, and public disapproval over how he was handling the economic crisis was growing alarmingly. Habibie was viewed as a poor choice for vice president; he was best known for advocating nationalist economic policies and being loyal to Suharto. Mass demonstrations increased throughout Indonesia in early 1998 and on February 14 they turned violent. Rioters in Jakarta, Medan, and other cities burned and looted shops. Churches were vandalized and burnt. Protests continued in major cities during February, although police sometimes tried to break them up; at times police and military units stood by while protestors destroyed private property and even attacked other people, mostly ethnic Chinese. On March 10, 1998, Suharto was reelected by the legislature and was given significant new power to confront the economic crisis. His reelection triggered some of the largest and most fiery antigovernment demonstrations in thirty years. Adding to the pile of criticism against Suharto, he appointed several controversial figures to his new cabinet, including his eldest daughter and Bob Hasan.[29] It seemed that Suharto was more interested in surrounding himself with allies than in selecting the best people for higher offices. Protests continued into the spring.

May began with violent riots in Medan and other cities over price increases resulting from reductions in government subsidies for cooking oil and other necessities. Thousands of students continued protesting against the regime. Some very notable and high-profile individuals began calling for Suharto to step down. Muslim leader Abdurrahman

Wahid called for Suharto's resignation and he pled with the nation to put an end to the hostility toward the Chinese community. Wahid's outspokenness against the government encouraged the students to continue their protests and to take them outside the campus gates to the streets.[30]

On May 13, 1998, troops opened fire on thousands of student protestors at Trisakti University. Six were killed and dozens wounded. The next day protests turned horrifically violent. Hundreds of stores, vehicles, offices, and homes were burned and looted.[31] Most of the anger and damage was directed at Indonesia's ethnic Chinese minority because of their perceived business ties with Suharto.[32]

On May 21, 1998, after thirty-plus years in office, Suharto resigned as president of Indonesia. B.J. Habibie became president and announced that he would stay in office only a year while the country planned for new elections.

The most free and open elections since the 1950s were held on June 7, 1999. Forty-eight parties competed for seats in parliament. The parties that won the most seats in the legislature were: Megawati Sukarnoputri's PDI-P, the Indonesian Democratic Party in Struggle, which captured 34 percent of the popular vote; Habibie's Golkar Party, which was still strong because of dense organizational networks established under Suharto, received 20 percent of the vote; Abdurrahman Wahid's (aka Gus Dur) National Awakening Party (PKB) and Amien Rais of the National Mandate Party (PAN) also received large number of votes. The president was to be chosen by an electoral-college mechanism in October of 1999. Despite winning the most seats in the legislature, Megawati (daughter of Indonesia's first president, Sukarno) refused to network and build up a base of support among others in power. When Habibie withdrew from contention at the last minute, Wahid was chosen by the People's Consultative Assembly to serve as president.[33] Although only in office for nineteen months before being impeached because of his inability to address continuing corruption at the highest levels, economic disorder, and separatist movements, Wahid's presidency was seen as a period of significant political reform. New laws were passed to restructure political institutions and improve civil rights and liberties, and a greater climate of openness took hold.

There were four interrelated factors that contributed to pushing Suharto out of office in May 1998: the economic crisis, the protests and riots, the miscalculations of the IMF, and the internal pressures from other political elites. The nature of the economic crisis and the upheaval that resulted from it are described earlier. But, what exactly did the IMF recommend and what were the effects of these prescriptions?

IMF Recommendations

On October 8, 1997, Indonesia formally turned to the IMF for aid with managing the economic crisis. After much negotiation with Suharto, the first IMF loan of US$43 billion was made on October 31. Indonesian finance minister Mar'ie Muhammad and other technocrats in Suharto's cabinet, such as Sudrajdad and Widjoyo Nitisastro, also helped negotiate the IMF package. The first loan was to last for three years and the Indonesian government was to follow contractionary economic policies. The government was supposed to reduce expenditures and close insolvent banks. The overarching goal behind these prescriptions was to restore investor (and domestic) confidence. The program also attempted to stabilize exchange conditions and oversee the restructuring of the external current account. These recommendations were to lay the foundation for the resumption of economic growth.[34]

In addition to the fiscal requirements of the IMF, the Indonesian government was also mandated to further liberalize and deregulate its market. For example, Indonesia was encouraged to remove many of the country's protective trade barriers over the three-year period of the loan. The IMF sought to persuade the Indonesian government to dissolve monopolies and allow for greater transparency in business decision making.[35] It actually got involved outside its normal parameters by creating policy to dissolve the clove and plywood monopolies in Indonesia.[36] None of these reforms was able to curb inflation, slow the further decrease in the value of the rupiah, or halt skyrocketing unemployment.[37] Instead, the economy slowed even further. On January 15, 1998, Indonesia negotiated a second IMF program. This loan called for the removal of subsidies on food and energy.[38] Instead of just reducing government expenditures, the removal of subsidies further inflamed discontent and contributed to escalating protests and violence.

On April 8, 1998, the IMF and the Indonesian government agreed on a revised program, since Suharto had failed to fulfill the first and second IMF accords. Again, the IMF pressed for greater liberalization of the economy in exchange for the US$43 billion. To what extent did Suharto abide by these prescriptions? For the most part, Suharto acted to protect the wealth and power of his family and close friends. Food and fuel subsidies were removed but monopolies and corruption continued. Examples of Suharto's inconsistencies included the closing of sixteen banks, as per the IMF's request in November 1997, and then letting them reopen under new names. The 70 percent increase in petrol prices and 60 percent increase in electricity rates that were enacted were part of what drove protestors to the streets.[39] The pain was not shared equally in

Indonesia—the general population felt squeezed whereas Suharto's family and allies were able to escape censure. While the demonstrations began in February as a plea to do something about inflation and unemployment, by April and May protests escalated into bold demands for Suharto's ouster. The student protests were significant in and of themselves as a bold criticism of authoritarian rule, but they were also crucial because of the increasingly wide public support offered to the students from broader society.

> A 53-year-old farmer, Ansuwolo, proudly recounts his efforts to dissuade his son, a Yogyakarta policeman, from beating up protesters. He says many of his neighbors are also rooting for the students as they watch scenes of the demonstrations broadcast on the nightly television news.[40]

The other significant element of the protests was that they provided opportunities for religious and secular activists to work together. "In Yogyakarta, young Muslim women in headscarves have joined flower-waving nuns at campus rallies."[41] Likewise, on May 1, representatives of thirty workers' groups in Greater Jakarta met with student leaders and the next day several workers addressed the student rally. Student–worker links were also made in Bandung and Surabaya.

The violence and the damage from the riots caused even some of Suharto's staunchest allies to start questioning his leadership. After months of turmoil, on May 18, 1998, House Speaker Harmoko publicly offered Suharto three options: he could reshuffle his cabinet, resign, or face a special session of parliament in which he could be impeached.[42] This was extraordinary criticism from an institution that had basically served as Suharto's rubber stamp for thirty years. The military still seemed squarely behind the president at this point. On May 20 all fourteen economic ministers resigned under pressure from Akbar Tanjung and Ginandjar Kartasasmita (lead economic ministers).[43] Suharto sent his vice president to convince the ministers to rescind their resignations; instead, Habibie asked them to give him their support. House Speaker Harmoko threatened to go ahead with impeachment proceedings. Finally, on May 20, the military signaled that it too had lost faith in Suharto. General Wiranto met the president on May 20 and told him that he could not guarantee security in Jakarta; although there were seventeen thousand troops in the city, the general did not feel that they would be able to keep the peace when faced with further demonstrations. Although none of his close allies were able to directly tell Suharto to step down, many well-respected Islamic figures had spoken publicly about

replacing the president, and other leaders close to him hinted at their shifting views. Suharto resigned on May 21, 1998, after thirty-two years in office.[44]

There is no question that the demonstrations, sparked by the economic crisis and the perception that the IMF's conditions were implemented in a way so as to protect Suharto's allies while the rest of the country was suffering, contributed to Suharto's abandonment by his closest advisors and ultimately by the military. However, it was not simply that democratization evolved because of demands from below. Only when Suharto lost internal elite support did he agree to step down, paving the way for elections to be held a year after.

By the close of 1999 it seemed that Indonesia had made a giant step toward democracy. However, there are a number of lingering (and difficult) problems that will make further consolidation of democracy more challenging. Although he assumed office with high praise from the international community, Gus Dur quickly became viewed as a messy, ineffective leader. He fired cabinet ministers without consultation and refused to account for his actions.[45] Accused of corruption and incompetence, Wahid was removed from office in July 2001. Megawati Sukarnoputri took over and ruled until she lost the September 2004 election. Although Megawati's party, PDI-P, had the largest number of seats in parliament and she was widely popular in some circles, her cabinet continued to reward supporters and conservative forces over reform-minded leaders. Increased separatist tensions and conflict over how to react to militant Islamic groups made Megawati look weak and unable to balance diverse and sometimes conflicting interests.[46] In parliamentary and then presidential elections held in 2004, Megawati's PDI-P lost seats in the legislature, and she lost the presidency to former general Susilo Bambang Yudhoyono, a newcomer to electoral politics. Indonesia has made enormous strides in implementing and consolidating democracy. The institutions and mechanisms are now mostly in place for Indonesian citizens to truly have a say in local and national government and policy making. Where I question the fullness of democratic promise is in the protection of rights and the willingness and ability of the regime to address problems of corruption. Indonesia faces pressures from militant or radical groups, some seeking independence from Indonesia, some seeking to implement an Islamic state. In part because of these pressures, the Indonesian military and police still have a great deal of (unofficial) power. In a number of places (such as Papua, Aceh, and Ambon) atrocities have been committed both by state forces and by militant groups. In addition, the government has not acted forcefully enough to protect

some communities' safety and security. As long as violence is allowed to happen to unpopular groups, for example, against Christians, the ethnic Chinese, or small religious sects, the ideal of democracy will not be reached or fully consolidated.

Thailand

Thailand had the dubious distinction of being the first domino to be hit by the financial crisis. The currency crisis hit in July 1997 and called into question years of economic growth and increasing prosperity. It triggered large demonstrations and protests against Prime Minister Chavalit's government for being unable to cope with the problems and for seeming incapable of making any decision to stop the free fall of the economy. People rallied around proposed changes for a new constitution, and, ultimately, opposition politicians, some within the dominant coalition in power, plus key factions within the military and even the king threw their weight behind the charter. Finally, Chavalit and entrenched politicians were forced to adopt the new constitution that aimed at reforming the political system, and at making corruption and vote buying less prevalent. Finally, late in 1997, Chavalit resigned, paving the way for the opposition to come to power and to leave the field more open for elections in the following year.

While the chapter on Thailand will show that the economic turmoil was a prime catalyst for political change, it was not as simple as saying that public outcry over the economic crisis forced conservative parliamentarians into voting to accept the proposed constitution. While public outcry did matter, what is vitally important is that elite political leaders, the heads of the major parties, ministers, and military generals, were renegotiating their alliances and ties both with one another and with various groups in society that were pushing for change. Elite resignation to political pressure and policy shifts among the top leaders is what ultimately allowed for the passage of the constitution and for Prime Minister Chavalit's departure. The 1997 constitution was hailed by reformers and analysts for attempting to bring significant political reforms to a system that was partially democratic but had been corrupted by vote buying, money politics, and well-entrenched political elites who seemed less-than-responsive to people's needs. Ultimately, I argue that the consolidation of democracy was in reach in 1997 and in the aftermath of the economic crisis, but under Thaksin democracy slipped further from Thai citizens' grasp. The explanation or the independent variables for both the successful reforms of the political system in 1997 and the

backsliding away from democratization are largely the same. When conditions or variables change and when elite priorities or preferences shift, we can see the results in Thai politics. When both internal and external pressures prod democracy along, reforms take place. When pressures push in different directions, democratic reforms become threatened. Internal pressures include the military, civil society, and the behavior and power of political and economic elites; and external ones are the IMF, national security concerns, and globalization in general. The year 1997 may have been a unique moment: segments of the military, groups in civil society, some elites in power, a number of business leaders, as well as the IMF and international investors, all shared common concerns about the Thai political system and saw the passage of the new constitution as beneficial. It is almost impossible to envision a repeat of this kind of broad consensus about politics or about the need for reform occurring today.

South Korea

In the fall of 1997 South Korea was in the midst of a hotly contested presidential election. The then president Kim Young Sam was prevented by term limits from running again; hence, the race was essentially between longtime political dissident Kim Dae Jung and the GNP (Grand National Party) candidate Lee Hoi Chang. Kim Dae Jung's victory in December was heralded as the first true democratic transfer of power in South Korea and the economic crisis was credited for giving people incentive to vote out the incumbent party.

As the Asian financial crisis hit one Southeast Asian nation after another, South Korea seemed as if it would be immune to similar ills. An article in the *Christian Science Monitor* describes how the students in South Korea were less and less likely to mount large protests.[47] There were fewer and fewer students joining political organizations on campus, and the number of radical student activists had fallen significantly. By 1997 Political apathy seemed more the norm than political engagement.[48]

In the fall of 1997 Kim Young Sam and his party promised a reform package to help clean up debt-ridden banks. Thousands of Central Bank employees threatened to go on strike because the proposal would strengthen the power of the Ministry of Finance (MOF) by giving them supervisory authority over local banks.[49] There did not seem to be a larger public discussion about weaknesses in the economy and threats to economic stability. Activism came largely from workers of Kia Motors

who went on strike repeatedly in October to protest the government's decision to turn the firm into a state-controlled company through receivership.[50]

The banking sector had already been severely stressed by continued lending to struggling firms, when in late October Hong Kong was beset by problems. As pressure was put on the Hong Kong dollar, financial authorities were forced to push up interest rates to defend the peg to the (U.S.) dollar. This resulted in a severe sell-off in the Hong Kong stock market. South Korea could not avoid the effects due to Hong Kong's problems. Korean companies and banks faced liquidity problems and foreign banks refused to roll over short-term foreign credits to Korean financial institutions; on November 21, 1997, Korea was forced to give up supporting the won. On December 3 South Korea agreed to a huge IMF program of US$57 billion (with additional resources from the World Bank, the Asian Development Bank, and other countries in the region). The package proved insufficient and at the end of December a new program was announced with additional resources and new conditions and terms with foreign banks to restructure short-term debt.[51]

On December 13, 1997, South Korean students and workers held a rally to protest against the IMF agreement. They carried signs and chanted slogans such as "Arrest Kim Young Sam for ruining the economy" and "Because the government and rich chaebol owners ruined the economy, workers will suffer the pain."[52] After Kim Dae Jung won the election a few days later, commentators and the media generally credited the economic crisis for his victory. While there is no doubt that the financial turmoil and uncertainty impacted the election results, it is too simplistic to say that the opposition party only won the presidency because the crisis caused people to vote the incumbent party out of office. There were many reasons for South Korean voters to be displeased with Kim Young Sam and Lee Hoi Chang's party.

Resentment toward Kim Young Sam dates back to 1987. Roh Tae Woo, the handpicked successor to authoritarian leader Chun Doo Hwan, won that election largely because the opposition was divided when Kim Young Sam split from his cooperation with Kim Dae Jung. Kim Young Sam formed the Reunification Democratic Party (RDP) but with opposition forces in two camps, the RDP was not strong enough to wrest power from Roh. When Kim Young Sam won the elections in 1992, some Koreans viewed him as a sellout. In the run up to that election Kim had joined Roh Tae Woo's DJP. Those who had worked or hoped for democracy in South Korea saw this party switch as a legitimation of an old order they wish to see changed. Kim took office in 1992/93 promising

political and economic reforms. To this end he did initiate several high profile anticorruption campaigns and both former presidents Chun and Roh were brought to trial and convicted for corruption (their sentences were later commuted). However, throughout his administration, new scandals arose about personal connections and favoritism. So, at the outset of the 1997 election people were disenchanted with Kim Young Sam's success. Party politics in South Korea are largely based on the personality and power of the party's leader, as well as his regional affiliation.[53] With Kim Young Sam's reputation diminished even before the economic crisis of October 1997, it was going to be a tight race in the presidential contest.

In addition to Kim's tarnished image, Lee Hoi Chang faced his own scandals. Lee was hurt by accusations that his son had avoided military service, and after a bruising primary Lee's party challenger, Rhee In Je, broke off from the GNP and ran again against him in the final election. Even without competition from Kim Dae Jung, voters had many concerns about Lee's candidacy. As the election neared, all candidates promised to uphold the agreement with the IMF. This was a somewhat surprising move on Kim Dae Jung's part. Kim's core support had always come from the left, from labor unions, and from his home region of Cholla. Initially, Kim had criticized the IMF agreement and his remarks implied that if he won election he would renegotiate the deal. This statement caused dismay in the financial community both within South Korea and internationally. Kim was forced to moderate his remarks and then he chose to agree with the other candidates in a rare show of public agreement among the contenders.[54] One other significant move that Kim made as the elections neared was that he announced a coalition with the conservative politician Kim Jong Pil and his United Liberal Democrats (ULD). Kim Dae Jung announced that he would appoint Kim Jong Pil as prime minister if elected. This pulled some conservative voters away from Lee Hoi Chang and the GNP. This political alliance and the competition from several challengers may have decided the outcome: Kim's margin of victory against Lee Hoi Chang was miniscule (40.3 vs. 38.7 percent).[55]

Subsequent legislative elections in 2000 resulted in the ruling Millennium Democratic Party (MDP; Kim Dae Jung's renamed party) failing to secure a majority; it won only 35.9 percent of the votes. Now they were a ruling minority party and the GNP won 39 percent of votes.[56] Politics became a struggle between the ruling and opposition parties without progress on institutionalizing political processes. Kim faced accusations of corruption and influence peddling. In the run up to

the 2002 presidential election, Kim resigned as MDP's party president so as not to tarnish its contender.[57] The first presidential primary was held within the MDP; citizens participated in choosing Roh Moo Hyun as the candidate to run against Lee Hoi Chang.[58] When a heated contest arose between Roh and a close rival Chung Mong Jun, the two politicians agreed to hold a debate and to poll public opinion about the victor. Whoever scored higher would run as the unified candidate. Roh won with 46.8 percent of support.[59] He then went on to beat Lee in the December 2002 elections. Roh represents a new generation of leaders. He comes from a family of modest means and was outside the main political establishment. The process by which Roh was selected to contest the election was more open to popular input then ever before. With two strong candidates, the hope was that the presidential election would be decided based on policy differences. While this may have been truer than earlier in South Korea, there is no doubt that regional allegiances still mattered and mud slinging and shady deals were still present.[60] Even in the most recent elections in 2004, corruption was a huge issue and it is clear that the power of the chaebol is weaker but not gone from the political process. Democracy has been consolidated, and the system is better than it use to be, but it is still imperfect.

Malaysia

Like Indonesia and South Korea, Malaysia faced an economic crisis in 1997/98. However, instead of turning to the IMF for help, Malaysia decided to address its financial difficulties without international assistance. Mahathir's regime in Malaysia, like Kim Young Sam's, Chavalit's, and Suharto's, faced large protest movements and internal dissent among political elites. Mahathir alone of these four leaders was able to hang on to power and in the fall of 1999 his party's coalition again won a large majority in parliament. He left office voluntarily in the fall of 2003, turning power over to Abdullah Badawi. How might we explain the lack of political change in Malaysia when so many of the independent variables there were similar to the conditions in Indonesia, Thailand, and South Korea? I believe that it is because Mahathir was able to outmaneuver more reform-minded leaders (both in the economic and political senses) within the government. He was able to do this in part because the IMF did not require Malaysia to make changes to its political economy. Thus, there was no external incentive or backing for possible challengers to Mahathir's power, and UMNO's leadership was able to protect economic elites with close ties to the party.

Like neighboring countries, Malaysia too faced currency devaluations during the summer of 1997. The ringgit fell precipitously and the central bank tried to prop it up. Whereas Thailand, Indonesia, and South Korea opted for a bailout package from the IMF, Mahathir blamed currency traders and foreign financial forces for Malaysia's economic ills. While the prime minister denounced the likes of George Soros and other fund managers, his deputy prime minister Anwar Ibrahim was the one who quietly reassured investors that Malaysia would not invoke some of the proposed (by Mahathir) restrictions on currency trading. There were many rumors that Anwar and Mahathir were not getting along and that one would have to triumph over the other. In October of 1997 Mahathir returned from a trip to Latin America and at a press conference the following exchange occurred:

Mahathir:	"The press is asking questions. I'm answering and tomorrow the currency traders will try and push down the ringgit just because Dr. Mahathir opened his mouth."
Anwar's laughing reply:	"Then I will clarify and they will say we're quarrelling."[61]

In December of 1997 Anwar seemed to be in full control of economic policy, at Mahathir's request. On December 5, the deputy prime minister announced a series of austerity measures. This was viewed by many as a rebuke of, or at least an end to, the aggressive spending that Mahathir had led for over ten years. Over the next few months Mahathir because more assertive about saving large, high-profile companies such as Malaysia Airlines. On June 24, 1998, Daim Zainuddin was appointed special functions minister and given the task of overseeing economic policy. Daim had been minister of finance from 1984 to 1991, and was seen as an ally of Prime Minister Mahathir. Most political analysts believed that Diam would also serve as a check on Anwar's power. On September 1, 1998, Mahathir announced that the country was imposing capital controls, the currency was fixed at 3.80 ringgit to the U.S. dollar. The next day Anwar was fired from his posts as deputy prime minister and minister of finance. Later he was expelled from UMNO and arrested on (bogus) charges of corruption and sodomy.[62] His ouster triggered demonstrations and calls for political reform.

> Malaysians are perfecting a new form of protest: the "shop-and-shout" technique. For the second Saturday in a row, a crowd of what looked like ordinary shoppers on October 17 transformed a main street in central

> Kuala Lumpur into a massive demonstration calling for Prime Minister Mahathir Mohamad to resign. As police looked on, several thousand people, mostly Malays and some Indians, pumped the air with their firsts and chanted slogans calling for the abolition of the Internal Security Act and demanding justice for former Deputy Prime Minister Anwar Ibrahim.[63]

Protests continued throughout the fall of 1998 when Anwar's trial began. The police used harsh tactics to break up demonstrations; both water canons and tear gas were used. Although there seemed to be a huge outpouring of support for Anwar, and young people claimed to be politicized as never before, Mahathir's power never really seemed threatened. Even the creation of a new political party, the National Justice Party, led by Anwar's wife Wan Azizah Wan Ismail, did not pose a significant challenge to the ruling apparatus. Mahathir called for elections in November of 1999 and although the Islamic opposition party (PAS) did increase its number of seats at the state and national levels, the ruling coalition (BN, the Barisan National) was again able to maintain its hold over 60 percent of the seats in parliament.[64]

By not going to the IMF, Malaysia did not have to implement structural reforms to their economy and cozy relations were maintained between the BN coalition elites and business leaders. Also, more liberal (economically speaking) forces in the government (most prominently Anwar) were left without external incentives for others to make changes in the political economy. Wan Azizah's National Justice Party and the long-standing opposition party, the Democratic Action Party (DAP), were unable to capitalize on the new mood of discontent in Malaysia for several reasons:

1. The political system, particularly the electoral system, is highly gerrymandered in favor of the ruling coalition.
2. Chinese (who equal somewhat less than 30 percent of the population) became more firmly supportive of the BN parties. In light of the violence in Indonesia, Chinese Malaysians seemed to feel that stability would be best maintained by the current regime. Additionally, many Chinese are among the economic elite. For them it was essential to nurture ties to politically powerful Malays, hence their support for the ruling coalition.
3. Many of the newly politicized young people were kept off the voting rolls by lengthy and cumbersome voter registration requirements.

Ultimately, Mahathir was able to promote those who supported his policy preferences and to push aside the most legitimate threats to his

position. Popular protests did not translate into political change because the opposition parties were highly diverse in their constituent appeals and inconsistent in their messages and because Malaysian political institutions make it significantly cumbersome to unseat the current elites. Likewise, Mahathir was able to avoid going to the IMF and so Malaysia was not forced to restructure the close ties between business and political elites. Finally, Malaysian Chinese supported the ruling coalition in unprecedented numbers.

The economic crisis shed light on the undemocratic nature of UMNO and the powerful ruling elite. For a brief period it seemed that opposition politics might take off in Malaysia. However, by the end of 2001, Mahathir had consolidated power and reclaimed lost constituencies. Anti-Islamic feelings helped BN win by-elections and infighting among opposition parties (whose coalition was named the Barisan Alternatif, BA), along with hostile government action against Keadilan leaders who were members of PAS, contributed to the withering of a forceful opposition to the ruling coalition.[65] With levels of support high, Mahathir announced he would retire at the end of October 2003. His successor, Abdullah Ahmad Badawi, took over as prime minister on October 31, 2003. "There is almost no chance that the BN, dominated by the UMNO will lose power to the BA whenever the elections are called."[66]

Conclusion

As explained in the beginning of the introduction, there are several reasons one can account for the different political outcomes in Asia despite (roughly) similar economic woes in 1997/98. The case studies highlight the importance of political relations at the highest levels of power. Those leaders who were able to link support from some key element of society to the country's economic predicament were best able to win or hold power. Hence, Kim Dae Jung endorsed the IMF's plan and made an alliance with the more conservative Kim Jong Pil. In this manner he did not alienate too large a section of the middle and business classes. Because of historical ties to labor activists and support for more left-wing causes, he appealed to a wide variety of voters. Since the elections were already scheduled and since South Korea already had fairly open and free elections, it was easier for a political opponent such as Kim Dae Jung to challenge the incumbent government. Thailand too already had the infrastructure for greater democratization to happen peacefully. An institutional mechanism existed to adopt a new charter and to hold new elections when the prime minister finally stepped down.

This is unlike the situation in Malaysia and Indonesia where opposition parties were either too narrow in their appeal (Malaysia) or emasculated (Indonesia under Suharto). Likewise, protestors in South Korea were able to look to Kim as a credible alternative to the ruling party, and in Thailand there were also political alternatives to the ruling party. In 1998 in Indonesia, there was no opposition leader that protestors could look to for advocacy or power. Thus, toppling the regime was, in part, the only option. As for Malaysia, as popular a figure as Anwar was in 1999, he was in jail and his wife was unable to coordinate a large enough effort to challenge the system.

IMF prescriptions limited the maneuverability of Suharto, Chavalit, and Kim Young Sam and opposition forces were able to capitalize on this weakness. The IMF programs empowered more "liberal" leaders in Indonesia, thus increasing the number of top leaders who gradually withdrew their support from Suharto. Without IMF involvement in Malaysia, Mahathir was able to discredit and push Anwar aside.

Popular protests seemed effective in Indonesia, Thailand, and South Korea, but not in Malaysia. This is due in part to the size and intensity of the protests (particularly in Indonesia) but also because of who the protestors were and who supported them. In Indonesia the army was ultimately unwilling to ensure order. In South Korea students and labor groups were well-organized and had already established links to Kim Dae Jung. Neither of these elements was true in Malaysia.

In the window of time from 1999 to 2006 how well has political liberalization taken hold? Democracy seems robust but incomplete in Indonesia, consolidated but not yet institutionalized in South Korea, less liberal today than in 1997 in Thailand, and lacking in Malaysia. External pressure (the IMF and global markets) once focused on the economy and made demands on the political system for greater transparency and accountability. These requirements were conducive to both encouraging international investors to return to the region, and in empowering reform-minded opposition forces. The current concern of external forces (namely the United States) is security issues. The United States is putting pressure on Indonesia, Malaysia, and Thailand to crack down on militant Islamic groups and would like South Korea's help in confronting the nuclear threat from North Korea. Unlike during the economic crisis, security pressures may play more into the hands of less democratically minded actors. Political liberalization *may* be sacrificed for greater national security but this does not have to be the case. South Korea has shown that there are multiple ways to deal with a significant security threat. In the last three presidential races "dovish" candidates have won

out over "hawkish" ones. And, these candidates have also been the ones campaigning for greater political reform and openness. This confluence of factors does not seem present either in Malaysia or in Indonesia. Security threats or potential ones seem more likely to provide justification for increasing the power of the ruling elites and/or internal security forces perhaps at the expense of greater democracy.

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CHAPTER 1

Thailand: Successful or Incomplete Democracy?

Thai Political History

Scholars and journalists like to point to Thailand as the country in Southeast Asia with the longest experience of independent and democratic rule. Yet, Thailand's political history can be better characterized as shifting between different periods of time when power is concentrated (more or less) in the hands of one of these groups: Bangkok bureaucrats, the military, local officials, and/or the king. Thailand has had the benefit of a long period of nationhood and under the absolute rule of King Chulalongkorn (1868–1910) nationalism was developed based on the importance of the king, Buddhism, and the bureaucracy. These were the three elements that legitimized state power. In 1932/33 a coup was carried out as a reaction to aristocratic privilege. Power shifted toward the military and the bureaucratic elites. Although the coup was carried out in the name of the people, power was still held by a cozy circle of bureaucrats and military leaders. The aim of the coup was to weaken the power of the conservative ministers of the royal government and it was not against the king personally. With time, the king's official power over the bureaucracy and the military has diminished, but he has remained a powerful personal figure and can command considerable behind-the-scenes influence on important issues.

Three people would become the most powerful players in Thai politics for decades to come: Pridi Panomyong, a law professor, Phibun (Luang Plaek Phibunsongkhram), a junior army officer, and Phahon (Phraya Phahonphyuhasena), a senior army officer.[1] Factions quickly developed around Pridi (leader of the civilian, left-leaning group) and Phibun

(leader of a rightist, pro-military wing). After the 1932 coup, King Prajadhipok's relations with the new leaders gradually worsened. In March 1935 he abdicated the throne. His ten-year-old nephew, Ananda Mahidol (Rama VIII), was named his successor. In school in Switzerland, the young king would not ascend to the throne until 1945. By the late 1930s the country had evolved into a weak fascist or militaristic state under Pridi and Phibun's rule. Phibun actively promoted nationalism and sided with the Japanese during World War II. A significant underground opposition existed and Pridi was part of it. This network worked with U.S. intelligence throughout the war. Through the 1940s public support for Phibun waned and the Japanese presence began to feel more like occupation than an alliance. In June 1944 Phibun was forced from office. A civilian government took over and Pridi again became a key actor.

Elections were held in 1946 and were contested by political parties for the first time in Thai political history. Two coalition parties, Pridi's Constitutional Front and the Cooperation Party, won a majority in the lower house. A new constitution was promulgated that same year; however, Thailand was entering a violent period where royalists and militarists vied for power and there was conflict over the growing power of socialist and communist forces. Pridi moved toward supporting the anticolonial forces of the left and when the young king Ananda Mahidol was mysteriously shot, Pridi was called a murderer and forced from power. On November 8, 1947, an anti-Pridi coup overthrew the government and Phibun and his allies took the reins of power. All opposition was crushed.[2] In 1947 Phibun and two retired generals carried out a coup against the civilian government. Electoral results in 1948 supported Phibun but he had trouble consolidating power. Many anti-Phibun (and pro-Pridi) groups existed in the Army and in the Navy. In November 1951 there was a "government-engineered" coup. King Bhumibol returned to Thailand, a revised constitution was passed, and elections were held for half of a unicameral legislature; the other half was appointed and most were army officers.

Phibun retained power and ruled with two powerful military officers, Phao and Sarit. This was a period of intense anticommunist sentiment and there was a great deal of violence and persecution against the Chinese community in Thailand. Although many Chinese had been living in Thailand for generations, the community was perceived to be a "fifth column" working to spread communism wherever they lived. While some Chinese were supportive and/or members of the Communist Party, many were not. Regardless, all Chinese were seen as

suspect during this period. Thailand also formed a close alliance with the United States. The elections in 1957 were a brief experiment with democracy. After the elections, students took to the streets and protested heavy-handed government tactics such as ballot box stuffing. Sarit too was critical of the Phibun and Phao factions of the government. Phibun declared a state of emergency and scrapped democracy. In March of 1957 Sarit, head of the military, carried out a coup, suspended the constitution, and dissolved parliament. The king backed his actions. Although a civilian government was briefly put in power, Sarit took control of the government in 1958 and instituted a military dictatorship.

From its relationship with the United States, Thailand received money, weapons, and even had U.S. troops stationed there. Although Sarit died in 1963, his policies and regime structure continued through the 1960s. In November 1971 Prime Minster Thanom carried out a coup against his own government, ending a short experiment with parliamentary democracy. Military rule again prevailed. In response to Thanom's proposal for a fully appointed legislative assembly, students and workers took to the streets. On October 13, 1971, more than two hundred and fifty thousand people rallied in Bangkok; it was the biggest demonstration in Thai history. The next day troops fired on the protestors and killed seventy-five people. They also took over Thammasat University. King Bhumibol stepped in to the quell the violence and convinced Thanom to retain control of the armed forces but to turn over the prime ministership to a civilian, Sanya Dharmasakti. Later Thanom and his close allies fled the country.

Although there was a return to civilian control and new elections were held, a significant number of politicians were right-wingers and they seemed more inclined toward status quo than toward meaningful reform. Through the 1970s, the government acted violently against communist insurgents and against any progressive leftist groups. Tension and violence mounted and in August 1975 police (on strike to show the government their displeasure at perceived weakness toward student activism) went on a murderous tirade at Thammasat University. Increasing the power and the coerciveness of the police and the military, several ultranationalist (quasi-military) groups were formed to harass leftist and social activist groups both within Bangkok and in the countryside. The brutal confrontation between leftist and rightist groups reached an apex in October 1976. Police again lay siege to Thammasat University where two thousand students were holding a sit-in. The next day's assault on the campus resulted in hundreds of students being killed or wounded and more than one thousand being arrested. That night the

military took control of the government and instituted a fairly repressive regime. Under the prime ministership of Thanin Kraivichien, strict censorship was enforced, unions were watched and tightly controlled, student leaders and other activists were driven underground and into remote regions.

There was a slight thaw in the extreme measures of the mid-1970s but the military remained the center of power. In March of 1980, General Prem Tinsulanonda became prime minister with the support of young officers and civilian political leaders. He survived a coup attempt in 1981 with the pivotal support of the monarchy and some units of the army. In the 1983 elections Prem was able to hold on to power by keeping his military backing and by portraying himself as a statesmen above petty party politics. In the 1980s there was an increase in the number of parties contesting for assembly seats but the parties did not have strong organizations or ideological roots. Switching parties was (and still is) common among politicians. In the 1988 election Prem was forced to step aside and the Chart Thai Party formed the government with Chatichai as the prime minister. Along with the winding down of the Cold War and the shrinkage of military budgets, the military faced pressure to assert less political control. In their place, bureaucrats became more powerful.

Divisions within the military resulted in another coup in 1991. Conservative generals seized power amid accusations of corruption against the previous regime and they appointed a government led by business elites. Anand Panyarachun, who had served in the Foreign Service for twenty-three years, then moved on to become prominent in the business community, was chosen prime minister and his ideas on economic liberalization pleased potential opposition in the financial sector. Initially it seemed that the business community would be quiescent and the number of politically active groups and individuals was small enough not to pose any risk. The military began drafting a new constitution that would preserve its power by allowing it to appoint members of the senate and the prime minister. Newspapers began attacking the military for their blatant political manipulations and students, labor, and democracy activists finally saw mass support growing behind their efforts. The final spark came when General Suchinda Kraprayoon, a key actor in the 1991 coup, was chosen as prime minister after elections were held in March 1992[3] under the (military-designed) 15th Constitution.[4] By May 1992 there was a massive outpouring of popular discontent and the military was forced out of power. Although the uprising was successful in ousting the military, it was not without cost. Many unarmed protestors

were shot by the army as the generals tried to cling to power. The killing of scores of democracy activists became known as "Black May."[5] Many of the leaders of the 1991/92 protests became the founders of a strong, multifaceted nongovernmental organization (NGO) sector[6] in Thailand, which exists even today.

Principal Players in Thai Politics: The Military

In Thailand from the 1930s until today there have been four significant actors in the political process: the military, private business, the king, and civil society. Over time the power of each of these groups has changed significantly. While the military used to be the unquestioned center of power, its role has shrunk to a more traditional military capacity and since the economic crisis it has intervened less in political affairs. The military's legitimacy and power in politics stems from the 1930s and the anticommunist struggles of the Cold War period. The military embodied the anticommunist ideology of the Cold War and was on the front line in defending Thailand against enemies both within and outside of the nation's borders. The military and police's power also comes from a monopoly on the use of weapons to enforce political order. In the 1960s and 1970s the military received considerable support, equipment, and training from the United States (the United States maintained bases in Thailand until 1976)[7] and it used its strength to suppress leftist groups and then others who opposed its role in politics. Simply, the military had the coercive means to enforce its position and political preferences. In addition to these overt illustrations of power, the military's power also extended to control over many radio and television stations and over several banking institutions. This gave the military more wide reaching control over what information people received and the direction of the economy. The military has often used its power to take direct control of the reins of government; Thailand suffered coups in 1947, 1976, and 1991 and in some cases army generals appointed themselves to the position of prime minister.

