

Asian

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Social Democracy

Journal



Responding to A Systemic Global Crisis

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“ But you will only agree with me
that **we have to draw up**
a programme which is not
exclusively socialist but
also **democratic.**

Otherwise we cannot claim
the name of **Social Democrats**
and think about a solution
of the **social question**”

(August Bebel, 1869)

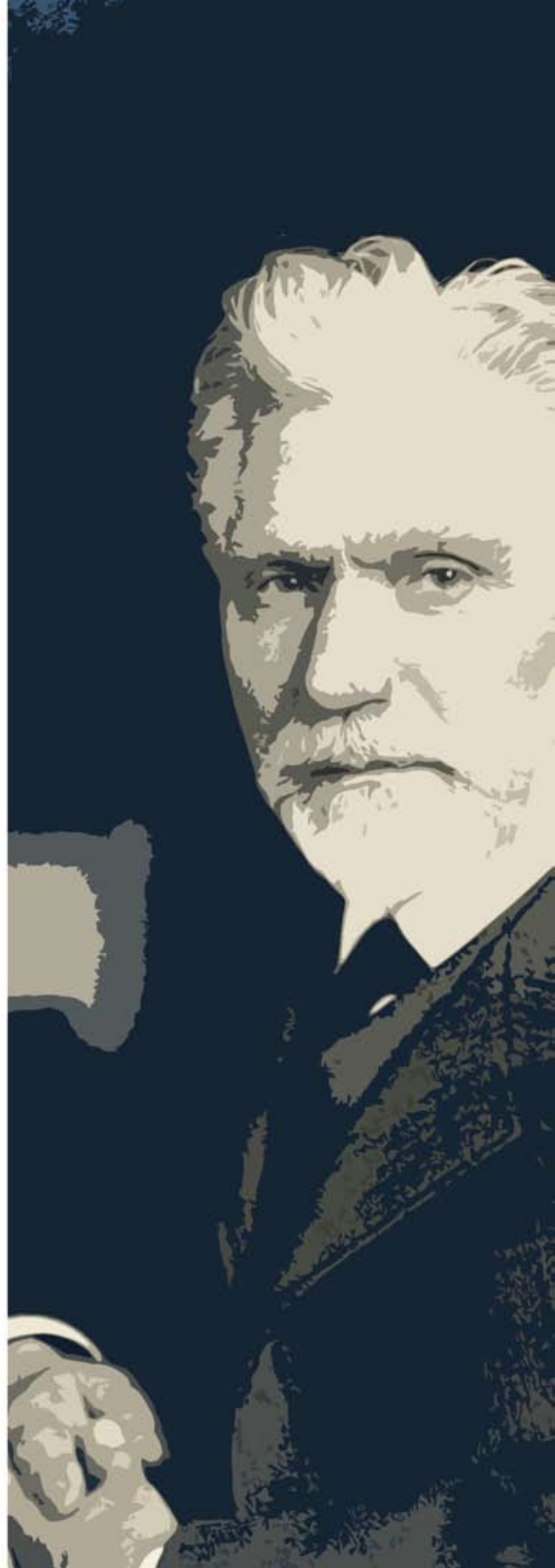


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Greetings

As far as the editors are concerned this is the first Journal on Social Democracy in Asia. Since 2007, Indonesia has its own journal on social democracy. Confidently we hope, the ideas and the ideology of social democracy will flourish in Asia.

Basically, the philosophical perspective and ideology in Asia have their social democratic dimensions. We prefer collectivity and togetherness instead of individualism. Let us take a look at the constitutions and laws in Asia. The principles of solidarity and social justice have become important guiding principles that have to be implemented everywhere. However, there are differences in realizing these socialist principles. Social democracy wants socialism to be implemented based on democracy, as well as the assurance of civil, economic, political, social and cultural rights. Therefore, it is interesting to observe the developments in Latin America where socialism is built on democracy. In addition, Latin America is also politically and culturally close to Asian countries. Obviously, we also have to learn from other Western European countries with strong social democratic roots such as Germany and Scandinavia.

Nevertheless, in the end, social democracy in Asia needs to learn from

itself. Despite the fact that socialism has been practiced in many Asian countries, the implementation of socialism through democracy is not an established tradition. This is something that has to be constantly strived for. The struggle through civilian democracy and politics often cause a country become too liberal, and trapped in neo-liberalism. On the other hand, preventing liberalism will cause a country to be trapped in an authoritarian system. Therefore, a version of democracy that is ensuring civil, political, economic, social and cultural rights needs to be endeavored time and time again.

Though this biannual journal we hope to identify different schools of thoughts, ideas and experiences in European, Latin American and Asian countries in implementing the principles and perspectives of social democracy. The writings of Asian experiences will be dominant in this journal. Therefore, the ideas and experiences must be operational, specific and technical.

We hope that the articles will become a source of inspiration and knowledge for social democratic movements in Asia, so that their programs and networks can be improved.

The first edition of this journal will

be about the first meeting of the social democratic network in Manila that was conducted on 20 – 23 May 2009. The topic of the meeting was “RESPONDING TO A SYSTEMIC CRISIS – ASIAN SOCIAL DEMOCRATS IN SEARCH OF POLICIES AND PRACTICAL SOLUTIONS”. As the reader will see, this journal contains the conclusions of meetings, and comments from a number of experts about those meetings. Comments from social democratic figures that were not presented in the meeting are important to get a different perspective as well as valuable information.

For the next editions, we will add more experts’ comments and opinions in order to make the journal more attractive.

This first edition will also include among others a number of articles from the Manila conference, other articles, a book review, as well as profiles of social democratic organizations in Asia.

For the second edition, We will have the analyses and conclusions of the regional meeting of social democratic networks in Asia which will be held in Penang, Malaysia from 19 – 22 november 2009. The topic of this meeting is “EFFECTING REAL CHANGE IN LOCAL GOVERNANCE: PERSPECTIVE FOR SOCIAL DEMO-



CRATIC POLICIES". We hope that the coming journal will be more complete and interesting, because the editorial staffs will provide transcripts that contain the debates and discussions, instead of only providing the conclusions. This will help the reader understand about the ideas that have led to the conclusion. Other interesting articles will also be found in the next journal.

The editorial staffs welcome everyone who is interested in sending an article for our magazine. Yet, articles for this magazine must be able to contribute to the strengthening of social democratic movements in Asia. We realize that there are different political systems in Asia. The differences range from authoritarian, semi – authoritarian, democratic as well as liberal. It will be very interesting for us to read the contributions from other social democrats living in different political and social systems. Hopefully, this journal can give inspirations and strengthen the network of activists and social democratic movements. Keep up the struggle, and happy reading!

EDITORS.

Responding to a Systemic Crisis

From May 20-23, 2009, around forty (40) representatives from Asian parliaments, political parties, pre-party formations, non-government organizations, social movements, and academe gathered in Manila for the first regional conference of the Network of Social Democracy in Asia. The participants came from Burma, Indonesia, Malaysia, Mongolia, Pakistan, the Philippines, South Korea, Sri Lanka, and Thailand. There were also participants from Germany and Argentina. The conference was organized by the Friedrich Ebert Stiftung (FES) in partnership with the Olof Palme International Center (OPIC) and the Network of Social Democracy in Asia.

Under the theme Responding to a Systemic Crisis—Asian Social Democrats in Search of Policy and Practical Solutions” the conference aimed to further shape a common reading and response, from an Asian social democratic point of view, to the current global financial and economic crisis. While it has been established that the crisis poses a direct challenge to the neo-liberal orthodoxy it remains the task of progressives in the region to further shape an Asian discourse about the economic and social consequences and the needed political and economic reforms that are yet to be undertaken at the global,

regional and national level. The social democrats ought to be in the forefront of providing conceptual contributions and practical experiences to a re-shaping a balance between state, market and society relations.

Therefore, the conference was directed at:

- generating specific policy responses at the global, regional, national and local level;
- identifying practices of political action especially on the local level that both shape politics and governance along social-democratic lines, and;
- providing space for participants to further develop the strategic direction of the network while planning specific follow-through activities.

In its concluding session, the Network issued a communiqué which can be found at the end of this documentation.