Historically, there have been problems with military rule in Thailand. As early as the 1947 coup, significant rivalries and divisions existed among the different branches of the military. On November 8, 1947, the anti-Pridi coup overthrew the government and Phibun and his allies came back into power, destroying all opposition. Internal fighting between the army and the navy resulted in the complete emasculation of the latter. This segued into a period of intense U.S. support for the army. Vast sums of money were spent to create a huge, well-equipped army and

police force (which was used against internal enemies far more than against external ones). However, it did not take long for a political rivalry to develop between the police and the army. On September 14, 1957, General Sarit's army surrounded police headquarters and Phibun and his closest allies were forced to flee the country. The army thus became the most powerful institution in the country.[8]

General Sarit ruled until he died in 1963 and leadership was passed on to his military subordinates. Sarit focused on economic development and cozy relations developed between the military and business leaders. As social protests increased in the 1970s the alliance between business and military interests weakened. A communist insurgency gained ground and preoccupied the military's attention. In 1975/76 there was increasing political activism. New political parties formed, and student and peasant activism was on the rise. As the political debate moved leftward the military became concerned about its power and more assertive of its conservative views. Politics was increasingly polarized. On October 6, 1976, a coalition of conservative forces gathered outside Thammasat University and then attacked. One hundred students were killed and thirteen hundred arrested. The army then carried out a coup and helped bring to power a rightist military regime. Many of those who had some association with a progressive or leftist cause were forced into the hills.[9]

Firmly in power again, the military suffered factionalism and jockeying for control. Over time, its power diminished. More political parties formed, but they lacked strong institutional or ideological roots. By the end of the Cold War military spending had shrunk. In the 1988 general elections General Prem was forced to step aside and the Chart Thai Party formed a new government. Chatichai was chosen as prime minister. While Chatichai tried to assert his own power, he was forced to placate and work with General Chavalit, the head of the military. By 1991 General Chavalit was pushed aside by a different faction of the army, a group called "Class 5," who were more conservative and royalist.

Thailand's transition to democratic rule in the late 1980s was highly ambiguous. The military remained quite powerful even while there was an expansion of electoral politics. The military exercised its influence both through legally prescribed means, such as its seats in the assembly and the appointed senate, and through extra-constitutional methods, such as the coup attempt in 1991. Even though Thailand (by the end of the 1980s) had few legal barriers to the formation of interest groups or political parties, the continued political power of the military reduced the level of democracy and the influence of elected representatives in parliament.

Popular Protests and Civil Society

There is a great deal of political science literature that tries to make sense of processes of democratization. Some of these works find that popular protests or demands from below are the primary independent variable in bringing about democracy. For example, Ji Giles Ungpakorn in his article on political reform in Thailand finds that Thailand's democracy was measurably impacted by mass protests and activism. He argues "(t)he political freedom now exercised by Thai citizens is a direct result of the continuous mass struggle against dictatorship."[10] Ungpakorn goes on to discuss the nature of different forms of mass participation. Demands for political change have come from various actors in Thailand. There are active and influential NGOs and increasingly vocal groups of people who stage protests and try to affect politics. Modern popular activism dates to the revolution of 1932. While elite bureaucrats were at the forefront of demands for reforming the monarchy, there was also widespread social discontent and peasants in the countryside became increasingly critical of the regime as well. The October 1973 protests against the military dictatorship continued this initial public outcry from the 1930s, as students and thousands of workers rose against the ruling elite. Popular protests become polarized between forces on the right and on the left. On the left the Communist Party of Thailand worked with worker and student organizations. Since this was the height of the Cold War, and because the United States' war in Vietnam had just ended, there was an intense and vigorous reaction to politicization of the left. Several quasi-militaristic organizations were created: the "Village Scouts" were groupings of middle-income peasants and rural small business people under the leadership of the monarch. "Middle ranking government officials, priests and intellectuals were urged to join a similar force known as the 'Nawapon' and unemployed and discontented technical college students were organized into the 'Red Gaurs.' "[11] Leftist leaders were persecuted and assassinated. The violence reached an apex on October 6, 1976, when unarmed students and workers were shot and others brutalized at Thammasat University. Later in the day, a military coup installed a right-wing regime to power. Through the rest of the 1970s and 1980s mass activism was stifled and economic growth was the highest priority.

While groups in society were less active during the late 1970s and in the 1980s, it did not mean that consensus was easily reached. Within the military and highest offices of power, there was disagreement about the direction that Thai politics should take. By the late 1980s parliamentary democracy was restored as more liberal military officers came to power.

Leftist NGO leaders from the 1960s and 1970s had returned to Bangkok and were increasingly at the forefront of a new effort at civil participation. They created organizations to impact the political arena and to assert their interests. Business elites also became more demanding of the political system.

The cumulative effect of Thailand's recent political history is that civil society certainly exists and can have a significant impact on the political sphere. This is particularly true when other key factors are working toward the same aim. The military is very powerful and well-connected to business and political elites. Members of the military have acquired executive positions on boards of directors of major Thai companies. Thai business executives have also become more politically active as they use their wealth to contribute to political campaigns and more frequently now to run for office themselves. Hence, business, military, and political elites have increased their political power through these economic relations.[12] The king too is a center of power; although he only uses his preeminent position occasionally, he is a potent and forceful actor once his preferences are made clear. Most notably, King Bhumipol intervened in the 1981 coup and in the 1992 violence. In the latter case, the king met with General Suchinda Kraprayoon and the Bangkok governor, the two major antagonists during Black May. He persuaded General Suchinda to step down and chose the well-respected Anand Panyarachun to serve as prime minister. This defused the crisis and returned the country to a semblance of democracy.[13] As will be discussed shortly, the king also expressed support for the 1997 constitution, which made opposition to it in parliament a far less likely option.

The last important legacy of Thai history is that external factors are important forces in shaping the internal dynamics of the country. The threat of communism during the Cold War had a significant effect on internal politics, as did relations with the United States during that period.[14] Likewise, Thailand's relationship with international investors and the IMF shaped the nature of political reforms in 1997 and after. The effects of the pressure from the IMF and global capital will be discussed in forthcoming sections of this chapter.

The 1997 Economic Crisis and the Ratification of the New Constitution

Economic Turmoil

After having enjoyed economic growth rates of more than 9 percent per year between 1986 and 1996, Thailand faced a serious financial crisis in

1997. Following years of real estate speculation, fears about government corruption, and concerns about the value of the baht, currency traders and international investors began to sell off their holdings in mid-1997. On July 2, 1997, the Thai Finance Ministry and the Bank of Thailand finally gave up trying to prop up the value of the baht and allowed the currency to float. As feared, the baht took a steep plunge from 24.45 to the U.S. dollar to 28. Five days earlier the government had tried to boost investor confidence by suspending sixteen finance and securities companies for a month but it seemed that nothing would halt the run on the baht and the seemingly sudden decision of global investors to sell off Asian currencies and to pull investment out of Asia.[15] Prime Minister Chavalit faced criticism at first for not reacting quickly to the looming crisis. Once he did act and suspend shaky finance companies and float the baht, he may have weakened his political base by "forcing his coalition partners to agree to policies that hurt their narrow, personal interests."[16] Already in early July political turmoil was brewing. Finance Minister Amnuay Virawan left before July 2, 1997, allowing Chavalit his first opportunity to try and implement his preferred policies. Chavalit chose Thanong Bidaya to serve as the next finance minister and he was immediately seen as indecisive and not strong enough to take necessary action. He did not approach the IMF until July 28 when he requested emergency credit for the ailing economy. Also, on July 28, Rerngchai Marakanond, the governor of the Bank of Thailand, resigned pleading fatigue from the crisis.[17] A month into the crisis and the Thai government seemed to have no clear plan to cope with the mounting problems. Chavalit preferred to hold off from taking an IMF loan and instead hoped that a standby credit line of US$500 million would suffice to get the economy back on track. The prime minster had to work with and negotiate agreement with the six-party government in order to take any sort of action. Many politicians were worried that the IMF loan would carry too high a political price to stomach. The IMF would require austerity measures such as cutting subsidies and spending, raising taxes, and carrying out privatization of state-supported enterprises. Elected leaders from rural areas would have to cope with angry farmers faced with losing agricultural subsidies and tax increases. Any of these measures could lead to protests. Workers would strike if privatization and shrinkage in state enterprises were to take place.[18] Despite these risks, it quickly became clear that more decisive action would be needed if Thailand was to rebuild investor confidence and stop the baht's precipitous decline.

By the first week in August, the government made it clear that it would have to turn to the IMF for help. Immediately, the government shut down forty-two more finance companies and imposed higher duties

on consumer goods. These measures were to bring Thailand into compliance with IMF strictures and to convey a message to investors and the Thai public that the government was tackling economic problems. On August 14 Chavalit announced changes to his cabinet. Former finance minister Virabongsa Ramangkura (who had worked with the IMF before when Thailand devalued the baht in the 1980s) was appointed a deputy prime minister as was prominent businessman Thaksin Shinawatra; these appointments were meant to signal that Chavalit was taking necessary steps to move to firmer economic ground and to convince the IMF that Thailand would meet its criteria for transparency and good governance to qualify for the bailout package. A seemingly enormous bailout package was put together to assist Thailand: US$16.7 billion in standby credit was pledged, about US$10 billion of which came from Asia (Japan was the largest donor and China joined the club of donor nations for the first time), the rest came from the IMF and other smaller contributors from within Asia.[19] Although the pledge of funds came in August, it would be months before Thailand's economy really stabilized. As the financial crisis unfolded Thailand was also enmeshed in political changes. One of the reasons that Prime Minister Chavalit found it so difficult to make economic policy changes was that he was trying to balance a wide array of political interests and to cope with popular demands to ratify a new constitution that would effectively mean the end of his tenure in office.

Despite ultimately ratifying the proposed new constitution, political turmoil prevented coherent economic policy making and through the fall of 1997 Thailand continued to take baby steps toward compliance with the IMF, and even these steps were often discontinued if protests ensued.

> More than two months after being promised a $17 billion credit line by the International Monetary Fund—Thailand has barely begun to formulate the economic restructuring that is required for the recovery program . . . So far the Government has raised the sales tax and made plans for spending cuts that will halt a number of projects like highways and rail lines that are essential to further growth. But when it took the difficult step of raising fuel taxes last week to meet a budget target demanded by the IMF, it quickly rescinded it in the face of public resistance . . . The political uncertainty has itself become one of Thailand's foremost economic problems as investor confidence slips lower and foreign lenders close off their credit lines.[20]

After reshuffling his cabinet once again in October, and finding little economic reward, Chavalit made a surprise announcement on November 3, 1997. He stated that he would resign in three days' time. The baht strengthened and the stock market posted its largest gains that fall. When the Democratic Party assumed leadership it promised coherent economic policy making and decisive action to get the financial mess cleaned up.

Political Chaos

The economic crisis coincided with the final stages of the drafting of a new Thai constitution that hoped to reform the political system to end (or at least weaken the effects of) vote buying, corruption, and intense patronage networks. In the wake of the events of Bloody May 1992, demands for political reforms did not end with the return to electoral democracy. A substantive process of political reform began shortly after 1992 with Amon Chanthrasombun's study on reforming Thai universities and the bureaucracy. Amon published newspaper essays and pamphlets on political reform and his work was widely circulated when his ideas were published as *Constitutionalism: The Way Out for Thailand*. From his position as a public intellectual at the Institute for Public Policy Studies (IPPS), Amon laid out what would become the foundation of a new framework for political institutions and power structures in Thailand.[21] Parliament seemed incapable of leading the way in making changes to the political system and so much of the initiative for reform came from civil society. NGOs such as IPPS and committees such as the Democracy Development Committee (DDC) played a lead role in crafting a proposal for a new constitution.[22] Support for political reform in 1994 came from elites and from NGOs and leading intellectuals and they pushed for Prime Minster Chuan to take up the proposed ideas. Chuan's government fell in 1995 because of a corruption scandal over land deals and the Chart Thai Party got to form the next government. Prime Minister Banharn's government announced support for the DDC report but his government fell in November 1996 because of corruption and incompetence.[23] A decision was made to create a Constitutional Drafting Assembly (CDA) comprised of bureaucrats, professionals (academics and others), former politicians, and NGO leaders. A huge lobbying effort took place to push particular candidates for the CDA. There seemed to be massive public support for political reform. Retired general Chavalit

Yongchaiyut became head of the new governing coalition in 1996 and that year's election was widely viewed as hugely corrupted by vote buying. Chavalit professed support for political reform and announced that new elections would be held once a new constitution was adopted. One can assume that he hoped conservative politicians in parliament would prevent this from becoming a reality too soon.

When the economic crisis hit, the parliament was scheduled to vote on the proposed charter in mid-September.[24] As the economy unraveled in mid-July, the CDA agreed on two very controversial clauses to add to the document. In an attempt to improve democracy and end vote buying, the CDA clauses required ministers of Parliament to give up their seats if chosen for the cabinet, and they proposed direct election of senators (at the time members of the senate were nominated by the prime minister). When these ideas were suggested, some political analysts saw the proposals as a stall tactic for supporters of the ruling coalition. The ideas were so radical that parliament would surely have to reject the whole document, thus leading to a national referendum on the issue. This would prolong Chavalit's rule. However, it would have been quite risky for coalition members to vote against the reform charter.

> One leading CDA member, who did not want to be named, believes parliament will endorse the new charter. "I think that Chavalit is clever enough not to create more difficulties for himself because of the economic problem," he says. "If Chavalit and his New Aspiration Party refuse to accept it, it might make the public angry, and businessmen in particular might come out with others to oust Chavalit. There might be a crisis."[25]

Still, heading into the vote in September, it was not at all clear that the parliament would pass the charter and avoid the chaos of a national poll. The opposition party, the Democrats, said that it would vote for the new constitution despite some reservations. Many in the ruling coalition still opposed it. Public support for change was mounting and politicians were beginning to feel that they had little choice but to vote in favor of the new charter. On August 18 two thousand people rallied in Bangkok to support the draft and King Bhumibol Adulyadej fully favored its passage.[26] While it seemed logical for the ruling coalition to support the new charter or face being voted out by an angry public, in fact there was a great deal of contention over what course of action to take.

In general the middle class supported political reform and the Democratic Party, the opposition in parliament signaled its intended support. However, conservative forces were not out of the picture in

mid-September 1997. Under the leadership of Interior Minister Sanoh, who controlled the administrative apparatus of the country and about half the party's members of parliament (MPs), stalwarts rallied opposition among rural leaders and conservative monarchists. Rural elites in powerful local positions (village and provincial leaders) were threatened by the new constitution's provisions that they be elected rather than appointed for life and thus were clearly against the proposal.[27]

It came right down to the wire. Ironically, military and business leaders pressured Chavalit to accept the new constitution and after years of political wrangling and last-minute attempts by opponents to extend the constitutional debate (and to try to avoid a planned censure motion against the government), the constitution passed parliament and was ratified. Sanoh was forced to back down when the military pressured Chavalit into public acceptance of the charter.[28] Just prior to the vote in parliament, Thailand's army chief, General Chettha Tanajaro, stated that the new constitution should be passed and he also expressed the opinion that it should not be amended until after new elections could be held. Although Chettha was speaking in his capacity as a senator, there is no doubt that his double role as head of the army gave his view extraordinary weight.[29] On September 27, 1997, after a three-day censure debate on Chavalit's government, the Thai parliament voted 578 to 16 (with 17 legislators abstaining) in favor of the charter. The prime minster survived a no-confidence vote (212 to 170) and his coalition partners agreed not to abandon him in exchange for his promise to support the new constitution.[30] When the constitution was passed and Chavalit overcame the vote of no confidence, it seemed like the worst of the political chaos and the inability to make economic policy choices might be behind his administration. But it was not so. By the third week in October, the economy was no closer to a turnaround and a meeting with the IMF was scheduled for early November to evaluate progress on mandated austerity measures. On October 21, 1997, Prime Minster Chavalit contemplated a cabinet reshuffle; protestors again called for his resignation. That evening he called a meeting of top cabinet officials and security leaders to discuss declaring a state of emergency. The top brass of the military squashed the idea. General Chettha stated that "No leader with mental stability would opt for this choice."[31] With the military taking this option off of the table, Chavalit did succeed in forming a new cabinet, but this was really a last-gasp measure. He finally gave in to pressure[32] and resigned.

Given that Thailand had just adopted a new constitution, and that the country had a history of nondemocratic transfers of power, it was not

at all clear what would happen next. Chavalit's coalition partners were left scrambling to decide if they should stay together and try to pick a new leader, or if they should defect and form a coalition with the next largest party in parliament, the Democratic Party. Parliamentary convention was that when a prime minister resigned, the second-largest party (in this scenario the opposition Democratic Party) got a chance to form a government. The new constitution allows for a nonelected premier to govern until new elections can be called and the new charter can be fully implemented. However, the idea of a nonelected premier seemed to go against the ethos of the new charter. Finally, the issue was decided when members of Chavalit's government defected to the Democratic Party and they were able to form a seven-party coalition and take power. Chuan Leekpai became Thailand's new prime minister in the third week of November 1997.[33]

Explaining Political Change

Theoretical Discussion

There is a great deal of political science literature on both transitions to democracy and on the consolidation of democratic reforms, some of which was discussed in the introduction. Most scholars of Thai politics agree that Thailand had become a (more or less) democratic state by 1988 when Chatichai Choonavan, leader of the Thai Nation Party, assumed office as the country's first democratically elected prime minister. Democracy, however, did not stick. Chatichai's term in office was ended by a peaceful coup, however, later demonstrations in May of 1992 were violently suppressed by the military. Elections held later that year resulted in the successful transfer of power to the opposition Democratic Party and it seemed that democracy was back on track. Despite the return of electoral politics and the military's retreat from sudden power grabs, Thai politics has been plagued by corrupt practices such as vote buying and cozy relations between political, military, and business leaders. How might one explain the confluence of factors that came together in 1997 to implement political reform, and why have reforms not had the desired effect of further democratization?

My explanation for why efforts at democratic consolidation have been incomplete takes as its starting point much of the earlier scholarship on transitions from authoritarian rule and work on the consolidation of democracy. While there is little need to go into great depth detailing the various arguments and methodologies that scholars use, it is worth a

brief summary of the basic arguments about how and why transitions occur. Huntington, Przeworski, Share and Mainwaring, and O'Donnell and Schmitter[34] all find that transitions occur in (roughly) one of the three following ways:

1. Transformation: when elites in power bring about democracy.
2. Replacement: when opposition groups take the lead in bringing about democracy and the authoritarian regime collapses or is overthrown.
3. Transplacement: joint action between government and opposition groups.[35]

In each of these three routes to political change, there is negotiation between hardliners (standpatters in Huntington's phrasing) in the government who do not want to see any reform go through, moderates (liberals) who are willing to negotiate the outcome of the change, and radical reformers (democratizers) who want to see more drastic and far-reaching changes. Similarly, within opposition groups fighting for change there are generally democratic moderates willing to compromise with those already in power, and more radical extremists who want to see the complete destruction of the old order. In any of the three ways that a transition might occur there is negotiation and maneuvering among the various groups. Huntington's (and the other scholars' as well) description of how a transition will take place is largely elite-focused. Large or mass protests are not viewed as the primary catalyst for change.[36] By the late 1980s Thailand might have been considered a liberalized but not fully democratized country, but Huntington does not include it in his typology of countries. My assessment would be to categorize Thailand's transition from military rule as an example of a transformation.

This chapter takes as its starting point the fact that in 1997 Thailand was a weak democracy. Elections were held often but they were neither clean nor fair, civil society and some segments of the media were critical of the government, but not entirely free from government control, and the military was still a significant political player. The process of political liberalization in the 1970s and again in the 1980s was mainly a result of elite decisions; hence, a great deal of compromise had been enacted to co-opt hardliners into allowing reforms to go forward. When further reforms were on the table in late 1997, there were pockets of resistance that had not yet been forced to cede the perks of their power. The economic crisis was the last push to get acquiescence from stalwarts in

power. Haggard and Kauffman's work on the impact of economic conditions on domestic politics points in an important direction: "crises are neither necessary nor sufficient to account for authoritarian withdrawal, poor economic performance reduces the bargaining power of [authoritarian] incumbents and increases the strength of oppositions."[37] They further explain: economic crises change the demands of civil society or the private sector, the loyalty of the military, and expectations of the larger population. With the military still a powerful force in 1997, one could easily imagine the economic crisis as a justification for a reversion to authoritarianism as this might have been a more efficient way of enacting the "right" economic policies. Yet, almost the opposite occurs; the military backs the passage of the new constitution and conservative politicians with much at stake either decide to back the charter or become a small enough minority not to be able to change the outcome of the vote. The argument made here is that Thailand made a big leap forward in the process of democratic reforms with the events of 1997 but that it has not really consolidated democracy. Before I go into the empirical information to explain why the reforms went forward when they did, and why they have stagnated, I would like to briefly review key points about democratic consolidation.

One can say that democracy has been consolidated when there have been several electoral cycles and that those elections have been determined to be largely free and fair. Also, democratic consolidation means that elected and appointed officials agree to play by the rules of the game. Lastly, I argue in this work that democracy must have an element of fairness and accountability. Massive corruption and/or leaders who are above the law, even if they are elected in free and fair elections, are injurious to democracy.

In 1997 Thailand began the process of consolidating democracy, but after an exciting series of changes, reforms have stalled. In thinking about these different elements in the context of Thailand, it is possible to wonder about their applicability. There may not have been a consolidation of democracy in Thailand for two different reasons. First, Thailand does not fit neatly in to any of Linz and Stepan's categories of what regimes might look like prior to democratization. Thailand's political system has long had elements of democracy and elements of military authoritarianism. Because of this, perhaps, it is more accurate to ask why one sees political *liberalization* or *reform* in 1997, not why there was *democratization* in 1997 (because this implies that there was no democracy prior to that point). If this is the case, then perhaps it is harder to assess if democracy will last (or be consolidated). If democracy is a more

fluid condition, then a little more openness, or a little less openness (or accountability), may not be frightening or threatening to a majority of Thai citizens. So, how might one explain successful political reform in 1997 and afterward, and also the stagnation of those reforms?

There are several explanations for the successful passage of the constitution and the tangible political reform efforts of the mid-1990s. I group the factors into internal and external elements. Internal factors include political infighting/elite realignment, the military, and civil society/popular protests. External pressure for political reform came from the IMF and the demands of the international marketplace.

Internal Factors: Political Infighting, the Role of the Military and the Civil Society

The debate and ratification of the new constitution illustrated the fragility of the ruling coalition and the fractured nature of elite political cooperation in Thailand. Prime Minister Chavalit was the head of a six-party coalition, which would be difficult enough to work with, but even within his New Aspiration Party there were wide rifts, as illustrated by Sanoh's vehement and active opposition to the charter. Seemingly innocuous remarks by influential leaders gave some cause for concern that the military was silently pulling the strings from behind the scenes. As the economic crisis escalated in August 1997 and the opposition Democratic Party called for a censure vote in parliament, Privy Councillor Prem Tinsulanond (a former prime minister and general) told politicians, "In the crisis we are now in, we cannot afford to be divided-particularly government leaders and the opposition."[38] His remarks were taken as a warning to the Democrat Party not go ahead with a no-confidence motion against the government. Senior Democrat Party MPs reacted negatively to these comments. Surin Pitsuwan, a senior party official, said, "It looks like the top brass are in charge of the country. It doesn't augur well for the process of democracy."[39] Yet, it was also the military that favored passage of the reform charter and helped encourage Chavalit to ultimately support it. The prime minister had traditionally enjoyed close relations with the military—he is a former general himself—and the military seemed to try to head off political instability by backing Chavalit's government during the economic crisis. However, Chavalit's rectitude in supporting the constitution and his inability to really tackle the economic problems facing the country led to the military's support of his resignation. Additionally, although there had been large public protests advocating for the new constitution and

then pushing for Chavalit's ouster, by themselves these protests were not the deciding factor. Right up until the week of the vote in parliament, Chavalit had held back from giving a definite statement about his position on the charter and through the fall he had ignored public outcry to step aside. Chavalit had once been called the "great compromiser" by the press.[40] When he was no longer able to make policy effectively or to command support from key players, it was time for him to go. Pressure from within his own tight circle of supporters (military, party, and business leaders) seems to have convinced him that he no longer had enough credibility and clout to lead. "Even his closest fund-raisers told him to resign."[41]

As described earlier during the discussion on the political chaos that accompanied the financial crisis, there was significant pressure from civil society and from segments of the population at large. Like the literature on political transitions describes, there were demands from opposition leaders outside of power and (less often discussed by transition scholars) from the masses. Business groups in Bangkok held rallies in support of the passage of the new constitution, and thousands of people demonstrated in the streets of the capital during August and September to force the government to take notice of their discontent. While my assessment is that ultimately the deciding factors in the passing of the political reform measure were internal and elite-driven, there is no doubt that politicians were impacted by the vocal actions of NGOs and the larger society. This may have been especially true of the opposition Democratic Party. Despite being a conservative party and having reservations about what the new constitution would do to party members' power and interests, Democratic leaders made it clear that they would vote in favor of its passage. This showed that they clearly saw the tide of public opinion in favor of the constitution and felt that supporting it could swing support in their favor.

External Factors: Pressure from the IMF and Global Capital

The IMF claims that it steers clear of politics, but there is no question that both the IMF and "the market" wanted to see political reform, stability, and strong policy making. When it became apparent that Chavalit could not deliver these, there was a strong sense that external forces supported his departure as prime minister. Once Chavalit and the six-party ruling coalition made the decision to accept the IMF bailout in August, they knew that they would be turning over significant power to this international lending agency.

> An IMF loan comes with a high political price for the government which is required to surrender sovereign control over the country's economic policies and comply with austerity measures, such as raising taxes cutting spending and removing subsidies.[42]

In essence, once under an IMF program, Chavalit's government would be severely constrained in its ability to reward supporters with government largess. The flip side, however, was that without accepting IMF assistance, the country would remain without badly needed liquidity to restore normal functioning of the economy, and investors (both domestic and international) remained worried about the security of their investments. Agreeing to an IMF loan sends a signal that the country will take needed steps to clean up the economy, improve fiscal transparency and accountability, and adhere to responsible economic policy making. Ultimately, Chavalit agreed to the IMF bailout and some of the tough measures that the government was supposed to enact included the following:

> Cut government and military spending; stop the bail-out of troubled property and finance sectors; raise excise and sales taxes; raise interest rates; liberalize trade in oil and consumer goods; cut the import of luxury goods; cut budget of state enterprises; privatize and downsize state enterprises.[43]

The goal behind such austerity is to improve efficiency, transparency, and accountability. In theory, implementing these policies sends a message to investors that business decisions will be made based on maximizing profits for shareholders, not on rewarding business and political partners. Likewise, the IMF requires countries taking large loans to severely cut government and deficit spendings.

Connection Between the Economic Crisis and Political Reform

There is no question that the financial crisis of July 1997 served as a catalyst for the passage of the new constitution. Afraid of further political chaos, domestic and international investors withdrew until they felt reassured that political reforms would go forward and that politics would stabilize and leaders would be able to make and implement coherent economic policy.

> As the baht slithered downwards in the opening hours of the debate [over passage of the new charter], even conservative politicians were forced to

> reckon with economic realities. "There are some clauses I don't like, but because of the economy we have to accept it," says Pongpol Adireksarn, a leading member of the opposition Chart Thai Party.[44]

Had they not voted in favor of the constitution, members of parliament faced the threat of a further economic decline, something no one wanted to confront.

Although there is not really a consensus among scholars on what the political fallout will be in the wake of an economic implosion, there is a general trend that finds more recent economic crises do not cause democratic countries to become more repressive, and in less democratic countries, crises can help democracy evolve.[45] While there is diversity in methodology and variation in results, much of the literature finds that political mobilization from below during an economic crisis can either help consolidate democracy or undermine it, depending on other circumstances. In the case of the Latin American debt crisis of the 1980s, Karen Remmer found that public outrage over the handling of financial problems led to the ouster of incumbent governments but that overall democracy was strengthened.[46] My analysis shows that it is not enough to credit the financial crisis for the constitution's ratification. Instead, I offer the more nuanced explanation that the crisis caused political elites within the government to realign themselves with others within and outside of government. This is closer to Haggard and Kauffman's work on the political economy of democratic transitions, discussed earlier. Like other transition theorists, they see political reform and consolidation as largely driven by elites, but add that an economic crisis can change political alliances and conditions for reform.

Changes Under the 1997 Constitution

The 1997 Thai Constitution is a comprehensive charter that tries to offer something to everyone. There is a mix of liberal and conservative ideas represented in its clauses. The most significant elements of the document are the articles that address electoral reforms and the creation of new bodies to check and oversee corruption and abuses of the political process. Also noteworthy are the articles that deal with civil rights. The following articles deal with electoral reforms[47]:

- Voting is made compulsory (Article 68).
- The Appointed Senate is replaced by an elected Senate of "non-partisan" representatives (Articles 126, 127).

- The old multi-member constituency system is replaced by a mixture of single-seat constituencies and proportional representation (using a party-list system) (Article 98).
- Constituency Members of Parliament are no longer allowed to serve as ministers in the government (to do so they must step down as MP) (Article 118).
- Members of Parliament must have at least a bachelor's degree (Article 107, 3).
- Ministers may come from the party list (Article 119).
- Members of Parliament are not allowed to switch parties during the 90 days preceding an election (Article 107, 4).[48]

The overarching goal behind these modifications was to separate executive and legislative power. "Parties were expected to place senior, reputable figures on the party list so that they could be ready to assume ministerial posts, while local hoodlums, if elected to parliament at all, were to be confined to representing their districts."[49] The drafters of the charter hoped that by making voting mandatory, it would be more difficult and more expensive to buy votes. In making senators forgo party affiliation, they thought that these representatives would have to be well-known and wise in their own right, "above the fray of day-to-day politics."[50]

The three most important institutional changes stemming from the 1997 charter were the creation of new bodies to oversee the political process.

- A Constitutional Court with 15 judges, appointed by the King with the advice of the Senate. The Court has final say on the interpretation of the Constitution.
- An election commission (selected by the Senate) to oversee elections. It can disqualify candidates and mandate new elections.
- A National Counter Corruption Commission with the power to investigate the financial affairs of politicians and their families. It can recommend that the Senate remove corrupt politicians from office.[51]

Status of Democracy Today?

Weakening Power of the Military

Although the military's power, prestige, and legitimacy had been declining since the end of the Cold War and the bloodshed after the 1991 coup, it

showed that it was still a vital player in Thai politics when it (indirectly) intervened to get Prime Minister Chavalit and reluctant members of parliament to agree to the passage of the 1997 constitution. Since the 1930s the military has been one of the major institutions in Thai politics and thus it is no surprise that it has both been an obstacle and a promoter of democratization. There is no question but that the military's involvement in the 1991 coup and the attempts shortly thereafter to handpick political leaders were a distinctly undemocratic action and these actions resulted in a major loss of legitimacy. Whereas previously people saw the military as an important enforcer of stability and a promoter of economic growth, after 1991/92 a larger number of people began to question its role in politics at any level.

Not only has the military been a national security force and a political actor, it also has a number of business interests that make it a significant part of the Thai economy. It owns media outlets that provide it power to impact public opinion on a variety of different subjects. The military controls the Thai Military Bank (TMB) and had used it for financing procurement of weapons and for forging alliances with a number of business heads seeking financing for economic development projects. While the TMB initially escaped controls imposed after the economic crisis in 1997, it was later forced to allow increased investment and control from foreign and nonmilitary sources. Holdings of the military and its allies in the bank shrank from 43 to 25 percent.[52]

Since the 1991/92 coup people have also questioned the military's ownership of 221 radio stations and 2 television channels. There have been legitimate questions asked about the risk this poses for democratization. Demands increased after 1992 for liberalization of the media (the military regime had attempted to suppress news about military shootings during the coup).

> These demands eventually led to Article 40 of the 1997 Constitution, which placed electronic media frequencies "in the public domain," under the control of "an independent public organization" charged to operate them "in the best interest of the people." Political reform has thus undermined the military's monopolistic control of the mass media, which had been both an economic and a political asset to the armed forces.[53]

In the period after the 1997 crisis the Democratic Party and Prime Minster Chuan Leekpai worked hard to dampen the control the military once had over politics and to give it new sources of prestige. The prime minister took over the post of defense minister himself instead of appointing a retired general, and he appointed an ally, General Surayudh

Juranondh, as army chief. Chuan gave military heads a fair amount of independence in promotions and he worked on behalf of the military to purchase F-16 fighters from the United States (quite an expense in the aftermath of the financial crisis). Thailand took a more active role in ASEAN, the Association of Southeast Asian Nations, and the Thai military took part in peacekeeping operations in East Timor. For this it won international appreciation and prestige. The military was also given a new job in helping to stop the flow of drugs into Thailand from various points of entry. These changes have given the military an opportunity to change its focus from politics and commercial entanglements to operations more in keeping with a military in a democratic society.[54]

The 2001 Election

The 2001 election was the first parliamentary one held under the rules of the 1997 Constitution and everyone watched it carefully to see if the corrupt practices of the old electoral process would continue. Ironically (since anticorruption sentiment had been one of the driving forces behind popular protests for political reform in 1997), Thaksin Shinawatra, a telecommunications mogul who was facing corruption charges, won a landslide victory and made his party Thai Rak Thai (TRT, Thai Love Thai) the first one in Thai political history to achieve an absolute majority in parliament. Evidently, people were not deterred by the National Counter Corruption Commission's (NCCC) ruling that Thaksin concealed portions of his wealth by transferring stock to family members and household employees. If the Constitutional Court had agreed with the NCCC ruling, Thaksin could have been barred from public office for five years.[55]

Despite the charges against Thaksin, he strongly appealed to voters. Many people interviewed said that his experience as a business tycoon was good for Thailand.

> "I voted for Thai Rak Thai because Thaksin is a successful businessman and Thailand needs a prime minister who has expertise in economy," said a civil servant in her 30s . . . In today's world, a country's prime minister or president should also be country's top salesman. "I believe Thaksin will sell more than other politicians, and Thais will benefit from it," said Sirivat Voravetvuthikun, a property-dealer-turned-sandwich-seller.[56]

During the campaign Thaksin promised voters very specific policy initiatives. For example, he pledged to charge just thirty baht (seventy cents) for a visit to a public hospital; to provide each village in the country

a microcredit fund of one million baht, and to give farmers a three-year moratorium on debt payments.[57]

The 2001 election did result in some of the intended consequences of the constitutional changes; small parties were badly beaten and sent into oblivion, and medium-sized parties only won a few seats. These changes were intended to improve stability within parliament and it seems to have worked. The new commissions were established to clean up elections and to have an institutionalized process to challenge fraudulent ballots and vote buying. This has happened. In the 2001 election large numbers of ballots were declared invalid, and politicians and voters demanded recounts in a significant number of districts.[58] The Election Commission also was forced to schedule additional rounds of voting because of unfair and dishonest voting in certain polling places or when MPs were given "red cards" for charges of gross corruption or vote buying. Red cards force candidates to withdraw from the election.[59] When all the additional voting was done and the NCCC concluded its investigations and punitive actions, the result was that Thaksin's party did win an absolute majority and the consolidation of power both within the executive branch and within Bangkok (rather than in the provinces) began in earnest.

Antidemocratic Tendencies and Explanations Why

Since Thaksin was elected in 2001 Thailand's economy has improved and by many measures the prime minister was one of the most successful leaders the country has seen in generations. No previous Thai government lasted a full four-year term, yet mid way through his term people "are asking not whether Mr. Thaksin will complete his current term, but how many terms he will serve."[60] After making bold specific promises during his campaign, he went on to actually fulfill them. Surprising some economists and many in the international economy, the government's spending helped boost the Thai economy, it grew significantly from 2001 to 2003 (table 1.1).

However, Thaksin's government embarked on several popular campaigns that had negative consequences for civil rights/civil liberties and that ultimately called into question the very nature of Thailand's political reforms. The most glaring example of this was the "war on drugs." Prime Minister Thaksin pledged to eradicate illegal drugs by 2005. The government launched an all-out assault on drug dealers and those suspected of being involved in the illegal drug trade. The "war" gave police and some elements of the military almost a free hand in

Table 1.1 GNP growth in Thailand, 2000–2003[61]

Year	*Growth (in %)*
2000	4.76
2001	2.14
2002	5.41
2003	6.74

GNP, gross national product.

questioning, detaining, and even killing those thought to sell or trade in drugs. By spring 2003 fifteen hundred suspected dealers had been killed in raids carried out throughout the country. Of these several were later shown to have no connection to drugs and were simply (and tragically) killed by zealous police officers eager to make a public show of their efforts.[62] While there was some discussion and outcry about the heavy-handedness of the campaign and the violations of civil rights in the name of stamping out the evil of drugs, the war on drugs was immensely popular and there were few significant challenges to the brutal tactics.

The prime minister also tried to consolidate his own power through greater manipulation and control of the media. As discussed earlier, Thailand's broadcast media (television and radio) have long been controlled by a small number of business elites and the government and military have been the primary holders of these licenses. Many see Thaksin trying to expand his influence in unseemly ways. Virtually all of the TV stations are either government-controlled or owned by his family. Moreover, Thaksin bought the only private one and fired many of its journalists.[63] This gave him either direct or indirect control of what Thais saw on television, the most popular source of news and information throughout the country. One of the other tools that Thaksin and his family and associates were charged with using to influence what people see on TV was the ability to direct advertising revenue to supportive outlets, and conversely to pull advertising from critical sources.

> Even before his election victory, staffers at the ITV television network, in which Thaksin's family business was then acquiring a controlling interest, publicly complained that they were being pressured to slant the news in favor of Thaksin's party. They were subsequently sacked, a move later ruled illegal by Thailand's Labor Court.[64]

Once in office, further incidents gave critics reasons to be alarmed. Government-controlled radio and television stations pulled programs

that were critical of the new regime off the air. Advertising from the government and from Thaksin's related businesses was allegedly withheld from critical media outlets. In 2003 Transport Minister Suriya Jungrungreangkit's family (close Thaksin allies) purchased the largest stake in the corporation that owns *The Nation*.[65] Print media, newspapers, and the like are privately owned and a myriad of viewpoints can be found both in Thai language papers and in English papers. Several papers were frequently critical of the regime. However, there were charges that independent views were not appreciated by the ruling powers. In February of 2004 the editor of the *Bangkok Post* was shifted out of his post. Critics of Thaksin charge that his allies forced Veera Prateepchaikul's departure from the news desk. " 'I would describe the Thai media at the moment as being in an intensive care unit,' said Kavi Chongkittavorn, and editor of *The Nation*, the *Post's* main rival."[66]

Like not so democratically minded leaders before him, Thaksin has promoted relatives to senior positions in the army and in the police. Two former members of his staff now sit on the constitutional court.[67] Despite the encroachment on freedoms, as of the summer of 2005 Thaksin and TRT's popularity was at an all-time high.[68] The opposition Democratic Party did not try to counter some of the more aggressive actions by the government and they seemed at a loss for how to gain back a more significant showing of support.

In January 2006 mass protests against Thaksin began. His family made a tax-free profit of about US$1.9 billion in the sale of their business Shin Corp. to a Singapore state firm. Protests continued throughout the winter. In April Thaksin called for a snap election. The three lead opposition parties boycotted Thaksin's attempt to shore up his power. Although TRT won, the election was ruled constitutionally invalid because not enough seats of the lower house of parliament were filled. Thaksin is serving as a caretaker Prime Minister (he remains the head of TRT) and new elections will be held in October 2006.[69]

The events of the winter and spring 2006 illustrate conflicting things about the state of democracy. Protestors in Bangkok and opposition party elites decided to achieve their aims outside the process of electoral politics. Thaksin thought he could use his support from rural voters (where he has high support because of his social welfare programs) to silence his critics with a quick election. He figured a win at the polls would bolster his legitimacy. Instead, the hasty election further undermined it and he has been forced to promise not to run in the upcoming election. This episode shows that there is not full confidence from people or political elites that the system, such as electoral institutions or institutional checks and balances can protect or assert their interests.

How should we try to explain or reconcile this backsliding on the reform efforts of 1997? There are internal and external pressures contributing to the failure to consolidate the democratic reforms of seven years ago. First, there is the impact of Thaksin's leadership. His attitudes, values, and behavior severely injured the chance for democratic consolidation. Then there are the unintended consequences of the institutional reforms, intense pressure for greater economic performance, and the renewed internal security threats in the south. Externally, the IMF and global investors are now less worried and focused on accountability and transparency. Now major external pressure is coming from the United States and its "war on terror." Stability and antiterrorist actions are what the United States and global investors are worried about in the current international climate.

Internal Pressures

One goal of the constitutional reform was to make the political system more stable, certainly a laudable goal in a country where one could hardly keep track of the governments since they changed so frequently and where decisive policy action was nearly impossible. Improving stability came through the consolidation of power within a smaller number of political parties, and disallowing politicians from switching parties at will. However, enhancing stability also made it harder to unseat a government. Both the election commission and the NCCC have tried to do the jobs that they intended, but they too have been accused of being overly friendly toward particular political elites and of being subjective in who they chose to investigate and which elections they invalidate. Selecting members of these commissions and judges for the Constitutional Court has become partisan and political.

Violence in the south of Thailand became a threat to Thaksin's government and its image at home and abroad. There are about six million Malay Muslims in Thailand, out of a population of sixty-six million, and they live mostly in the southern provinces of Yala, Narathiwat, and Pattani. A separatist movement petered out there until the late 1980s, but since then the region has been disturbed by sporadic violence perpetrated by a small number of remaining hard-line separatists allied with those involved in illegal businesses such as the drug trade. In January of 2004 violence flared when separatists burned down twenty schools and stole three hundred weapons from government armories; four soldiers were killed in the conflict and the government began a violent crackdown against Muslim suspects.[70] On April 28, 2004, a coordinated attack was carried out against police stations and temples across southern

Thailand. The government's response was swift and deadly. The Thai military, under Defense Minister Chettha Thanajaro, ordered two battalions of soldiers, about one thousand in number, to southern provinces to quell the attack. Over one hundred attackers were killed along with five soldiers and policemen. In the process of hunting down suspected militants, Thai troops stormed a historic mosque in Pattani and killed the thirty young men taking refuge inside.[71] Local residents have expressed outrage and anger at the killings, which have continued. While Thaksin has said that the violence was instigated by Muslim separatists, possibly with the help of Muslim extremists from elsewhere (possibly members of Jemaah Islamiyah, JI, from Indonesia), it is not at all clear that this is the full truth. Southern Thailand is rife with political rivalries, criminal gangs, drug barons, and long-standing conflicts between the military and the police.[72] There is no evidence that local groups have made connections with JI or other regional Islamic militant organizations. It seems most likely that problems stem from resentment against Bangkok for neglect and repression. The government's extreme response made residents and human rights groups critical, yet again, of Thaksin's regime.

After achieving political reform in 1997, many activist groups seemed to have lost their coherence and their motivation for vocal action. During the economic crisis people and NGOs were mobilized as oppositional forces to the government. Then from 1998 to 2006 it seemed that civil society organizations had become more of a regular part of the political process, working with, or lobbying through, institutional channels to achieve their particular interests. While NGOs are not agents of the state, and are certainly independent actors, in some ways by becoming part of the regular contest over policy, they seemed to have lost some of their edge and power as a force of opposition. However, the protests in 2006, led by the People's Alliance for Democracy (PAD) showed that citizens can be mobilized against money politics and that perhaps political consciousness has changed for some Thais.[73] Civil society and NGOs are highly diverse. The economic crisis provided an opportunity for groups to come together in opposition to the government; however, there is no unifying problem to solve today. So, environmental groups, women's organizations, media watch dogs, and so on, all work to further their own goals and interests and have lost some of the power that comes with joining forces for a common goal.[74]

External Pressures: IMF/Global Investment

Globalization can be a positive force for political reform and liberalization or it can harm the process of democratization. One example of how

globalization can assist in the process of political reform is the example mentioned earlier of the military's control over the TMB. Where this medium-sized bank used to be totally under the control of the armed forces, in an attempt to improve banks' and financial institutions' capital flows and solvency, the Chuan government forced many banks and finance companies to allow foreign investment. TMB did not escape these pressures. The military's holdings in the bank shrank from 43 to 25 percent of assets, while nonmilitary and foreign holdings in the bank increased from 8 to 25 percent. "Globalization had accelerated the trend of removing the military from a dominant role in the Thai Political Economy."[75] Other chapters of this book show how the IMF encouraged greater transparency and accountability in the wake of economic crises. Also, depending on the internal political landscape, the IMF empowered domestic political actors who favored political reform. Six years later it is far from clear that global forces are beneficial to greater democracy.

External pressures on Southeast Asian countries have now changed. When terrorists attacked the United States on September 11, 2001, and then when the United States decided to attack Iraq in the spring of 2003, President Bush's administration worked hard to convince countries around the world to join the United States' global war on terror. Since 1954 Thailand has been a treaty ally of the United States, the highest level of alliance outside of NATO; yet, after the 9/11 attacks Prime Minister Thaksin declared that Thailand would remain neutral in any forthcoming military incursions. Despite Thaksin's desire to seem independent of U.S. policy, President Bush in October 2003 declared Thailand to be a "major non-NATO U.S. ally" and promised to negotiate a desirable bilateral trade agreement with Bangkok.[76] Thailand did not join the United States' "coalition of the willing" in invading Iraq, but it did help American security agents capture Indonesian terrorist suspect Hambali, a Bali bombing suspect. Also, Thailand has sent troops to Afghanistan and to Iraq for reconstruction efforts.[77] While the Thai population seemed displeased at President Bush's attempt to draw Thailand closer to the United States, when violence flared in the south in the winter of 2004, public opinion seemed to begin to change as people worried that Islamic violence and possibly links to international terrorist networks might be closer to home than believed. The United States has overlooked the Thai military's zealous and violent behavior in the south in the name of fighting Islamic terrorism. While Thaksin was criticized by regional leaders for his response to escalating tensions in the south, and it is clear that military and police behavior violated citizens' civil rights, there was little condemnation from the United States because it was convinced that Thailand is an ally in the war on terror.

Through the winter of 2004 Thaksin's popularity looked unchallenged. However, in just a few short weeks several things showed that even he may have vulnerabilities and the electorate may not give him unconditional love. In February and March the government was faced with three serious crises: the deadly bird flu virus,[78] separatist violence in the Muslim-dominated south, and mass protests over the handling of privatization of state enterprises. Worry and displeasure at his inability to solve these difficult problems caused people to take a harder look at the heavy-handedness his regime has used in dealing with critical media outlets and at precisely how success has been achieved in once-popular campaigns like the war on drugs, but there was little popular outcry. By early 2005, despite the encroachment on freedoms, Thaksin and TRT's popularity was back at an all-time high. The opposition Democratic Party was unable to counter some of the more aggressive actions by the government and they seemed at a loss for how to gain back a more significant showing of support. In the February 2005 parliamentary elections, TRT won a landslide victory. Thaksin's party controled 377 of 500 seats. Suranand Vejjajiva, TRT party spokesman, argued that the electoral success demonstrated that the party had won the hearts of the people and that Thaksin's ability to efficiently and quickly tackle economic problems translated into an overwhelming victory.[79] The sale of Shin Corp was the catalyst for greater anger and mobilization to oust him. However, TRT still controls parliament and is likely to win a majority of seats in October 2006.

Conclusion

Democracy has not been fully consolidated in Thailand. According to measures of democratic consolidation such as leaders playing by the rules of the game and not seeing themselves as above the law, and respect for civil rights, there are several troubling signs for Thailand. First, Prime Minster Thaksin did not exactly want to "play by the rules of the game." He was brought up on corruption charges and was able to avoid punishment for what the commission found were violations. He seemingly tried to manipulate media outlets critical of his regime. He used draconian tactics to implement security policies against Muslims in the south, and against those involved in the illegal drug trade.

In 1997 Thais seemed to overwhelmingly want greater democracy and accountability. The desire for democracy and democratic attitudes that have developed over time in Thailand seem to be overshadowed by desires to improve economic growth and quality of life issues (even if

this means an erosion of civil rights for some citizens). Hence, maybe, one of the explanations for the weakness of democracy has to do with people's political values. Do Thai citizens value democracy? The answers are mixed. In one of the few studies of Thai attitudes about democracy, Albritton and Bureekul found overwhelming support for democracy. In 2001, 54.7 percent of those surveyed were fairly satisfied with the state of Thai democracy; moreover, 34 percent were very satisfied with democracy. Of the respondents 83 percent said that democracy was *always* preferable. On the surface Thais are highly supportive of the "idea" of democracy. However, the survey also found that democracy has less support among elites, especially Bangkok elites, than among rural majorities. Also, these two groups seem to understand democracy differently. When democracy includes a high degree of political conflict, there seems to be a preference for curbs on freedom of expression if social order is jeopardized. Trust in political parties is low and the 2005 election clearly shows that personality matters a great deal. Although higher numbers of rural voters profess to care about democracy, these voters seem to view candidates favorably when they bring tangible benefits to the district. Hence Thaksin's rural support in 2006. Political ideas, platforms, and larger policy matters are secondary to personal gain to be had from elected officials. In addition,

> The traditional emphasis on the "middle class" as an engine of democracy appears to be declining in favor of a view that middle-class support for democracy exists primarily when it coincides with class interests in curbing the power of government. This means that one cannot expect middle-class enthusiasm for democracy when it poses conflicts with private interests of the middle-class.[80]

Ultimately then, it is hard to see that democratic ideals matter in more than an abstract way to many Thais. Yes, democracy is important to people, but it means different things to different groups and may be less critical than economic self-interest.

In looking both at Thailand's experience and more comparatively at what happened around the region when the economic crisis hit, I conclude that political reforms in 1997 were the product of elite actions and decisions, influenced by internal and external pressures. There are different groups of elites that mattered during this period. Internal pressure for political reform came from the following: some elected and appointed officials within Chavalit's regime, elites in civil society who drafted the Constitution, military leaders such as General Chettha Tanajaro who

pushed for the new constitution, the king, and activists who helped mobilize groups to protest and agitate for the passage of the document. External pressure came from the IMF and international investors who wanted to see Thailand stabilize its economy. It became clear that the economic problems were bogged down in the political chaos of the time and so until the politics of the moment were resolved, the economy would not stabilize. Again, the factors that tip the scales toward liberalization or democratization are pressures from reform-minded politicians and military generals, mass protests in Bangkok, and pressure from the IMF. In many ways this is a strange confluence of variables that produces positive political change. The same coincidence of interests no longer exists.

Today, forces for political reform are mixed. Thaksin was far from being a beacon of liberal democratic values, his party TRT has a lock on political power, he has weakened key tools of democracy such as the press and opposition parties. Civil society groups are divided, some are focused on social welfare issues, others have chosen to assert interests outside of electoral institutions. It is unclear if they will be able to work to achieve larger political changes. International pressure from the United States and from international investors is more focused on security concerns and/or economic stability than on political liberalization. To this end, Thaksin enjoys rural support at home *and from abroad*, thus giving him little reason to implement greater measures of openness and accountability. The world would certainly rather *not* see a repeat of the 1997 economic meltdown, however, it did provide a unique set of circumstances for various groups to see common interest in advancing political reforms. The situation is not as clear today.

CHAPTER 2

South Korea: The Final Hurdle for Democracy

In the summer of 1997, as the economic crisis was tearing through countries in Southeast Asia, South Korea seemed to think that it would be spared the contagion. Throughout 1997 there were concerns over the banking sector and over some of the large Korean conglomerates, chaebol, which had become too large, too diverse, and highly leveraged. Giant firms such as Kia Motors and Hanbo were struggling. By summer many foreign banks had stopped or limited their lending to Korean firms, but analysts seemed to think that South Korea would avoid a meltdown.[1] As the presidential election heated up in the summer and fall of 1997, the candidates were not talking about the economy and there was no sense of a looming crisis. Nonetheless, by November 1997, South Korea was the latest country to fall prey to massive financial upheaval and political turmoil. What impact did the crisis have on South Korean politics? Of the countries studied here, Korea in 1997 was arguably the most democratic and was certainly the most developed economically. Yet, the economic crisis served as a catalyst for political reform in South Korea, just like in Thailand and Indonesia. Kim Dae Jung (DJ), longtime democracy advocate and opposition politician, won the 1997 presidential election, ending the domination of Korean politics by the more conservative and status-quo party (called the New Korea Party in 1997). What about the crisis triggers similar political reforms in Korea as elsewhere, and were these changes significant and long-lasting? In other words, did the political changes that came about in the wake of the financial crisis really change the political system and what are the prospects for further change (if necessary) in the future? To answer these questions, this chapter begins with a brief overview of South Korean politics, then looks at the 1997 crisis and the political changes that follow. Lastly, the chapter

examines explanations for the successful political reforms and what has happened since 1997.

Explanation of Korean Politics

Since the division of the Korean peninsula in 1948, South Korean politics has been dominated by autocratic leaders. In the immediate aftermath of the Korean War, 1950–1953, successive authoritarian regimes used the uncertain security situation as the justification for repression and intolerance of opposing political views. Over time, military leaders clashed with active student and labor protestors. National security and economic development were the primary and secondary goals, respectively, of Korean leaders.

The current Korean political system is a republican system with a strong executive, the president, and a unicameral National Assembly with 299 seats. The president serves for a single five-year term, and legislative elections are held every four years. Representatives in the National Assembly are chosen in two ways: there are winner-take-all elections for single member districts (243 of 299 are chosen this way), and 56 seats are determined by proportional representation. Korean political institutions and practices have changed a great deal over time; while the current system is a presidential one, in the past, there was a brief experiment with a parliamentary system, and different voting systems have also been tried and altered.

Moving beyond simple explanations of Korean political institutions, there are several significant features of the Korean political system worth mentioning here. First are the strong regional ties and affiliations that help explain outcomes in national elections. Second, political parties have traditionally been weak institutions. South Korean politics reflects regional divisions in the small country. Authoritarian leaders favored the southeastern region of Kyongsang with development projects and funding, causing resentment in the southwestern region of Cholla. The last two presidents came from Cholla and won with over 90 percent of the vote there. The long-dominant Grand National Party (GNP), formerly the New Korea Party, has tended to do well in Kyongsang—they won 71 percent of the votes there in the 2002 election. Seoul, with about half of the electorate, represents the swing vote.[2]

Political parties in South Korea are based around the leadership of a (often) well-known office seeker. Leaders frequently decide to change the party's name, and legislators are prone to switching parties.[3] This makes it hard to develop party allegiance and to promote grassroots organizing

on behalf of the party. The institutional weakness of parties comes from a legacy where parties have at times been outlawed and emasculated. In the early 1950s there were over forty political parties, but by the early 1980s opposition parties had been outlawed. So, instead of identifying and supporting one party over time, people have often voted based on regional ties and the popularity of the party leader. Even though political reforms and democratization were initiated in 1987, parties today are still highly unstable and fragmented. Every major party has metamorphasized (changed its name and many of its legislators). Despite differences in party platforms, most of the parties are basically conservative. They are vehicles for officials to win office and there are few efforts to recruit mass membership or participation outside of getting votes in elections.[4]

Also important to understand is the relationship between the state and big business, specifically the chaebol, or large conglomerates that dominate the South Korean economy. Beginning under General Park Chung Hee, Korea began a concerted effort to industrialize and develop its economy. Close ties were forged between the state, the banking sector, and the chaebol. For years state bureaucrats were highly successful at economic planning and promoting industrial growth. The Korean economy soared, per capita income went from roughly US$100 in 1963 to US$14,000 in 2004. South Korea went from a poor, peripheral country in the global economy to the eleventh largest economy in the world. The state was able to make capital available to the chaebol that encouraged them to expand and diversify their business enterprises. This very model of developmentalism, which was so successful in the 1980s and through the 1990s, was also the very foundation of problems for the economic crisis.

By the mid and late 1990s, it became increasingly clear that the corporate sector was highly leveraged and had diversified too far from businesses where they were competitive. State bureaucrats tried to rein in their behavior, but clashed with elected officials, the ruling elite of the country, who relied on the financial support of big business to win elections. Bureaucrats tried to impose credit controls and loan ceilings on the chaebol, but this did not stop the huge short-term debt incurred by many of South Korea's biggest and most prestigious companies.[5] These financial problems will be discussed in detail later in the chapter. The political legacy of the authoritarian order has not fully diminished. Regionalism and weak political parties still remain, and despite the economic crisis and attempts to reform the political order, corruption, big business, and money politics are still part of the system today.

Democratization in South Korea

Prior to the 1997 economic crisis, South Korea had already embarked on significant efforts to reform and democratize the authoritarian political system. Collapse of military rule occurred in 1987 under President (and General) Chun Doo Hwan. General Chun began his rule of South Korea as an undisputed strongman and military leader. He played a significant role in the crackdown on protests in the Kwangju Massacre in May 1980,[6] initiated a sweeping set of reforms against the media, and brooked no political dissent. This began to change dramatically in 1987. Increased hostility between the military regime and opposition forces (labor groups, students, and democracy activists) led to a massive uprising in the spring of 1987. Many expected horrific results like the massacres in Kwangju a few years earlier. However, Chun's handpicked successor to take over in the upcoming elections, Roh Tae Woo (presidential candidate of the Democratic Justice Party [DJP[7]]), announced his willingness to compromise with the opposition and he also agreed to democratic reforms.

These reforms included a blueprint for a new institutional structure, the Fifth Republic's Constitution, which would include provisions for the following:

1. direct presidential elections,
2. allowance of multiple candidates to contest elections,
3. amnesty for Kim Dae Jung and other political prisoners,
4. protection of basic civil rights,
5. a free press,
6. local self-government and local elections,
7. creation of multiple political parties,
8. improvement of politics and society, anti-corruption efforts.[8]

Although Chun and Roh were military men, more in the tradition of General Park than believing in the absolute good of democracy, they allowed reforms to go through and for elections to take place. Roh was a product of the military. He had been a colleague of Chun's, and had initially been handpicked by him to take over leadership of Korea. Instead, Roh participated in the first relatively free presidential elections on December 16, 1987. He ended up winning the election mostly because Kim Young Sam and DJ split the opposition vote.

Roh took office as president, but opposition parties ended up controlling the legislature. To try to overcome this divided government,

Roh's DJP spearheaded a merger with Kim Young Sam's Reunification Democratic Party and Kim Jong Pil's Democratic Republican Party to form a grand conservative party, the Democratic Liberal Party (like Japan's Liberal Democratic Party). Although closely linked to the military dictatorship of the past, Roh did preside over the passage of numerous new laws to institutionalize and protect new democratic freedoms.[9]

In 1993 Kim Young Sam won the presidential election with 42 percent of the vote. Kim, a civilian, continued democratic reforms by consolidating civilian control over the military and by prosecuting former generals for military atrocities such as the Kwangju Massacre of 1980. Generals Chun and Roh were convicted to long prison terms for a variety of charges: mutiny, treason, and corruption, among others. These trials were more about holding past military rulers accountable for military abuses and corruption under their leadership than about charging either of them with direct responsibility for the deaths in Kwangju.[10] Despite the shift to civilian rule and numerous changes to political institutions and laws, a few central features of Korean politics remained in place through the end of the 1990s. Regionalism remained a powerful force in electoral and distributional politics. Also, money politics was still a driving force behind a candidate's ability to win election. The necessity to raise money for campaigns is directly tied to Korea's lingering problems with corruption. Politicians' family and friends have often used their ties to the political elite and to business donors to win lucrative jobs or contracts from big companies.

The Economic Crisis of 1997 and the Presidential Election of December 1997

Although economists and politicians seemed to think that South Korea would avoid the brunt of the economic crisis in 1997, there were certainly significant problems beginning to be apparent in the development strategy of the country by 1997. Firms saw a decline in sales growth, excess capacity, and stiff price competition. Most importantly, perhaps, by 1996 Korean companies had some of the lowest profits and highest capital investment rates in East Asia. External financing was used to compensate for low earnings as companies looked for cash to both pay for day-to-day operating costs and for business expansion. Korean companies had some of the highest debt to earnings ratios in the region.[11] The Ministry of Finance (MOF) tried to rein in borrowing by the chaebol, but modest attempts at credit controls and loan ceilings did not stop huge short-term borrowing. Politicians found it politically impossible to

reform the chaebol for two reasons. First, they provided so many jobs that it was inconceivable to think of allowing any of the big firms to actually go bankrupt. The chaebol were de facto welfare providers of jobs and lifetime security.

> Industry composes 42.9% of Korean GDP, compared with approximately 30% for the OECD countries as a whole. Layoffs as a result of bankruptcy, therefore, affect a large proportion of the work force, as Korea lacks the cushion against unemployment provided by the large agricultural sector of Southeast Asia and the service sector of the OECD countries.[12]

Secondly, elected officials were highly reluctant to try and regulate or get tough on the chaebol because they were such a significant source of financial support for politicians.[13]

In 1997 there were plenty of reasons to be concerned about the general health of the Korean economy. Nonperforming loans to Kia and Hanbo, two of the largest firms in Korea, caused enormous problems for South Korean banks such as the Korea First Bank. As mentioned, some foreign banks had stopped or put limits on lending to South Korean banks or firms. Short-term interest rates for loans were quite high because of the risk of nonpayment.[14] What dominated the news in South Korea in the summer and fall of 1997 was the upcoming presidential election. Because presidents can only serve one term, Kim Young Sam was not running. His government was badly hurt by charges of mismanagement of the economy and political scandals of corruption or nepotism, issues that tarnished his party's candidate, Lee Hoi Cheng.

As the election cycle heated up, it looked like a three-way race between DJ (running from the National Congress for New Politics [NCNP]), Lee Hoi Cheng from the ruling New Korea Party (NKP), and Rhee In Je, who split off from the NKP. Kim had run in each election since 1971 and had always lost. In August Kim was leading all public opinion polls by a large margin. A victory for him would symbolize a repudiation of the long history of military leaders controlling the political apparatus.[15] By fall the economy was looking even more shaky, but none of the candidates was talking about it. Kim made an alliance with his conservative rival Kim Jong Pil from the United Liberal Democrats (ULD). He did so to keep Kim from running and splitting the vote (which gave Roh the victory in 1987) and also to reach out to a wider support base than his traditional backers in labor and leftist groups could give him.

On November 10, 1997, the Korean won closed at 999 to the U.S. dollar. From January 1997 to November 1997, the won had lost 18 percent of its value. Given what countries in Southeast Asia had been through, the use of Korea's foreign reserves to try and stabilize the currency would be dangerous, and Korea had low levels of reserves anyway. South Korean firms and banks had over US$110 billion in foreign debt that would now become impossible to pay off. While there was no domestic panic in November, currency speculators began selling their holdings of won. Surprisingly, many Koreans seemed unaware of or unworried by the economic problems.[16]

On November 21, 1997, South Korea turned to the IMF for help. This was extremely humiliating! For a country that had become confident and self-assured through years of economic growth and success, for the eleventh largest economy in the world to need to turn to the IMF for help, was galling to many proud Koreans. The problem was that there was US$60–70 billion in short term loans that would come due within a year, and banks and firms had no way to pay back those foreign loans without an infusion of cash coming from somewhere. Banks carried 28.5 trillion won (US$27 billion) in bad loans.[17] In the face of these problems, the stock market plummeted to its lowest level since 1987. Both Lee and Kim agreed with the decision to go to the IMF for help.[18]

The IMF rescue package, in combination with other contributions for South Korea, amounted to US$57 billion. But the decision to turn to the IMF for help was highly combustible. Massive protests erupted and two thousand students, workers, anti-IMF protestors took to the streets on several occasions in early December.[19] These very protesters were the core of Kim's support base. Hence Kim made a statement that said, in essence, he agreed with the IMF principles, but not with the details. This vague statement caused the won to slide even further and one week before the election, Kim stated clearly that he would abide by the agreement with the IMF as it had already been worked out.[20]

DJ won the December 18, 1997, election with just over 40 percent of the vote, Lee garnered 38 percent, and Rhee split the vote with 19 percent. Kim's margin of victory was a mere 2 percent. As part of his platform to promote political reforms, Kim took office wanting to introduce a parliamentary cabinet system with more checks and balances (and an enhanced prime minister position with which to reward Kim Jong Pil for joining his ticket). The GNP still dominated the legislature, so Kim would have a hard time pushing through some of his reforms.[21]

Did the Elections of 1997 Signify Genuine Change or Further Democratization?

Kim's victory was heralded by many as a triumph for further democratization in South Korea. Because of his standing as a longtime democracy advocate and dissident, and because the same ruling party had controlled Korean politics for so long, Kim's success was viewed positively by many, both in Korea and outside. Many political analysts also attributed his win to the economic crisis. The crisis was seen as triggering protests and renewing activism by labor groups, students, and others suddenly disgusted with the way the government and the economy had been run by the previous generation of leaders. This section will examine two assumptions in turn: (i) that Kim's victory was evidence of democratic reforms at work; and (ii) that the crisis and popular mobilization were the primary cause of political liberalization. While I do find that the 1997 election is an example of further political liberalization in South Korea, and the economic crisis is part of the explanation, it seems more appropriate to see this period as a further step forward for Korean democracy, not a radical jump. And, while the economic crisis is an important element in explaining successful political reform, it is more of an underlying factor that acts as catalyst to spark new political dynamics to occur, rather than the ultimate explanation.

While Kim's electoral victory in 1997 does provide a significant opportunity for consolidating democracy in South Korea, I do not view the 1997 election itself or the crisis as a significant departure from old ways of politicking. Instead, what occurred in 1997 was a gradual continuation of a process of democratization, which progressed in fits and starts beginning in 1987. Until 1997 many of the political changes evolved from decisions made by political elites. Roh Tae Woo made the decision to compete for the presidency in open elections, then he went forward with dramatic constitutional changes to liberalize or open up the political process. Kim Young Sam, the first civilian elected to the presidency, oversaw further changes: elections were held in local districts, transparency in banking laws were enacted, and Presidents Chun and Roh were tried and jailed for their role in the Kwangju Massacre of 1979. Progress was not continuous or uninterrupted, however. In 1996 Kim Young Sam fell prey to the old style of politics when he forced through a highly controversial labor bill and a security bill in the National Assembly. This heavy-handed action reminded many of the behavior of the previous military regimes and it sparked a huge outcry of protest. Demonstrations occurred from December 1996, when the

legislation went through, until March, when activism petered out.[22] And, like in the past, coalitions or alliances among political elites had a significant impact on the outcome of the election.

When DJ looked out at the political landscape, he realized that he needed to broaden his electoral base, both regionally and ideologically. He would not have won the election without joining forces with Kim Jong Pil. Doing so gave DJ a broader regional appeal and he was able to convince more traditional and conservative Korean voters that he was not as radical or left leaning as his history might have otherwise indicated.

Some studies of Korea's transition to democracy give greater credit or weight to the role played by political activism/mobilization, either from groups in civil society or through demonstrations and political protests from mass organizations such as labor and student unions. These analysts find that these groups formed an alliance in 1987 to mobilize strong pro-democracy forces against the ruling elite.[23] I find that protestors and efforts by NGOs are important to understanding democratization, not just in Korea, but also in Indonesia and Thailand, however, these actors or activities are only parts of the whole puzzle. Certainly, protests and persistent organizing from groups in civil society put pressure on leaders to behave in certain ways. However, a bottom-up explanation cannot solve (well enough) the problem democratic transitions. Why were protests and mobilization efforts finally successful in 1987 but not before? The answer is complex.

First, by the late 1980s domestic pressure from groups in society was coupled with international pressure on South Korean dictators to open up the system or at least be more accountable and less repressive of their own people. South Korea was scheduled to hold the Olympics in 1988 and that brought much more international scrutiny than before. Ronald Reagan also put pressure on South Korea to improve its human rights record.[24] I would argue that it was a confluence of these pressures, from within the country's political elite, from civil society and larger mass organizations, and from external forces that convinced Roh that the authoritarian system had run its course and that it was time for reform.

What happened to civil society after democratization took hold in 1987? Certainly, the number of student protests, labor strikes, and large demonstrations shrank dramatically. Was civil society weaker or less effective in some way after a measure of democracy was achieved? Some scholars have found that this is the logical course of events. Steven Fish found that civic mobilization often loses steam and becomes marginalized in the process of consolidating democracy. Once basic demands for a more open, more liberal system are met, the "fire in the belly" of opposition

groups may wane.[25] In South Korea it certainly seems that activism changed after the first substantial steps were taken toward democracy. In fact, activists may have shifted their goals and strategies. Sunhyuk Kim argues that after 1987 groups refocused their energy to electoral politics and channeled their interests that way.[26] Civil society organizations also become more focused on narrow areas of concern, such as the environment. To give one example: the Korean antipollution movement association has thousands of members and works to improve environmental conditions and is strongly antinuclear. It formed a larger umbrella group, the Korea Federation for Environment Movement, and its goal is to influence policy.[27] Hence activism has not gone away, it has reshaped itself into a regularized, institutionalized part of democratic politics. When an issue of concern occurs, these organizations are still good at mass mobilization; the demonstrations against the IMF in 1997 were an example of that. Civil society action, or lobbying, is useful as a means of achieving interest articulation on particular policies. However, almost by definition, interest groups have more narrowly focused goals. Thus, policies might be guided by input from organized society, rather than only dictated by political elites in office. Democratic theory envisions this sort of process as citizens control or influence their government. However, lobbying or interest group activity may be too narrow to effectively serve as a platform for broader political change or reform. In order to achieve greater democratization, it may be necessary to mobilize a larger segment of the population for action and for this larger group to have the support of insiders within government or politics.

Explanation of Success or Failure of Reform Ambitions

Like in Thailand and Indonesia, the economic crisis in South Korea was a catalyst for political changes. Consistent with these other examples, South Korea's experience shows that the financial meltdown was important, not just to spark mass mobilization, but because it also triggered a variety of internal and external pressures for political elites to behave in certain ways. DJ needed to back the decision to go to the IMF in order to broaden his support so that he appealed to more than his traditional constituency on the left. His partnership with Kim Jong Pil, along with his clear statement just before the election about sticking to the IMF agreement, probably earned him a few votes from more moderate or moderate-to-conservative voters. Once in office, Kim, as a real political outsider coming in during a time of economic crises (in part triggered by the unwise practices of big businesses), had an opportunity to try and

clean up the system and to implement political and economic changes. These changes also had an impact on cleaning up politics and weakening the effect of money on the political process. Ultimately, Kim was modestly successful, some changes occurred, but not as much as supporters had hoped for.

Consolidation of Democracy?

Events Since 1998

After DJ's electoral victory, he set about to implement a variety of policies. He initiated a thaw in relations between South Korea and North Korea, the aptly named "Sunshine Policy." This included increases in human and economic exchanges on both sides of the demilitarized zone (DMZ). Kim also set about trying to reform and to curtail the power and behavior of the chaebol. Beginning in the 1970s under Park Chung Hee the state gave heavy support to the chaebol to mobilize resources for industrialization. This worked quite well. With time, state power over these large firms weakened. Roh and Kim Young Sam were less autocratic and the chaebol became increasingly more powerful than the state bureaucracy that had previously overseen them. This was a contributing factor in the economic crisis. Kim came into office with a strong public mandate to overhaul corporate practices and he tried to do so. Luckily, the economy rebounded fairly well from the initial financial crisis. In 1998 there was a contraction of −5.4 percent, and this bounced to +9.3 percent growth in 1999; unemployment similarly improved from 8.6 percent in February of 1999 to 4.8 percent in September 1999.[28] Under these positive conditions Kim set about trying to restructure and reform the chaebol. Perhaps one of the more successful example of this is the government's presiding over the restructuring of Daewoo. Kim also launched a series of investigations into "unfair internal transactions of financial relations between chaebol units." One of the (many) problems with the chaebol had been accounting slights-of-hand, where profitable units within the conglomerate covered up for or transferred money to the unprofitable units.[29]

Kim also worked to implement political reforms, but here he was not terribly successful. One of his few successes was an agreement to change electoral and representation arrangements. The single-seat system with winner-take-all elections was replaced by a multiple-seat system where two–four legislators would be elected from each (now larger) district. Some seats would now be decided in party slates, some by candidate

races, and some by proportional representation. The goal was to end regionalism.[30] Kim also pledged during the election to push for a systemic change from a presidential system to a cabinet system with a strong prime minister.[31] Although DJ had won the election, he had done so with only a narrow margin of victory and he did not have a strong power base from which to enact reforms or his favored policies. Additionally, Kim promptly suffered from charges of corruption, which weakened the moral strength of his government.[32] DJ was forced to postpone his systemic changes until after the parliamentary elections in 2000. Given his party's small number of seats in the legislature, he was unable to get enough support to revise the constitution and hoped to win more seats in the National Assembly to be able to change the constitution.

National Assembly elections took place on April 13, 2000. They were held under the new voting rules and turnout was quite low. The GNP won 39 percent, DJ's renamed party, the Millennium Democracy Party (MDP), won 35.9 percent, and the ULD captured 9.8 percent. It was a very disappointing outcome for DJ. MDP's 115 seats out of 273, combined with the ULD's 17 seats, would still leave him short of a majority. That meant that further significant reforms were unlikely. Instead, the MDP/ULD relationship worsened and despite changes to the electoral system, regionalism still seemed powerfully important in determining election results.[33] The bright spot for Kim was his winning of the Nobel Peace Prize and continued support for his Sunshine Policy of engagement with the North. Kim suffered a loss of public approval with continued scandals such as the Hanvit Bank scandal[34] and other charges of financial misconduct of high-ranking officials. Financial reforms were slow in coming, but economic growth continued to be strong. Despite the promising economic data, the public mood was gloomy in 2000, people had high expectations of Kim's government, both in terms of improving "good government," that is, political reforms, and economic performance, and better relations with the North. What seemed foremost on people's minds were the continued charges of corruption and a lack of large-scale political reforms. People's disappointment and frustration continued to grow as economic reforms lagged in 2001.