Season 1: Responding to the Crisis - Perspectives on the global level: How to reshape the financial and economic system to make markets serve people?

The speakers in this session include Risa Hontiveros-Baraquel, a member of Philippine parliament from the Akbayan

Party, and Budiman Sutjatmiko, a member of Indonesian parliament from PDI-P.

Highlight of the discussions:

- The current global financial and economic crisis is rooted in the neoliberal model of development that has created enormous inequality between and within nation-states. A key question posed was “what kind of a state [and international mechanisms] do we need to create a more equitable distribution of wealth?”
- The crisis not only has an economic impact to Asia but it has serious social implications as well. Expected dramatic decrease in remittances and employment will significantly increase the number and vulnerability of poor people. Hence, we need measures that will mitigate the impact of the crisis on the poor people and well as “radical reforms in the international financial and economic system [that] mitigate, if not eliminate, the inequalities that have marked Asia-Pacific’s economic development’.
- These reforms include more regulation, transparency and accountability in the financial industry; the abolishment of tax relief and exemptions for economic

Asian Social Democrats in Search of Policy and Practical Solutions

20-23 May 2009, Manila, Philippines

elite; accountability and people's participation in economic governance; review of bilateral and multi-lateral free trade and other economic agreements including a cancellation of the debts of developing countries; making public spending relevant by spending more on social services and stopping the privatization of public services.

- An Asian social democratic response could be rooted in collectivism and the communitarian traditions in Asia. There are practices at grassroots level (such as the cooperative movements) that are successful in protecting the economic interests of people. Reinvention of ideas through actual grassroots and community experiences is possible.
- One proposal of an alternative international trade arrangement is by making it more regional and anti-neoliberal like the ALBA (Bolivarian Alternative for Latin America and the Caribbean).
- Social democratic responses can be translated into concrete policy actions. Financing of social protection measures could be generated by repudiating odious debt. Judicial advocacy is a way to stop privatization of public services.



Session 2: Responding to the Crisis - Perspectives on the regional level: What instruments for regulation and cooperation are needed today to make regional integration a positive factor for sustainable development?

The speakers in session 2 include Ursula Schgfer-Preuss, the Vice-President of Asian Development Bank; Charles Santiago, a member of Malaysian parliament from the Democratic Action Party; and Chris Ng, the Regional Secretary of UNI-APRO.

Highlights of the Discussions:

- The cause of the crisis is income inequality. The problem lies in the real sector, specifically in the distribution of income across individuals and social classes. For Asia the current global crisis presents a real economy problem with deep social implications. It has major negative impacts on the real economy in the region. Asia was hit hard because its economy is highly linked to the US economy both through trade and financial services. Affected in the

Highlights of the Discussions

current crisis are more the vulnerable poor, not the very poor. ADB estimates that crisis will produce 60 million more very poor people in 2009 than if flue crisis has not happened. The rescue packages/stimulus packages currently implemented in the region have little social focus, different to 1998 when donors protected social spending and governments invested massively in social safety nets.

- While Asia made progress in reducing income poverty it is less successful in addressing the social and environmental dimensions of poverty. The problem is that many Asian countries followed a growth path that does not structurally include the majority of the population in productive employment (i.e. massive dual labor market problem), an issue that lies in the heart of every social democrat. Today, a rebalancing towards new national and regional market is needed, along with a development path of job-creating growth. However, while rebalancing toward developing faster national markets is a major policy option for faltering global demand, Asia cannot and should not be disconnected from globalization. The export sector is the most dynamic sector for productive employment. The challenge, therefore, is to find a solution to rebalance national, regional and global markets. This include: the development of internal and regional markets, promotion of new production and service industries which can have large labor market implications for the formal sector, and the stimulation to use clean technologies which can create new jobs and serve as drivers of productivity enhancement.
- Asia will accept the social agenda only in the context of growth strategies. A social democratic agenda for Asia therefore needs to focus on inclusive growth. Inequalities could only be reduced by expanding social protection systems. The crisis should be perceived as an opportunity to stimulate growth

Asia will accept the social agenda only in the context of growth strategies. A social democratic agenda for Asia therefore needs to focus on inclusive growth. Inequalities could only be reduced by expanding social protection systems. The crisis should be perceived as an opportunity to stimulate growth through expanding social protection.

through expanding social protection. This involves investments that would include: active labor market policies; building social protection and safety net systems especially in health and old age insurance; investments in community-driven infrastructure like low cost housing and slum upgrading both as a strategy to protect the poor and create employment for the poor; promoting clean technologies as a driver for growth and development.

- The global recession provides a major chance for Asian governments and their development partners to engage in important social reforms and new labor market challenges for the future. However, regional institutions like the ASEAN+3 barely discuss the social and real economy implications of the crisis, but rather focus on the financial side. ASEAN has not unveiled any concrete regional programs aimed at cushioning the impact of the global recession in Southeast Asia. The only response so far rests on the Chiang Mai initiative, a buffer fund for ASEAN countries wherein major contributions come from Japan, China, and Korea. As it is, these contributions are still paper pledges.

- Although there are valid bases to doubt and criticize various ASEAN integration projects, these integration projects are still evolving and changes are possible through active engagement by trade unions and civil society.
- For ASEAN to come up with people-oriented responses to the present global crisis trade unions and civil society should ask ASEAN: for a review of the varied ASEAN economic liberalization schemes and seek for their adjustments if needed; to keep the ASEAN jobs intact through creative means including re-training of workers, labor-management dialogues and policies supportive of domestic consumption programs; for ASEAN governments to put in place necessary safety nets; to revisit the prudential rules on banking and financial sectors; to increase the wages of workers; to veer away from FTAs; and to alleviate social problems and hunger. Alternative regionalism centered on an equitable development path should be pursued.
- But, how do we push our respective governments and ASEAN to adopt social democratic responses? Only when we have strong trade unions and social movements will ASEAN take us seriously.

Session a: Responding to the Crisis — Perspectives on the national level: Redefining the role of the state—A chance to map a social democratic direction?

The speakers in frds session include Tian Chua, a member of Malaysian parliament from the Parti Keadilan Rakyat; Cho Tae Gyun of the Democratic Labor Party in Korea; Jose Natanson, the editor-in-chief of Nueva Sociedad in Argentina; and Chockchai Suthawet, the leader of Sangkomdhibitaya Party in Thailand.

Highlights of the Discussions:

- When there is a crisis the natural

Highlights of the Discussions



tendency is to seek protection, a social democratic package— bailout, stimulus, etc. The title of the session, “a chance to map a social democratic direction” reflects how weak social democracy still is in the region.

- The current global crisis is a crisis of global export-oriented economy. In most Southeast Asian nations, global market and trading activities were the single most important factor that placed the region in the world map. Nation-state building and the creation of market in post-colonial Southeast Asia is a project of the elite. The working people have usually no say in this development track. Malaysia's integration into the global economy was developed in three decades of import-substitution industrialization (ISI) strategy to export-oriented industrialization (EOI). FOI was imposed through autocratic means. Thus, the failure of the market is seen as the failure of the state. The problem now lies in regulation and the market. The market destroyed public institutions and communal autonomy. It was adapted to suit external market rather than within the framework of the control of the national governments. It has also created a weak national market.
- This is an opportunity for parties to work together on: an agenda to improve the living standards of the poor and

the working people (sharpening of tools how market and economy can work together) and how to increase real wage; strengthening regulatory system through reforms in the civil service and public institutions; how to increase the spending capacity of the ASEAN masses.

- The question is, can we use the stimulus package to improve the salaries, the living condition of the poor? Any populist president just needs to have popular legislations to win the next elections. This is the reason why some countries have no strong political parties, none at all in some. While committed to redistribution, a social democratic response should include party building as an institution of democracy.
- In Thailand, the present Democrat-led government is pursuing a combination of neoliberal policies and populist policies in line with the King's self-sufficiency economics. The government has provided subsidy for low-income earners; repackaged Thaksin's village fund into self-sufficiency fund to stimulate local development; allocated budget for re-training of workers; increased the subsidy for the elderly; decreased the taxes for land and house purchase; provided credit for small and medium enterprises; and provided fifteen years of free education for students. Further

policy actions were agreed through a dialogue between the employers and the workers, among these were: setting-up a new fund for displaced and unemployed workers; allocating state fund to help companies affected by the crisis; installing price ceiling for local consumption; enacting new law for employment insurance and employment security; and promoting continuous dialogue between the workers and employers' organizations.

- The biggest challenge for Thailand is the government's capacity to integrate the use of various funds. Added to this is the tenuous political situation between the yellow shirts (anti-Thaksin) and the red shirts (pro-Thaksin), which is affecting the country's ability to manage the crisis. The country needs a new alternative party as a middle way, one that offers a moderate socialist democracy.
- In South Korea, the current global crisis poses a challenge for Korea's ruling power which has been pursuing neoliberal policies. The government of Lee Myong Bak has been implementing a series of contradictory policies since the second half of 2008, including tax cuts, lowering of interest rates, recapitalizing the private banks, and privatization, etc. The Democratic Labor Party (DLP) has criticized Lee's policies and instead advocated for policies focused on poor people most affected by the crisis. Among these are: installing basic income system; raising unemployment subsidy; strengthening health care system; establishing community banks for the poor and nationalizing distressed banks/motor companies.
- In Latin America, the crisis affects the region in different ways. Most affected are Mexico, Central America and the Caribbean as these countries are economically closely linked to the US. The impact of the crisis is less serious in South America and these countries are better prepared to confront the

Highlights of the Discussions



crisis. Brazil and Argentina can count on their developed domestic market to sustain their economic activity. Several South American countries have also succeeded in reducing their external debts which puts them in a better credit position,

- In responding to the crisis, the most important move of Latin American Left-wing governments was to take advantage of the relative buoyancy of previous years to introduce anti-cyclical policies in the Keynesian tradition. The first reaction when the crisis broke out was to reduce interest rates together with other measures designed to stimulate domestic demand. These include: tax reduction for small and medium enterprises and the export sector; increase in public spending through infrastructure development, state credit for firms, and programs for creating employment. Protectionism was prevented by regional integration agreements. The Left-wing governments have prevented the worsening of living standards. Apart from stimulating the economy, there has been emphasis in social policy by expanding social protection schemes.

- Although Latin America is well-prepared to face the crisis, there are challenges that the Left-wing governments have to confront with. These include: strengthening the fiscal resources of the state to sustain social expenditures; improving the state's capacity to act through regulatory measures; diversifying production to generate employment and strengthen domestic economy.

Session 4: Action on the Ground — Shaping local (finance and economic) institutions and practices to provide the public common good

The speakers in this session include Prof. Palanisamy Pramasamy, the Deputy Chief Minister of the State of Penang, Malaysia; Irineo “Bong” Alvaro, the former city councilor and city administrator of Angeles City, Philippines; and Fernando Corvera, a Provincial Board Member of Antique Province, Philippines.

Highlights of the Discussions:

- In Malaysia, the opposition to Mahathir started crystallizing after the Asian Crisis. Mahathir and Anwar

did not differ much on the economy, but there was the political conflict. There were larger issues of justice and judicial reform here. The political tide turned towards reform and equality. It took more than five years before five states fell to the opposition after decades of UMNO hegemony. These were developed states in the peninsula. The five states fell to DAP, Keadilan and PAS alliance which rallied around the issues of corruption, favoritism, and judicial reform. In Perak there was a power grab. In Penang, the most advanced state economically, the DAP has a very clear majority.

- After winning in the March 2008 election, the next question is what to do? DAP had never had a taste of power. The issue is, how do you look at development? The progressives don't say that they are for democratic socialism. They say “we are pro-growth. We want investments, but not if there are harmful to the environment”. The problem is that Malaysia is a unitary state despite its federal structure. The federal government has much control over regulations and supply of public goods, there is only little room at the state government. But the state

Highlights of the Discussions

The question is, can we use the stimulus package to improve the salaries, the living condition of the poor? Any populist president just needs to have popular legislations to win the next elections. This is the reason why some countries have no strong political parties, none at all in some. While committed to redistribution, a social democratic response should include party building as an institution of democracy.

government will do what it can. The party wanted to eradicate absolute poverty and the DAP-led state government already did it within one year. They came up with a program for senior citizen. The poor people get free water supply and had the lowest water rates in Malaysia. The party has exposed scandalous land transactions. The DAP-led state government has brought in most foreign investment. Investments skyrocketed to 10.2 billion within 10 months from when the DAP took power. The reason for this is there is no corruption. Unlike in states controlled by ruling party there are no under-the-table transactions in Penang. The party also makes sure investors have social programs. The majority needs to benefit, although we are not anti-rich. Investors are told to come and follow the rules.

- Furthermore, the party would introduce reforms in the civil service. In 51 years, the civil service has become dominated by one race. The

party wants to bring in more people, women, Chinese and Indian. This will be done based on merit. The party will also work on the removal of the Internal Security Act and all anti-labor legislation. It wants to bring in environmental technology.

- In Antique, Corvera shared his experience while he was still a Mayor. Corvera stressed that the problem is always how to put good plans into action where there are no resources. Under Corvera's leadership, the municipal government has focused on revenue generation, social services, sustainability. He opened up the local development council to more representatives from the private sector--business, cooperatives and NGOs; and has crafted a development program with the assistance from NGOs. Revenue at the beginning was only 8 million Pesos. Through close coordination between the Mayor and the local legislative council, they reviewed the revenue measures that were there for more than 30 years and instituted new revenue measures (fees and taxes). They were able to triple the municipality's income in three years. The Mayor also initiated issue-based community organizing around social services to rally people's support. He dealt with community issues one at a time. He also invested in gender and development trainings. The enterprise development improved the local economy and security of tenure (land and employment). Filipinos are allergic to taxes, but they will pay if they can see results, if money is spent to address their needs. Using a poverty mapping technology, the municipality was able to target, identify the poor and where they are. Development programs were then implemented effectively.
- The municipality also created a public economic enterprise office, exempted from full limitations of law. The office takes care of public market, slaughterhouse, and cemetery.

The Mayor also had public auctions more than once a year. The municipal government also adopted schemes where investors build stalls on government land, turned over after 50 years, pay tax.

- In Angeles City, Pampanga, progressive candidates find it very difficult to win elections without resorting to the tactics of traditional politicians. Bong Alvaro looked for champions and allies in local legislative body to push for and pro-poor/marginalized policies like the "Urban Poor Development Program", the "Child Welfare Code", and AIDS ordinance. As the city administrator, he pushed for anti-corruption measures, a move which threatened powerful vested interests inside and outside the city government. Such move became politically costly for him and he was forced to resign as administrator after 15 months.
- If people cannot afford to pay taxes, how can social services be provided without raising taxes? Local governments can only do tax measures within their mandate. In Antique, there is flexibility offered in dealing with delinquent tax payers. In Angeles, incentives were offered for early tax payers.

Session 5: Local Governance Work — Providing the backbone to party-building

The speakers in this session include Jude Esguerra from the Governance Affairs Committee of Akbayan, Philippines; Byam-basuren Urgamal of the Mongolian People's Revolutionary Party; Heru Wardoyo of the Partai Perserikatan Rakyat, Indonesia; and Peter Hamon from the Social Democratic Association for Local Government (SGK), Germany.

Highlights of the Discussions:

- The Mongolian People's Revolutionary Party perceives local governments as important channel for forming

Highlights of the Discussions



and delivering the party's image to the people. Local governors, in most cases, are also the head of local party branch. Thus it created a link between the party policies and the ways local authorities execute these policies. Local authorities and local party staffs are the ones who encounter the real people and situation. Thus, success in local governance could spell success at the national level.

- The downfall of Suharto in Indonesia brought a period of reforms (reformasi) in Indonesian politics. Political rights were restored including the freedom to build political parties. The PPR seized this opportunity to organize a mass-based political party. However, the rules on party registration make it impossible for new and mass-based political parties to be accredited. PPR has failed to get a registration but it will attempt again in 2014 parliamentary election. In Indonesia, only few social movements influenced by social democracy are into party-building. Social democracy values are also open to various interpretations in the Indonesian context.
- The local level played an important

role for the Social Democratic Party of Germany after WW II. SPD Mayors and local representatives played a key role in the reconstruction of cities. Successful local governance work is translated into electoral victories of the party at the federal and state level in the GOs and the 70s. Local governance also makes an important contribution to the development of social democracy ideas and practices as well as politics. The local authorities also are an important reservoir for the recruitment of members of parliament.