Political infighting resulted in fewer political reforms than the public expected. Political battles were waged between the ruling and the opposition parties; the parties took different positions vis à vis chaebol reform. The GNP sided with the conglomerates against reform, objecting to controls such as limits on investment, the establishment of holding companies, and limits on debt-to-capital ratio of 200 percent.[35] In 2001 there was a breakdown within the coalition of ruling parties, furthering

strengthening the GNP.[36] Kim was further put on the defensive when his administration decided to investigate tax evasion by the media. Twenty-three newspapers were investigated. Critics saw this as intimidation and harassment of the press, especially harassment of those critical of the government.[37]

With the economy faltering somewhat and losses in three by-elections (two in Seoul, generally a New Millennium Democracy Party [NMDP] stronghold, and one in Kwangwon) there was discussion within the party about the need for reshuffling and image building. On November 7, 2001, DJ announced he was resigning as head of the NMDP. He argued that this move would help him focus better on economic and policy management since now he would be free of partisan loyalties.[38]

The 2002 Election

South Korean politics in 2002 revolved around the presidential election scheduled for December 19, 2002. The campaign was extremely dirty on both sides. Charges and countercharges of corruption were made by all parties. Since DJ could not run, and since he had resigned from the party, the field was open for the party to choose a candidate. The party, again called the MDP, held the first ever party primary to let its members choose a candidate. Roh Moo-hyun won and enjoyed overwhelming popularity for a while. In 2002 Roh was fifty-six years old. A human rights lawyer with no formal college education and a humble background, he ran as a very progressive candidate.[39] By the summer of 2002 Roh's support had begun to wane. He was tainted by the scandals surrounding DJ and his sons, and he miscalculated the public's reaction to a visit to Kim Young Sam.[40] The approval ratings of Lee Hoi Chang, again the candidate from the GNP, increased. The anti-Roh faction within the MDP began to think about an alternative candidate. They turned to Chung Mong Jun, a moderate politician who had gained popularity because of his association with Korean World Cup soccer. Chung had formed his own party, the People's Unity of the Twenty-First Century, and was looking promisingly popular. Some in the MDP wanted to bring Chung in to replace Roh as the party's candidate.[41] Roh and Chung agreed not to run against each other and split the vote, thus allowing Lee to win. They agreed to an unusual way of deciding who would run. They decided to hold a TV debate and whoever scored higher in public opinion surveys afterward would run. Roh won the debate by a small margin of 46.8 percent to 42.2 percent.[42] Roh then went on to defeat Lee in the national election by an even smaller percentage of the

vote, 48.9 percent to Lee's 46.6 percent.[43] Many celebrated Roh's victory as a shift in class politics in South Korea. He was the first president elected from a poor background. However, regionalism was alive and well and helped determine the election's outcome. Roh and his supporters hoped that his victory would signal an end to the old system of money politics and factionalism. However, Roh turned out to be a weak leader. Politics become more polarized between conservatives and progressives, there was an increasing number of labor strikes and organized protests.[44] Roh's inner circle was largely inexperienced in administration and he was unsuccessful in overcoming clashes with the conservative-controlled National Assembly.

Strikes and protests became more militant and police reacted with Molotov cocktails and arrests. The MDP was increasingly factionalized and finally Roh and thirty-five other members left and formed a new party, Open Our Party (URI), along with five defectors from the GNP. Still politics did not settle down. Finally, in the fall of 2003 Roh announced he would seek approval to stay in office. The National Assembly voted against Roh and charged that he had violated electoral laws. The GNP, the opposition party, controlled the legislature and they alleged that Roh had violated election law by supporting URI candidates and by not staying neutral. Also, the GNP argued that the president should be impeached for his involvement in illegal campaign funding by his aides.[45] For two months he was a lame duck, unable to govern. In the April 2004 elections, the URI won a slim but outright majority in the National Assembly; however, it subsequently lost its majority after a handful of URI assembly members were forced out of their seats by a combination of political infighting and election fund-raising scandals. The Constitutional Court reinstated the impeached president and overturned the earlier vote on possible election violations.[46]

Significant by-elections were held on April 30, 2005, and the Uri Party was unable to do well. The GNP won five out of six contested National Assembly seats. This was a terrible blow to President Roh and his party. Already weakened by the five legislators who had to resign for electoral law violations, the GNP as of 2005 has one hundred and twenty-five seats in the legislature, enough to block Uri from having a majority. There thus seems little likelihood of continued political reforms such as the elimination of the controversial National Security Law, which Roh had wanted to do away with.[47] While the inability of Roh and his party to enact further political reforms is unfortunate and does not bode well for strengthening democracy, one *can* see signs that voters are holding representatives accountable for their actions and not

supporting the sort of corrupt practices (violating electoral or financial laws) that used to be common practice. This certainly is a positive sign for the strengthening of democracy and democratic values. How then should we understand the consolidation of democracy in South Korea since 1997?

Explanation for Mixed Results

I would argue that South Korea is a viable, strong democracy, but an imperfect one. Opportunities for further political reforms seem to come about when there are unique circumstances present. Pressures from within government, from society, and from external forces need to align to produce significant changes. In the 1997 economic crisis, these elements coalesced; Kim was elected and the long-standing power of the GNP was challenged. This opened the door to reforms that improved accountability and transparency but it did not totally solve these problems and corruption and divided government meant that democracy was not further consolidated. Why not? The reasons have to do with the same elements or variables that helped explain the political reforms of 1997–1998. Since 1997, internal and external pressures for democracy have changed; priorities, concerns, and goals are different than they were during the economic crisis and this has affected the momentum for democratic consolidation.

In 1997 mass mobilization and protests were triggered by the economic crisis. People were outraged at Kim Young Sam and his administration for Korea's economic mess. They took to the streets to express their frustration with the government and with the political system itself. This politicization is one part of the explanation for DJ's victory. Kim, an activist, had not previously been successful in his electoral campaigns; the economic crisis made people more critical of conservative elites who had based their legitimacy on Korea's economic development. Also, the need to broaden his electoral base forced the alliance with Kim Jong Pil, which may have been his most crucial decision. This both widened his regional appeal, and it may have reassured some voters that his more leftist or progressive policies would be kept in check. External pressure from the IMF helped DJ enact some political reforms to weaken the power of the chaebol and their conservative allies in government, and by ultimately supporting the IMF program just prior to the election, Kim again could project an image of moderation to voters.

From 1997 until now, these pressures have changed. Fortunately, South Korea's economy rebounded fairly well from the economic crisis.

The nation graduated from the IMF's oversight, thus economic incentives for political reforms, particularly those that aimed to reform the chaebol and money politics, were weakened. (More about the chaebol will be discussed shortly.) Internal dynamics among political elites have also changed. DJ in 1997 was seen as a credible force for democratization. He was a longtime democracy activist and was seen as outside of the old clique of leaders associated both with the authoritarian order and with corrupt political practices. However, Kim too suffered from scandals involving his sons and close associates. Hence, his power as an advocate of change weakened over time. Roh too seemed to take office with the promise of belonging to a new breed of leaders, unconnected to old ways of politicking. However, he has clearly been hobbled by his own and his party's shortcomings. This may be the paradox of attempts at democratic consolidation in Korea. While too strong an executive could be a problem for democracy (no checks and balances), too weak an executive means that reforms may not take place. The latter seems to be the case in Korea.

Further Explanations: Demographic Factors

There is a growing body of literature about public opinion and political attitudes in South Korea. Doh Shin's work is one of the most frequently noted about democratic attitudes and values. Shin quotes the *New York Times* reporter Nicholas Kristoff:

> In many ways it [Korea] is a democratic society, and it yearns for international recognition as an open and advanced country. Yet the democratic filaments are intertwined with autocratic ones to make a social fabric that is sometimes baffling to outsiders.[48]

Shin's survey research found that 91 percent of Koreans favor democracy on some level, but many respondents also favor strong leadership or limited autocracy. Under particular conditions, 53 percent of respondents chose authoritarian leadership over mass-based participatory democracy.[49] Additionally, when questions about democracy are asked over time (Shin's survey work covers the time Kim Young Sam was in office), it seems that Koreans' support of democracy is superficial, fragmented, and mixed with authoritarian habits. From 1993 to 1997 favorable attitudes about democracy fell.[50] These seemingly contradictory findings are not as surprising as they first seem. It is conceivable that citizens who have lived most of their lives under a nondemocratic

political system may support the ideals of democracy but then fail to support their new democratic regimes when they fall short on those ideals, or when they are not able to deliver economic goods as efficiently as the authoritarian regime did.

Contradictory findings about democratic values could also indicate a difference in citizens' understanding or preference of what democracy is *for*. It could be that public attitudes about democracy reflect the viewing of such a political system as an effective means of improving their lives and/or welfare, instead of seeing it as a system for improving their rights and role in governance.[51] If the former is the case, then the economic crisis and later employment problems would certainly call into question the value and appropriateness of democracy. However, the economic crisis *did* serve to enhance democracy; hence, this might seem to indicate that South Koreans view their political system as a mechanism for both ensuring social well-being and protecting rights, with a preference for economic concerns over civil rights. These conflicting attitudes about democracy could well help explain why it has proven so difficult to fully consolidate democracy in Korea.

Changes in Security Relations and in Relations with the United States

In much of the literature on South Korean politics, there is a great deal of space devoted to discussing security issues with North Korea, and South Korea's special relationship with the United States.[52] The divided Korean peninsula is a product of the Cold War and much of the legitimacy and even success (economic and political success) of the authoritarian regime from 1950 to 1987 stems from U.S. support for South Korea as the front line of defense against encroaching communism from the North. As was true of other regimes around the world, the United States was willing to overlook human rights abuses and a lack of democracy in South Korea when it was a U.S. ally against the communist North and against China and the Soviet Union. South Korean military leaders, in turn, used the hostilities and the threat from the North as a reason to promote economic growth and to clamp down on any dissent or agitation for democracy at home. As the Cold War began to wind down in the late 1980s, and as the United States began to reexamine its friendships with repressive (but anticommunist) regimes, South Korean military leaders lost some of their justification for hard-line rule.

DJ's Sunshine Policy of engagement with the North would have been completely unthinkable just ten years earlier. In fact, relations between

South Korea and the North and between South Korea and the United States have changed dramatically over the last fifteen years. While students (and to some extent labor forces as well) in South Korea have a history of skepticism and even hostility toward the country's relationship with the United States and to having U.S. troops stationed in the country, military dictators saw the United States as a staunch ally and supporter. Relations with the United States began to change under DJ. Kim's relaxed and engagement-seeking policy toward the North came at a time when the United States was trying to decide how to deal with the possibility of a nuclear North Korea. Engagement was politically unpalatable to many in the U.S. Congress (as it is now), so Washington sometimes has issued critical statements about South Korean policy. Additionally, many in South Korea viewed the IMF as an extension of the United States or at least as promoting economic interests aligned with the United States. Thus, anger at the IMF was also manifest as anti-U.S. sentiment.

Despite these fractures in the relationship with the United States, I think there is an argument worth making that U.S. interests in Korea helped facilitate (they certainly did not cause) democracy in the late 1980s and during the economic crisis. Also, a change in U.S. foreign policy goals after 9/11 has perhaps been a small factor in the stalling of (or the discontinuous nature of) further democratic reforms thereafter. As discussed in other chapters, the forces of global capitalism (investors and multinational corporations) along with the IMF (within which the United States is the largest contributing member) put pressure on countries suffering from the 1997 financial crisis to enact certain economic reforms. While the IMF's main concern is economic policy making, it is impossible to divorce fiscal and monetary policies from the larger political arena. So, pressures to conform to IMF requirements and adjustments had negative effects on political elites in Thailand, Indonesia, and South Korea. Leaders in these countries were forced to enact policy reforms that hurt well-entrenched interests. This had the (perhaps) unintended consequence of empowering a new set of politicians and democracy was further facilitated. The United States was delighted to see two of its interests cojoined, the advancement of liberal capitalism and liberal politics.

After 9/11 the United States has been focused almost exclusively on security concerns, both relating to terrorism and to fears of nuclear weapons proliferation. North Korea poses a serious threat to U.S. interests as defined by the Bush administration and it was included in Bush's famous "Axis of Evil" speech. The North has continued to defy the world community and refuses to negotiate or fully discuss its nuclear, biological,

and chemical weapons programs. It is clear that North Korea has weapons of mass destruction, but it is less clear what purpose it intends these things to serve.[53] Under Kim and now under President Roh, the United States has felt frustrated by a lack of full support in South Korea for a policy that might use threats (as well as carrots) to get the North to negotiate the dismantling of nuclear weapons.[54] Because the United States is predominantly concerned with these security issues, it is less focused on questions of promoting democracy and good governance within South Korea.

Chaebol Reform

Political reforms and liberalization are deeply connected to the power and influence of big conglomerates. During periods of successful political reforms, political elites have been able to enact legislation to curb the power of the chaebol. When political reforms stall, it seems that chaebol reassert their dominance. During Korea's military regimes, the chaebol were protected and nurtured by their political supporters in power. Thus, they grew enormously in economic and political power. The first civilian president, Kim Young Sam, attempted to execute sweeping reforms of these economic powerhouses to expand democracy to the marketplace and to weaken the power of money in politics.[55] Kim Young Sam had an ambitious list of goals for reforming the chaebol. If his agenda had succeeded, the chaebol would have been forced to democratize internal management (separate ownership from management), promote fairer competition for small and medium-sized as well as foreign firms, and limit the number of areas of business that a firm could engage in and also mutual loan guarantees among chaebol member companies. None of these policies were successfully implemented. Kim was able to push through policy requiring real-name accounts in financial transactions, which was meant to address problems of corruption and hiding of ill-gotten gains from payoffs.[56]

DJ was more successful at pushing for chaebol restructuring and reform, but he still did not fully succeed in weakening their political clout. Kim was more of an outsider; he did not have the long-standing ties to the chaebol that might have made him timid to tackle their power. Also, because of the economic crisis, the IMF's restructuring requests put greater pressure on the government to take action against the chaebol.

> On January 13, 1998, President-elect Kim went to the chairmen of four of the largest chaebols—Hyundai, Samsung, LG, and SK to agree to 1) provide

> consolidated corporate balance sheets for each chaebol by 1999, as a means to improve transparency in management; 2) eliminate cross-investments and payment guarantees among chaebol member firms; 3) reduce the high debt/equity ratio of corporations; 4) specialize into a small number of key sectors; and 5) strengthen the responsibility of the CEOs and upper management.[57]

With the economy in shambles, chaebol owners were no longer able to claim state favors, protection, or patronage. Without the reform of these enterprises, IMF assistance would not have been forthcoming. Likewise, the rating of creditworthiness from private capital markets (the power of global capitalism at work) would have sunk even lower and made it impossible for the chaebol to continue to borrow money and function. DJ, as an outsider and with a reputation initially as clean and not corrupt, could exact these changes on the private sector. As his tenure in office progressed and as scandals about his family and associates came to light, his power and credibility waned. Hence, Kim was moderately successful at promoting reforms and democratization. Kim was, and Roh is today, confronted with conditions that are less conducive to pushing through serious political or economic reforms to further democratization. The United States, despite talking a great deal about the importance of democracy, is really more preoccupied with security problems. So, the United States is more interested in what South Korea can do for it as a partner in affecting change or at least more negotiation on nuclear weapons development in North Korea. Also, because the 1997 crisis has long since subsided and the economy rebounded a bit, there is less pressure on the chaebol to change their way of doing business and their ties to political leaders. Finally, groups in civil society and democracy advocates may feel a bit frustrated. Both DJ and Roh Moo-hyun came into office full of promises for a new era of change. Instead, both found themselves mired in similar scandals and charges of nepotism or corruption that their less democratically minded predecessors faced.

Conclusion

It is interesting that South Korea, Indonesia, and Thailand, despite having different political systems and different levels of political openness, all underwent political reforms in the aftermath of the economic crisis. Of these three countries, South Korea in 1997 was already fairly democratic. There were regular, free, and competitive elections in South Korea beginning in the late 1980s. The media was already free and able to

report and criticize without fear of repression or being shut down. People and organized groups were able to protest and assert their views. Despite these open conditions, an opposition candidate had yet to win the presidency until DJ did so in 1997. Also, the power of money and the chaebol in policy making and in electoral campaigns prevented a truly level playing field from existing. The economic crisis played a similar role in South Korea as it did in Indonesia and Thailand: it provided additional incentives and power to opposition groups to chip away at the old order. In South Korea this happened through peaceful protests and electoral victory for the opposition. DJ's victory and the election of Roh after him have indicated that citizens want to see outsiders elected and want reforms to go through. However, Kim and Roh were hampered by the continued election of representatives to the legislature who resisted more significant changes to the system. Perhaps then Koreans are concerned about too much change, too quickly, or do not want to see more policies enacted that could economically injure big business and risk the destruction of more jobs.

Today, South Korea is arguably more democratic than it was in 1997, especially if measured by procedural and good governance standards. However, several reforms can still be made. Laws and procedures can be put into place to institutionalize stricter oversight of politicians, their allies, and the chaebol.[58] The political system can be reformed to reduce the power of money in campaigns, as well as to encourage more clean and honest politicians to run for office. Once these changes are made democracy will be more fully practiced.

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CHAPTER 3

Indonesia: Democratization but Hurdles Still Remain

Introduction

In Indonesia the economic crisis helped push President Suharto out of office after more than thirty years in power. Since the spring of 1998 when Suharto stepped down, Indonesia has undergone massive political change. The country is now on its fourth post-Suharto president, the constitution has been changed, new political parties have been born, the military's role in politics has shrunk, and local governments have been given new control and authority. Yet, democracy still faces serious hurdles. Given that the economic crisis helped bring about political reform in 1997/98, what has happened since the crisis abated? Have changes been institutionalized or consolidated, why or why not? In order to answer these questions, the chapter looks at several factors that impact political change: the role of external pressures (from either the IMF or globalization more generally, as well as pressure from U.S. policies to combat terrorism), internal pressures from civil society, the military, and elite cooperation or alliances (i.e., political cooperation or disagreement among top politicians).

Democracy has only been weakly consolidated in Indonesia although *reformasi* (political reform) has been far-reaching and significant. Why has the democratic potential not been fulfilled? The answers are complex: to begin, external pressures have changed. In 1997/98 the IMF and global investors supported political changes so that there would be greater accountability and transparency to protect their assets. Indonesia, like Thailand and South Korea, has graduated out of its IMF program and now there is greater pressure for stability and for rooting

out terrorism. The IMF no longer has billions of dollars at stake and political reform and accountability are secondary to more significant security goals. Likewise, internal pressure for democracy has weakened: civil society has focused more on welfare or economic concerns than on political changes, and while the military seemed to support political change in 1998, and although the military's formal role in politics has shifted in South Korea, Thailand, and Indonesia, it is still a powerful actor in the political process and may be an impediment to the consolidation of democracy in Thailand and Indonesia. The danger in only having weakly consolidated democracy is that in Indonesia, unlike in Thailand or South Korea, it is not unreasonable to envision a return to a less democratic order. It is unlikely that the country would revert back to hard-line authoritarianism, but it seems possible that conditions could occur where some of the democratic political changes that have occurred are overturned.

Background: Indonesian Politics Before 1997

President Suharto came to power in Indonesia in the wake of a murky coup in 1965. The exact circumstances surrounding the failed coup d'état of September 30, 1965, remain controversial and unclear. The official and mostly accepted account is that pro-communist military officers, going by the moniker the September 30 Movement (Gestapu),[1] attempted to take power. They seized the state radio station on October 1, 1965, and announced that they had formed the Revolutionary Council and a cabinet in order to prevent a coup by corrupt generals who were supposedly in the pay of the United States' CIA. Gestapu generals murdered six generals on the night of September 30. Although various Communist Party (PKI) officials offered support of the action, it is unclear what the party's real involvement in the coup was. Official military accounts of the coup give the communists credit for masterminding the event, but some scholars have suggested the PKI's role was minimal and that the coup was the result of military rivalries or factionalism.[2]

The aftermath of the coup, however, is tragically clear. There was a violent anticommunist reaction. By December 1965 mobs were engaged in massive killings. Targets were members, supporters or possible sympathizers of the PKI, and ethnic Chinese. Estimates of those killed vary from a low of seventy-eight thousand to two million, a figure around three hundred thousand is most likely. The army was also purged of pro-communist and pro-Sukarno (the first postindependence leader of Indonesia) elements. By the mid-1960s Sukarno's politics had become

more leftist and he was less able to play one powerful group off of the others. Sukarno's power collapsed because of his leftist sympathies and because of his loss of military support. In his place General Suharto rose to a position of supreme power.

Suharto's New Order

Over time, Suharto created an authoritarian regime characterized by tightly centralized control and personal rule. He gradually asserted control over the military (ABRI) and gave the army generous resources, personnel, and equipment. The armed forces played important roles in maintaining social order and in political life. This "dual function" or "dwifungsi" made ABRI the main source of power in Indonesia. ABRI also became further entrenched in the economy.

Although opposition to Suharto existed, the regime was largely stable. The explanation for this can be found in the military's loyalty to Suharto and its political and administrative powers. Additionally, Suharto created organizations to link society to the regime. For example, *Golkar*, Suharto's network to mobilize peoples' support and the vehicle he used to win elections, existed at every level of society. He also rejuvenated *Pancasila* as the official state ideology. Pancasila is the basis for a unified state under the adherence of the following five principles: belief in God, humanitarianism, national unity, democracy, and social justice.

Like his predecessor, Suharto marginalized political parties. Only three parties were allowed to compete in elections: four Islamic parties were forced to merge into the Unity Development Party (PPP); non-Islamic parties, such as the Indonesian Nationalist Party (PNI), were fused together as the Indonesian Democratic Party (PDI); and most significantly, there was the party formed by the armed forces, the Joint Secretariat of Functional Groups (Golkar). This was a way of co-opting social organizations and bureaucrats and making them subservient to the military. Golkar was given primacy in rallying popular support for Suharto. Overall party influence was also minimized by restricting the parties' roles in the newly established legislative bodies, the DPR (lower house; Dewan Perwakilan Rakyat), and the MPR (upper house; Majelis Permusyawaratan Rakyat). About 20 percent of members at all levels of government were directly appointed.

Suharto also embarked on economic development. Under the guidance of an informal group known as the Inter-Governmental Group on Indonesia (IGGI), it was comprised of major Western nations, Japan, and multilateral aid agencies such as the World Bank. Aid and lending

programs were coordinated to address the country's debt service obligations. Under the guidance of the IGGI, a group of foreign-educated technocrats (sometimes called the Berkeley mafia) designed a series of five-year economic programs named *Replita*. By most standards, Indonesia was successful. The quadrupling of oil prices in the 1970s helped Suharto buy political stability and allowed him to embark on new avenues of industrialization. Also, the introduction of high-yield varieties of rice allowed the nation to become self-sufficient in this basic crop.

Not to be dependent on oil, Suharto also promoted manufacturing, investing in steel production, and semi-processed goods such as plywood and other forest products. Economic development was not along a laissez-faire model. Instead, Suharto built an economic system based on bureaucratic (and military) control over economic entities. Powerful public figures, both military and civilian, gained control of potentially lucrative offices and used them to build economic powerhouses. In part the socialist legacy of the independence struggle made such state interference in the economy possible. Chinese entrepreneurs and members of Suharto's family were often the beneficiaries of government contracts and licenses that created monopolies in key industries.[3]

Immediate Effects of the Economic Crisis

The economic crisis in Indonesia unleashed a torrent of protests and resentment toward President Suharto's almost thirty years of autocratic rule. Throughout the summer of 1997 Indonesia tried to cope with the falling rupiah on its own. Suharto and his closest allies were unable to decide if they wanted to accept the terms offered by the IMF for assistance in stopping the economy's free fall. Finally, in November of 1997, in an effort to calm domestic and international fears of inaction, Suharto's government closed sixteen insolvent banks and announced additional austerity measures. Instead of increasing confidence in those financial institutions that were sound, financial panic occurred and mass demonstrations erupted across the archipelago. Although it was announced that US$33 billion in loans would be made available to Indonesia, Suharto was still unable to agree to terms of a bailout from the IMF. Finally, in January of 1998 Suharto agreed to a package of economic prescriptions from the IMF. Some of the requirements included curbs on official favoritism for companies controlled by his

children and his nearest allies, and reductions in subsidies, such as those for oil and gas.

In January 1998 Suharto announced that he would seek reelection; it would be his seventh term as president of Indonesia. He also hinted that he would choose B.J. Habibie as his next vice president. Suharto's actions only served to further weaken investor confidence about reforms in Indonesia's economy, and public disapproval over how Suharto was handling the economic crisis grew alarmingly. Mass demonstrations increased throughout Indonesia in early 1998. On February 14, a different sort of activism occurred. While most protests and demonstrations had been peaceful, a different segment of society used the unrest to further their sense of anger and resentment toward perceived beneficiaries of the New Order. Rioters in Jakarta, Medan, and other cities burned and looted shops. Churches were vandalized and burnt. Protests continued in major cities during February; some protests, such as those by students, were peaceful and mostly about political aims whereas others were violent. Although police sometimes tried to break up the demonstrations and riots, often police and military units stood by while protestors destroyed private property and even attacked other people, mostly ethnic Chinese. On March 10, 1998, Suharto was reelected by the legislature and was given significant new power to confront the economic crisis. His reelection triggered some of the largest and most fiery antigovernment demonstrations in thirty years. Protests continued into the spring.[4]

May began with violent riots in Medan and other cities over price increases resulting from reductions in government subsidies for cooking oil and other necessities. Thousands of students continued protesting against the regime. Some very notable and high-profile individuals began calling for Suharto to step down. Muslim leader Abdurrahman Wahid called for Suharto's resignation and he pled with the nation to put an end to the hostility toward the Chinese community. Wahid's outspokenness against the government gave encouragement to the students to continue their protests and to take them outside the campus gates to the streets.

On May 13, 1998, Jakarta police opened fire on thousands of student protestors at Trisakti University. Six were killed and dozens wounded. The next day protests turned horrifically violent. Hundreds of stores, vehicles, offices, and homes were burned and looted. Most of the anger and damage was directed at Indonesia's ethnic Chinese minority because of their perceived business ties with Suharto.

Hundreds of Chinese women and girls told gruesome stories of being assaulted, raped, and tortured. Graphic tales of the violence have been widely documented.[5]

When Suharto resigned the presidency on May 21, 1998, B.J. Habibie took over. Habibie served as president for a year and allowed competitive elections to be held.

While Suharto's ouster from office is clearly the turning point in Indonesian politics, there is still a legacy of problems left behind that both set the scene for immediate political reforms from 1998 until 2004, and still need addressing today. Three broad legacies of this past have continued to impact the country's politics and its basic stability.

1. *Bureaucratic capitalism:* A lasting effect of both the colonial political economy and Suharto's New Order is the power of the state in the economy. Large corporations with cozy ties to individuals in the government or the military continue to dominate key industries.
2. *Territorial integrity:* The desire to build a unitary state whose territory would extend from Sabang, an island northwest of Sumatra, to Merauke, a town in southeastern Irian Jaya (now called Papua), has been critical to the creation of nationalism for successive regimes. The current president, Susilo Bambang Yudhoyono (popularly known as SBY), will face continued challenges to this desire.
3. *Politicized Islam:* Reformist and conservative Islamic groups have competed for power and influence in Indonesia since colonialism. These competing faces of Islam, along with more violent Muslim organizations, will continue to vie for power and popular support.

These elements will be discussed later in the chapter.

Reformasi

The balloting held on June 7, 1999 was the most free and fair election since the 1950s. Of the forty-eight parties competing, Megawati Sukarnoputi's. PDI-P won the longest share of votes with 34 percent. Golkar, taking advantage of comprehensive local networks, won 20 percent of the vote. Abdurrahman Wahid's party PKB, and Amien Rais' PAN also had strong support. The President was chosen through an electoral-college structure in October 1999. Although Megawati's PDI-P won the highest percentage of votes, she failed to gain the backing of other political elites and at the very last moment Wahid was selected to be the president.[6,7]

Although he was a vocal supporter of *reformasi*, that is, political reforms, his administration was quickly beset with problems and he was viewed as unreliable and inconsistent. On July 23, 2001, he was impeached by the Congress.[8] Megawati (Mega) succeed him as the third leader in three years to try to govern Indonesia. While none of the first three post-Suharto presidents lasted long in office or seemed strong enough to pull the economy out of the doldrums (although under Mega the economy was at least stable), significant political changes did take place and the parliamentary and presidential elections of 2004 were the most open, competitive, and clean elections in Indonesia's modern history.

Further Changes

From 1998 until 2004 there were numerous important changes to the political system. The government that took office on October 20, 2004, is more representative of the peoples' wishes than ever before. The capstone of reformasi was a constitutional amendment that called for the direct election of the president (for a five-year term). Prior to 1998 the 1945 constitution stipulated the election of a national parliament, the DPR, made up of party representatives and elected every five years. It is a unicameral body. The DPR, along with a group of regional representatives, the military, and other "functional groups," formed the People's Consultative Assembly, the MPR, the most significant function of which was to choose the nation's president. The president appointed a cabinet and was able to rule largely by decree. Suharto manipulated the parties that "competed" in the DPR elections between 1977 and 1997 and controlled the appointment of the other representatives who sat in the MPR. The DPR served as a mostly rubber-stamp body for Suharto's legislation and the MPR reelected him to the presidency every five years.

In addition to initiating direct election of the president and vice president, constitutional amendments adopted after 1998 have eliminated the "functional" representatives in the MPR and replaced them with a senate made up of 128 directly elected, nonpartisan members, 4 from each of the nation's 32 provinces.[9] The MPR is now comprised of the DPR and the senate together and its only real powers are to amend the constitution, swear in the president and vice president, and to dismiss them under very specific conditions. A constitutional court has also been created to review laws and resolve disputed results of general elections and to help protect human rights.[10]

After 1998 new political parties were also allowed to be formed (and *re*formed). Suharto's election vehicle, Golkar, continues to operate and to

be highly successful at the polls and in winning local elections, which began in June 2005. The strength of its networks allowed it to finish in second place in the 1999 election and to win the most votes in the 2004 parliamentary elections.[11] Other strong parties include PDI-P (a reconstituted nationalist party), Megawati's party, but it had a poor showing in the April 5, 2004, elections (they won less than 20 percent of the popular vote, down from 34 percent in 1999). The secular, progressive Democratic Party (PD) of which SBY is the head, and Keadilan Sejahtera, the Prosperous Justice party (PKS), an urban-based Islamic party that advocates clean government, were the beneficiaries of PDI-P losses at the polls. Important players among the smaller parties include Parti Bulan Bintang (PBB, Crescent Star Party), the PAN, and the PKB.[12]

Elections of 2004

The year 2004 was a watershed one for Indonesia. Parliamentary elections were held in the spring, and the first-ever direct presidential election was held in two rounds. The initial balloting was in July and a run-off between the two highest vote getters was held in September. The national election on April 5 for the legislative branch showed how successful the reformasi has been. With all the power of incumbency, President Megawati's party, PDI-P, suffered major losses, illustrating voters' dissatisfaction with her time in office. As mentioned earlier, PDI-P won less than 20 percent of the popular vote, down from 34 percent in 1999. Golkar's share of votes also shrank, although in absolute terms it won the largest block of votes. Parties that did well included the PD led by former general SBY and the PKS. Other moderate Islamic parties also did well, but parties advocating Islamic law and an Islamic state did not do well.

> Five of the eight parties that captured more than two percent of the vote in April were Islamic parties, but all of them had moderate leaders and platforms. Four of the five tickets that competed in the July 5 election included a moderate Muslim candidate, and yet a third of the voters picked the entirely secular ticket headed by SBY.[13]

On July 5 the first round of the presidential election was held. Based on the results of the parliamentary elections it was a five-way race for president and vice president. Since none received a plurality of votes, a runoff was scheduled for September 20. The two top vote getters were SBY with 34 percent of the vote and Megawati with 27 percent and so

they faced each other in September for a final vote.[14] The final vote on September 20, 2004, resulted in a resounding victory for SBY. The former general won 60.6 percent of the 110 million votes, about 20 percent more of the popular vote than Megawati received.[15] SBY's popularity has meant that many legislators, irrespective of party affiliation, have been willing to work with him. Given the disarray and factionalism within both Golkar (and since SBY's vice president Kalla captured the Golkar leadership in December 2004) and PDI-P, SBY has little coherent opposition in parliament. Rates of voter turnout were impressive for all three rounds of elections in 2004; the highest participation came in the July presidential race where about 82 percent of voters (125–126 million) cast their ballot.[16] Understandably, voter fatigue caused turnout to decline from April to September.

The 2004 elections were significant for Indonesia for several reasons. Most importantly, they were carried out by and large without violence or massive fraud, and were open, free, fair, and contested by a multitude of parties and candidates. Second, they showed that reform *can* happen and have significant effects on the political system. Third, voters signaled that they care mostly about bread-and-butter issues such as the state of the economy and social welfare issues,[17] but that there is growing concern about security problems and violence (the bombings in Bali and Jakarta and the sectarian violence elsewhere) as they could disrupt goals of economic growth, or even undermine democracy and stability.

The elections also highlighted how far political reforms have come in areas beyond just transforming political institutions. Two of the areas where one sees dramatic positive change (although not without some problems) are in the independence and variety within the media and in the explosion of NGO or civil society activity. After the fall of Suharto, Indonesia was viewed as the center of media freedom in the region. There are a wide variety of media outlets and opinions. The amount of critical reporting and commentary that exists would have been impossible under Suharto. However, these freedoms may be shrinking. Indonesia's media is increasingly subjected to lawsuits and restrictions (such as in Aceh), and physical assaults on reporters have been documented. This violence seems to have been sponsored by powerful officials and businessmen with political backing. Private business interests and the military are increasingly using the civil court system to control press coverage. Tempo's chief editor Bambang Harymurti was sentenced to one year in prison for an article that alleged one of Indonesia's most powerful businessmen, Tommy Wintata, stood to profit from a fire that had destroyed part of a textile market. The same article included a statement from

Tommy Wintata denying the allegation. Bambang Harymurti is free pending appeal. Cases such as these, plus the censored coverage of the war and the peace deal in Aceh, exemplify reemerging practices of political pressure on editors, intimidation of journalists, and self-censorship.[18] The media itself is also going through a learning process. Sensational coverage that sells papers or generates advertising revenue and outlets seeking pay for coverage can distort what is reported. Also, journalistic ethics are still developing.

There are many effective human rights groups, including Imparsial, Humanika, and the Indonesian Legal Aid Foundation, and ELSAM (Lembaga Studi dan Advokasi Masyarakat, a Jakarta-based research institute and human rights advocacy group), that aid victims and promote civil rights. There has also been enormous growth in think tanks and foundations that exist to study various political, economic, or social issues and then to put pressure on the government to implement particular policies. These groups are legal but the government has been known to monitor, harass, and interfere with their work. The State Intelligence Agency (BIN) accused twenty local and international NGOs of endangering national security in the period leading up to the July elections. The national police then said that they were monitoring Indonesian and foreign activists identified by BIN as possible threats.[19] Clearly, this is less about national security than about protecting officials whose records might be embarrassing when exposed by critics. This is a troubling sign since these tactics were commonly used during Suharto's New Order.[20]

The other highly significant shift in Indonesian politics is the formal removal of the military from political affairs. Scholars disagree on how significant a force in politics the military might still be. The Indonesian National military (TNI or Tentara Nasional Indonesia, formerly ABRI) once played a pivotal role in politics. The formal process of de-linking the military's civilian and political functions began almost as soon as Suharto was out of office. Several of the reforms were immediately successful: the police were separated from the armed forces, formal ties to Golkar were severed, the number of seats in parliament reserved for the military were reduced (and are now gone), and the military was ordered to stay neutral in elections.[21] More informally, and perhaps more significantly, President Wahid tried to limit TNI's power, and the most obvious example of this was his removal of General Wiranto from his cabinet position; however, five generals still served in the cabinet (one of whom was SBY, who recognized early that changing economic, social, and political dynamics would change TNI's position and power) showing the continued political influence of TNI.[22] From 1998 when Suharto left

office through the spring of 2004, both Presidents Wahid and Megawati talked about curtailing the military's role in politics but it seemed that TNI was able to retain power both behind the scenes and through institutional means.

One of the consequences of Gus Dur's attempts to weaken the military's grip on power was the creation of greater factionalism among top leaders. When General Wiranto was clearly calling the shots, there were few officers in the military who would openly challenge him. Once he was removed, other generals still held powerful positions in government but there was less of a united block of military players pushing for a coherent set of policy choices.