- Because of the importance of local governance to the party, the Social Democratic Association for Local Government (SGK) was created to assist local authorities affiliated to the SPD in local governance work. The SGK provides services for local governments such as: legal advice, training, developing practical working aids, providing information, serving as channel for information exchanges and discussions, giving election campaign advises, finding candidates, and reporting reports on local and direct elections. There is a permanent

cooperation between the SPD headquarters and the Bundes-SGK concerning all matters relevant to local government.

- Initially there was ambiguity within Akbayan on the value of local governance work. Many of the groups comprising the party came from a resistance/protest tradition of struggle. They have been organizing people along classical leftist lines (as peasants, workers, urban poor, etc.). There was some difficulty conceptualizing a party that must deal with power accumulation at the national and local governments. The local level is important because it is at that scale that the capability of left to organize people matches the requirement for achieving power.
- The local governance committee of Akbayan, which is a young committee, holds meetings with Akbayan Mayors on local governance issues and local elections; and conferences featuring good local governance practices and legislations. The party still continues to support a small core of local government officials. The party is reconstituting its party units in a way

Highlights of the Discussions

that will facilitate better interaction between the local party chapters and the local government officials. The local governance committee relies in the assistance of NGOs. The committee's approach to local governance work is one that confronts the reality that many local government officials can win without performing because of their acute ability to fetch resources from the national center. Akbayan has no access to that kind of political technology and network. So the approach would be to expand municipal services (which the communities have identified) through community-local government co-financing (joint venture). For the party, this makes political sense because you have communities who are willing to contribute for the services and this breaks down patronage relations between the politicians and the electorate. This approach also facilitates party and local governance relations. But this kind of a program has a destabilizing effect if implemented by local authorities. Thus, it is important to build constituency around this reform initiative and the reform champions.

- The victories of left parties in Latin America at the national level cannot be explained without considering their experiences in managing big and small cities first, such as PT for example. Many Brazilians believed that leftist could be successful as oppositionists, but not as city managers. But the experience of Sao Paulo proved otherwise. Also experience of Frente Amplio in Montevideo prior to winning national power 8 years later. This is crucial in understanding the left turn in Latin America.

Session 6: Conference Communique

The participants have agreed to issue a communique which contains a 7-point agenda to respond to the crisis and statements on Burma and the Afghanistan-Pakistan border.

Highlights:

- To address the immediate impacts of the crisis, governments should focus their stimulus package towards policies that will create jobs, improve social protection, address gender inequality, and embrace the Decent Work Agenda. Specifically, Asian Social Democrats call upon governments to:
 - Stimulate demand by investing in community-based infrastructure, public transportation, low-cost housing, health services and education to address poverty and generate jobs;
 - Provide relief for displaced workers, including overseas migrant workers, through unemployment benefits; and initiate rural employment guarantee schemes that will absorb returning workers;
 - Pursue labor policies that will retrain and upgrade the skills of workers
 - Achieve universality of coverage of social protection schemes (such as health insurance and cash-transfers) that mitigate risks, reduce poverty in line with the Millennium Development Goals, and enable human development;
 - Repudiate odious debts to finance social protection;
 - Invest in green technologies to address climate change concerns, contribute to ecological justice and develop the jobs of the future
 - Establish a social dimension in regional integration processes.
- In the spirit of solidarity, the Network of Social Democracy in Asia deeply regrets that Daw Aung San Suu Kyi, leader of the National League of Democracy and honorary president of the Socialist International, as well as the members of her household have been arrested and charged with breaching the terms of her detention, which the United Nations had determined violates international and national law.

It is especially striking that these events practically coincide with the expiry of her house arrest on May 27.

- The Network of Social Democracy in Asia strongly urges Burma/Myanmar authorities to immediately release Aung San Suu Kyi as well as all political prisoners and engage in an inclusive process of national reconciliation which is essential for setting Burma/Myanmar on a genuine path to stability and prosperity and initiate a new phase in the development of the country. Furthermore we call on ASEAN and Asian governments to take a pro-active role to request Burma/Myanmar authorities to respect human rights.
- The Network of Social Democracy in Asia is deeply concerned about the economic fall-out, breakdown of social services and physical displacement of millions of people as a result of war between extremist militant groups, ISAF (International Security and Assistance Force) and Pakistani forces in areas along the Pakistan-Afghanistan border. While renouncing violence and militancy, the Network urges the concerned governments to seek peaceful solutions to the problem and invest in providing security and decent livelihood to the affected population.

Network Development — how to continue?

As suggested in the network's preparatory meeting and the conference participants, the network will hold activities and projects that aim to generate a social-democratic discourse in Asia, respond to political developments in the region and to learn from each other. These include setting-up a website, producing a journal, and holding conferences. The next conference is planned to be held in Penang, Malaysia in November 2009.

Highlights of the Discussions

Conference Communiqué

Asian Social Democrats:

**Invest
in social
protection
now** to
stimulate
inclusive
growth and
equitable
development

We, members of the Network of Social Democracy in Asia, having gathered in the first conference of Asian Social Democrats with the theme “Responding to a Systemic Crisis” in Manila, Philippines this 21-23 May 2009 hereby agree on the following communiqué.

Asia is faced with a severe slowdown in economic activity caused by global recession. It has resulted in losses of jobs, income, and employment opportunities especially for young people; decrease in overseas remittances; and escalating social inequalities. Governments have further cut subsidies for social services and development programs or have increased its debt to finance services.

With low wages and inequitable income distribution being among the core reasons for the economic imbalances that have led to the crisis, Asian social democrats demand a response that is based on the value of social justice. Having launched the Network of Social Democracy in Asia on 21-23 May 2009, in Manila, Philippines, progressive parliamentarians, political parties, trade unions and civil society leaders therefore call on governments to reconfigure their development model away from the failed neo-liberal paradigm to an equitable and sustainable path.

To address the immediate impacts of the crisis, governments should focus their stimulus package towards policies that will create jobs, improve social protection, address gender inequality, and embrace the Decent Work Agenda. Specifically, Asian Social Democrats call upon governments to:

- Stimulate demand by investing in community-based infrastructure, public transportation, low-cost housing, health services and education to address poverty and generate jobs;
- Provide relief for displaced workers, including overseas migrant workers, through unemployment benefits; and initiate rural employment guarantee schemes that will absorb returning workers;

Highlights of the Discussions

- Pursue labor policies that will retrain and upgrade the skills of workers;
- Achieve universality of coverage of social protection schemes (such as health insurance and cash-transfers) that mitigate risks, reduce poverty in line with the Millennium Development Goals, and enable human development;
- Repudiate odious debts to finance social protection;
- Invest in green technologies to address climate change concerns, contribute to ecological justice and develop the jobs of the future;
- Establish a social dimension in regional integration processes.

In the spirit of solidarity, the Network of Social Democracy in Asia deeply regrets that Daw Aung San Suu Kyi, leader of the National League of Democracy and honorary president of the Socialist International, as well as the members of her household have been arrested and charged with breaching the terms of her detention, which the United Nations had determined violates international and national law. It is especially striking that these events practically coincide with the expiry of her house arrest on May 27.

The Network of Social Democracy in Asia strongly urges Burma/Myanmar's authorities to immediately release Aung San Suu Kyi as well as all political prisoners and engage in an inclusive process of national reconciliation, which is essential for setting Burma/Myanmar on a genuine path to stability and prosperity and initiate a new phase in the development of the country. Furthermore we call on ASEAN and Asian governments to take a pro-active role to request Burma/Myanmar's authorities to respect human rights.

The Network of Social Democracy in Asia is deeply concerned about the economic fall-out, breakdown of social services and physical displacement of millions of people as a result of war between extremist militant groups, ISAF (International Security

and Assistance Force) and Pakistani forces in areas along the Pakistan-Afghanistan border. While renouncing violence and militancy, the Network urges the concerned governments to seek peaceful solutions to the problem and invest in providing security and decent livelihood to the affected population.