Nonetheless, by 2003–2004 TNI still carried a great deal of influence on the political processes and policy decisions. However, 2004 may be considered a turning point of sorts for this. While there were several retired generals who ran for the post of president or vice president, the military's representatives in the MPR were are gone and active military personnel were ordered to remain neutral in the elections, even to the point of forgoing their right to vote. Likewise, with the 2004 elections, there are no more appointed members in either the DPR or the MPR. However, informally, the military is still enormously powerful as retired officers have joined parties and run for elections. Also, the dense web of military–business ties has been largely unsevered,[23] and the TNI is still territorially based throughout the archipelago. This, in effect, created a parallel administrative structure to the government, allowing the army to act as a type of localized paramilitary police was the means by which the military's dual power as a political force could be carried out.[24]

Perhaps one of the lesser-studied and most troubling elements of Indonesia's landscape is the existence of quasi-paramilitary groups with ties to each of the major parties in parliament. Traditionally, these groups have been mobilized to instigate popular demonstrations in favor of the group's patron, to keep order at party rallies or functions, or to create a disturbance against opponents. When dissatisfied with elite political agreements or contests, disputing politicians would mobilize street protests against opponents and these paramilitary groups were often part of such actions.[25]

Other Lingering Problems

Earlier in the chapter, I described three broad legacies of Indonesia's past that continue to impact politics and the political economy of the country today. Those legacies include: bureaucratic capitalism, territorial integrity, and politicized Islam.

Bureaucratic capitalism, or the state's involvement in the economy through guidance and planning or through crony capitalism and favoritism, is a prime target as the most significant contributing cause of the financial crisis and of overall distrust in the government. While the economic crisis and IMF oversight forced Indonesia to begin examining and getting rid of the worst excesses of this system, the overall economy remains reliant on the power of well-connected, large business interests, some controlled by the military or run outright by the state or politically connected individuals.

Territorial integrity: Of course, the most troubling problem on Indonesia's political plate is ethnic and religious violence, carried out in the name of territorial independence and/or for sectarian claims. For years Aceh has tried to achieve greater autonomy and now outright independence from Indonesia. A peace agreement was signed on August 15, 2005, between the government and the Free Aceh Movement (GAM), which will give Aceh considerable autonomy although not outright independence. The Indonesian military has withdrawn a large number of its troops and international troops have moved in to try to ensure security. There is a risk of violence from both the Indonesian army, which tends to behave like an occupying force, and from spoiler elements of GAM who may not have fully disarmed.[26]

Other tinderboxes in Indonesia include Dayak–Madurese violence in West Kalimantan. Deadly clashes occurred in 1999, 2000, and 2001. Dayaks want to drive the Madurese out of ancestral land, and over the last few years thousands have been killed and one hundred thousand have fled their homes. Central authorities and TNI basically stood by and did little.[27] Christian–Muslim violence has also been intense in the Malukus.

> By the beginning of 2002, as many as 10,000 Christians and Muslims had died and half million were displaced from their homes. Militias were formed and self-defense was translated into preemptive attack. Entire villages were burned down.[28]

The problem is further complicated by police and military personnel taking sides, and thousands of Laskar Jihad (a militant Islamic group) members fighting for their fellow Muslims. Laskar Jihad's express aim is to expunge the province of Christianity by killings, forced conversions, and expulsions.[29] Since 2002, the fighting in Ambon and around the Malukus has mostly ceased. There have been sporadic outbursts of violence and bomb attacks, but the clashes are

shorter in duration and the number of casualties has shrunk from thousands to handfuls. After the Bali bombing in October of 2002, Jafar Umar Thalib, leader of Laskar Jihad, perhaps under pressure from political and military authorities, announced that the group would disband. However, the parent organization for the group, Forum Komunikasi wal Sunnah wal Jamaah, still operates with offices in about seventy cities throughout Indonesia, and the organization runs several businesses and madrassas.[30]

Somewhat similar to the problems in Aceh, unhappy Papuans would like more than the "special autonomy" offered them by President Megawati in 2002. While Papua (formerly referred to as Irian Jaya) is not yet as violent as Aceh or Maluku, the training of Muslims for "self-defense" and the involvement of militias trained by TNI are laying the groundwork for future violence.[31]

Politicized Islam: As if these problems were not enough, the government must also deal with JI.[32] The Bali bombing of October 2002, the Marriott Hotel bombing in August 2003, the bombing at the Australian Embassy in September 2004, and the second Bali bombing in October 2005 were all carried out by JI.[33] While Indonesians (outside of the Balinese) do not seem terribly up-in-arms about these attacks (secessionist movements, religious and ethnic violence, and economic issues rank higher as people's concerns), the international community, particularly the United States and Australia, has put significant pressure on the government to crack down on JI and other avowed terrorist groups. These legacies will be detailed further when they are placed in the context of understanding the successes and failures of democratic consolidation.

Analysis of Successful Reforms

Democracy emerged in Indonesia in 1998 because of the confluence of internal and external factors that collided during the economic crisis. External variables or factors discussed here are civil society groups and the IMF. Internal factors include elites (political and business leaders, plus military generals) within Suharto's circle of power. People took to the streets protesting both Suharto's inability to solve the financial crisis and the whole political economy that had evolved under the New Order regime where Suharto's allies benefited politically, socially, and economically from their links to him. While students were the most visible and numerous of the protesters, other groups in society became politicized as well. Islamic groups and business organizations also called for Suharto to resign. The IMF played a role as well. It did not explicitly call for

Suharto to step down. The organization claims to be nonpolitical and not to meddle in domestic politics. However, by accepting IMF loans, Suharto was forced to enact certain economic policies that were injurious to his allies, closing banks and ending monopoly control over certain industries, for example. It seemed that he could do nothing right.[34] Policy choices such as reducing fuel subsidies sent protestors into the streets, and trying to close insolvent banks both angered some of his closest associates and sent confusing signals to a worried populace. Instead of assuring the people that the remaining institutions were sound, he caused them to panic. There were runs on the banks and more protests. Additionally, he angered some of his closest business, political, and military allies. Regardless of whether he complied with the IMF or defied it, people had lost their willingness to let him guide the country autocratically. I do not believe that protest activity and opposition to Suharto alone would have ended his regime. But, such politicization gave additional power and credibility to elites within power to oppose Suharto. It was at this juncture, when Suharto finally lost the backing of his closest allies, and military leaders signaled that they could not ensure order, that he realized he had to step down.

It is clear that democratic changes have been implanted in Indonesia. The last seven years in Indonesia have been unbelievable. The number and breadth of changes that have taken place are dizzying. Where there was once an autocratic regime that had the power to arrest and terrorize its opponents, there is now a functioning democracy. Elections are largely free and fair and contested by dozens of political parties, the press is free and there are a wide variety of opinions and voices being heard, civil society and NGO life is abuzz with activity.[35] However, it is too soon to say that reforms have both created a liberal democratic order and have been consolidated. Democracy at this stage is imperfect. Institutional changes have had the impact of opening up the political system to vigorous and mostly fair competition. Winners and losers seem willing to play by the rules. Despite all of these important changes, one of the most important things that a democratic regime must be able to do is protect the rights of minorities, and the government in Jakarta has clearly not done this. The violence in Maluku, Pontianak, and West Kalimantan (and perhaps soon to come in Papua) is horrific.[36] Likewise, the existence of paramilitary groups associated with different political parties and outside of the formal structure of the police and army is a profoundly antidemocratic force. The fact that disputing politicians can mobilize street protests and violence against opponents through these militia groups is highly disturbing. Corruption is still a terrible problem

and taxes both peoples' pocketbooks and their faith in government. And, although the military's power is vastly weakened in the formal arena, it is still active in extrajudicial killings and activities and is involved in illegal enterprises such as blast fishing and illegal logging, which give it alternate sources of income and a stake in holding on to territorial control in areas where there are pockets of violence (sectarian or separatist). Additionally, vote buying, patron–client ties, and a very weak judiciary mean that it is hard to ensure a fair system.

So, how can we understand the significant positive changes that have occurred and understand why democracy has a ways to go?

The Difficulties in Consolidating Democracy

There is a great deal of political science literature on both transitions to democracy and on the consolidation of democratic reforms. As Haggard and Kaufman argue, "economic conditions influence the timing and terms of democratic transitions and post-transition political alignments."[37] They go on to expressly discuss the role that economic crises play in transitions to greater political openness: "crises are neither necessary nor sufficient to account for authoritarian withdrawal, poor economic performance reduces the bargaining power of [authoritarian] incumbents and increases the strength of oppositions."[38] And, as they further explain, economic crises change the demands of civil society or the private sector, the loyalty of the military, and expectations of the larger population. With the military still a powerful force in both Thailand and Indonesia in 1997, one could easily imagine the economic crisis as a justification for authoritarianism as this might have been a more efficient way of enacting the "right" economic policies. Yet, almost the opposite occurred; the military backed the passage of the new constitution in Thailand and at least enough of the military leadership in Indonesia decided that Suharto would have to go. So, reformasi was a success in countries discussed thus far in the book. However, despite significant efforts at cleaning and opening up the political process, Indonesian, South Korean, and Thai politics have been plagued by corrupt practices such vote buying and cozy relations among political, military, and business leaders. Also, neither the military nor radical Islamic groups in Indonesia have been fully reigned in. Why have reforms not had the desired effect of reducing corruption and money politics and further consolidating democracy?

The reform processes in Indonesia, Thailand, and South Korea largely came from within (transformations), and so a great deal of compromise

was enacted to co-opt hardliners into allowing reforms to go forward. In Thailand the economic crisis was the last push to get acquiescence from stalwarts in power. In South Korea the crisis weakened the power of the chaebol to protect its interests and that of its conservative political allies, and in Indonesia it was the necessary catalyst to openly blame Suharto for cronyism.

In the flurry of scholarship that was produced in the happy aftermath of the fall of communism, most of the focus was on the end of the authoritarian order. It quickly became apparent that ending repressive rule was not the same as creating a solid, enduring system that guaranteed free and fair elections, protection of civil rights and civil liberties, an open press, and some sort of checks and balances or a sharing of power among political institutions in general.

Consolidation of democracy is generally taken to mean a system that is unlikely to break down, that is, we can expect it "to last well into the future."[39] This seems simple, but it poses significant problems of operationalization and measurement.[40] In order to describe and even to try and predict consolidation, scholars look at the institutional or structural underpinnings of the regime or at the attitudes and behavior of key actors. In simple terms, do leaders play by the rules of the game and not see themselves as being above the law? Are leaders willing to lose elections and abide by the results? Schedler finds that scholars pronounce a democratic regime to be consolidated when leaders behave democratically, when major political actors acquire democratic attitudes, and when the socioeconomic and institutional foundations for democracy are in place.[41] Even after several successful and fair elections, democracy could still be undermined by corruption or a lack of institutional checks and balances. I argue that the consolidation of democracy (or the lack of it in Indonesia) can be explained using the same variables that impact democratization in the first place. Since I found initial democratization to be a product of internal and external variables, what has happened to these elements since the economic crisis and what can they tell us about democratic consolidation?

Connection Between the Economic Crisis and Political Reform

There is no question that the financial crisis of July 1997 served as a catalyst for the passage of the new constitution in Thailand, the rise of opposition politics in South Korea, and the ousting of Suharto in Indonesia. Afraid of further political chaos, domestic and international investors withdrew until they felt reassured that political reforms would

go forward and that politics would stabilize and leaders would be able to make and implement coherent economic policy. Had political change not occurred, members of the ruling elite in both countries faced the threat of a further economic decline, something that was almost unthinkable.

In Thailand, South Korea, and Indonesia the vital independent variables (that helped bring positive change in the wake of the economic crises) are now more concerned with either maintaining their own power or more focused on security concerns than an democratic ones. These variables include individual leaders, the military, and the international community.

Externally, the IMF and global investors are now less worried about or focused on accountability and transparency.[42] Now major external pressure is coming from the United States and its "war on terror." The United States and global investors are worried about stability and antiterrorist actions.

> A huge amount of change is needed to make the country more attractive in investment terms.
>
> Hadaway's list of long-standing concerns is the same most investors rattle off: "Law enforcement issues, policy and regulatory issues around tax, labour, intellectual property, crime, security, and regional autonomy plus concerns on the deterioration of, and desperate need for, infrastructure," he says.[43]

The aforementioned concerns have more to do with stability and specific policy choices than broad issues of democracy and political or institutional reforms.[44]

In Indonesia, the internal hurdles to democracy include the lingering power of the military, the continuation of sectarian or separatist violence, and the existence of paramilitary organizations. Like in Thailand and South Korea, the external pressures for democracy have dissipated, the international community is now focused on Indonesia not because of a need for economic and political reforms but because it is perceived to be an important nexus in the war on terror.

Internal Pressures

In Indonesia, internal pressure has resulted in reforming the political process, but the most difficult issues facing the country are economic problems, the power of the military and paramilitary organizations,

territorial problems, and radical Muslim organizations such as JI. There is little consensus within the country on how to view these "problems" or even if they are problems at all. Poll data during and before the election seemed to show that people were more concerned with social welfare and economic issues than with either political rights or terrorism from Islamic extremists.[45] So the internal pressure for democracy may have dissipated. Here is how these key issues may make consolidation of democracy more difficult.

Corruption

Transparency International has rated Indonesia as the twelfth most corrupt country in the world. It is the third most corrupt country in Asia after Bangladesh and Myanmar. Corruption is not new. The New Order administration created a myriad of informal systems of influence and incentives for corruption. Although there have been massive political changes since 1998, little progress has been made in fighting corruption. This reflects powerful vested interests and weak law enforcement. While corruption is often seen as a tax on business, there is now a great deal of discussion of its impact on the poor. The poorest segment of the population using health centers had to pay bribes for about one-third of their visits and there are similar problems in the court system where poor families are unable to pay the millions of rupiah in bribes to judges and will inevitably end up feeling that justice is only for the rich.[46]

The Corruption Eradication Commission (KPK) is looking into charges of kickbacks against the Indonesia Election Commission in last year's elections. On Friday, May 20, 2005, Nazaruddin Sjamsuddin, the respected head of the Election Commission, was arrested for alleged payments made by firms that won contracts to supply equipment for the elections. Other senior commissioners are also under suspicion. In addition, Minister for Justice and Human Rights Hamid Awaluddin may also be called in for questioning by the Anti-Corruption Commission. President SBY has authorized graft probes into dozens of provincial officials and several national legislators. No arrests have been made in these cases.[47] Cracking down on corruption is vitally important for Indonesia, both for domestic and international reasons. Corruption, and the perception of corruption, are some of the strongest underlying reasons for popular discontent. Also, high levels of corruption certainly scare off foreign investment. SBY has spoken a great deal about the need to confront these problems head on, but there is a sense that certain political and economic elements will be protected from prosecution. The

military's privileged position in the economy has not been challenged, nor have those with connections really been faced with competition for business. To fully tackle corruption would mean further reforms of the judiciary, making courts more independent from pressure and politics, cleaning up the police and ending ties between police and business opportunities, and challenging cronyism, which allows political leaders to make connections with business interests for patronage ties and mutual favors. Corruption hinders democratic consolidation because politicians have a vested interest in maintaining the status quo and so are less likely to "do the right thing" or play by the rules, and because it weakens trust between citizens and their government. If citizens believe that policy-makers are making choices based on narrow and powerful interests instead of on behalf of constituents, it undermines accountability and democracy.

Moderate versus Militant Islam

Consolidation of democracy is also made more difficult because the question of the role in politics for Islamic groups has not been resolved. Islamic organizations are a critical element in Indonesian society. Indonesia has a rich tradition of community/Mosque involvement in social services. Religious associations in particular have been very active in running schools, health centers, and orphanages. The largest Islamic organization in Indonesia (and in the world), Nahdlatul Ulama (NU), claims thirty million supporters. It runs schools and community associations throughout the country. As of 2001 Muhammadiyah (the second largest Islamic organization in the country) had 9,527 educational institutions of various types and 3,775 health and welfare-related centers. Yayasan Indonesia Sejahtera is another community organization that operates a broad range of development programs at the community level. Its central focus is on public health and training and education. NU and Muhammadiyah are powerful, well-entrenched, and moderate grassroots operations.[48] NU provides the support base for the PKB and for the PPP. The PKS and the Crescent Star Party rely on members of Muhammadiyah for their support base. The organizations mentioned here are moderate ones.[49] They promote Islamic values, traditions, and practices and in some cases may advocate Islamic law; however, they are committed to working within the law, and as part of the political system to advance their goals. And, for the most part, Muhammadiyah, NU, and Yayasan have said that they support the idea of a pluralist, democratic Indonesia. These organizations were in fact instrumental in helping democracy

bloom in 1998 and afterward. However, these large, powerful, and moderate organizations are not the only voices of Islam in Indonesia. Since the fall of Suharto, more fundamentalist or militant Islamic groups have become vocal. Using new democratic freedoms, radical organizations have become adept at fund-raising, rallying people, and spreading more conservative and intolerant views of Islam. There are several NGOs that serve as financial and recruiting conduits for militant Islamic organizations.[50]

After the 9/11 attacks on the United States, Indonesia condemned terrorism but denied that it had a problem in its own backyard. The October 2002 bombings in Bali, followed in 2003 and 2004 by the bombing of the Marriott Hotel and the Australian Embassy in Jakarta, respectively, forced Megawati to acknowledge the presence of militant groups in Indonesia. There are many Islamic organizations that walk a fine line between genuine civil society organizations that play a constructive role in society and organizations that are more militant in nature. Two groups that do not fit neatly into either category but that represent either end of the spectrum are the Tarbiyah movement and the Islamic Defenders Front (FPI).

The Tarbiyah movement began on college campuses in the late 1970s. Its aim was to promote group discussions of Islam and spirituality and it began to train members in the art of power politics and to sponsor members for student body elections. As Tarbiyah activists graduated, they spread the network beyond campuses to form religious study circles in the companies where they worked and in the mosques where they worshiped. The movement then established the Justice Party[51] as a vehicle to promote Muslim values. Tarbiyah has also begun to start elementary and secondary schools and to introduce leadership training programs into the curriculum.[52] This movement straddles the line between mainstream moderate views that support a pluralist vision of the Indonesian state and more fundamentalist actors working for an Islamic state. While Tarbiyah and PKS mainly promote cleaner government and social welfare goals, the desire to promote Islamic law has not been erased from their party platform. It is unclear if PKS will continue to be a voice of social justice and moderation, or if their larger goal of achieving an Islamic state will dictate party action and policy choices.

Another organization that is becoming more active is the FPI. FPI seeks to promote Islamic values. It perpetrates violence against places serving alcohol, particularly during Ramadan. It was formed in 1998 by Habib Rizaq and is now the largest radical Muslim group in the country. It was able to organize demonstrations of over ten thousand people in

Jakarta in October 2001 and has repeatedly organized protests against the United States and its allies for their actions in Iraq.[53]

There are a wide variety of radical Islamic organizations that aim to see greater proselytizing activities and the Islamicization of politics and society. I differentiate these groups from the ones discussed previously, as the more radical groups are willing to use violence to achieve their aims. The organization with which to begin to try and understand militant Islam in Indonesia is Darul Islam (DI). It began as separate rebellions in West Java, South Sulawesi, and Aceh in the late 1940s and early 1950s and has become a loose, but powerful, web of personal contacts that extends throughout Indonesia. DI seeks to create an Islamic state, Negara Islam Indonesia (NII). Although an illegal organization, DI is more or less tolerated. There are some fourteen factions of the DI movement; the composition and goals of offshoot organizations, from JI to nonviolent religious groups, vary widely. The history of DI shows the difficulty in really eradicating the movement. It has survived and adapted after each period of defeat. From 1977 to 1982 virtually its entire leadership was arrested and yet this just enhanced the credentials of DI members and did not weaken their commitment to the cause. Although there are rifts and power struggles at the top, this seems to have little impact on cooperation and recruitment at lower levels.[54]

The extended DI family includes the following organizations: the JI, the Majelis Mujahidin Indonesia (MMI), Laskar Jundulloh, the Banten Group, and the Angkatan Mujahidin Islam Nusantara (AMIN). This list does not include DI veterans who have established their own organizations and followers but who choose to operate outside of any formal structure or connection to DI. These people may keep in contact with each other, intermarry, and remain connected across generations.

JI is a regional component of Al-Qaeda; it has local and regional concerns and works with Al-Qaeda for training and financing. JI officially came into being on January 1, 1993, and was founded by Abdullah Sungkar. Many of the JI leaders are children of DI leaders. The roots of JI can be traced to Indonesia in the 1960s when radical clerics Abdullah Sungkar and Abu Bakar Ba'asyir, both of Yemeni descent, established an illegal radio station from which they advocated shariah. They established an Islamic boarding school in Solo, Al-Mukmin, commonly referred to as Ngruki. It now has about nineteen hundred students. The school teaches a hard-line and literal interpretation of Islam based on Salafi Wahhabism. According to Zachary Abuza, the school's alumni reads like a list of who's who of Southeast Asian terrorism.[55]

JI is organized into cells, *mantiqi*. There are four cells covering Southeast Asia. Each cell is fairly independent of the others and has a specific function. The Indonesian cell, mantiqi 2, developed two paramilitary components: Laskar Mujahidin and Laskar Jundullah in 1999 and 2000, respectively. The Indonesian cell is tied to Abu Bakar Ba'asyir's political organization, the MMI. MMI is a large umbrella association for about one hundred small radical and militant groups across the country. Many of the Indonesians who were recruited by and became part of the Malaysian JI returned to Indonesia after the fall of Suharto. The Marriott and Australian embassy bombings are also the work of JI in cooperation with the Banten Group (a militia offshoot of JI). Clearly, these militant or radical groups are a threat to democracy and they hinder full consolidation of democracy. They are a threat for the following reasons. First, should they gain popularity and achieve their aim of an Islamic state (or even caliphate), the practices and liberties of the current pluralist order would likely be dismantled. Even with little chance of achieving their goals, these militant organizations are a threat to democracy because they provide justification for the government to restrict certain liberties in the name of protecting security. Or, if people sympathize (and by all accounts the number of Indonesians who do is shrinking with each bombing) with militant aims or methods, then other conservative Islamic groups or more mainstream politicians afraid of seeming anti-Islamic can use this support to advance an Islamic or antiliberal agenda. There is one further element of these groups that poses a challenge to democracy. The government's decision to tread lightly and not outlaw JI or MMI for fear of angering devout Muslims is connected with a larger timidity about acting forcefully against violence in the name of Islam.[56] Democracy cannot be said to be fully consolidated in Indonesia until the government is willing to protect the security of all its citizens.

External Pressures

Globalization can be a positive force for political reform and liberalization or it can harm the process of democratization. When South Korea, Thailand, and Indonesia were under IMF bailouts, their policies were under a microscope. Economic policy making was constrained by IMF strictures. This impacted both policy making and politics. Now that all three countries have graduated out of the IMF's oversight, that external pressure is gone.

When terrorists attacked the United States on September 9, 2001 and then when the United States decided to attack Iraq in the spring of 2003,

President Bush's administration worked hard to convince countries around the world to join the United States' global war on terror. Many countries in Asia chose to work quietly with the United States in tracking and eradicating militant Islamic groups within their own borders, but many refused to publicly endorse U.S. policy goals, both because many leaders disagreed with American actions in Iraq and because many feared public backlash at home. Indonesia under Megawati tried to balance two needs. Megawati was the first foreign head of state to the White House after 9/11 and she offered heartfelt condolences and sympathy for the victims. However, as the United States increasingly tried to put pressure on the government of Indonesia to crack down on militant groups within the country, Megawati resisted. In fact, while the president was verbally supporting the United States, the vice president, Hamzah Haz, was openly criticizing it and lauding bin Laden. Megawati was unwilling (or perhaps unable) to firmly confront and crack down on radical Islamic groups. Also, she resisted further overt support for the United States. It was not until the Bali bombing that Megawati acknowledged Indonesia might be home to Islamic terrorist organizations working both against her regime and the nations in the West. Finally forced to confront this reality, Megawati and now SBY are forced to balance the interests of secular moderates and those concerned with their own security within Indonesia with a very large number of Muslims who feel that U.S. policies are anti-Islamic and that any agreement or acquiescence to root out terrorism from the Indonesian government is a betrayal of Muslim solidarity. Meanwhile, the United States has continued to try and exert pressure on Indonesia to take more visible actions against JI and other militant groups.[57]

Conclusion

Democracy successfully emerged in Indonesia between 1998 and 2004, but further changes may be more difficult. In Indonesia leaders do seem willing to "play by the rules of the game," and given people's interest in voting (turnout was high in three rounds of national elections in 2004, and although it has fallen off somewhat with each successive round, it has continued to be high enough to be credible as local areas go to the polls to elect provincial, district, and village leaders for the first time),[58] they seem fully engaged in and committed to the ideas and behaviors of democracy, but playing by the rules and attitudes supportive of democracy may not be enough. Leaders either do not have the power or do not have the will to fully rein in corruption, militant Islamic groups, or

military and paramilitary groups, and these obstacles to democracy may ironically help certain elites stay in power. Similarly, some of the problems mentioned earlier, for example, corruption and the weakness of the judiciary, may be incredibly difficult to fix.

Like Thailand, economic concerns seem to trump both security concerns and the will to further consolidate democracy. In this chapter, I argued that political reforms in 1997 were the product of elite actions and decisions. There are different groups of elites that matter: leaders within the regime, such as SBY, and elites in civil society. The factors that tipped the scales toward positive change in 1998 were pressures from reform-minded politicians and military generals, mass protests in Jakarta and elsewhere, and pressure from the IMF. The same confluence of interests no longer exists. Since democracy is only weakly consolidated, it is possible to imagine an erosion of some of the new political reforms and liberties, either in the name of security or because a leader feels insecure in his or her position of power. Because Indonesia faces such significant problems, citizens might be tempted to support a charismatic leader who promises to fix the system, provide economic and social goods, and halt the territorial divisions within the country. Because laws, institutions, and maybe democratic values are still in their infancy, it is possible that democracy could be challenged in Indonesia in the years ahead.

CHAPTER 4

Malaysia: Defiance in the Face of Adversity

In 1997 Malaysia shared many common economic features with the other countries hit by financial crisis. All had undergone rapid financial liberalization without careful attention to corporate governance. There was generally poor macroeconomic management and high levels of state intervention in the economy. Loss of investor confidence in the summer of 1997 resulted in massive capital flight, first from Thailand, then markets and investments plummeted in Indonesia, and Malaysia and finally in South Korea. Malaysia, unlike Thailand, Indonesia, and particularly South Korea, was not as severely affected by short-term debt problems, but it did suffer from financial sector weaknesses coming from unwise and sometimes politically motivated lending policies.[1] Despite these similarities, Malaysia's reaction to the crisis was starkly different from that of her neighbors. As the introductory chapter briefly explains, Malaysia did not turn to the IMF for help, and although there was political turmoil (protests and a great deal of new political activism and the formation of new political and social organizations) in 1999 that was related to the economic crisis, Prime Minister Mahathir and his party, UMNO, the United Malays National Organization, maintained power and political control. Malaysia is most commonly characterized as semi-authoritarian (something that will be explained at greater length later in this chapter) and it remained so even after the crisis and after considerable public pressure for change.

How can we explain the different political conditions and outcomes in Malaysia? How was it that political reform, or "reformasi" as it was called in Malaysia and Indonesia, was unable to gain enough strength to overturn the old order? And what are the current prospects for political reform in Malaysia today?

The Events of 1997–1999

The Crisis

Through the 1990s Malaysia's economy was in pretty good shape. Signs of problems began to surface in mid-1997. First, there was an increase in the current account deficit in the context of slow appreciation of the effective exchange rate. Like Thailand and Indonesia, in the summer of 1997 the Malaysian currency, the ringgit, fell precipitously and the Central Bank tried to prop it up. As with elsewhere in the region, Malaysia suffered a currency and banking crisis, but low levels of external debt kept it from being a debt crisis.[2] While Thailand, Indonesia, and South Korea opted for a bailout package from the IMF, Prime Minister Mahathir went on a foreign offensive. At a World Bank–IMF meeting in Hong Kong in September 1997, Mahathir lashed out at George Soros, "Jewish bankers," and other global economic forces as the source of Malaysia's (and Southeast Asia's) problems. He would accept no money or advice from the IMF and hinted that Malaysia might adopt currency controls. The ringgit fell to 3.10 to the U.S. dollar, and the Kuala Lumpur Stock Exchange (KLSE) fell another 760 points, a four-year low.[3] Every time Mahathir made another speech, there was a selling off of the ringgit. Hence, his deputy prime minister Anwar Ibrahim would then try to quietly reassure investors that Malaysia would not invoke some of the proposed (by Mahathir) restrictions on currency trading. Anwar would downplay Mahathir's racist and anti-Semitic remarks as nothing but bluster. Throughout the fall of 1997 there were many rumors that Anwar and Mahathir were not getting along and that behind the scenes there was a dramatic jockeying for control over economic policy making.[4]

In December of 1997, seemingly with Mahathir's blessing, Anwar appeared to be in full control of economic policy. Government spending on large projects was put on hold, interest rates were raised, and some austerity and corporate restructuring measures were begun. This was viewed by many as a rebuke of, or at least an end to, the aggressive spending that Mahathir had practiced for over ten years. But, this was far from the end of the contest. Over the next few months Mahathir became more assertive about saving large, high-profile mega projects and companies such as Malaysia Airlines. On June 24, 1998, Daim Zainuddin was appointed special functions minister and given the task of overseeing economic policy. Most political analysts believed that Daim would also serve as a check on Anwar's power.

By August 1998 the Malaysian economy had not rebounded and in fact the ringgit had fallen to 4.50 to the U.S. dollar, with the stock exchange (KLSE) at rock bottom levels below 300 points.[5] On August 30,

1998, Daim Zainuddin announced that high interest rates (promoted by Anwar) were wrong and he called for a slow and incremental easing of monetary policy. This amounted to a political mandate of policy to Bank Negara and its governor Tan Sri Ahmad Mohd Don resigned in protest.[6] On September 1, 1998, Mahathir announced that the country was imposing capital controls, the currency was fixed at 3.80 ringgit to the U.S. dollar, and all sellers of Malaysian shares would have to hold proceeds in ringgit for one year. The next day Anwar was fired from his posts as deputy prime minister and minister of finance. Later he was expelled from the party and arrested on charges of corruption and sodomy.[7] His ouster triggered demonstrations and calls for political reform. It was widely believed that Prime Minister Mahathir was behind Anwar's arrest and that the charges against him were trumped up.

The severity of the crisis should not be underestimated. The economy in 1998 contracted by 8 percent; previous downturns had not exceeded 1 percent.[8] In the decade prior to 1997, Malaysians had grown accustomed to high levels of economic growth and rising incomes to match. A new middle class had emerged. Since the 1970s, Malaysia's economy had been heavily state-directed. Thus, people looked to the state to solve economic problems. Failure to do so put state power and legitimacy in question.

The combination of poor, or erratic, handling of the economic crisis and the firing of such a popular figure as Anwar Ibrahim triggered unprecedented politicization. Malaysians saw the crisis in part as a symbol of domestic weaknesses: a lack of full democracy, justice (*keadilan*), openness (*keterbukaan*), and the pitfalls of KKN (*Korupsi*, *Kronyisma*, and *Nepotisma*). Suddenly, in the regular press and in alternative outlets, there were debates over the reforms that were necessary to address these evils. Prime Minister Mahathir was initially unconcerned by these rumblings. However, when Suharto was brought down in May of 1998, he began to see discussions of reformasi as a direct threat to his own tenure. It is not surprising that conflicts with Anwar may have intensified after this period.[9]

The Anwar Debacle

While a reform movement and political protests did take root in late 1997 and through the first months of 1998, they did not pose much of a real threat to the political or economic status quo. However, when Anwar was fired hundreds of supporters rallied outside of his home. In many ways he was the perfect person to rally popular support and to

head opposition to Mahathir's regime. He was (and is) viewed as a pious, devout Muslim, a clean politician, and a charismatic speaker even when the inspector general of police Tan Sri Rahim Noor confirmed that Anwar was being investigated in relation to claims of sexual misconduct and corruption. Allegations about these charges had been made in a controversial book by Khalid Jafre, *50 Reasons Why Anwar Should Not be Prime Minister*; nevertheless, people were not deterred from supporting him and criticizing Mahathir and the government's handling of the economic crisis.[10] Few people seemed to believe the accusations or charges against Anwar. In fact, by September 8, just a week after being fired, crowds of several thousand people were flocking to hear Anwar speak. As Mahathir's criticisms of Anwar continued (for a lack of morals), Anwar fought back by calling Mahathir paranoid and saying that the prime minister was afraid he would wind up overthrown like Suharto. From September 14–20, 1998, the reformasi movement really began to take shape. Anwar traveled around Malaysia and visited Penang, Kedah, Malacca, and Selangor to speak; some estimates asserted that upward of seventy-five thousand people attended some of the rallies. Anwar gave rousing speeches about the need for political reform and he began calling for Mahathir to step down.[11] Two close associates of Anwar's, former speechwriter Munawar Anees and Sukma Darmawan, were arrested and pled guilty to homosexual relations with Anwar (they later retracted these confessions saying they were forced to state these allegations). On September 20, 1998, Anwar spoke at a large rally in Kuala Lumpur (KL) from the top of the National Mosque and he denounced Mahathir and swore his innocence. The rally got tense and the police used water cannons, batons, and tear gas to break up the demonstration. That night Anwar was arrested and held under the ISA, the Internal Security Acts.[12]

Opposition groups that had only begun to really get their feet wet were able to organize mass protest rallies and demonstrations. The police tried to quickly break up the demonstrations with a significant show of force—tear gas and nightsticks were used to disburse protestors. Anwar was held for nine days under the ISA without being charged with a specific crime and without being allowed to meet with a lawyer or family members. Then on September 29, 1998, he was brought to court and charged with nine counts of graft and sodomy. After being held incommunicado for nine days, Anwar appeared to have a black eye and bruises. He was refused medical treatment and his wife and supporters quickly charged the police with mistreatment and physical abuse. Demonstrations began to be held every Saturday along Jalan Raja Laut and elsewhere in KL. The police and the media were very critical of the demonstrators for

disturbing the social order. The police used increasing levels of force to confront the protestors. On October 14, Anwar was released from ISA detention but remained in prison due to the charges against him.[13]

The demonstrations began to subside at the end of 1998 but politicization continued in other forms. The Internet became the site of much discussion and organization. Some of the earliest organizations formed were the Gagasan Demokrasi Rakyat (The Coalition for People's Democracy), to work for a resolution to the political and economic crises and to build a united, free, and democratic Malaysia, and the Majlis Gerakan Keadilan Rakyat Malaysia (Council of Malaysian People's Justice Movement). These were formed by activists, intellectuals (such as Dr. Chandra Muzaffar), and others. Membership of both groups overlapped and their goals included specific policy actions such as abolishing the ISA and promoting a freer judiciary and media.[14] Anwar's wife, Dr. Wan Azizah, formed the Pergerakan Keadilan Sosial (Social Justice Movement, or ADIL) in December 1998 to help cement pro-Anwar feeling and reform efforts. Anwar's trial began on November 2, 1998. It was widely perceived as politicized and unfair, and as such provided a rallying point and a cause for groups to increase their visibility and support.

In April 1999, ADIL was transformed into the Parti keADILan Nasional by taking over an existing minor party. The major opposition parties made the decision to contest the next elections under a common platform, the Barisan Alternatif (BA). On July 2, 1999, the four opposition parties, PAS (Partai Islam se Malaysia, an Islamic party), DAP (Democratic Action Party), keADILan, Parti Rakyat Malaysia (PRM, the socialist party), agreed to form the BA coalition and they declared a common set of principles based on democracy and the special position of Malays. References to an Islamic state or law were absent; PAS had agreed to drop these goals in the interest of coalition unity.[15]

The opposition parties and NGOs also began a vigorous effort at reaching out to supporters and others to gain a wider following. They held *ceramah* (lectures held in offices or homes of supporters) and made cassettes and videos with their ideas. Meetings were often emotional, appealing to people's sense of fairness, the cruelty of the regime to Anwar, and the need for greater democracy. Money was collected to support the BA coalition. In April of 1999 large demonstrations were again staged to protest the six-year jail sentence handed down to Anwar. Tens of thousands attended a protest at PAS headquarters. Police retaliated with violence and arrests and the demonstrations again waned. In June 1999 eight pro-reform NGOs established the Malaysian Citizens' Election

Watch (PERMANTAU) to try to have some oversight of the upcoming (but as yet unscheduled) elections.[16]

The 1999 Elections

In the run up to the elections Mahathir and the Barisan Nasional, BN (the ruling coalition of which UMNO is by far the most powerful party) tried to contain and confront the opposition forces. Many of these attempts included attacking Anwar and trying to further discredit him and his supporters with new accounts of his involvement in money politics, and trying to hold the line on charges that Anwar had been beaten in prison (true) and that he suffered from arsenic poisoning (not true). Prime Minister Mahathir dissolved parliament and called for new elections on November 10, 1999. The elections were to be held on November 29, 1999. Going into the election the government and Mahathir were able to point to an economy that had rebounded considerably from the crisis,[17] and the BN had introduced a budget full of popular spending measures just that October. The opposition coalition, the BA,[18] ran on the issue of democracy. It argued that Malaysia needed basic democratic rights, freedom of speech and assembly, and a more significant balance of power among political institutions. Parliament should be more independent of the prime minister, and there was a clear need for an independent judiciary, civil service, and media. BA advocated repealing the ISA, the Police Act, the Sedition Act, the Official Secrets Act, and the Education Act, all of which severely curtailed civil rights and freedoms.

In response Mahathir and BN candidates forcefully argued that Malaysia *was democratic* and that protestors and advocates of reformasi were sowing the seeds of instability and chaos, and perhaps opening the door to communal violence such as that which occurred in Indonesia in the spring of 1998.[19]

The election results were as follows: BN was able to hold on to a two-thirds majority in parliament, winning 148 out of 193 seats. Significantly, however, 46 of these seats were from East Malaysia; without these seats BN barely won a simple majority.[20] This represented a 10 percent drop in votes for BN (from winning 65 percent of votes in 1995 to 56 percent in 1999). BA won 45 seats in parliament, 27 of which went to PAS.[21] In addition, PAS held on to control of the state of Kelantan and also took control in Terengganu. The election was extremely dirty, with more accusations and mud slinging than usual. Both the BN and BA coalitions did their best to discredit and criticize the other side.

While there are different ways of interpreting the election results, there is little debate that it was a setback for Mahathir's ruling party, UMNO. Although BN did win the desired two-thirds of seats in parliament (necessary to change the constitution at will), UMNO itself lost twenty-two seats and four cabinet ministries to non-UMNO BN parties.[22] Since independence UMNO has been accustomed to being able to dominate and control the multiethnic BN party coalition. While still the lead vote getter in 1999, BN clearly lost Malay support to PAS and BA candidates and the 1999 results were the worst electoral returns for UMNO since 1959.

So, how did Mahathir and his allies stay in power in the face of domestic and international opposition and while entrenched leaders around him were sent packing? Malaysia, like Indonesia, Thailand, and South Korea, had many of the same independent variables at work in 1997 through 1999. The economic crisis hit Malaysia with a good deal of severity and the country had difficulty recovering from it. People protested in the streets against the regime, domestic and international organizations criticized and railed against Mahathir for his unfairness to Anwar and his handling of economic problems. All of these elements were roughly similar in Malaysia as elsewhere in the region where political reforms did occur. So, what was different about Malaysia?

Explaining the Lack of Political Reforms

The clearest difference was that Mahathir avoided turning to the IMF for help. In bypassing an outside bailout, Mahathir was much freer to go against liberal economic doctrine. By allowing government spending on pet projects and favored companies to resume, he could continue to protect and reward his supporters, both within the party and within the business community. By firing Anwar and having him arrested Mahathir was also able to remove the biggest obstacle to implementing capital controls and he was also able to avoid being constrained by liberal economic policy making. Austerity measures and the dictates of the IMF are extremely unpopular measures for leaders to have to take—they lose a considerable amount of control over monetary policy and also some control over fiscal policy making. This can make them seem weak and ineffective. This would be a challenge for any leader, but is even more problematic for authoritarian leaders who do not have a strong sense of legitimacy through legal–rational means such as open elections. It is a further problem in economies such as those in Asia where there are strong or cozy ties among political and economic elites. These patronage

links are the basis for both the economy and the political system. It can be quite damaging for a leader to jeopardize the economic power and interests of those who in turn provide financial backing for political leaders or for their family/friends. Now, Mahathir may not have needed to sideline Anwar or impose capital controls to stay in power, but certainly doing these two things increased his power in the short term.

IMF constraints may be the missing independent variable to explain why Malaysia did not go through a political change in the immediate aftermath of the economic crisis and throughout the period following Anwar's dismissal, but it is not the answer for why Mahathir and the ruling coalition were able to hang on to power as domestic criticism mounted during the end of 1998 and into 1999. Even though they did poorly in comparison with previous election results, the ruling coalition and Prime Minister Mahathir maintained their lock on power in the 1999 elections. All the ingredients for an upset seemed in place. Opposition parties joined forces to run as a coalition, there were issues that voters cared about at stake (the economy, democracy, and Anwar's fate, among others), and pressure from outside Malaysia seemed to point against Mahathir. Yet, no upset occurred. Why?

The reasons for BN success in the 1999 election have to do with the nature of the electoral system, the media, ethnic relations, and the state of the economy. Each of these will be explained in turn.

The Electoral System

Malaysia holds regular parliamentary and state elections and they are generally contested vigorously by multiple parties. Since independence in the 1950s, the ruling coalition BN (formerly known as the Alliance until 1974) and its lead party UMNO have dominated politics and won the most seats in elections. UMNO claims to be the party of the Malay majority and argues that it has been responsible for Malaysia's successful independence from Great Britain, economic progress, and ethnic harmony. UMNO holds up the mantle of forging a multiethnic political coalition with the Chinese and Indian communities through their respective parties, the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC). It has championed Malay supremacy and rights while being able to reassure Chinese and Indian Malaysians that they have a home in Malaysia and that certain rights of theirs will be respected (a seat at the political table, the right to practice religions other than Islam, some protection for vernacular language usage, and protection of economic and property rights).[23] UMNO has a grassroots network

that works at the community and village level to build up patronage networks and the loyalty of voters.

Election districts are also configured in a way so as to favor UMNO and BN parties. Districts are not equal in terms of size of population and rural voters' districts, which are UMNO and Malay strongholds, have far lower numbers of voters per elected office holder than urban districts. This serves to dilute the power and influence of urban voters. After every election, parliament, where BN controls more than two-thirds of the seats, creates new districts, generally in areas where they are likely to be the beneficiaries of voter support. This makes it extraordinarily hard to imagine an opposition party or opposition coalition winning enough seats to really disturb BN and UMNO's power.[24]

The Media

Most media outlets, particularly newspapers, are owned by companies affiliated with the major BN parties. Press accounts tend not to be very critical of the government. The government has generally assumed that the function of the mass media is to help it spread information and policies for the betterment of the population.

> A greater grip on the press was administered in 1972 when the Malaysian government decided to change the ownership structure of the press. This decision was administered in 1974 as an amendment to the Printing Presses Bill, which ensured that foreign ownership of Malaysian newspapers would end and that Malaysians would be the majority shareholders of local newspapers. This had devastating effects as Anuar (2000) further explains. "On paper, such a move appeared laudable . . . but in practice, however, it resulted in the monopolisation of the Malaysian press by ruling political parties and their economic allies." This development of course guaranteed even further press control for the government which was illustrated in the purchase of Malaysia's leading newspaper group, *The Straits Times Press*, by government-owned company Pernas in 1972.[25]

In 1987 three mainstream newspapers *The Star, Sin Chew Jit Poh*, and *Wantan* also lost their publication permits for a brief period. Holding corporations, associated with the dominant parties in BN, are now large stakeholders in these and other newspapers.

The advent of the reform movement came at a time when Internet usage was becoming quite high. NGOs and opposition parties such as Keadilan and PAS used the web to get information out to people and

supporters. They used e-mail distribution lists and the web to criticize and attack Mahathir and the government.

Ethnic Relations

Malaysia is about 60 percent Malay, 30 percent Chinese, and 10 percent Indian. These three communities have mostly lived together without violence. A bargain was struck in the run up to independence that the Chinese and Indian communities would become full citizens and that their economic assets would be unmolested, but they agreed that the political system would be controlled by the Malays. The constitution defines a Malay as someone who is a Muslim and who practices *adat*, that is, Malay customs. As such, Chinese and Indians, the vast majority of whom are Malaysian citizens but not Muslims, can never become "Malay."[26]

In 1969 the ethnic tolerance broke down. The ruling coalition lost more seats than expected in the election that year and this sparked demonstrations and finally rioting in the streets of KL and elsewhere. The Chinese were assaulted and their stores, homes, and property were destroyed. The violence and damage became the justification for passing the NEP or the New Economic Policy in 1971.[27] Broadly speaking, this was a set of economic policies put in place to favor ethnic Malays. The riots were blamed on the inequality of the different communities. The Chinese were dominant economically and the NEP aimed to redistribute this economic power. Companies were told that they must hire certain numbers of Malays, and ownership of companies needed to be diversified and parceled out to Malay investors. Universities set aside percentages of their spaces for Malay students. The NEP sought to raise *bumiputera* (Malay) share of corporate stock ownership from 1.5 percent in 1969 to 30 percent in 1990. Government information suggests that Malay ownership rose to 18 percent in 1990 and slightly over 20 percent in 2000. UMNO argued that these measures were necessary both for fairness among the different communities and for Malaysia to return to ethnic harmony. Chinese businesses largely complied with the NEP terms and over time a genuine Malay middle and professional class emerged. In 1991 the NEP was replaced by the National Development Policy and in 2001 by the National Vision Policy. The new policies have greater emphasis on rapid economic growth and industrialization, however, there is widespread public perception that the NEP's ethnicized policy targets still stand.[28]

Regardless of one's assessment of the NEP, there is no question that UMNO took credit for a booming economy and fantastic changes in

standards of living across peninsular Malaysia from the 1970s through the 1990s. Chinese and Indian economic and political leaders basically acquiesced to the economic demands made on their communities and businesses; in exchange they maintained their representation within the ruling coalition, had some political power, and extracted promises that vernacular education and business opportunities would continue to be protected. Most importantly, the government worked to end ethnic violence.

Since UMNO has been most clearly associated with pro-Malay policies, it might seem that the Chinese and Indian communities are logical supporters of the long-standing opposition party, the DAP. The DAP has promoted a multiethnic vision of Malaysia, rather than BN's polarized ethnic relations. Support for the DAP has varied during different periods and sometimes it seems possible to assert that 50 percent of Chinese have voted for the DAP.[29] Again in 1999 one might have believed that the Chinese community would have participated fully in the reformasi campaign for greater democracy and openness. Challenging Mahathir and UMNO's rule might have resulted in a more fair political system where the Chinese could have become more powerful players. However, it seems that the Chinese supported BN parties such as MCA, UMNO, MIC, Gerakan, and so on in overwhelmingly large numbers. Why might the Chinese be among the strongest supporters of the status quo?

The reasons are twofold. First, it is possible that Chinese in Malaysia feared communal violence could occur at home as it did in Indonesia. Should the regime lose all or some of its power, Chinese might have worried that they would be seen as convenient scapegoats for people's anger. Second, the Chinese business community benefited enormously from Mahathir's protective policies and the economy's rebound in 1999. As a consequence of the NEP, Chinese businesses have forged close alliances with Malay elites (both political and economic elites) and so the Chinese business community's interests align with their Malay counterpart's in maintaining the status quo if it is working to their benefit economically. More on this issue is discussed at the end of the chapter. The third possible reason for Chinese support might have been the fear of UMNO and PAS's continual race to promote pro-Malay, pro-Muslim rhetoric. If the Chinese were to help put UMNO back on sure footing, maybe the party would stop trying to outbid PAS on Malay and "Islamic" credentials and issues.

Yes, some of those involved in the reformasi movement were certainly Chinese, but BN's continued electoral support was in part due to votes from Chinese constituents.

Malaysian Politics Since 1999

After the 1999 election Prime Minister Mahathir and BN continued to face political challenges at the polls. In three by-elections, the ruling coalition won two of the votes but lost a highly contested third election for the state seat of Lunas in Kehad to a BA candidate.[30] Meanwhile, BA continued to gain support, although fissures in the coalition also started to emerge. When PAS announced that it would implement *kharaj* (a land tax for non-Muslims) in states under its control, it was met with loud protests from fellow coalition party, the DAP. PAS dropped the tax and the two parties agreed to continue working together. Popular protests continued sporadically during the year and were met by strong police measures. In addition, Anwar's supporters and opposition leaders were harassed. Karpal Singh, one of Anwar's attorneys, was charged with sedition for suggesting a political conspiracy while arguing Anwar's case before the courts. A Keadilan vice president was charged with sedition for his allegations about UMNO's role in the 1969 race riots. Zainur Zakaria, also one of Anwar's lawyers, was sentenced to jail for contempt in pleading his client's case.[31]

In 2001 Prime Minister Mahathir was able to turn things around for UMNO. First, BN was able to win the off-year elections held in 2001 by more comfortable margins. While a reconsolidation of power was well underway before the terrorist attacks of 9/11, the global sentiment against militant Islam further strengthened his position. After 9/11 Mahathir was able to use the attacks to further boost his own position as leader of a modern Muslim state that respected and allowed religious freedom to marginalize more radical Islamic forces within Malaysia, such as PAS. Anwar and the reformasi campaign fell out of the spotlight in 2001, both because the government dropped the remaining criminal charges against him (four on sodomy and one for corrupt practice) and because the High Court dismissed his defamation suit against Mahathir. Also, the BA coalition fell prey to internal fighting. BA had always been disadvantaged by a lack of access to the mainstream government-controlled media and surveillance and censures and harassment of supporters, but the arrest and detention of four high-ranking Keadilan leaders also weakened the opposition movement. Finally, in September 2001, the DAP split with PAS over the latter's renewed calls to turn Malaysia into an Islamic state.[32]

While Mahathir was busy burnishing his Islamic image by stating that Malaysia *was* an Islamic state (an issue that caused much concern within and outside of the country), he also took very strong measures against

Islamic extremism. Among other actions, the government put on trial nineteen members of the al-Maunah cult, who had pulled off an arms robbery from an army camp in 2000. The trial ended with the leaders receiving the death penalty.

> Thirteen Muslims, many from PAS, including the son of its Chief Minister in the state of Kelantan, were arrested under the ISA. The government described them as members of Kumpulan Militan Malaysia (KMM), an extremist group that it accused of masterminding robberies, the bombing and arson of three churches during the year, as well as murder.[33]

While arrests made under the ISA were unpopular and often subject to criticism, this time the uproar was muted by a more militant line taken by PAS who called for a jihad against the United States for the bombings in Afghanistan. Mahathir and UMNO also criticized the United States' actions, but Mahathir was careful to criticize those who advocated either violence against the United States or even a boycott of American products.[34]

In June 2002 Mahathir announced that he would be resigning the following fall. Deputy Prime Minister Abdullah Badawi would replace him as head of UMNO and as prime minister. Also in June 2002 PAS's leader Fadzil Noor died and Keadilan was further weakened by more ISA detentions. Mahathir's announcement was strategic in that the Malaysian economy was looking strong and the effects of the economic crisis seemed to be firmly behind him. Anwar was in jail and neither UMNO's elections nor the general elections were due imminently. When Abdullah took over in October 2003, Malaysian politics were basically stable but he saw his immediate job as healing the domestic divisions of the past five years and preparing for UMNO elections in 2004 and for the parliamentary elections after that.

During his first year in office Abdullah tried to pursue an agenda full of political reforms. He advocated adopting good governance measures, strengthening political institutions such as the judiciary, and improving human rights protections. He also took a vigorous approach to corruption, issuing a number of indictments and creating the National Integrity Plan (NIP) to reduce public graft. He created an independent police commission and canceled several large expensive projects. These efforts resulted in a strong electoral showing in the March 2004 elections. BN won 90.8 percent of the parliamentary seats and recaptured Terengganu, one of the states led by PAS. Opposition parties suffered severe defeats. PAS won only one-quarter of the seats that it won in

1999, and Keadilan had a miserable showing, winning only one seat in parliament for leader Wan Azizah. The results seem to signal an end to the multiethnic opposition coalition's genuine challenge to BN supremacy. Abdullah took all the coalition's power away by adopting the mantle of reform.[35] However, few of his progressive ideas have been adopted and in trying to transform the political system he inherited from Mahathir, albeit perhaps only tinkering around the edges, he may be confronting an entrenched UMNO elite who are unwilling to see change happen.

UMNO party elections were held in September 2004. While Abdullah and his Deputy Prime Minister Najib Razak were uncontested for their positions, several other key posts were to be decided. The voting did not go in Abdullah's favor. Party elites were voting for three vice president positions (of the party) and for twenty-five Supreme Council members. Three cabinet members as well as seven deputy ministers, all allies of Abdullah, were defeated. Many of his supporters were pushed out of the Supreme Council. New members chosen were generally well-connected to Mahathir or to Deputy Prime Minister Najib.[36] Abdullah may truly be facing challenges on all fronts. From within his own party there are clearly forces that will resist change. From outside of UMNO, opposition groups and voices could continue to get a boost from Anwar's release from prison in September 2004. While Anwar cannot run for office until April 14, 2008 (unless he gets a royal pardon for his corruption conviction), he is becoming more politically active and will certainly impact Malaysian politics without even running for an official position. UMNO has said several times that Anwar will not be readmitted to the party, but this could change in the future. He could also align himself with his wife's party, Keadilan, or with PAS. He is talking politics and about the compatibility of Islam and democracy, and is openly calling on Abdullah to push reforms forward even if this alienates some stalwarts within UMNO.[37]

Prospects for Political Reform?

Given the events of the last eight years, what are the prospects for political reform in Malaysia? What might need to happen in order for change to really take root? Throughout this book, the economic crisis of 1997/98 has served as a catalyst for reform movements and reform-minded leaders to outmaneuver status-quo politicians. As has already been discussed, while the financial crisis hit Malaysia in a manner similar to Indonesia, Thailand, and South Korea, one important aspect of the crisis was missing in Malaysia—the dictates of the IMF. Without the

IMF looking over his shoulder, Prime Minister Mahathir could make economic policy decisions that the global financial community and some within his own government frowned upon. When the more "liberal" policies tried by Anwar did not produce improved economic conditions, it opened the door for Mahathir to sideline Anwar and his supporters and eventually remove him entirely.

One of the things that this book argues is that political reform or democratization is often an elite-driven process. While elites are empowered by mass movements and popular support in one form or another, in all of the countries in this volume, elites within the highest circles of power and those within civil society play an enormously important role in making political reform happen. In Indonesia Suharto's closest allies, including military and police officials, ultimately agreed that he needed to step down. In Thailand the contest was between political elites who favored passage of the new constitution and stalwarts who did not and the former were able to trump the latter. In South Korea political alliances among candidates and elite responses to the economic crisis helped usher in a new administration at the close of 1997. In Malaysia elite dynamics moved in the opposite direction. Instead of forcing change and reform, Mahathir and his allies strengthened their position by ousting those who might have opted for political change.

Political reforms come about when there is a confluence of factors. When internal pressure from political elites combines with popular protests and/or pressure from civil society groups and when external factors such as international investors and the IMF favor reform-minded elites and changes, then we are likely to see change. These factors all coalesced in three of the countries studied here, but not in Malaysia. Now that the economic crisis has fully passed, and Mahathir has retired, might Malaysia join the ranks of more democratic Asian countries? I think it is possible, but not likely in the short term.

Voices for reform in Malaysia include those of opposition parties such as DAP and Keadilan and possibly PAS. While there is the potential for these parties to win more seats in state and national parliaments, lately they have been weak and unpopular. There are also a large number of civil society organizations that would like to play a greater role in keeping the government accountable and honest. However, NGOs are greatly constrained in what they can do to check the power of the state. An array of restrictive laws curtails freedom of expression, association, and assembly. This makes it difficult for NGOs or civil society organizations to try and publicize their activities and gain broader support for particular causes.

> Opposition parties and civil society groups continued to express concern that police were not impartial in granting permits for public assemblies and used unnecessary or excessive force when dispersing demonstrations.
>
> In February, without giving sufficient warning, police fired water cannon laced with chemical irritant to disperse a crowd gathered at the national police headquarters in Kuala Lumpur to present a memorandum on police brutality.[38]

Without real freedom of assembly, freedom of the press, and freedom of speech, it is hard to imagine that civil society organizations will be able to mobilize enough people or get their message out broadly enough to be the agents of a political revolution from below.

Role of Islam

Can Islam be a force for change within Malaysia or is it one of the forces impeding change? While there is a lively debate within both academia and the mainstream press about the compatibility of Islam with democratic institutions and values, Indonesia has shown that Islam can not only coexist with democracy but can also be one of the forces or actors that help democracy evolve. During the economic crisis, religious leaders were among those calling for Suharto to step down and stating the need for democracy and greater tolerance and ethnic/religious harmony. Is Islam a similar force in Malaysia today? Yes and no.

PAS, the Partai Islam se Malaysia or the Pan-Malaysian Islamic Party, was formed in 1950 because of a split within UMNO over the role of religion in politics. It has played an important role in criticizing UMNO and questioning the credibility (on religious and ethical grounds) of leaders such as Mahathir.[39] PAS's party platform has varied somewhat in the recent past. In 1999 it muted its long-standing call for an Islamic state based on sharia (Islamic law); it did so in order to keep the opposition coalition with DAP and Keadilan in tact. More recently, PAS has renewed its call for Islamic law and has suffered from the media's portrayal of it as a radical group, and the mainstream press has tried to implicate PAS members as working with more militant groups such as al-Maunah.[40] There is little evidence that PAS is linked to violent Islamic groups either in Malaysia or outside the country. However, some of its members have made inflammatory statements supporting Osama bin Laden and al Qaeda against the United States and in opposition to the idea of a secular state.

PAS has had the chance to rule in Terengganu and Kelantan and an analysis of what it has tried to do there presents us with a mixed impression

of the party's commitment to democracy. PAS tried to implement *hudud* (Islamic punishment for certain criminal offenses) law in Terengganu, only to have the federal government forbid this. These laws would only apply to Muslims and "party spokesmen went to great lengths to emphasize that non-Muslims had not been unfairly treated under PAS in Kelantan, with freedom of religion guaranteed and non-Muslims even allowed to continue such practices as rearing pigs."[41] However, PAS has also advocated a land tax on non-Muslims, again making many non-PAS supporters fear what life would be like under PAS leadership. For the most part, non-Muslims in Terengganu and Kelantan have been able to maintain their way of life and their businesses with only minimal intrusions. Alcohol and gambling have been curtailed but if in non-Muslim hands liquor has been allowed to be purchased, sold, and partaken of.

Like other organizations, PAS members vary considerably in their commitment to democracy or democratic values. In the spring of 2005 PAS elected reformist leaders to top posts, shunning hard-line clerics. Academic-turned-politician Nasharudin Mat Isa was elected the party's deputy president and three other reformists were named vice presidents of the party. This is a historic first for the party since the three vice presidents are not Islamic scholars but intellectuals or activists. This shift toward more moderate leadership within the party comes about because of electoral setbacks in the 2004 election. The party's support comes mainly from areas in the north and people seem to support it mostly out of frustration with UMNO and BN, rather than as a way of expressing devotion to the idea of an Islamic state.[42] Realizing this, PAS seems to be taking a more moderate approach right now.

Despite its usefulness and power as an opposition force to UMNO and the BN coalition, I think it would be wrong to see PAS as a potential force for democratic change. Not because Islam might not be compatible with democracy, but because it would be almost impossible for PAS to rally support to win more electoral contests based on a moderate and tolerant vision of Islam. UMNO has already co-opted Islam for just this purpose. Mahathir first started emphasizing the importance of Islam in the 1980s and Prime Minister Abdullah has spoken a great deal about "Islam Hadhari" or "civilizational Islam." In his vision, Islam is a force for tolerance of religious differences, individual piety, and most of all increased scientific progress and Islamic modernism. For PAS to stake out religious space different from this, the party is almost forced to move to more traditional and more rigid conceptions of Islam. This makes it both less appealing to the vast majority of Malays and Malaysians and also moves it away from the values necessary to promote and sustain democracy.

Second, it is hard to see PAS as a force for democratic change when we compare them to the Islamic forces that helped oust Suharto in Indonesia. In Indonesia large Muslim organizations such as Muhammadiyah and Nahdlatul Ulama are huge grassroots organizations involved in education, healthcare, and community services throughout the country. The organizations also have links with Muslim and secular political parties. Leaders of these movements (such as Gus Dur and Amien Rais) became increasingly critical of Suharto as economic conditions worsened and as protests throughout the country escalated. Since these organizations have deep roots throughout society and because they were part of the political process already but not as part of Suharto's ruling apparatus, their criticism of the regime carried a great deal of weight and legitimacy. Untainted by having to take responsibility for governing (like PAS in Kelantan and Terengganu) but able to speak with moral authority about ethical policies and the need to root out corruption, which had rotted Suharto's government through and through, Muhammadiyah and Nahdlatul Ulama were well-positioned to rally people against Suharto. PAS neither has the depth nor the standing to act in this capacity and since it is a political party, its present aim is to win more seats within the current system and not necessarily to topple the whole institutional apparatus.

Abdullah: Reform-Minded Leader?

If one looks at the history of democratization in Asia, one of the most necessary (but by no means sufficient) ingredients for political change has been having a reform-minded leader come to power. From Taiwan to South Korea and Indonesia, there is no question that the people at the top and the decisions that they made have had profound effects on the extent to which political reforms and democratization have gone forward. In Indonesia, political reform began when Suharto resigned, then B.J. Habibie opened the floodgates to massive change when he allowed new political parties to form and to compete in the most open and hotly contested elections in that country since the 1950s. Certainly, Habibie hoped that he would be the beneficiary of these changes, but when he was not, he played by the rules and stepped aside. There is a great deal of political science literature on transitions to democracy that focuses on the contests among elites within power for leadership. Huntington, Pzeworski, and others describe the end of authoritarian regimes as occurring when reform-minded leaders outmaneuver or sideline hard-liners in power. This comes about when moderates in power decide to throw their

weight behind those seeking greater changes or democratization. What I have found in Asia after the economic crisis is basically consistent with this literature. Variables such as IMF pressure, popular protests, and pressure from groups in society such as the business community or from the military simply impact the coalitions and degree of power of elites at the very apex of power. Because of these pressures or dynamics, more moderates and perhaps even some hard-liners swing over to support reform-minded players and so change is able to happen.

So, might Abdullah Badawi be able to be the reform-minded leader that Malaysia needs to bring about political change? While he seems to personally favor change and wants to at least tinker at the margins to clean up politics and improve the transparency and accountability of UMNO and BN, he has *not* shown the ability to convince other UMNO elites that his agenda is the right one. Too many players have vested interests in the current system and want to maintain the power and economic clout in their own hands. I can envision a scenario where Anwar rejoins UMNO[43] and either allies with Abdullah and helps the current prime minister become the leader of more robust reforms or outmaneuvers him. Anwar could then replace Abdullah as head of the party and as prime minister. In order for this to happen within UMNO a cohort of reform-minded party officials would have to come to the forefront and begin the process of real political change. For now the chance of this is small but not impossible.

Other Obstacles to Change

In Indonesia, Thailand, and South Korea the middle class and business interests (supposedly the backbone of groups in civil society) supported political reforms in the period after the economic crisis. This was not the case in Malaysia. While it has already been mentioned that analysis of voting patterns in 1999 showed wide Chinese support for the BN coalition, there needs to be a fuller discussion of business interests in Malaysian politics. Since the passage of the NEP in the early 1970s, Malaysian business has been closely tied to the state. The NEP was a massive affirmative action campaign to redistribute wealth, jobs, and corporate control to ethnic Malays. Prior to the NEP, it was widely understood that capital not in foreign hands was mostly controlled by ethnic Chinese and that they dominated the economy. After the NEP, Chinese businesses were forced to form partnerships with Malays, hire a certain number of Malay employees, and do business with Malay companies (not just with other Chinese companies). These policies had the

effect of bringing in a great deal of government involvement in the economy. It was really through the NEP that state-led economic growth became entwined with the idea of helping Malays get a leg up.[44] Malay companies with close ties (and financing connections) to UMNO were set up to partner with Chinese businesses to fulfill the NEP requirements.[45] So, by 1997 many businesses and business leaders, Chinese, Malay, and Indian, had close associations with BN politicians or their friends or relatives.[46]

Given that the political system is designed to maintain Malay political dominance, why were the Chinese and Indian communities not more active in the political protests and the reform movement in 1997–1999? Not only were the Chinese not significantly represented in the protests, Malaysian Chinese seemed to stay home during the protests. The most logical explanation for this is that the Chinese (both business elites and people of more modest backgrounds) feared the instability could lead to violence against non-Malays. Malaysian Chinese were appalled at the riots and assaults against Indonesian Chinese, which occurred in the spring of 1998, and while such violence seemed unlikely in Malaysia, the Chinese had good reason to prefer the status quo to the potential for chaos.[47] So, with economic, personal, and security interests at stake, the Chinese in Malaysia seemed to opt for continued BN rule, not the alternative coalition opposing Mahathir.

Conclusion

For now Malaysia is far from democratic. The political system is set up to favor Malay dominance and the continued power of the ruling coalition. Most of the large media outlets are fully or partly owned by one of the parties in the BN. NGOs are constrained in their activity by laws that limit assembly, speech, and association. The judiciary is in need of reform and greater independence. Having said that, there are regular and competitive elections and opposition parties do compete in the process. Given the experiences of Malaysia's neighbors, one would hope that it will not take an economic crisis to bring reforms to the system. There is another possibility for change in Malaysia. Former deputy prime minister Anwar Ibrahim is out of prison and is talking politics. He is critical of Abdullah's administration and of the race-based nature of Malaysian politics. Anwar is forbidden from running for office until 2008. Despite this prohibition, he is speaking loudly about the need for reforms and this may empower other people to criticize or challenge the status quo. We do not know if he is truly a reformer, someone who would open up

the system and change the structure and rules of the game, but he may have the charisma and clout to do so.

Because the pressures for reform were different or lacking in Malaysia than in Thailand, South Korea, and Indonesia in 1997/98, ruling elites were not forced into reforms. If political elites, Anwar or someone else, initiate reforms from a position of internal strength, democracy in Malaysia may in fact look very different from democracy in other Asian countries. Perhaps it would look more like Japanese politics, with a dominant party in power and strong government guidance in the economy, rather than the newer democracies such as Indonesia where no party is dominant, or South Korea and Thailand where personal charisma matters more than institutions such as political parties. For now it is too soon to tell.

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Conclusion

No democracy is perfect or ideal. Even long-standing democracies such as the United States, Great Britain, and the countries of Western Europe have scholars, politicians, and citizens arguing about the fairness of the system, better ways of conducting elections, improving political representation, and the problems of money politics and patronage. The countries examined here, Thailand, South Korea, Indonesia, and Malaysia, have less experience with democracy and arguably have further to go in achieving a more just, fair, and representative political order for their citizens. Despite a great deal of optimism and effort from a lot of people, the promise of cleaner, fairer government has not been *fully* achieved in Thailand, South Korea, or Indonesia.[1] Having said this, all three countries, especially Indonesia, have made tremendously positive changes in their political systems over the last eight years and although there are institutional, cultural, and economic changes that should be made to improve politics, the chances of reversion to authoritarianism are small. One cannot state often or strongly enough what a positive development that is! How well do the experiences of these three countries conform to the ideas laid out in the theoretical literature on democratic transitions and consolidation?[2] How fully has democracy been consolidated and what problems still exist in Thailand, South Korea, and Indonesia? Do problems with democracy (high levels of corruption, e.g.) necessarily mean that democracy is not consolidated? Finally, from looking at these countries, what conditions might need to exist in Malaysia in order for democratization to take hold? These are the questions that this conclusion to the book will assess.

The introductory chapter plus the individual country chapters identified the 1997–1998 financial crisis as a pivotal event in understanding political reforms and democratization in Asia. All four of the countries discussed shared the painful experience of the economic meltdown

beginning in the summer of 1997. To varying degrees, Thailand, South Korea, Indonesia, and Malaysia all faced the loss of investor confidence, runs on their currencies, and significant banking crises. All of the countries except Malaysia felt compelled to turn to the IMF and the international community for bailout packages to stabilize their economies. All four of the Asian leaders came under tremendous pressure from different actors at home—protestors, business groups, and from some political elites in significant positions of power—and there was pressure from the international community to enact certain neoliberal monetary and fiscal policies.[3] All of the leaders, except Malaysia's prime minister Mahathir, were swept out of office as a direct consequence of the crisis; President Suharto and Prime Minister Chavalit were forced to resign, and President Kim's party lost the elections held at the end of 1997.

Case Study Conclusions

Thailand's twentieth-century political history is checkered with periods of political reform and movements toward democracy and periods of more repressive or authoritarian rule. In 1997 when the economic crisis hit, Thai politics could be best characterized as semi-democratic. There was a partially elected legislative branch and an elected prime minister, but money politics and corruption dominated elections and there was little sense of leaders being accountable to citizens. In addition, the government was unstable and weak at policy making. Prime Minister Chavalit was the third leader in as many years, cabinet shuffles were endemic, and parliament was not known for decisive action. Elections in the 1990s were seen as corrupt affairs dominated by money politics, vote buying, and ballot-box stuffing. Although the military had largely stepped aside from regular politics, many generals and former generals had seats in parliament and in the senate. A movement for political reform had begun several years earlier and by the summer of 1997 there was supposed to be a draft of a new constitution on the table. Debates and revisions to the charter were still raging when the financial crisis hit in July. Although there was already a great deal of popular support for trying to clean up and improve the system, there were many politicians who had no interest in changing the status quo, thus it was far from clear that the constitution would get a fair hearing and ever come to pass.

As the Thailand chapter shows, the constitution did pass, in large measure because supporting it became the most tangible thing that people (protestors, civil society groups, and politicians) could do to try and

prod the government toward more responsible action in response to the economic crisis. Prime Minister Chavalit had replaced members of his cabinet in response to the crisis, but his government seemed totally unable to enact a set a policies to address the economic problems plaguing the country. People's anger at this became channeled into support for the new constitution. The king indicated his support for reform, and some in the military also put pressure on Chavalit to finally agree to support a vote on the charter. Once the new constitution was approved, Chavalit was all but a lame duck. He resigned in early November 1997. Chuan Leekpai took over as prime minister. Between early 1998 and when elections were held in 2001, many of the provisions of the charter were put into place. There were new electoral laws and new oversight bodies to monitor and try and ensure fairness in the system. Both the 2001 and the 2005 elections were viewed as free and fair, but they also continued to suffer from money politics and allegations of illegal campaign activity. Thaksin won both the 2001 and 2005 elections by significant margins. The chapter on Thailand concludes that it had an opportunity between 1997 and now to make significant progress on cleaning up the political system, making it fairer, more transparent, and more accountable to citizens. While new watchdog bodies such as the election commission, the anticorruption commission, and the constitutional court should serve to spot abuses and antidemocratic behavior, the commissions have been all but emasculated. Thaksin pressured these institutions and packed them with supporters. Changes to the voting system and to the parliament have succeeded in bringing a measure of stability to Thai politics, but it has not served to help bring more honest people into politics. Thaksin's popularity through 2005 allowed him to substantially erode civil liberties and freedoms in the name of promoting security and economic development.[4]

The change in 2006 came through protest activity, not through institutional processes. Hence, Thai politics successfully underwent reform in 1997, but it is still at the edge of consolidating democratic changes to create a more open, accountable, transparent, and fair system to protect and advance citizens' rights, and preferences. A variety of views need to be represented and civil rights and media freedoms need to be protected.

South Korea is perhaps the country where democratization has been most successful.[5] Democracy began in 1987 when military general Chun Doo Hwan's handpicked successor Roh Tae Woo agreed to a series of reforms to open up the political system. He agreed to all of the following: direct presidential elections, allowance of multiple candidates to contest

elections, creation of multiple political parties, a free press, protection of civil rights, and local elections (among other measures). Roh complied with the reforms and ran in the first truly competitive presidential election in 1988. He won when Kim Young Sam and Kim Dae Jung split the opposition votes. The reforms created a system where fairly free and competitive elections took place, there was a free and vocal press, people's rights were respected, but money politics and corruption robbed the system of real transparency, accountability, and fairness.

From 1987 to 1997 there was a gradual transformation of the political system. When the economic crisis hit in the fall of 1997, most people viewed South Korea as a functioning democracy. However, the Korean political system was still far from being fully democratic. Big businesses, the chaebol, had disproportionate influence over economic policy making, and money had a deterministic effect on elections and on which candidates made it far enough to run with a chance of winning. When Kim won the presidential election in the midst of the economic crisis in December 1997, he was given an opportunity to overhaul both politics and the economy. Unfortunately, he was not entirely successful.

He accomplished more on the economic side than on the political side. He was able to restructure some of the chaebol in the worst financial shape and created some oversight bodies to guard their financial and management practices. However, he was not able to change the presidential system to more of a cabinet system with a stronger prime minister (something he had offered to Kim Jong Pil to get him to form the alliance in 1997). Kim tried to argue that such a shift would create more of a balance of power between institutions and help in policy making. Because his party did not control the legislature, he was unable to get these political changes through. With the election of Roh Moo Hyun in 2002, hopes were again high that political reforms might be back on the agenda. But, he too was quickly stymied by a divided legislature where he did not have a great deal of support and by charges that his neophyte administration was incompetent. The forward momentum for political reforms was quickly squashed.