Signatories:

- Akbayan! Citizens' Action Party, Philippines
- Awami Party, Pakistan
- Democratic Action Party, Malaysia
- Partai Perserikatan Rakyat, Indonesia
- Partai Aceh, Indonesia
- Democratic Labor Party, Korea
- Sangkomdhibitaya Party, Thailand
- Mongolian People's Revolutionary Party, Mongolia
- Tian Chua, Member of Parliament, Parti Keadilan Rakyat, Malaysia
- Budiman Sutjatmiko, Member of Parliament Partai Demokrasi Indonesia Perjuangan/Indonesia Democratic Party-Struggle (PDI-P), Indonesia
- Union Network International Asia-Pacific (UNI-APRO)
- National Union of Bank Employees, Malaysia
- Federation of Free Workers, Philippines
- Alliance of Progressive Labor, Philippines
- Relawan Perjuangan Demokrasi Volunteers for Democratic Struggles- Indonesia Democratic Party-Struggle (REPDEM-PDI-P)
- Jurnal Sosdem, Indonesia
- Myanmar Egress
- Shiral Lakthilaka, Colombo School of Politics, Sri Lanka
- Young Progressives in South East Asia (YPSEA)

Responding to the Global Financial crisis:

Can **ASEAN** get



By: Christopher Ng,
UNI Apro Regional Secretary
(uniaprs@singnet.com.sg)

How well is ASEAN managing the global financial crisis? What, in the first place, is the ASEAN's response to the global crisis?

There are no easy answers to these questions. ASEAN, normally voluble about its regional economic integration projects, has not come up with any clear pronouncements

on the crisis. In fact, it has not unveiled any concrete regional programs aimed at cushioning the impact of the global recession on the region.

The only announcement of substance that we have seen is the so-called increase in the capitalization of the Chiang Mai Initiative, from US\$80 billion to US\$120 billion. On paper, this is a laudable project because the Chiang Mai Initiative is a

buffer fund, meant to give ASEAN member countries a safety valve when confronted with a grave balance of payments deficit. A member country suffering from a serious speculative attack on its currency can always run to this fund for help, through an envisioned system of currency swaps. There was no such facility in 1997-98 when the Asian financial contagion devastated Thailand, Indonesia, Malaysia and the Philippines.

However, this Initiative is untested. The Initiative, originally launched in Chiang Mai, still has no clear operational guidelines. The Initiative itself was conceived by a non-ASEAN, by Japan, in the aftermath of the 1997-98 Asian financial crisis. And most of the contributions will be coming from the non-ASEAN partner countries – 32 per cent each from Japan and China, 16 per cent from Korea and 20 per cent from the ten ASEAN countries. As it is, these contributions are still paper pledges.

its act together?

Outside this Chiang Mai Initiative, we have also heard troubling news about ASEAN.

First, the ASEAN Summit in Pattaya April of this year was unceremoniously cancelled due to the conflict between the reds and the yellows in Thailand, the current chair of the ASEAN grouping. Burned twice (that is, having failed to push through with the hosting of a major ASEAN gathering in December last year and in April this year), Thailand understandably keeps re-setting the date for the resumption of the Summit, whose main agenda is to deepen the cooperation programs with the ASEAN's "Dialogue Partners" – the original Plus 3 countries of Japan, China and Korea, and the new Plus 3 countries of Australia, New Zealand and India.

Given the fact that most of the ASEAN integration projects are funded through the ASEAN Plus 3 Plus 3 arrangements, the uncertainty as to when the Summit

will take place is understandably giving the ASEAN Secretariat the goose pimples. This uncertainty is further heightened by proposals for new or alternative regional formations. Australia, for example, is calling for the formation of an Asia-Pacific Community. Indonesia's think tank, the Institute for Strategic Studies, has also produced a paper with a similar proposal, bluntly stating that ASEAN is failing to meet its political-cultural integration program because of the stark political differences among the ten ASEAN countries.

Another troubling development for ASEAN is the controversial decision of the military leaders of Myanmar to try – again! – Aung San Suu Kyi based on trumped-up charges. This trial is truly embarrassing for ASEAN, for it shows the incapacity of ASEAN to enforce human rights standards in the region, as envisioned and provided for under the newly-minted ASEAN Charter.

Is ASEAN then a toothless tiger?

Let me hasten to counsel caution. We cannot afford to make a rash judgment on ASEAN.

The truth is that the ASEAN reality is much more complicated. Although now turning 42 this year, ASEAN has integration processes that have come into life only in the last two decades. Remember that the first two decades of ASEAN were uneventful, for they were devoted mainly to the ceremonial gatherings of the leaders of the five anti-Communist countries in Southeast Asia, namely – Indonesia, Malaysia, Philippines, Singapore and Thailand.

Yes, we have great reservations and numerous criticisms about the nature, design and scope of the various ASEAN integration projects underway such as the AFTA-CEPT program within the ASEAN and the ASEAN regional and bilateral free trade talks with the various non-ASEAN countries. Most of these projects are neo-

liberal in character and are a mirror of the IMF-World Bank-WTO programs at the global level. These are the given realities.

At the same time, however, it can not be denied that these integration projects are changing, whether we like it or not, the direction of life for everyone living in the region, for better or for worse. For example, the ASEAN visa, the ASEAN aviation liberalization program and the tangle of ASEAN socio-cultural-economic programs have made travel, interaction and intra-regional migration by professionals, skilled workers, bureaucrats, academics and, yes, trade unionists and CSO activists within the region not only easy but also a commonplace or everyday affair. A people-to-people ASEAN interaction is indeed taking place somehow.

We recognize that as trade unionists, workers and citizens of ASEAN, we have a responsibility to contribute to the building of a caring and sharing ASEAN community.

We believe that the process of regional economic integration being undertaken by ASEAN has the potential to provide ASEAN member countries with competitive advantages in this age of globalization by spurring economic growth, providing greater job opportunities and promoting overall socio-economic development in the region.

However, we are seriously concerned that this laudable goal is being undermined by a lack of attention and understanding of the critical importance of social protection, social justice, and international core labour

standards that must accompany this rapid economic integration.

Indeed, the greatest challenge facing us in ASEAN is to put the interests and well-being of the working people in the ten ASEAN countries at the top of the regional integration agenda. We want closer linkages between and among the ten ASEAN countries. However, we also want the integration process to be not only inclusive but also truly beneficial and equitable for those who constitute the majority of ASEAN society.

This is the main reason why we organized the ASEAN Service Employee Trade Union Council or ASETUC. We want to help shape Social ASEAN – an ASEAN that respects the workers' core labor rights, including those of the migrants, and an ASEAN that promotes a genuine caring and sharing among the different segments of the ASEAN society. We want the ASEAN business community to observe true corporate social responsibility not only by abiding with the universal labor standards but also by conducting social dialogue with the ASEAN Trade Unions and other stakeholders in the communities hosting them.

In this context, it is our hope that ASEAN can come up with people-oriented responses to the present global crisis. In the 1997-98 Asian financial crisis, we have seen how ASEAN was caught with its pants down. Large hedge funds and speculators entered and left the currency, stock and real estate markets of ASEAN countries with

We recognize that as trade unionists, workers and citizens of ASEAN, we have a responsibility to contribute to the building of a caring and sharing ASEAN community.

impunity and with incalculable damages to society and yet were not punished for such actions. The IMF even aggravated the socio-economic situation in countries such as Indonesia and Thailand by imposing their harsh austerity measures instead of the expansionary measures that the United States and other OECD countries are ironically now doing. It was only Malaysia which was able to confront the global speculators decisively when it imposed regulatory measures on the movement of speculative capital.

We do not want a repeat of the mistakes of the 1997-98 Asian financial crisis.

This is why we want the trade unions and CSOs to intensify their engagement with the ASEAN on the crisis and on the way out. This engagement, coincidentally, is taking place at a special juncture of history, when neo-liberalism, once considered sacrosanct, is now widely denounced as the root cause of the global crisis. The

problem is that while Gordon Brown and others keep saying that the Washington Consensus is dead, their proposals on the ground such as strengthening the IMF, World Bank and the ADB are still neo-liberal in character. In the ASEAN, there is simply silence on the issue of neo-liberalism. This is why I urge trade unions and CSOs to be a lot bolder on the policy sphere.