So, what is the status report for Korean democratization? It clearly meets the procedural and qualitative elements that Dahl spells out as necessary to consider a country "democratic"; there are free, fair, and frequent elections, elected officials, freedom of expression, alternative sources of information, associational autonomy, and inclusive citizenship.[6] However, corruption both erodes people's confidence in the system, their sense that politics is fair and is a representation of popular

will, and harms the government's ability to pass and implement policies of good governance. South Korea's corruption score, as calculated by Transparency International, is a 4.5, where 10 is the cleanest and 1 the most corrupt a country could score. South Korea ranks in 47th place out of 145 slots (there are more than 145 countries in the list since some countries share a spot with a tied score) listed; this puts the country behind South Africa and just ahead of Seychelles.[7] Corruption in Korea manifests itself in close ties between businesses and politicians and in the habit of politicians of having family members and/or friends take advantage of political ties to win business contracts with well-connected businesses. Attempts to thus make the political economy more transparent and to hold elected officials accountable for their actions and those of their associates would improve democracy.

In 1997 Indonesia was clearly an authoritarian regime. Suharto kept a tight rein on the formation and activity of political parties, elections were a tool for perpetuating his power, there was little freedom of the press, civil society organizations were weak and mostly apolitical, and the legislature was a rubber stamp for Suharto and his allies. The military occupied a privileged position in politics, the economy, and on issues of internal security. Today this has changed completely. The military has been removed from formal politics, there are dozens of political parties competing in mostly free and fair elections, and elections are held at both the national and local level. While the executive branch is still more powerful than the legislative branch, the legislature certainly cannot be counted on to blindly support the president, and it has acted as a check on presidential power. This was clearly the case when they impeached President Wahid. The press is by and large free and some outlets can be counted on to be critical of the regime. Civil society has exploded and is increasingly trying to influence political decisions.

These enormous and far-reaching political reforms came about as a direct result of the economic crisis. The crisis called into question Suharto's position and legitimacy. He had staked his regime on the promise of economic growth. The financial crisis illustrated the corruption and inequality that was at the heart of his economic development strategy. The IMF conditions for the bailout money required Suharto to take measures that both angered his allies (ending monopolies in some industries and closing insolvent banks) and the masses (reducing fuel subsidies). When protests escalated in the spring of 1998, even his closest military and business associates decided that it was time for him to go. His resignation in May allowed B.J. Habibie to preside over some of the most far-reaching political reforms within the whole region.

Between May of 1998 and 2004 sweeping legal and institutional reforms transformed Indonesia into a vibrant democracy.

However, as the chapter on Indonesia makes clear, there are lingering problems in the country that I think prevent a further consolidation of democracy. Problems include territorial and sectarian violence, an extremely weak judiciary, corruption, and unresolved issues about political Islam. These are hardly small or easy problems to tackle, but until individual security is assured, either in contested areas such as Ambon or Papua or for religious or ethnic minorities, it is hard to argue that full democracy exists. To solve Indonesia's problems will require further weakening the military and entrenched economic and political elites who benefit from the current arrangements. It does not seem likely that this will happen in the near future.

Malaysia is the most stable and least democratic of the countries studied here. Prime Minister Mahathir avoided the fate of his neighboring leaders in 1997/98. He was able to stay in office partly because he refused to go to the IMF for help; thus, he could enact economic policies such as pegging the ringgit and making it nonconvertible, which other Asian economies could not do. He was also able to remain in power because he outmaneuvered and had arrested his main rival, Deputy Prime Minister Anwar Ibrahim. Arresting Anwar, however, triggered the largest protests in recent history and for a brief while in the fall of 1998 it seemed that Mahathir too might be vulnerable. Business and UMNO elites maintained their support for him, minority communities quietly supported the status quo, and as the economy recovered, some of the steam was taken out of the protests.

Mahathir was able to stay in office until he retired at a time of his own choosing; Abdullah Badawi took over from Mahathir in October 2003. Mahathir felt able to step down because the economy was clearly on the rebound, the global war on terror gave him credibility in attacking the key opposition party Partai Islam se Malaysia (PAS) for advocating Islamic law and in cracking down against militant Islamic groups (and others) in the name of security. Anwar had been convicted and was in jail, and both UMNO party elections were far away enough for Abdullah to have the time to gather support. Since taking power, Abdullah has talked about political reform but has done little. Anwar was released from jail in the summer of 2005 and immediately began criticizing Malaysian politics. He cannot run for office until 2008 but is already lambasting UMNO and the political system as one that perpetuates race and class divisions. It seems unlikely that Anwar will pose much of a threat to the current regime, at least in the short term. However, it is

possible that over the next few years the political system could undergo a transition, not unlike the one that occurred in South Korea or Thailand. For this to happen, there would need to be a crack in the door somehow, a reform-minded leader would have to decide that it was in his or her best interest to change the political system so that it is not so rigged in UMNO's favor, and would have to allow for the easier formation of other political parties, media outlets, and public gatherings. These things are not hard to imagine in Malaysia, but they do not exist in a meaningful way at this point in time.

Applicability of Case Studies to Theoretical Material

This part of the conclusion will apply the information from the country studies to three theoretical areas: the relationship between economic crises and political change; understanding how and why political reforms or democratization happened in some countries in Asia and not in others; and the degree of democratic consolidation today in countries with positive political reforms in the wake of the financial crisis.

Relationship Between Economic Crises and Political Change

The book's introduction gave an overview of the literature on economic crises and political change. There are variations in findings about the relationship between economic crises and political change (instability or durability of the system, e.g.) of any sort—Raymond Duch, Karen Remmer, and Mark Gasiorowski find that a number of variables (not just the presence of an economic crisis) influence regime change. In Asia in 1997/98 the financial crisis was, without question, an important catalyst for political change. The basic elements of the economic crisis were similar throughout the region. There was enormous downward pressure on countries' currencies; banking liquidity crises impacted all of the countries mentioned in this book. Inflation was less of a problem,[8] but massive loss of confidence from domestic and international investors was a crucial element of the crisis. The financial problems triggered mass protests in all three of the countries and in Malaysia, Hong Kong, and the Philippines as well. Indonesia suffered the worst violence from the protests. Of the countries studied here, all of the countries except Malaysia turned to the IMF for assistance. Going to the IMF for a bailout can have several political and economic consequences.

Economic consequences are easy to understand. In exchange for a large bailout package the IMF generally requires countries to enact a set

of tight monetary and fiscal policies. Governments are told to cut spending, particularly on subsidies, and to crack down on insolvent businesses by tightening up bankruptcy laws and loosening laws on foreign ownership so that insolvent or near-bankrupt companies or banks can be "saved" by foreign investors. Measures such as these are meant to increase investor confidence and to put the government back on surer financial and monetary footing. These policies, however, can also backfire. For example, when Suharto closed a number of insolvent banks, there was massive panic and investors and depositors rushed to take their money out of all banks, assuming that their bank might be the next to be shut down. Political consequences of an IMF bailout are more complex.

Sometimes leaders see the IMF as a convenient scapegoat, an actor to blame for enacting policies that they might want to choose anyway but which they know will be unpopular.[9] They may try and point fingers at the IMF, trying to deflect blame for unpopular policies. Smith and Vreeland find some evidence that this can help leaders stay in office, and it seems particularly true if the leader came into power with the IMF agreement already in place.[10]

During the 1997/98 crisis turning to the IMF also changed internal political dynamics within countries. Sometimes political elites differed on policy preferences and attitudes about the IMF prescriptions. This disagreement triggered competition for power, either electoral competition, for example, in South Korea, or a power struggle at the highest levels of government, such as in Thailand, Indonesia, and Malaysia. The economic crisis was directly responsible for setting off these disagreements among elites. And, as the chapters on the countries showed, I found that political reforms came about largely because of a loss of support for Suharto, for President Kim Young Sam's party, and for Prime Minister Chavalit. Loss of support happens both at the level of society and the masses and at the elite level within circles of political power. This would not have happened without the economic crisis; hence, I find that the financial crisis, as detrimental as it was to people's lives and well-being, had a positive effect on helping set up the conditions for political reform. Democratization in Asia largely conforms to the elite-centered model of transition theorists such as Huntington, Przeworski, and Schmitter and O'Donnell, as discussed in the introduction.

Why Do Reforms Happen in Some Places and Not in Others?

Previous chapters have made the argument that political reforms happened in Thailand, South Korea, and Indonesia but not in Malaysia

for several reasons.[11] Three specific explanations will be offered here: first, Malaysia was different because it did not go to the IMF for a loan; second, business class interests largely maintained their support for the regime; and lastly, there was an electoral outlet for disgruntlement, so that anger toward the regime could be channeled to opposition parties, however, because the political system is so rigged in UMNO's favor, it is almost impossible for another party to take power through electoral means.

The first and second factors mentioned earlier are related and so they will be discussed together. Prime Minister Mahathir did not turn to the IMF for a bailout, and this turned out to be a critical decision. Without outside interference Mahathir's administration did not have the same pressures from either the global community or other elites to enact policies that would hurt the prime minister's power base. Disagreement became obvious to everyone when Mahathir would say one thing and his deputy Anwar Ibrahim would then try and reassure investors that the prime minister was just blowing off steam. From winter of 1997/98 through the fall of 1998 when Anwar was sacked, policies veered from "liberal"[12] and restrained, the kinds of policies the IMF might have prescribed had it been involved, to closed and protectionist (e.g., the decision to restrict the convertibility of the ringgit). Ultimately, Mahathir was able to marginalize Anwar and then have him arrested on trumped-up charges of sodomy and corruption. Had the IMF been involved in a bailout, there might have been greater support for Anwar's policies within the administration and it would have been harder for Mahathir to push him aside. Second, because the IMF was not involved, Mahathir was able to protect some of his closest economic allies. Instead of going through the painful process of examining the health of key Malaysian businesses and the wisdom of some of the government's large spending projects, Mahathir was able to protect his allies and help them recover and even profit from the economic crisis.

In addition, ethnic politics had an impact on Mahathir's ability to stay in power and prevent political reforms from going through. A little less than 30 percent of Malaysia's population is ethnic Chinese. In the past, most notably during the riots of 1969, the Chinese have been targets of Malay anger and frustration at economic inequality.[13] Malaysian Chinese watched in horror as Indonesian Chinese were blamed and then attacked and even raped in the wake of the economic crisis. While there seemed to be little danger of this sort of ethnic violence in Malaysia, there was a sense that stability was far preferable to instability and the unknown of regime change. Also, Chinese business elites, along with

their Malay partners, were some of the prime beneficiaries of Mahathir's economic policies. Even if they were not afraid of chaos and ethnic violence, the Chinese business community may have been predisposed to support Mahathir instead of reformasi.[14] These dynamics were different from those in the other countries studied here. In Thailand, South Korea, and Indonesia the business community, or at least sizable portions of it, supported political reforms as a way of trying to stabilize and restart the economy. In Indonesia Suharto clearly lost the support of the Chinese business community when he was unable to protect them (the police stood by and did little to stop the rioters and attackers) from violence, nor was he able to stop the free fall of the economy. In the spring of 1998 both the personal and economic interests of the Chinese businesses in Indonesia were being destroyed. Certainly, some business interests in Thailand and South Korea were hurt by IMF strictures, however, the need to halt the downward pressure on the economy made enough of the business class in each country willing to support political reforms. In Malaysia business interests of all ethnic groups were closely aligned with the state. The business community's political power may have been more informal than formal in these countries. In other words, business interests were channeled through both professional organizations and some interest group activity, but also through dense and unofficial links between business and political elite. In Malaysia continued support from these actors was an important element of the regime's ability to hold power.

Status of Democratization

The literature on consolidation of democracy focuses mostly on the stamina and duration of democratic procedures and on the willingness of leaders and citizens to both play by the rules of the game and to believe that democracy is the best system. Going back to Linz and Stephan's criteria for democratic consolidation, South Korea, Thailand, and Indonesia all seem to meet the behavioral elements of democracy. There are no widespread, significantly powerful actors spending huge resources to try and overthrow the democratic order.[15] Linz and Stephan's second litmus test for democratic consolidation has to do with attitudes about democracy. While it seems clear that democratic attitudes have taken hold in Indonesia (turnout and support for national and local elections have been high and people tell surveyors that they favor democracy over other political systems),[16] it is less clear that Thais and South Koreans seem to value democracy over other systems or priorities such as social

welfare/economic well-being. Linz and Stephan's last criterion has to do with the institutionalization of rules and norms of obeying the law.[17] I have interpreted this as an element of good governance and of a minimal level of corruption. All three countries are lacking on this point. South Korea has wrestled more with problems of corruption than has either Thailand or Indonesia (despite a lot of rhetoric in both places about cleaning up government). However, even South Korea suffers problems of money politics and patronage, which undermine the credibility, accountability and transparency of the system. Do problems with corruption mean that democracy cannot be consolidated? The answer is not so clear cut. First, democratization, or the consolidation of democratic reforms, is an ongoing process. Countries fall somewhere on a continuum of very free and open politically to very closed and authoritarian. Likewise, there are levels or degrees of corruption. If levels of corruption are high enough that electoral outcomes are determined by bribes rather than legitimate votes, or that politicians' policy choices are determined by narrow, wealthy interests, rather than by the interests of those who voted them into office, then it would be hard to see such a political system as being accountable to citizens in a meaningful way. Of course, the reality is that most democratic countries are far from perfect and will fall somewhere on a scale that measures fairness, accountability, and transparency. For now, South Korea, Indonesia, and Thailand, all need to better combat corruption because it does pose a significant challenge to the legitimacy of democratic institutions.

This problem of good governance instead of corruption is a huge topic in itself. Corruption may in some ways be harder to fix than reformers anticipated in 1997/98. Democratic reforms were able to emerge in part because they only hurt the interests of a small number of elites in power who were wedded to the old order. Rooting out corruption affects a much larger slice of the system, from low-level bureaucrats, police and military officials, to high-ranking political and economic leaders. There are so many people with something at stake that really getting rid of corruption so embedded in the political economy is a huge task.

Some of the other factors inhibiting greater democratization are as follows: a greater focus on the delivery of social welfare or economic goods and new security concerns. Although the economic crisis of 1997 was an enormous blow to people's well-being throughout Asia, anger about the crisis was manifest in disgust with less-than-democratic political regimes. Now that political reforms have gone through in places such as South Korea, Thailand, and Indonesia, it is less obvious that the political system is an obstacle to greater economic prosperity. While all

Table C.1 Real GDP growth in percentages from 1997 to 2005

Country	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
Thailand	−1.4	−10.8	4.2	4.8	1.9	5.3	6.9	6.1	5
South Korea	5	−6.7	10.9	8.5	3.3	6.0	3.1	4.6	4
Indonesia	4.7	−13.1	.8	4.9	4	4.25	4.9	5.1	5.5
Malaysia	7.3	−7.4	6.1	8.9	.25	4.25	5.4	7.1	5

Source: Data from 1997 to 2000 is from the GDP, gross domestic product. Asian Development Bank, *Asian Development Outlook, 2001*, and figures from 2003 to 2005 are from Asia Regional Information Center (ARIC), *Pacific Economic Outlook*, www.Aric.adb.org. Data for 2001 to 2002 is from (Paul Aho. "The out look for Asian Feed Demand." USDA Agricultural Outlook Forum. Washington DC February 17, 2006 GDP, gross domestic product.

four countries have rebounded from the crisis (table C.1; Indonesia's recovery has, not surprisingly, been the slowest), there has not been a consistent resumption of the impressive levels of economic growth seen before 1997 (prior to 1997 all four of these nations had consistently seen economic growth rates above 7 percent).

Populations had become accustomed to significant improvements in their material well-being every few years. In the eight years since the crisis, this has not reoccurred. So, instead of focusing dissatisfaction on the nature of the political system, people are making more demands that are specific to social welfare concerns. Leaders such as Prime Minister Thaksin, who make popular promises (and deliver on them), are able to retain support even though they may be subverting the democratic system in some (or many) ways.

Further democratization may also be stymied by external pressure on governments to act more aggressively on security matters. While the IMF may have inadvertently acted as a positive force for political reforms, today the United States and the global community are more concerned with security problems and terrorism than with corruption and cronyism in our allies. South Korea is confronted with a nuclear North Korea on its border and although successive leaders have pursued an active policy of engagement with the North, the United States would both like to see South Korea fall back into its orbit and also put more pressure on the North to negotiate the monitoring of these weapons. Because the United States is so concerned with the nuclear issue, it may be less likely to fault the South Koreans about flaws in their democracy. In fact, there have been no recent public statements made by the United States about concerns over South Korean democracy.

Both Indonesia and Thailand have come under pressure from the United States to take more aggressive actions against militant Islam.

The United States is concerned about Southeast Asia as a second front in the war on terror and has actively sought support and action from countries to crack down on militants in their own countries and to help prevent regional Islamic organizations from networking and coordinating with each other. The U.S. interest in stopping terrorism has led it to focus on this at the expense of pressing countries to work through problems of corruption and social/economic injustices, which may be contributing to a failure to fully realize democracy.

Ultimately, I believe that democracy, although still grossly imperfect, has been consolidated in South Korea but not in Thailand or in Indonesia. South Korean democracy seems stable and able to stand up to both political scandals and constitutional challenges. In Thailand it is clear that democracy has taken root, yet Thaksin has shown how easy it is to subvert the best-intentioned laws and regulatory bodies in the name of security and economic growth. Indonesia faces the biggest challenges relating to all of these significant problems (corruption, a need for good governance, lagging economic growth, fragile political institutions, and security threats). While it certainly appears as if political reforms will stick in Indonesia, of all countries discussed here, it is the place most at risk for overturning some of the new elements of democracy. The risk of this is small, but it is not impossible to imagine small or moderate steps being taken to reverse some of the new civil rights and accountability measures enacted since 1998. This could be done in the name of security, in the name of increasing economic growth, or in the name of Islam. Therefore, I am hesitant to proclaim that democracy has been fully consolidated in Indonesia as of 2005.

Final Thoughts

In countries where democracy has not taken hold, economic crises can jeopardize the legitimacy of authoritarian leaders. This is especially true for leaders who have staked their rule on the promise of economic performance, as Suharto did. In countries that are partially democratic, or that have previously made some political reforms, economic crises can be the push that really changes the system, and this is exactly what happened in Thailand and South Korea. Economic crises can illustrate flaws in the system and problems with leadership, and when people's welfare takes a turn for the worse, there needs to be a mechanism for penalizing leaders responsible.

Counterintuitively, in the more recent waves of democratization, financial problems do not appear to doom the odds of democracy

surviving. Citizens are sophisticated enough to want to vote out incumbent office holders, but not to want to overthrow the whole political system. What this means for all political systems is that financial crises are bad news for most leaders. Those who are seen to hold their offices through legal–rational means, such as free and fair elections, may get voted out of their position, but the system will probably survive. Those whose legitimacy is not based on fair and legal mechanisms will have to hope that their support networks are wide and deep within the political and economic elite. Outside pressure from global actors such as the IMF or global flows of capital can affect political outcomes under circumstances where there are some elites pushing for change and where citizens or organizations can be mobilized for political action.

One last point that has not been made previously: it may be that democratic countries are less likely to suffer from the *type* of economic crisis that hit Asia in 1997/98. If the Asian economies and political systems were more transparent and accountable (to investors and interested parties), some of the panic and contagion that contributed to the severity of the crisis might not have happened. Certainly, there will be economic problems and maybe even crises in the future (high oil prices make this frighteningly possible in the near future), however, if investors feel they have accurate and plentiful information about government spending and policies, as well as accurate information about private businesses' finances and interests, they may not be so quick to pull their money out. Had this sort of speculative behavior not happened in 1997/98, the magnitude of the crisis would have been much less severe. It is perhaps too soon to tell if the political reforms enacted after 1997/98 will have the effect of lessening the chance of a similar economic crisis in future.

Notes

Introduction

"Economic Crisis and Political Change: Indonesia, South Korea, and Malaysia," *World Affairs* 166, no. 4 (2004): 185–196. Reprinted with permission of the Helen Dwight Reid Educational Foundation. Published by Heldref Publications, 1319 18th Street, Washington, D.C. 20036–1802. www.Heldrf.org.

1. N. Ganesan, "Malaysia in 2002," *Asian Survey* 43, no. 4 (2003): 147–155.
2. Robert A. Dahl, "What Political Institutions Does Large-Scale Democracy Require?" *Political Science Quarterly* 120, no. 2 (2005), 187–197.
3. The three most prominent works on transitions to democracy are: Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press), 1986; Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press), 1991; and Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (NY: Cambridge University Press), 1991.
4. Philippe C. Schmitter, "On Civil Society and the Consolidation of Democracy: Ten General Propositions and Nine Speculations about their Relation in Asian Societies." Paper presented at an International Conference on Consolidating the Third Wave Democracies: Trends and Challenges, Taipei, August 27–30, 1995, and Larry Diamond, "Rethinking Civil Society: Toward Democratic Consolidation," *Journal of Democracy* vol. 5, no. 3 (1994): 3–17.
5. Diamond, "Rethinking Civil Society," 7–11.
6. For the debate on the relationship between civil society and the state, see the following works: Peter Evens, Dietrick Rueschemeyer, and Theda Skocpol (eds.) *Bringing the State Back In* (Cambridge, UK: Cambridge University Press), 1985; Gabriel Almond. "The Return to the State," *American Political Science Review* 82 (1988): 853–874; and Timothy Mitchell. "The Limits of the State: Beyond Statist Approaches and Their Critics," *American Political Science Review* 85, no. 1 (March 1991): 77–96.
7. Larry Diamond and Juan J. Linz, "Politics, Society, and Democracy in Latin America," in Larry Diamond, Juan J. Linz, and Seymour Martin Lipset (eds.), *Democracy in Developing Countries* (Boulder, CO: Lynne Rienner), 1989, 1–59.

8. Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press), 1991.
9. Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press), 1968, 41.
10. John B. Londregan and Keith T. Poole, "Poverty, the Coup Trap and the Seizure of Executive Power," *World Politics*, 42, no. 1 (1990): 151–183.
11. Raymond Duch, "Economic Chaos and the Fragility of Democratic Transitions in Former Communist Regimes," *Journal of Politics* 57, no. 1 (1995): 126.
12. Karen Remmer, "The Political Impact of Economic Crisis in Latin America in the 1980s," *American Political Science Review* 85, no. 3 (1991): 777.
13. (Ibid., 794).
14. Mark J. Gasiorowski, "Economic Crisis and Political Change: An Event History Analysis," *American Political Science Review* 89, no. 4 (1995): 892.
15. Robert O. Keohane and Helen V. Milner (eds.), *Internationalization and Domestic Politics* (NY: Cambridge University Press), 1996, 4.
16. The notable contribution of "second image reversed" thinking is that international factors (institutions, agreements, laws, etc.) impact domestic decision making, rather than second image explanations, which find that domestic politics affects how a country behaves in the international arena.
17. These two works are leaders in the field in terms of initiating the discussion about the relationship between international affairs and domestic politics. Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," *International Organization* 32, no. 4 (1978): 881–912 and Peter J. Katzenstein, (ed.), *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial Countries* (Madison, WI: University of Wisconsin Press), 1978.
18. Keohane and Milner, *Internationalization*, 16–17.
19. Henry S. Bienen and Mark Gersovitz, "Economic Stabilization, Conditionality, and Political Stability," *International Organization* 39, no. 4 (1985): 747.
20. Ibid., 735.
21. Samuel J. Valenzuela, "Democratic Consolidation in Post-Transitional Setting: Notion, Process, and Facilitating Conditions," in S. Mainwaring, G. O'Donnell, and S. Valenzuela (eds.), *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective* (Notre Dame: University of Notre Dame Press), 1992, 57–104.
22. Andreas Schedler, "Measuring Democratic Consolidation," *Studies in Comparative International Development* 36, no. 1 (2001): 66.
23. Ibid., 12 (pagination reflects Internet download of article).
24. In the case of Indonesia there are certainly regional separatist movements, in Aceh and Papua, e.g., however, these forces are not challenging the government at the national level.
25. Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation* (Baltimore: Johns Hopkins University Press), 1996, 6.

26. Ibid., 7–12.
27. Geoffrey Garrett and Peter Lange, "Internationalization, Institutions, and Political Change," *International Organization* 49, no. 4 (1995): 632.
28. John McBeth, "Family and Friends: Suharto Unveils an Inner-Circle Cabinet," *Far Eastern Economic Review* March 26, 1998, 20–22.
29. The choice of Bob Hasan for a cabinet position was highly controversial. Hasan was a close friend of Suharto's (and is ethnically Chinese) and had significant business holdings in industries such as rattan and clove production. In his new role Hasan was in a position to police and oversee the industrial sectors in which he was a leader.
30. Wahid was very low profile himself in calling for Suharto's ouster. However, his support of students and his behind-the-scenes activities, helped encourage more vocal actors to pressure Suharto.
31. There are many good accounts of the end of Suharto's rule. See John McBeth and Michael Vatikiotis, "The Endgame," *Far Eastern Economic Review* May 28, 1998, 12–15.
32. For a more detailed account of the violence against the Chinese, see Amy L. Freedman, *Political Participation and Ethnic Minorities Chinese Overseas in Malaysia, Indonesia, and The United States* (NY: Routledge), 2000, 90–96.
33. For good coverage of the surprising political events in Indonesia in both May of 1998 and the fall of 1999, see various issues of *Far Eastern Economic Review* (hereafter referred to as *FEER*). In particular, see Margot Cohen, "To the Barricades," *FEER* May 14, 1998, 21–24; Margot Cohen, John McBeth, and Michael Vatikiotis, "Into the Void," *FEER* June 4, 1998, 16–18; and Margot Cohen and John McBeth, "Unlikely Victor," *FEER* October 28, 1999, 12–13.
34. John McBeth, "Power Reversal," *FEER* December 4, 1997, 79–80.
35. *IMF Approves Stand-By Credit for Indonesia*, Press Release Number 97/50. International Monetary Fund, November 5, 1997.
36. Ibid.
37. Steven Susanto, "Indonesia and the IMF Pill," *FEER* December 11, 1997, 32.
38. Michael Vatikiotis, "Man the Pumps: IMF Signals it May Make Stability the Priority in Indonesia," *FEER* June 11, 1998, 53.
39. For good reporting on this period, see Paul Watson, "Violence Flares in Java," *The Toronto Star* February 1, 1998, 1; and Seth Mydans, "Suharto is Still Weighing a Drastic Economic Move," *The New York Times* March 2, 1998, 9.
40. Margot Cohen, "To the Barricades," *FEER* May 14, 1998, 21–24.
41. Ibid.
42. Michael Vatikiotis and Adam Schwarz, "A Nation Awakes," *FEER* June 4, 1998, 14.
43. Ibid.
44. Ibid.
45. William Liddle, "Indonesia in 2000," *Asian Survey* 41, no. 1 (2001): 208–231.

46. Ibid.
47. Michael Baker, "Tear Gas and Protests Waft Away as South Korean Students go Quiet," *Christian Science Monitor* August 20, 1989.
48. The logical explanation for the decrease in student activism in South Korea by 1997 is simply that the goals of the student movement dating from Syngman Rhee's rule in the 1960s and continuing through the 1980s had largely been met. Once seen as the champions of democracy and greater social justice, after successful political transformation of the late 1980s and early 1990s, there was a sense that the major goals of previous demonstrations had been met. Without a moderate cause to draw many supporters, students still active on campus in the mid and late 1990s tended to be more radical and called for reunification with the North under the North's framework. See Sheryl WuDunn, "Student Passion in Korea: What's the Point?" *The New York Times* June 21, 1997, A1.
49. Sang-Hun Choe, "South Korean Students, Workers Protest IMF Deal," *Associated Press* December 13, 1997.
50. The Kia controversy came after a year of problems within some of South Korea's largest firms (chaebol). Hanbo was the first company in early 1997 to face significant problems; the government made no effort to save the firm's management, instead they contributed a flood of new money to the company and effectively nationalized it. Later in the spring of 1997, when other large conglomerates faced similar problem (Sammi in March and Jinro in April), the government encouraged state and private banks to announce "anti-bankruptcy" policies that would allow them to continue to lend money to failing firms. The government contributed to the program by pumping money (liquidity) into the banking system. Still it was not yet perceived as a dire crisis. Stephen Haggard, *The Political Economy of the Asian Financial Crisis* (Washington, D.C.: Institute for International Economic), 2000, 56–57.
51. Ibid., 4.
52. Choe, "South Korean Students."
53. Uk Heo, "South Korea: Democratization, Financial Crisis, and the Decline of the Developmental State," in Shale Horowitz and Uk Heo (eds.), *The Political Economy of International Financial Crisis* (NY: Rowman and Littlefield), 2001, 151–164.
54. Ibid.
55. Ironically, the legislature did not approve Kim Jong Pil's appointment as prime minister.
56. Ha, Yong-Chool, "South Korea in 2000," *Asian Survey* 41, no. 1 (2001).
57. Ibid.
58. Hong Yung Lee, "South Korea in 2002," *Asian Survey* 43, no. 1 (2003): 64–77.
59. Ibid., 72.
60. Financial Times Information, "ROK Daily 'Special Report' Examines Regionalism in South Korean Politics," *Financial Times Information* December 24, 2002.

61. S. Jayasankaran, "High Wire Act," *FEER* October 9, 1997, 12.
62. For a summary of events in Malaysia, see Amy L. Freedman, *Political Participation* 2000: 51–52.
63. Murray Hiebert and S. Jayasankaran, "After the Fall," *FEER* 14, no. 38 September 17, 1998, 10–15.
64. S. Jayasankaran, "Malaysia: Surprise Attack," *FEER* 162, no. 46 November 18, 1999, 18.
65. Patricia Martinez, "Malaysia in 2000," *Asian Survey* 41, no. 1 (2001): 189–200.
66. Janet Matthews Information Services, "Malaysia: Review," *Janet Matthews Information Services Quest Economic Database, World of Information Country Report* November 4, 2003, 2.

Chapter 1 Thailand: Successful or Incomplete Democracy?

1. Phraya Manopakorn was selected prime minister but real power lay with the three leaders already mentioned. Library of Congress Country Studies: Thailand.
2. For a more detailed history of this period, see Pasuk Phongpaichit and Chris Baker, *Thailand Economy and Politics* (Oxford: Oxford University Press), 1997, chapter 8, 266–268. Although Phibun was the center of power, Luang Thamrongnaswasawat became prime minister. The late king's younger brother, nineteen-year-old Bhumibol Adulyadej (Rama IX), was chosen as successor to the throne. The young king was in Switzerland at the time and did not return to Thailand until 1951.
3. The elections were so irrelevant that Suchinda did not even bother to buy a seat.
4. Michael Kelly Conners, "Political Reform and the State in Thailand," *Journal of Contemporary Asia* 29, no. 2 (1999): 204.
5. Ji Giles Ungpakorn, "From Tragedy to Comedy: Political Reform in Thailand," *Journal of Contemporary Asia* 32, no. 2(2002): 194.
6. For simplicity sake, NGOs here refer to various types of associations, professional, trade, labor, environmental, and social service groups.
7. Ukrist Pathmanand, "Globalization and Democratic Development in Thailand: The New Path of the Military, Private Sector, and Civil Society," *Contemporary Southeast Asia* 23, no. 1 (2002): 24–42.
8. Phongpaichit and Baker, *Thailand Economy*, 272–273.
9. Ibid., 311–326.
10. Ungpakorn, "Tragedy to Comedy," 191–204.
11. Ibid., 194.
12. Clark Neher, "Democratization in Thailand," *Asian Affairs, an American Review* 21, no. 4 (winter 1995): 202.
13. The king is powerful not just because of his title but because of the veneration most Thais feel for the monarch. Ibid., 206.

14. The brief discussion of Thai history recounted here illustrates that fear of communism and a close relationship with the United States provided both support for military spending, bolstering the power and prestige of the armed forces, and acted as a pretext for cracking down on leftist or progressive political groups throughout the 1970s. See Phongpaichit and Baker, *Thailand Economy* for more information.
15. Michael Vatikiotis, "Free at Last," *Far Eastern Economic Review* (hereafter referred to as FEER) July 10, 1997, 70–71.
16. Ibid., 71.
17. Rodney Tasker, "Hard Times Roll," *FEER* August 7, 1997, 27.
18. Edward Tang, "Chavalit Scrambles to Soften Political Fallout from IMF Aid," *The Straits Times* (Singapore) July 31, 1997, 23.
19. Michael Vatikiotis, "Backyard Repairs," *FEER* August 28, 1997, 17.
20. Seth Mydans, "As Turmoil Builds, Thai Leader Shuffles Cabinet," *New York Times* October 25, 1997, A3.
21. Amon had credibility, he had served as the secretary general of the Council of State, a high-level legislative review organization and was seen as a moderate voice for change.
22. For more on the DDC, look at Duncan McCargo, "Introduction: Understanding Political Reform in Thailand," in Duncan McCargo (ed.), *Reforming Thai Politics* (Amsterdam, Netherlands: Nordic Institute of Asian Studies), 2002, 3. McCargo sees Dr. Prawase Wasi as a force for compromise.
23. Michael Kelly Connors, "Political Reform and the State in Thailand," *Journal of Contemporary Asia* 29, no. 2 (1999): 201–226.
24. The vote in parliament was originally slated for mid August but was pushed to September to allow the CDA to finish their debate and because of the chaos of the economic crisis.
25. Tasker, "Hard Times Roll," 27.
26. Michael Vatikiotis and Rodney Tasker, "Holding On," *FEER* August 28, 1997, 14–16.
27. Michael Vatikiotis and Rodney Tasker, "Danger Ahead," *FEER* September 11, 1997, 22.
28. Michael Vatikiotis, "People's Putsch," *FEER* September 18, 1997, 14–16.
29. Ibid.
30. Facts on File. "New Constitution Approved." *Facts on File World News Digest*. October 23, 1997, 777D2.
31. Michael Vatikiotis, "Democracy First," *FEER* November 6, 1997, 20.
32. Pressure came from popular protests, mostly from middle-class business interests in Bangkok, and there is a good possibility that military leaders also urged him to leave. On the day of his resignation, military leaders paid him a visit. According to military sources in Bangkok, Supreme Commander General Mongkol Ampornpisit, using army adviser General Surayud Chulanont as an emissary, persuaded Chavalit to step aside. Michael Vatikiotis, "No Quick Fix," *FEER* November 13, 1997, 15.
33. Michael Vatikiotis, "The Next Battle," *FEER* November 20, 1997, 28.

34. Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press), 1991, and the shorter version of this work: "How Countries Democratize," *Political Science Quarterly* 106, no. 4 (winter 1991): 579–616; Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (NY: Cambridge University Press), 1991; Guillermo O'Donnell and Philippe C. Schmitter, "Tentative Conclusions about uncertain Democracies," in Guillermo O'Donnell, Philippe C. Schmitter, and L. Whitehead (eds.), *Transitions from Authoritarian Rule* (Baltimore: Johns Hopkins University Press), 1986; Donald Share and Scott Mainwaring, "Transitions through Transaction: Democratization in Brazil and Spain," in Wayne A. Selcher (ed.), *Political Liberalization in Brazil: Dynamics, Dilemmas, and Future Prospects* (Boulder, CO: Westview Press, 1986), 177–179.
35. Each scholar uses slightly different terminology to describe essentially the same processes. Instead of detailing the differences among transition theorists, I have chosen to use Huntington's terminology and roughly his outline for how transitions occur.
36. Huntington's criterion of democratization is when a government is chosen through an open, competitive, fully participatory, and fairly administered election. Huntington, "How Countries Democratize," 582.
37. Stephen Haggard and Robert R. Kaufman, "The Political Economy of Democratic Transition," in Lisa Anderson (ed.), *Transitions to Democracy* (NY: Columbia University Press), 1999, 77.
38. Michael Vatikiotis, "Indirect Intervention," *FEER* September 4, 1997, 14.
39. Ibid.
40. Edward Tang, "Chavalit Scrambles to Soften Political Fallout from IMF Aid," *The Straits Times* (Singapore) July 31, 1997, 23.
41. Vatikiotis, "No Quick Fix," 15.
42. Tang, "Chavalit Scrambles," 23.
43. Ibid.
44. Vatikiotis, "People's Putsch," 16.
45. Amy L. Freedman, "Economic Crises and Political Change: Indonesia, South Korea, and Malaysia," *World Affairs* 166, no. 4 (spring 2004): 185–196.
46. Karen Remmer, "The Political Impact of Economic Crisis in Latin America in the 1980s," *American Political Science Review* 85, no. 3 (1991): 777.
47. Note: this direct quote was written in the past tense but I feel it should be in present tense because the detailed changes are still in effect.
48. McCargo. "Introduction," 10.
49. Ibid.
50. Ibid.
51. For more on these oversight institutions see ibid. Also see Robert B. Albritton and Thawilwadee Bureekul, "Developing Democracy Under A New Constitution in Thailand." Paper presented at the American Political Science Association national meeting, Philadelphia, PA, September 2003, 2.