In this regard, we, at ASETUC and UNI Apro, are proposing the following:

First, Let us ask ASEAN and the ASEAN governments for a review of the varied ASEAN economic liberalization schemes and seek for their adjustments, if needed. This is also the proposal of international CSOs and the global trade unions in the case of the WTO. For the truth is that the global crisis is an occasion for re-thinking liberalization programs which ignore or do not cohere with the social and labor welfare goals of society. This is the time to reiterate the call for globalization with a human face. This is the time to reiterate the call for ASEAN with a human face.

Secondly, Let us ask ASEAN and the ASEAN governments, together with the ASEAN employers, to keep the ASEAN jobs intact. This can be done by the employers through a variety of creative approaches such as using the crisis as an opportunity to conduct intensive training, or to hold labor-management dialogues on business and job survival measures. For the governments, this can be done through

greater stimulus spending and policies supportive of domestic consumption programs. Obviously, it will also require measures to improve workers' wages to be negotiated by trade unions and employers in an effective and meaningful collective bargaining process.

Thirdly, Let us ask ASEAN and the ASEAN governments to put in place the necessary safety nets. In this connection, the ASEAN should be able to hold immediately programs on useful exchanges on good experiences on safety nets programs and practices within the ASEAN and even outside. In the 1997-98 crisis, ASEAN focused on safety nets such as skills training only after the crisis, that is when the damage was already done. Today, with the crisis of the real economy projected to last much longer (despite the moderate revival of the global stock markets), safety nets such as unemployment insurance, training with living allowance and so on are urgent and their development can not be postponed.

Fourthly, Let us ask ASEAN and the ASEAN governments to revisit the prudential rules on banking and the financial sector. As it is, ASEAN is experiencing an outflow of capital from the region. We want financial stability.

Fifthly and finally, Let us ask ASEAN and the ASEAN governments to sit down with the trade unions and CSOs on how we can survive the crisis together, recover from the crisis together and move forward together. After all, ASEAN is supposed to be a collective enterprise of the ASEAN

people. It is also only in the process of dialogue that we can really identify and implement practical and doable anti-crisis response programs.

Building a people-centred ASEAN requires the whole-hearted participation of all sectors of ASEAN civil society. As trade unionists, we commit ourselves to promote deeper and closer unity among the trade unions and civil society organizations in the region. We will continue to systematically engage with ASEAN-based community based organizations, NGOs, academics and environmentalists to ensure that a unified agenda is developed to support full consideration by ASEAN of concerns related to migration, human and trade union rights, decent work, food security and environment as the ASEAN integration agenda moves forward.

We recognize that our success in achieving a vision of ASEAN with the concerns of workers and their families at its core will require greater unity among trade unionists behind this vision. To build this unity, we are committed to undertaking a comprehensive program of education, awareness building, and technical training for our members and social partners on all aspects of ASEAN and its regional economic integration plans.

To conclude, ASEAN at 42 should be an ASEAN on a social mission, building a truly caring, sharing and people-centered regional grouping. With the solidarity and combined efforts of the trade unions and civil society organizations in the region, we can make all this happen.

THE GLOBAL ECONOMIC RECESSION

CHALLENGES OPPORTUNITIES

FOR A NEW SOCIAL AGENDA IN ASIA¹



by: Dr. Ursula Schaefer-Preuss, Asian Development Bank²

Ladies and Gentlemen, dear colleagues

I am pleased to participate in this important conference. I am particularly happy to discuss today with experts being concerned about the effects of globalization and those seeing the benefits from it for the working class. Let me share with you some of my views.

The topic the *Network of Social Democracy in Asia*, is very relevant and timely: Will the global economic crisis provide a new opportunity for a more social democratic agenda in Asia where economic growth and social development come closer together, become more inclusive and thereby reduce inequalities?

I would like to make my presentation in 6 theses, summarized as following:

1. The global recession started in the West (USA and Europe) as a financial crisis. For Asia, however, it is more a real economy problem with deep

social implications. Hence answers to the crisis lead us more to the interface between social and economic policies in the region rather than to financial markets. That leaves me, in my capacity as a development banker, with a good starting position.

2. As an economist I want to stress: On the social side the two top concerns from this global crisis for Asia are how it addresses jobless growth and social protection. I will not discuss here other impact channels such as falling remittances, challenges for social services delivery and MDG achievements, gender implications, and weakening social fabric.
3. My main point is thesis 3: The Asia region will accept the social agenda only in the context of growth strategies. A social democratic agenda for Asia therefore needs to focus on inclusive growth. It needs to explain how broad based and productivity-oriented labor

AND NITIES

markets and inclusive social protection systems can stimulate growth beyond protecting those left behind from the benefits of development in the region.

4. Inclusive growth requires public stimulus for new productive jobs. It also requires broad based public social protection systems. This is easier when Asia rebalances more towards national markets and equitable development paths. However, it is a myth to think that Asia could decouple. The Asian economies need to find new opportunities through globalization and regionalization.
5. Some countries in the region are actively using the crisis to promote a more inclusive growth agenda. ADB is supporting this through more money in line with government's rescue packages, including infrastructure expansion.
6. The social agenda however needs further uplifting. There is some

urgency for this new agenda setting for making economic growth and social development more inclusive. Rescue packages in the region are being finalized and will determine the development paths of the coming 3 years. If we are not successful with influencing policy making in the next 6 months, the social democratic development agenda may have little chance of being heard much in Asia in the coming years.

1 CAUSES AND ECONOMIC CONSEQUENCES OF THE GLOBAL RECESSION FOR ASIA

Not a financial crisis: Asia is currently affected by the world's most serious recession since the 1930s. It is different from the Asian Financial Crisis in 1997-1998 in several respects in particular, the banking systems in Asia are remarkably robust against those global influences.

1. This paper was written for the Conference on "Responding to the Systemic Crisis – Asian Social Democrats in Search of Policy and Practical Solutions", organized on 20-23 May 2009 in Manila by the Friedrich Ebert Foundation in cooperation with the Olof Palme International Center and the Social Democracy in Asia Network. I'd like to thank my colleagues Dr. Armin Bauer from the Asian Development Bank and Mirko Herberg for valuable inputs and comments. The views expressed in this paper are those of the authors and do not necessarily reflect the views and policies of the ADB's Management, Board of Governors, or the Governments they represent.
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This is mainly due to substantial structural reforms in the banking and financial systems done in the aftermath of the Asian Financial Crisis in 1997-98.

Economic impact channels. While the global recession – for the “ordinary” people - does not manifest as a big crisis yet, it has major negative impact on the real economy in the region:

- Trade is tumbling. While 55% of Asia’s trade is intra-regional, 68% of its final destination is for the G3 countries (USA, Europe, and Japan). Here, however, markets for Asia’s export products (textile, garments, toys, electronics, and car parts) are collapsing.
- Private capital flows and trade finance are drying up and capital for small and medium enterprises is getting short because of crowding out through large national and foreign companies.
- Remittances have dropped, affecting seriously some countries’ budgets and many people’s household expenditures. This is particularly so in Tajikistan, Nepal, Kyrgyzstan, Bangladesh, and the Philippines.
- Infrastructure projects often financed through public-private partnership are being postponed or cancelled. This is not only a waste of investment capital, but also undermines Asia’s long-term growth potential.
- Commodity prices are falling worldwide affecting smaller countries in the region such as Mongolia, Papua New Guinea, Timor-Leste, and Laos.
- And finally, the global recession is also making commitments to official development assistance (ODA) more uncertain. I say this being well aware of the generous commitments, for example at the last G20 meeting 2nd of April in London.

Asia was hit hard, because the region is highly linked to the US economy both

through trade as well as financial services. A 2008 IMF study on the impact of the USA crisis on Asia shows that every percentage point drop in US real GDP would result in a decline of 0.2% to 0.6% in Asia’s GDP.³ ADB’s recent Asian Development Outlook projects developing Asia’s economic growth to slow to 3.4% in 2009, down from 6.3% in 2008 and 9.5% in 2007.⁴ ADB projects a mild recovery in 2010 to 6% growth. While Asia still has growth and perhaps the highest growth rates currently in the world, growth rates of 3-6% are perhaps not enough to absorb all the educated youth in the labor markets.⁵ Some argue that the era of high growth in Asia is coming to an end.⁶

The current crisis is fundamentally different from the Asian financial crisis in 1997. Affected today are more the vulnerable poor, not the very poor. And global trade is not any more a way out of the crisis like in 1998. Also, the huge rescue packages implemented currently in the region have little social focus, different to 1998 when donors protected social spending and governments invested massively in social safety nets (both public employment programs and social protection and insurance measures). ADB – among others - supported these policies. Today the focus is more on finance and real economy.