52. Pathmanand. "Globalization and Democratic Development," 27–28.
53. Ibid., 27.
54. Ibid., 27–28.
55. Yuan Li, "Why Controversial Tycoon Wins Election in Thailand," *Xinhua News Agency* January 7, 2001. In a close decision, the court cleared him of these charges.
56. Ibid.
57. "Thais Love Thaksin," *The Economist* April 19, 2003, U.S. edition.
58. Amy Louise Kazmin, "Thailand Faces Long Wait for Final Poll Results," *Financial Times* (London) January 12, 2001, 8.
59. "Thailand to Hold Second Round of Voting of General Election," *Xinhua News Agency* January 19, 2001.
60. "Thais love Thaksin."
61. *Economist Intelligence Unit (EIU)*, "Country Briefings: Thailand Economic Statistics," Economist.com.
62. Ibid.
63. Ibid.
64. "Ouster of Editor Intensifies Press Freedom Fears in Thailand," *The China Post, Internet Edition* February 29, 2004.
65. Ibid.
66. Ibid. Also, a seminar was held in March of 2004 where participants from several activist groups (such as the Confederation of Consumer Organizations, the Campaign for Popular Media Reform and the Campaign for Popular Democracy) discussed political problems such as curbs on media freedoms, the government's poor handling of the avian flu outbreak, and a general feeling that the "Thaksin regime has destroyed the atmosphere of democracy." Ampa Santimatanedol, "Thailand: Thaksin Regime 'Undemocratic,' " *Bangkok Post* March 4, 2004.
67. "Thais Love Thaksin."
68. Jacques Chai Chomthngdi, "Thaksin's Retreat: Chance for Change or Consolidation of Power?" April 7, 2006. Focus on the Global South. <http://www.isn.ethz.ch/news/sw/details.cfm?id=16040>. Accession date: June 25, 2006.
69. Thaksin's popularity has wavered at times. In September of 2004, well before the elections, his pubic approval rating slipped below 50% to 48.1%. This was down from 61.6% in the summer of 2004. According to respondents of the survey, the dip in his popularity came from criticism over the state of the economy, corruption, and violence in the south. "Thai Prime Minister's Popularity Slip: Survey," *Xinhua News Agency, Xinhua General News Service* September 23, 2004. In winter of 2005 Thaksin won the election in a landslide, and his approval rating was close to 80%! However, by July 2005 his popularity slumped to 46%. Robert Horn, "Thaksin's Troubles," *Time Asia* July 18, 2005.
70. "Thailand Insurgency Leader Admits Separation Motive for Latest Violence," *Xinhua News Agency, Xinhua Gerneal News Service* April 30, 2004.

71. The Associate Press identified some of the dead, many of whom were teenagers, as local villagers, including eighteen members of a soccer team. Seth Mydans, "Thai Troops Flood Islamic Trouble Zone," *New York Times* April 30, 2004, 3.
72. Ibid.
73. Chomthonsdi, op. cit.
74. For work on civil society organizations in Thailand today, see LeeRay M. Costa, "Activist Intellectuals: Scholar–NGO Interfaces in Thailand's Civil Society," *Asian Social Issues Program* September 28, 2005; Antonio Contreras, "State–Civil Society Relations and Forest Governance in Thailand the Philippines." Unpublished article from the web, 2000; "Democratic Planning in Thailand: Khon Kaen Civic Assembly" shows a model of local government/NGO cooperation and planning for development programs.
75. Pathmanand, "Globalization and Democratic Development," 4.
76. Amy Louise Kazmin, "Thailand Wooed by Prospect of Trade Pact with U.S.," *Financial Times* (London) November 19, 2003, 2.
77. Ibid.
78. Thaksin has been accused of covering up the mounting bird flu crisis in an attempt to protect the US$1.2 billion poultry exporting industry. Sarah Stewart, "Thai PM's Fortunes take a Tumble with Back to Back Crises," *Agence France Presse* March 7, 2004.
79. Nattaya Chetchotiros, "Rivals Battle to End Thaksin Era," *Bangkok Post* February 9, 2005.
80. Robert Albritton and Thawilwadee Bureekul, "The Meaning of Democracy in a Developing Nation," MPSA: Midwest Political Science Association Conference, April 3–6, 2003.

Chapter 2 South Korea: The Final Hurdle for Democracy

1. Charles S. Lee, "Not a Pretty Picture," *Far Eastern Economic Review* September 25, 1997, 78–83. (The *Far Eastern Economic Review* is hereafter known as *FEER*.)
2. Mark Manyin, "South Korean Politics and Rising 'Anti-Americanism': Implications for U.S. Policy Toward North Korea' " CRS Web, Report for Congress, May 6, 2003.
3. In 2006 there are five main Korean political parties: President Roh's party, the URI, the GNP, The Democratic Labor Party, the Democratic Party, and the United Liberal Democrats. There are several smaller parties that I will not discuss here. Most of these parties have undergone numerous name and membership changes. I will attempt to highlight the major changes here. The GNP was formed in 1963 as the Democratic Republican Party, it then changed to the Democratic Justice Party, in 1991 it merged with two other

parties to form the Democratic Liberal Party and in 1994 was renamed the New Korea Party. It became the GNP in 1996. The Uri Party was the New Party for Participatory Citizens until October 22, 2003, when members of the Millennium Democratic Party broke off to form Uri. The Democratic Party has also seen many name changes. It started as the New Democratic Party, and then became the New Korea Democratic Party, the Reunification Democratic Party, the Party for Peace and Democracy, the Millennium Democratic Party, and finally the Democratic Party. The United Liberal Democratic Party was formed in 1995 and the name has remained the same. The Democratic Labor Party was established in January 2000 as the party for the Korean Confederation of Trade Unions. The name has remained the same. For more information and background, see U.S. Department of State, South Korea Briefing, Library of Congress Country Studies on South Korean political parties.

4. Doh C. Shin, *Mass Politics and Culture in Democratizing Korea* (NY: Cambridge University Press), 1999, 179–180.
5. Meredith Woo-Cumings, "The State, Democracy and the Reform of the Corporate Sector in Korea," in T.J. Pempel (ed.), *The Politics of the Asian Economic Crisis* (Ithaca, NY: Cornell University Press), 1999, 117–121.
6. In 1979 Kim Dae Jung was expelled from the National Assembly for "insulting the president" (President Park). This sparked demonstrations in Pusan, his base of political support. The government sent in troops to restore order. The turmoil led to repression by military, and this ultimately led to President Park's assassination by a Korean CIA agent on October 26, 1979. Kim was arrested by military leaders who took over (martial law had been declared in Seoul after Park's death). In May 1980, martial law was extended throughout the country and resistance erupted all over the country. The most determined demonstrations occurred in Kwangju; it took troops ten days to put down the protests. On May 17, 1980, Kwangju demonstrations against General Chun resulted in a massacre.
7. The DJP was the party associated with military rule under Chun and Park.
8. Shin, *Mass Politics*, 3. See also, Seung-Mock Yang, "Political Democratization and the News Media," in Larry Diamond and Doh C. Shin (eds.), *Institutional Reform and Democratic Consolidation in Korea* (Stanford, CA: Hoover Institution Press), 1999, 154.
9. Shin, *Mass Politics*, 4–5.
10. Two years after their convictions, they were pardoned and set free. Ibid., 7.
11. Woo-Cumings, "The State, Democracy," 123.
12. Ibid., 124. See also I. Lieberman and William Mako, *Korea's Corporate Crisis* (Washington, D.C.: World Bank), 1998.
13. Ibid., 124.
14. Lee, "Pretty Picture," 82.
15. Shim Jae Hoon, "Bridesmaid No More," *FEER* September 18, 1997, 20.
16. Charles S. Lee, "The Next Domino?" *FEER* November 20, 1997, 14–16.
17. Charles S. Lee, "Out of Our Hands," *FEER* December 4, 1997, 81.

18. Ibid., 82.
19. Sang-Hun Choe, "South Korean Students, Workers Protest IMF Deal," *Associated Press* December 13, 1997.
20. Granitsas, Alkman "The Right Stuff," *FEER* December 18, 1997, 65.
21. Mary Jordan, "Opposition Leader Winds South Korean Vote," *Washington Post* December 19, 1997, A1.
22. Sunhyuk Kim, "Civic Mobilization for Democratic Reform," in L. Diamond and D.H. Shin (eds.), *Institutional Reform and Democratic Consolidation in Korea* (Stanford, CA: Hoover Institution Press, Stanford University), 2000, 293.
23. Ibid., 279–281.
24. Some credit President Regan with helping to convince the Korean Central Intelligence Agency (KCIA) not to kill Kim Dae Jung in 1982; instead, the KCIA allowed Kim to go into exile for several years in the United States.
25. Steven Fish, "Rethinking Civil Society: Russia's Fourth Transition," *Journal of Democracy* 5 (1994): 34.
26. Kim, "Civic Mobilization," 282–283.
27. Ibid., 295.
28. Young Kwan Yoon, "South Korea in 1999: Overcoming Cold War Legacies," *Asian Survey* 40, no. 1 (January/February 2000): 167.
29. Ibid., 167–168.
30. It is not at all clear that this has transpired.
31. In addition to making a deal with Kim Jong Pil to make him prime minister under this new political arrangement, Kim Dae Jung promised to allocate half of the cabinet posts to members of Kim's ULD party. Ibid., 170.
32. By the time Kim left office, two of his sons had been charged with influence peddling and corruption. Kim was forced to apologize repeatedly to South Koreans for both his sons' and his close associates' misdoings.
33. Yong-Chool Ha, "South Korea in 2000: A Summit and the Search for New Institutional Identity," *Asian Survey* 41, no. 1 (January/February 2001): 32–33.
34. Park Jie Won, a close ally of President Kim, resigned in September 2000 over allegations of influence peddling in an illegal loan from Hanvit Bank. Park may have helped secure a multibillion won loan for one of his former aids. *People's Daily*, September 9, 2000, www.peoplesdaily.com.
35. Yong-Chool Ha, "South Korea in 2001: Frustration and Continuing Uncertainty," *Asian Survey*, 42, no. 1 (January/February 2002): 60.
36. Ibid., 58 and 61.
37. Ibid., 59.
38. Ibid., 61
39. Hong Yung Lee, "South Korea in 2002: Multiple Political Dramas," *Asian Survey* 43, no. 1 (January/February 2003): 65–66. Another interesting aspect of the 2002 election was the use of the internet for political organization, disseminating information, and for rallying support. Ibid., 66.

40. Kim Young Sam is held in contempt by many Koreans because of his links to the military regimes of the past, and more importantly because he has been blamed for the financial crisis.
41. Ibid., 71.
42. This is a strange example of public opinion taking the place of actual voting. Party members, remember, had already chosen Roh to run for president. Ibid., 72.
43. Ibid.
44. Because Roh was elected with overwhelming support from labor and progressive groups, there were enormous expectations from these groups for increased power. Thus, there were more strikes and unrest when expectations were not met. See Hong Yung Lee, "South Korea in 2003: A Question of Leadership," *Asian Survey* 44, no. 1 (January/February 2004): 130–143.
45. Byun Kuk-kun, "Election Law Violation to Dominate Impeachment Review," *Korea Times* March 15, 2004.
46. Victor Cha, "South Korea in 2004: Peninsular Flux," *Asian Survey* 45, no. 1 (January/February 2005): 33–40.
47. Balbina Y. Hwang, "By-Elections in South Korea: Democracy Marches On," May 5, 2005, Webmemo #737, Heritage Foundation.
48. Nicholas Kristoff, "At Crossroads of Democracy, South Korea Hesitates," *New York Times* July 10, 1996, A3. Kristoff is quoted in Doh Chull Shin, "The Evolution of Popular Support for Democracy during Kim Young Sam's Government," in Diamond and Shin (eds.), *Institutional Reform and Democratic Consolidation in Korea* (Stanford, CA: Hoover Institution Press, Stanford University), 2000, 233.
49. Shin, *Mass Politics*, 75. (It should be noted that this data is based on surveys conducted in South Korea from 1993 to 1997. One might imagine that given the continued scandals and prevalence of money politics throughout the 2002 election, Roh's victory signals a further yearning for democracy among the people.)
50. Shin, "The Evolution," 254.
51. Ibid., 239.
52. For one such example, see the chapter on South Korea in Ezra Vogel, *Four Little Dragons: The Spread of Industrialization in East Asia* (Cambridge, MA: Harvard University Press), 1991.
53. The North Korean regime says that the weapons are to protect itself from U.S. attack. The Bush administration worries that these weapons could be used to blackmail the United States, attack the South, or sell for foreign currency.
54. For good surveys of U.S.–South Korean relations in dealing with the North, see the already noted articles from *Asian Survey* in the first issue of every year from 2001 to 2005.
55. Eun Mee Kim, "Reforming the Chaebols," in Diamond and Shin (eds.), *Institutional Reform and Democratic Consolidation in Korea* (Stanford, CA: Hoover Institution Press, Stanford University), 2000, 171–198.

56. For a list and full description of these policy objectives, as well as other attempted reforms, see Ibid., 172–181.
57. Ibid., 185.
58. Berlin-based Transparency International, for instance, gave South Korea a score of 4.5 on its 2002 corruption perception index, with "0" indicating "highly corrupt" and "10" representing "highly clean." The United States scored a 7.7. The index aggregates surveys of "well-informed people" with regard to the extent of corruption, defined as the misuse of public power for private benefit, and indicated by the frequency of corrupt payments, the value of bribes paid, and the resulting obstacle imposed on businesses. Additionally, South Korean companies scored a 3.9—eighteenth lowest of the world's twenty-one largest exporters on Transparency International's bribe payers index, which measures perceptions of the likelihood that companies will pay bribes when they do business abroad. "0" indicates "high bribery" and "10" indicates "low bribery." U.S. companies scored a 5.3. Transparency International, *Global Corruption Report 2003*, 262–267, http://www.globalcorruptionreport.org.

Chapter 3 Indonesia: Democratization but Hurdles Still Remain

1. Some scholars believe that Suharto chose this phrase to make the coup sound more creepy. Gestapu sounds terribly similar to Gestapo.
2. For current research on the 1965 coup, see Steven Drakeley, *Lubang Buaya: Myth, Misogyny and Massacre* (Clayton, Victoria: Center of Southeast Asian Studies, Monash University, Australia), 2000, and for the more official version of events, see State Secretariat of the Republic of Indonesia, *The September 30th Movement* (Jakarta: State Secretariat of the Republic of Indonesia), 1995.
3. For more information on political economy issues under Suharto, see Charles Coppel, "Patterns of Chinese Political Activity in Indonesia," in J.A.C. Mackie (ed.), *The Chinese in Indonesia* (Australia: Australian Institute of International Affairs), 1976, 19–76; Harold Crouch, *The Army and Politics in Indonesia* (Ithaca, NY: Cornell University Press), 1988; and Mochtar Buchori, *Before and After Refomasi* (Jakarta: Jakarta Post Press, Asia Foundation), 2001.
4. To read more about the details of Indonesia's experience during the economic crisis, see the series of articles from the *Far Eastern Economic Review* (henceforth *FEER*), reprinted in Faith Keenan (ed.), *The Aftershock: How and Economic Earthquake is Rattling Southeast Asian Politics* (Hong Kong: *FEER*), 1998. See chapter 2 for articles on Indonesia during the end of 1997 and early 1998, pages 22–63.
5. For a more detailed account of the violence against the Chinese, see Amy L. Freedman, *Political Participation and Ethnic Minorities: Chinese Overseas in Malaysia, Indonesia, and the United States* (NY: Routledge Press), 2000. See also Margot Cohen, "Turning Point," *FEER* July 30, 1998.

6. General Election Commission of Indonesia. *Analyzing Indonesia's Election, 1999*. (Jakarta: Indonesian General Election Commission) 2001. See chapters 3 and 4 on the 1999 elections in Dwight King, *Half-Hearted Reform: Electoral Institutions and the Struggle for Democracy in Indonesia* (Westport, CT: Praeger), 2003.
7. The official reasons given for Gus Dur's impeachment were because of his inability to address continuing corruption at the highest levels, economic disorder, and separatist movements. However, to some extent these were just convenient excuses. He was impeached mostly because he ignored the people and parties that brought him to power. He rarely consulted with others before making decisions and alienated those who initially supported him.
8. Greg Barton, *Gus Dur: The Authorized Biography of Abdurrahman Wahid* (Jakarta: Equinox Publications), 2002.
9. Lex Rieffel, "Indonesia's Quiet Revolution," *Foreign Affairs*, 83, no. 5 (September/October 2004): 98–111.
10. Ibid., 101.
11. Ibid., 102.
12. Karim Raslan, "Can Yudhoyono Use His Big Win to Change Indonesia?" *The Straits Times* October 7, 2004.
13. Rieffel, "Quiet Revolution," 2 (pagination reflects electronic download of article). The presidential/vice presidential pairings seemed to represent both nationalist sentiments and a moderate Islamic image. With Kalla as his vice president, it is hard to see SBY's ticket as totally secular.
14. Ibid.
15. Derwin Pereira, "Bambang Declared Clear Winner," *The Straits Times* October 5, 2004.
16. "Yudhoyono Still Ahead in Indonesia Vote Tally, Parties Seek Allies," *Agence France Presse* July 9, 2004.
17. Hank Valentino and Rakesh Sharma, *Indonesia Nationwide Public Opinion Survey, 2003* (Washington, D.C.: International Foundation for Election System, IFES), 1–17, 25–27.
18. Amnesty International, "Indonesia: Prisoners of Conscience Action 2004 Case Sheet: The Tempo Trials," on Amnesty International's website, http://web.amnesty.org.
19. An example of this was the deportation of Sidney Jones from the International Crisis Group both in the summer of 2004 and again more briefly in fall 2005 for her bluntness about the nature of Islamic terrorism in Indonesia.
20. Human Rights Watch, "Indonesia: End Pre-Election Crackdown on Critics" New York, June 2, 2004.
21. Damien Kingsbury, "The Reform of the Indonesian Armed Forces," *Contemporary Southeast Asia* 22, no. 2 (August 2000): 309.
22. Ibid., 306.
23. Leo Suryadinata, "Indonesia: Continuing Challenges and Fragile Stability," *Southeast Asian Affairs* 2004: 96–97. For more on TNI, see Angel Rabasa, *The Military and Democracy in Indonesia* (Santa Monica, CA: Rand), 2002.

24. Kingsbury, "Armed Forces," 317.
25. For information on these paramilitary groups, see Donald J. Porter, "Citizen Participation Through Mobilization and the Rise of Political Islam in Indonesia," *The Pacific Review* 15, no. 2 (2002): 201–224 and Suryadinata, "Indonesia," 91.
26. Suryadinata, "Indonesia," 93. Also see Evelyn Rusli, "Indonesia and Separatists Reach Deal to End 30 Years of Fighting," *New York Times* July 18, 2005, A3.
27. Ibid., 27.
28. Donald Weatherbee, "Indonesia: Political Drift and State Decay," *Brown Journal of World Affairs* IX, no. 1 (spring 2002): 27.
29. Ibid.
30. Zachary Abuza, *Militant Islam in Southeast Asia* (Boulder, CO: Lynne Rienner), 2003, 69–73.
31. Weatherbee, "Political Drift," 23–33.
32. For the best information on Islamic groups in Indonesia, see Sidney Jones' report for the International Crisis Group (ICG) and Abuza, *Militant Islam*.
33. In the case of the October 2005 Bali bomb blasts, there have been no arrests or convictions at the time of writing, and there is speculation that the bombers were fringe members of JI.
34. At the signing of the IMF agreement with Michel Camdessues in January 1998, Suharto looked like a defeated general who had lost the war.
35. These institutions meet Dahl's requirements for a country to be "democratic." Robert A. Dahl, "What Political Institutions Does Large-Scale Democracy Require?" *Political Science Quarterly* 120, no. 2 (2005): 187–197.
36. Weatherbee, "Political Drift."
37. Stephen Haggard and Robert R. Kaufman, "The Political Economy of Democratic Transitions," in Lisa Anderson (ed.), *Transitions to Democracy* (NY: Columbia University Press), 1999, 76.
38. Ibid., 77.
39. Samuel J. Valenzuela, "Democratic Consolidation in Post-Transitional Setting: Notion, Process, and Facilitating Conditions," in Mainwaring, O'Donnell, and Valenzuela (eds.), *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective* (Notre Dame: University of Notre Dame Press), 1992, 57–104.
40. Andreas Schedler, "Measuring Democratic Consolidation," *Studies in Comparative International Development* 36, no. 1 (2001): 66.
41. Ibid., 12 (pagination reflects Internet download of article).
42. Additionally, the IMF has suffered a loss of authority to tell countries how to revamp their economies. In the wake of the 1997 economic crisis, the IMF was repeatedly criticized for making the problems worse, not better.
43. Matthew Moore, "Indonesia Battles to Attract Foreign Investors," *Sydney Morning Herald* January 15, 2005.
44. For theoretical work on the relationship between investment and democracy, see Sylvia Maxfield, "Capital Mobility and Democratic Stability,"

Journal of Democracy 11, no. 4 (October 2000): 95–107, and Mary Ann Hadley, PhD dissertation for the NYU Politics Department.

45. Data from public opinion polls show that Indonesians' top concerns are lack of jobs and the prices of goods, followed by worry over the economy more generally. The next concern is corruption. For the period before the election, see the report by Valentino and Sharma, *Indonesia Nationwide*.
46. One of the best studies of how justice works at the local level is the World Bank's report *Village Justice in Indonesia*, February 2004. The report finds that most villagers prefer to use informal means of dispute resolution than going through the police and the courts. The reasons given for this are a lack of control over the process once these channels are used, as well as fear of retribution from officials or those higher in the social order. While the World Bank report found that most of the time the police and the courts worked as they were supposed to, the decisions were often not executed, leading to further skepticism about the process and about legal institutions in general.
47. "Indonesia Arrests Election Chief," *BBC News* May 21, 2005.
48. See Jusuf Wanandi, "Islam in Indonesia: Its History, Development and Future," *Asia Pacific Review* 9, no. 2 (November 2002): 104–112.
49. For work on Islamic civic organizations and political parties, see Endy M. Bayuni. "Terrorism Undermines Political Islam in Indonesia," Yale Center for the Study of Globalization, Yale Global Online, 2003. It should also be noted that there is some concern and debate about just how "moderate" PKS is. Sadanand Dhume views PKS as a bigger threat to Indonesian democracy than the JI. See Sadanand Dhume, "Indonesian Democracy's Enemy Within," *FEER*, May 2005: 38–42.
50. For work on moderate Islamic organizations, see Robert Hefner, *Civil Islam Muslims and Democratization in Indonesia* (Princeton, NJ: Princeton University Press), 2000, and more historically, C. van Dijk, *Rebellion under the Banner of Islam: The Darul Islam in Indonesia* (The Hague: Martinus Nijhoff), 1981. For more on militant organizations see Abuza, *Militant Islam*.
51. The Justice Party was the first incarnation of PKS. In the 1999 elections it did not reach the 2% threshold of votes to allow it to run in the next elections and so they formed a "new" party, PKS.
52. Muhammad Fuad, "Limits to Islamic Radicalism in Indonesia," http://www.india-seminar.com/2003/527/527%20muhammad% 20fuad.htm.
53. Abuza, *Militant Islam*, 24, and BBC News, "Indonesia's Muslim Militants," August 8, 2003.
54. van Dijk, *Rebellion*, and, International Crisis Group, "Recycling Militants in Indonesia: Darul Islam and the Australian Embassy Bombing," *Asia Report* no. 92 (February 22, 2005).
55. Abuza, *Militant Islam*, 141.
56. Two examples of this occurred in the summer of 2005. A small Islamic sect Ahmadiyah was violently attacked in July. People were beaten and their offices and Mosque were vandalized and torched by thugs claiming that

Ahmadiyah was an offense to Islam. The police stood by and did nothing. Later in the summer, the leaders of the highest religious council, the Council of Ulema (MUI), who were appointed by the Ministry of Religion, issued a series of fatwas. Eleven fatwas were issued against religious pluralism and were aimed at promoting a more rigid version of Islam. The fatwas reassert the supremacy of the Koran over other religions legally authorized in Indonesia, such as Catholicism, Protestantism, Hinduism, and Buddhism; make various moderate Islamic organizations, such as the Liberal Islamic Network, "illegal"; and ban interfaith prayers unless a Muslim is leading the service, interfaith marriages, and women leading prayers when men are in attendance. Fatwas are not legal or binding. MUI members are appointed by the government but their edicts do not have the power of law and can be ignored or obeyed as people see fit. The government (SBY and the Ministry of Religion) made little or no comment or response to the fatwas. Like its (non)response to the attacks on Ahmadiyah earlier in the summer, the government seems to think that it can ignore these religious tinderboxes and they will blow over. The second reason the fatwas are significant is because they have illustrated the divide between moderate and more hard-line voices within Islam. This divide is evident in MUI and within Muhammadiyah and NU. Which side will come to dominate the debate and place of Islam in Indonesia is incredibly important for democracy. While most ordinary people will take little notice of the fatwas, it may have a more chilling effect as a message to militant Islamic groups: that a more intolerant version of Islam is acceptable and actually promoted by official, mainstream forces, thus legitimizing the views of militant groups.

57. Many people argue that Indonesia (since the Bali and Jakarta bombings) has been more forceful at arresting militants; over 250 people have been arrested in connection with terrorist actions. However, the government would like to carry out these actions in such as way that they are not seen as targeting good Muslims or acting because of pressure from the United States. For articles on U.S. pressure on Indonesia see CNN, "Indonesia Feels Pressure to Act on Terrorism," January 18, 2002, and John Roberts, "The U.S. Exploits 'Terrorist Threats' to Step Up Pressure on Indonesia," *World Socialist Website*, October 2, 2002.
58. High voter turnout in Indonesia is relative. During Suharto's rule, more than 90% of voters showed up for elections. However, it is hard to see this number as a true indication of people wanting to express their political preferences. Turnout in the 2004 elections started out at around 80% in the spring and fell to around 70% by the September 2004 run off.

Chapter 4 Malaysia: Defiance in the Face of Adversity

1. Chalongphob Sussangkarn, Frank Flatters, and Sauwalak Kittipranpas, "Comparative Social Impacts of the Asian Economic Crisis in Thailand,

Indonesia, Malaysia and the Philippines: A Preliminary Report," *Thailand Development Research Institute Quarterly Review* 14, no. 1 (March 1999): 3–9.

2. Olin Liu, "Overview," *Malaysia: From Crisis to Recovery* (Washington, D.C.: IMF Publication), 2003, 1–3.
3. Ranjjit Gill, *Anwar Ibrahim Mahathir's Dilemma* (Singapore: Epic Management Services Pte. Ltd.), 1998, 19.
4. S. Jayasankaran, "High Wire Act," *Far Eastern Economic Review* October 9, 1997, 14.
5. Ibid., 21.
6. Ibid., 23.
7. For a summary of events in Malaysia, see Amy L. Freedman, *Political Participation and Ethnic Minorities* (NY: Routledge), 2000, 51–52.
8. John Funston, "Malaysia's Tenth Elections: Status Quo, Reformasi or Islamization?" *Contemporary Southeast Asia: A Journal of International & Strategic Affairs*, 22, no.1 (April 2000): 2 (page numbers reflects html text).
9. Ibid., 3.
10. Gill, *Mahathir's Dilemma*, 29.
11. Ibid., 45.
12. Ibid., 49.
13. Fan Yew Teng, *Anwar Saga Malaysia on Trial* (Selangor, Malaysia: Genting Raya Sdn. BHD), 1999, 114–115.
14. Ibid., 112.
15. Funston, "Tenth Elections," 5.
16. Ibid., 5.
17. In part this was a function of government pump priming, but it helped UMNO's electoral chances.
18. BA parties included PAS, Keadilan, DAP, and PRM.
19. Ibid., 8.
20. Patricia Martinez, "Malaysia in 2000." *Asian Survey* 41, no. 1 (January 2001): 189–200, 189.
21. Hussin Mutalib, "Malaysia's 1999 General Election: Signposts to Future Politics," *Asian Journal of Political Science* 8, no. 1 (June 2000) 69–70.
22. Ibid., 70.
23. While property rights have mostly been respected in Malaysia, Chinese business owners have sometimes been forced to take on Malay partners and have been told that they must hire certain numbers of Malay employees.
24. For a more detailed account of Malaysian politics, see Harold Crouch, *Government and Society in Malaysia* (Ithaca, NY: Cornell University Press), 1996; and Gordon Means, *Malaysian Politics: The Second Generation* (Singapore: Oxford University Press), 1991.
25. Quote from "Malaysia Online: A Look at the Impact of Online Journalism in Malaysia," http://journalism.uts.edu.au/subjects/oj1/oj1_ a2002/internetactivisminasia/ mediahistory.htm. Also see M. Anuar, "Media and Democracy in Malaysia," From Media and Democracy in Asia

put out by Asian Media Information and Communication Ctr. (AMIC Singapore), 2000, 115–126.

26. In contrast, someone who was born in, let us say; Iraq and moved to Malaysia as a teenager could easily become a citizen and he or she would then be seen as ethnic Malay.
27. The government explanation for the 1969 riots was that it was sparked by ethnic economic inequality and this became the justification for NEP. However, the riots were clearly triggered by the results of the 1969 election when the opposition parties did better than expected and some Chinese celebrated the victory in the streets and made comments about finally getting a chance to control *political and economic* life in Malaysia.
28. It is, of course, not terribly clear if the NEP is to get the credit for the growing numbers of middle class Malays in the 1980s, or if economic gains would have accrued to them anyway. There is some good evidence that the NEP benefited mostly those Malays who were already wealthy and well-connected. For more information on ethnic politics and the NEP, see Jomo, Sundaram, "The New Economic Policy and Interethnic Relations in Malaysia," UNRISD, Geneva, September 1, 2004; Freedman, *Political Participation*, chapter 2; Sieh Lee Mei Ling, "The Transformation of Malaysian Business Groups," in Ruth McVey (ed.), *Southeast Asian Capitalists* (Ithaca, NY: Studies on Southeast Asia Program), 1992, 103–126; and Edmund Terence Gomez, *Money Politics in the Barisan National* (KL, Malaysia: Forum Books), 1991; and *Corporate Involvement of Malaysian Political Parties* (Australia: Center for Southeast Asian Studies), 1994.
29. Crouch, *Government and Society*, 71.
30. Martinez, "Malaysia in 2000," 190.
31. Ibid., 195.
32. Patricia Martinez, "Malaysia in 2001," *Asian Survey* 42, no. 1 (January 2002): 133–140, 134–135.
33. Ibid., 135.
34. Ibid., 135.
35. Bridget Welsh, "Malaysia in 2004—out of Mahathir's Shadow?" *Asian Survey* 45, no. 1 (January/February 2005): 154.
36. EIU Views Wire, "Malaysia Politics: Badawi Struggles to Control UMNO," *Economist Intelligence Unit*, December 22, 2004, 1–2.
37. EIU Views Wire, "Malaysian Politics: Anwar Becomes More Politically Active," *Economic Intelligence Unit*, December 22, 2004, 1.
38. Amnesty International web site, information on human rights in Malaysia, http://www.web.amnesty.org/report2005.
39. Welsh, "Malaysia in 2004," 156.
40. Farish A. Noor, "Blood Sweat and Jihad: The Radicalization of the Political Discourse of the Pan-Malaysian Islamic Party (PAS) from 1982 Onwards," *Contemporary Southeast Asia* 25, no. 2 (August 2003): 202.

41. Funston, "Tenth Elections," 9.
42. Chetan Kulkarni, "Experts: SE Asia's Islam Peaceful," *United Press International*, June 6, 2005.
43. While Anwar and UMNO have said that he will not rejoin the party, there is historical precedent for this. Mahathir himself was expelled from the party during his political career and came back with a roar to remake both the party and Malaysian politics. Also, in 1989 Tunku Razaleigh challenged Mahathir and the legality of BN and so broke away and formed Semangat '46, a short-lived opposition party. By 1996 Semangat '46 members, including Razaleigh, were back in the UMNO fold. Freedman, *Political Participation*, 69–70. An interesting aside to this was the fact that Abdullah Badawi was briefly associated with Razaleigh's backers, but not with Semangat '46.
44. There were definitely multiple benefits to this—Malays would benefit and the state could practice a more socialist development strategy. This would provide some distance from "Western" economic prescriptions and greatly increase the power of the state.
45. For more on this, see Edmund Terence Gomez, *Corporate Involvement*.
46. Why did the Chinese tolerate the NEP and the redistribution of wealth to Malays? This was clearly an infringement on their economic interests and property rights. Professional Chinese who I met in Kuala Lumpur and Penang in 1996/1997 repeatedly expressed support for the status quo. They felt that although the government's policies clearly favored the Malays, politics was not a zero-sum game. As long as all were doing better, they could accept the unevenness of it. Most admitted some fear of ethnic violence (although most thought it would be against property and not against their persons) if stability was not maintained.
47. For broader international Chinese reaction to the 1998 riots in Indonesia, see Elaine Tay, "Global Chinese Fraternity and the Indonesian Riots of 1998: The Online Gathering of Dispersed Chinese," http://wwwsshe.murdoch.edu.au/intersections/issue4/tay.html. See section 36 in particular.

Conclusion

1. This statement is not meant to minimize the significant changes and improvements that have been realized, particularly in Indonesia.
2. As mentioned in the introduction, democratization and the consolidation of democracy are ongoing processes. I do not believe that there will come one particular moment in time when one can say that the process of political reform is complete and finished.
3. Examples of such policies include drastic reductions in government spending, reductions in subsidies, tighter banking regulations and oversight, and tighter monetary policy.
4. It should be noted that people in Thailand have largely chosen to ignore Thaksin's lying about his assets and have instead decided to see him as the

savior of the Thai economy, rather than as an impediment to improving democratic accountability.

5. South Korea may have had a head start in democratization. However, the point this book makes is that South Korea, Thailand, and Indonesia all underwent political reforms as a consequence of the 1997 economic crisis. The relative openness or degree of liberalization is not really what is being compared.
6. Robert A. Dahl, "What Political Institutions Does Large-Scale Democracy Require?" *Political Science Quarterly* 120, no. 2 (2005): 187–197.
7. Information is from Transparency International's Corruption Perception Index for 2004; see the summary on their web site, http://www.transparency. org/pressreleases_archive/2004/2004.10.20.cpi.en.html.
8. Indonesia was an exception. In 1998 inflation reached upward of 70% in urban areas.
9. For work on this question, see two works by James Vreeland, *The IMF and Economic Development* (NY: Cambridge University Press), 2003, and "The IMF: Lender of Last Resort or Scapegoat?" Paper presented at Midwest Political Science Association Meeting, Chicago, IL, 1999.
10. Alastair Smith and James Vreeland, "The Survival of Political Leaders and IMF Programs." Prepared for presentation at the Yale University Conference on The Impact of Globalization on the Nation-State from Above: The International Monetary Fund and The World Bank, April 7–25, 2003.
11. As discussed earlier, this is an interesting question because Malaysia shared several of the characteristics of its neighbors; the financial crisis was similar, there were mass protests, and there were elites who could have taken over for Mahathir.
12. Liberal economic policies would include a reduction in government spending, efforts at privatization, and freeing up government intervention in industrial and monetary policies.
13. Explaining the 1969 riots as a consequence of economic inequities is what the Malaysian government has consistently done. There is certainly more of a political explanation behind the riots as well. In the 1969 election opposition parties did better than in previous elections. Chinese supporters of the opposition held victory parades in the streets and some even boasted that now the tables would be turned and the Chinese would have more political power. These actions prompted a violent response from Malays and triggered the riots.
14. There is no public opinion data to support this, but it seems like a logical conclusion given the political economy and ethnic relations in Malaysia.
15. As I discuss in the chapter on Indonesia, there are certainly worrisome forces trying to undermine the Indonesian state—both militant Islamic groups and separatist groups would like to see the government fall. While I discuss these forces as an impediment to further democratization, I do not see any of these groups as being broad enough to turn the tide against the democratic reforms that have already occurred. It is more that they make it difficult

for democratization to be fully reached. In other words, if small militant Islamic groups or separatist groups were the only problems facing Indonesian democracy, I would not see them as a hindrance to democratic consolidation. It is only when these problems are combined with the lingering power of the military and other problems of corruption that I end up concluding that democracy is not fully realized in Indonesia.

16. As mentioned in the chapter on Indonesia, voter turnout certainly dropped with each successive election; yet, in comparison with other democracies, turnout remained reasonably high and the highest participation came in the July presidential race where about 82% of voters (125–126 million) cast their ballot. "Yudhoyono Still Ahead in Indonesia Vote Tally, Parties Seek Allies," *Agence France Presse*, July 9, 2004. And, for public opinion surveys see Hank Valentino and Rakesh Sharma, *Indonesia Nationwide Public Opinion Survey, 2003* (Washington, D.C.: International Foundation for Election System, IFES).
17. Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation* (Baltimore: Johns Hopkins University Press), 1996, 6.

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