Asia is a success story for poverty reduction, but that is only half the picture: While the region made remarkable progress in reducing income poverty down to 27% of the population,⁷ it is less successful in addressing the social and environmental dimensions of poverty. Especially the health targets of the Millennium Development Goals (the MDGs) are of concern for many countries, especially in South Asia. The global economic slowdown further aggravates the problem. It does not only push more people into poverty but also weakens

health, education, social protection, and municipal services. ADB has estimated that due to the crisis the region will have 60 million more very poor people in 2009 than if the crisis would not have occurred.

2 DUAL LABOR MARKETS ARE AT THE CORE OF THE PROBLEMS

Asia’s jobless growth: The main impact channel of the current economic slowdown in Asia is the loss of employment, especially for the urban educated youth. However on the first glance, job losses are not substantive and some may say why worry: the ILO projects for Asia 23 million more formal unemployed in 2009, not much compared to a total labor force of 1.4 billion people. These figures however mask structural weaknesses in the labor markets.: Asia – like Latin America – has a massive dual labor market problem, where the majority of people are in non-productive, low paid jobs without social protection and weak labor standards. On the other side the majority cannot afford to be unemployed: they are working long hours for little pay just to survive. The problem is that many countries in the region – in the last decade – followed a growth path that does not structurally include that majority of the population in productive employment. And that problem is at the heart of each social democrat.

While the region was successful in maintaining high growth rates of 5-8% over a decade, growth in the last decade was not sustained through expanding productive employment. In Indonesia, for example, only 27 million of the 112 million workers belong to the productive sectors. While the crisis adds only estimated 1 million to the unemployed, a more realistic calculation would include also:

- those educated and not finding a job plus those getting unemployed in other

- sectors and value chain production,
- those depended on the formal labor market by providing informal services like street vendors and jeepney/tricycle transport,
- those educated and already unemployed, and
- those young and educated people entering the labor market (in Indonesia 2 million a year) but not finding jobs.

If we do so, actual unemployment numbers are 4-5 times higher. All these people do not find “real” jobs. They are absorbed in informal sector work and income sharing activities, and that keeps wages low in agriculture, trade and services. Productive industry employment is not expanding. In Indonesia, for example, productive employment is mainly to be seen in export industries. Between 1975 and 1996 labor intensive export industries grew by 50% per year, and between 1997 and 2008 only 3%. The country did create a lot of productive jobs prior to the Asian Financial crisis. But it did not create much afterwards, despite of substantial growth. In the last decade, growth did not come from labor intensive export industries like textile and garments, and automobile parts, but from capital intensive export industries, especially commodity exports, including oil and mining.

Let us take the People’s Republic of China as another example. Here the number of officially urban unemployed would rise from 9 million to 45 million, if we count also the

- the 20-25 million migrant workers who have already lost their jobs in the last 8 months,
- the 6-7 million migrants coming every year to the cities, and
- the 7 million university graduates looking for jobs would be added.

In China too, the problem is not so much unemployment but the lack of good job opportunities for those hundreds of

millions of educated young people, for which the growth sectors do not provide sufficient jobs.

This is a massive conflict potential and this is what many governments in the region are so much concerned about.

3 THE NEED FOR REBALANCING AND THE MYTH OF BEING DISCONNECTED

Asia still needs globalization and regionalism: While the way out of the 1997/98 Asian Financial Crisis was boosting exports to G3 countries (Europe, USA, Japan), today a rebalancing towards new national and regional markets is needed, along with the development of more job-creating export industries. Let us be clear: While rebalancing towards developing faster national markets is a major policy option for faltering global demand, Asia cannot be and should not be disconnected from globalization. The export sectors – due to their exposure to global and regional markets - are the most dynamic sectors for productive employment. If growth in those sectors has large scale employment impact – albeit not including all workers – countries engage in a development path that is both dynamic for growth and inclusive for people. Asia’s development path in the last decade was successful in some countries in generating growth and distributing this through social benefits and better infrastructure services for all, despite of worsening inequalities. This is true for countries like China, Vietnam, perhaps also Bangladesh – those with success stories in reducing income poverty.

The strategy was however less inclusive for other countries, including the Philippines, Cambodia, also India. The challenge, therefore, is to find a solution to rebalance national, regional and global markets. Strategic options would include:

the development of internal and regional markets, promoting new production and service industries which can have large labor market implications for the formal sector, and perhaps the stimulation to use clean technologies which can create new jobs and serve as drivers of productivity enhancement.

The issue now is how one can speed up domestic demand rather quickly in an overall declining economic situation. Some countries in the region have initiated major stimulus packages: In March 2009, the total amount announced for stimulus plans was US\$ 2.18 trillion worldwide, or 3.5% of world’s GDP.⁸ In developing Asia the biggest stimulus plans are in PRC (15% of GDP), Indonesia, and Thailand (1% of GDP). The majority of these recovery packages contain measures to: (1) help export industries and firms, (2) use abundant government funds for fast-tracking large infrastructure projects with the hope that these would quickly have growth implications, (3) restructure

3. IMF (2008). Regional Economic Outlook: Asia and Pacific. April. International Monetary Fund, Washington D.C.
4. ADB (Apr 09): Asian Development Outlook: <http://www.adb.org/Documents/Books/ADO/2009/default.asp>. For country by country growth rates and forecasts 2004-2010, view <http://www.adb.org/Media/Articles/2009/12839-asian-development-outlooks/ADO2009-GDP-table.pdf>.
5. For further information on the impact of the global recession in finance, the economy and the people in Asia, visit the ADB website on the financial crisis under <http://www.adb.org/financial-crisis/default.asp>.
6. ADB/ERD (Dec 2008): Is the Era of High Growth at an End? <http://www.adb.org/Documents/Working-Papers/2008/Economics-WP139.pdf>.
7. See ADB (Nov 2008): The World Bank’s New Poverty Data: Implications for Asia and the ADB. <http://www.adb.org/Documents/Presentations/New-Poverty-Estimates/Poverty-Data-Implications.pdf>.
8. Isabel Ortiz (March 2009): Fiscal Stimulus Plans. The Need for a Global New Deal. New-York: UN-DESA. http://www.networkideas.org/news/mar2009/Fiscal_Stimulus_Plans.pdf.

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the economy towards more local markets, and – since March 2009 - (4) enlarge social safety nets to promote demand from low income groups. The question is whether these stimulus packages are sufficient to address the structural problems of the current global economic recession, or whether more fundamental structural changes in the economic and social policies are needed.

4 STIMULATING ECONOMIC GROWTH THROUGH SOCIAL DEVELOPMENT

While the crisis provides new opportunity for rebalancing towards a development path of job-creating growth, inequalities can only be reduced by expanding social protection systems. Some governments are visionary and forward looking. It is now in the crisis that China for example is actively promoting the expansion of social health and old age insurance. They are using the interesting argument that safe and officially provided risk mitigation would encourage low income groups to spend what they currently save for life, old-age insurance, unemployment, and health risks. Local governments are also actively expanding investments in low cost housing and slum upgrading. National and provincial governments are increasing voucher systems for retraining and higher education. In countries like PRC, Malaysia, Vietnam, also Indonesia, the crisis is being perceived as an opportunity to stimulate growth through expanding social protection. That is a social democratic approach to development.

What then are investments that can help rebalancing towards inclusive economic and social development? They would include – among others –

- Active labor market policies through small and medium enterprise development, microfinance, skills development and the promotion of new technologies.
- They would also comprise building social protection and safety net

Box on the Main recommendations on the Social and Environmental

On 28-30 September 2009, the Governments of Viet Nam and PRC, the ASEAN Secretariat, ADB, and 9 development partners (ADB, AusAID, BMZ/GTZ/KfW, DFID, ILO, IPRCC, JICA, UNDP, WHO, and World Bank) have jointly organized a conference on the social and environmental impact of the crisis. The conference drew more than 350 participants from governments, civil society, academia and multilateral and bilateral development agencies, incl. 30 high-level participants from 20 Asian countries such as Vice-Prime Minister of Viet Nam and ADB President Kuroda and Vice President Schaefer-Preuss.

The governments attending the Hanoi conference agreed to take the main recommendations to the 2010 ASEAN Summit, and ADB – as a follow up activity – plans to help the region – through the Poverty and Development Initiative (PADI) and in close cooperation with the ASEAN Secretariat - with impact monitoring of crisis response programs.

On substance, the Hanoi conference revealed the following:

- The 2008 global economic crisis is different from the 1997 Asian financial crisis in many ways. It affected people mainly through changes in the labor markets, return migration, loosing social protection, and worsening social fabric and gender relations.
- Affected are mainly the vulnerable poor (those around the \$2 poverty line), mostly urban educated youth working in export sectors and migrant workers.

- The crisis shows structural problems of dualistic labor markets. Companies react mainly by reducing working hours, not so much through mass lay offs. This further lowers income of poorer households.
- Interestingly, the crisis shows that only few (maybe 20%) of the urban migrants returned to their rural areas. Slums are actually increasing because rural to urban migration is further rising and at the same time the low income groups in the cities move to cheaper shelter.
- There are already spill-over effects on the rural economy and the food price crisis is not over yet.
- The conference found that the immediate impact of the crisis on health is lower than on education. Especially migrant workers cut costs by sending their children to cheaper schools or home to the villages. There is also far little evidence of the reduction of government spending for health care. Negative health impact however may come a few years later, when the high costs of the rescue packages need to be refinanced which may result in budget cuts where traditionally health budgets are affected first.
- The crisis also revealed weaknesses in the social protection system. Public expenditure in Asia on health, education, and social protection are even less than in sub-Sahara Africa. With changing population structure, the family based support systems are not any more effective. Public investments on building up creative social protection systems is essential

Foundations of the Hanoi Conference on Social Impact of the Crisis

to address the future needs of societies getting older, health and education costs that are rapidly rising, and increasing environmental risks for the poor.

- The crisis comes on top of worsening environments of the poor through continued rural to urban migration (for the slum poor) and climate change (for the dryland poor, upland poor, coastal poor, and flood-affected poor). The current environmental agenda with its investment focus on climate change mitigation has little direct impact on the lives of the poor. A rebalancing towards pro-poor green growth would imply especially more investments to address slum poverty (improving shelter, enhancing the poor's transport means, and addressing all forms of congestion) and dryland poverty, often linked to help the poor adapting to climate change.
- Different to the 1997 Asian Financial Crisis, where governments cut expenditures, this crisis provides even more fiscal space for social development, at least in the richer countries in Asia. However, most of the money is spent on infrastructure that is not pro-poor. While there is more money available for social policy, this is too often used for broadening existing poverty reduction programs – some of them proven not to be very effective. Newer, more innovative programs comprise, among others, building up large scale pension and health insurance, upscaling cash for work employment programs i enhancing

slum upgrading and providing housing finance and shelter for the poor, and addressing aspects of social poverty through conditional cash transfers.

The Hanoi conference suggests to use the opportunity of the crisis not only for financial and economic rebalancing but also for social reforms, in order to

- Close the gap of dualistic labor markets by financing public employment programs for the rural poor, labor based infrastructure, investing in the poor's education through scholarships and vouchers, and promoting employment intensive small and medium enterprises;
- Build up social protection systems that address the problems of the future, such as costs of catastrophic health issues, costs of education, old age, weather and disaster insurance and protection /climate change, and including the migrants in the social protection systems;

- Rationalizes social expenditures through public finance and management reforms, and Introducing - especially in South Asia - conditional cash transfers to address social poverty;
- Address urban poverty through slum upgrading, housing finance, and town planning;
- Promote rural development through food security programs in pro-poor growth potential areas, focused labor based infrastructure support, decentralized industrialization policies, and active migration programs for areas with little pro-poor growth potentials; and
- Focus climate change interventions on adaptation rather than mitigation and link them to slum improvement, rural development in pro-poor potential areas, and risk prevention measures (such as agricultural, asset and disaster insurance for the poor)

For more information on the Hanoi conference, please visit the website: <http://www.adb.org/Documents/Events/2009/Poverty-Social-Development/default.asp>

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systems, especially through health and old age insurance.

- They would mean investments in community driven infrastructure like low cost housing and slum upgrading especially in the urban areas. When the government cannot create jobs they can at least provide shelter and better living for the low income urban middle class. Infrastructure projects are often capital intensive investments. Stimulus packages providing large scale infrastructure expansion should, in times of the crisis, be prioritized on criteria of employment creation, mainly for the poor.
- And finally, such a policy would also maintain health and education budgets, and assessing infrastructure investments on their employment character. It is also an opportunity to engage in further reforms of the social protection systems, including the building up of health insurance for all, doing away with general subsidies and using them for targeted poverty reduction programs, and establishing unconditional cash transfer systems, to name a few.

Rainbow approach: Now is also the chance to promote clean technologies as a driver for growth and employment. While the potential of green technologies for productive and labor intensive growth is not yet fully understood, Asian countries and forward looking entrepreneurs show a growing understanding of this sector's opportunities. Employment based growth with social inclusiveness and clean production technologies is what we call the rainbow approach – blue for broad based, red for inclusiveness, and green for sustainable growth.

ADB's response to the global recession is through additional financial support: During its recent Annual Meeting in Bali, ADB provided a strategy paper on its response to the global economic slowdown.⁹ ADB sees the recession in Asia as a very serious threat to the region's growth and social

stability. To address crisis related issues, ADB is increasing its yearly lending volume in 2009 and 2010 to USD 11.5 billion loans plus \$3.5 concessional and grant finance. For countries with balance of payments problems it will use its just approved \$3 billion Counter Cyclical Support Facility. All these moneys shall be used to finance public sector operations to regain growth through infrastructure and social protection investments, guarantee private sector investment and trade finance, and strengthen at the regional level financial surveillance and economic, financial and social knowledge about the crisis and how to react. In the context of our new development strategy (Strategy 2020), government's demand, and our comparative advantage vis-à-vis institutions like the World Bank, ADB as a regional development bank is trying hard to do more not only in infrastructure and finance, but also in the social sectors, especially in labor-market relevant education and in social protection.

The Hanoi social impact conference: Let me mention here perhaps one major conference ADB is doing together with development partners on the social side. It is the 28-30 September 2009 conference with ASEAN on the social impact of the global economic crisis on Asia's poor and vulnerable people. I hope we see some of you there so that we can discuss our common agenda for a more inclusive Asia further.

5 THE WINDOW OF OPPORTUNITIES IS SMALL – THAT IS WHY WE NEED TO BE MORE ACTIVE NOW

Regional institutions: The global recession has major impacts on Asia's real economy and social systems. So far, regional institutions like ASEAN plus 3 do barely discuss the social and real economy implications. Rather they focus on the financial side such as the Chiang Mai initiative or on regaining trade (ASEAN+3). This is important, but it does not set the full stage for a more balanced

growth path in Asia.

The crisis is a chance for a new social deal: The global recession provides a major chance for Asian governments and their development partners to engage in important social reforms and new labor market challenges of the future. It provides the chances to create new jobs in green technologies to address climate change, and at the same time building up new social protection systems for the vulnerable poor especially in urban areas. The way forward is to bring labor market and social protection dimensions into the currently designed rescue packages by stressing the positive implications for economic growth. This needs to be discussed with high level government officials, in the first place from the finance, planning, and economy ministries, as well as with social or labor – ministries.

Urgency: All this needs to be done urgently. In the Asian context of family care systems and high out-of-pocket expenditures for social services, social development and social protection will only find major public support, when it is designed and presented as a stimulus for economic growth in a changing world. We do not have time for long-winding discussions any more. We need actions to influence policy makers now. The next 3-6 months bear the chance to bring a more inclusive and socially sensitive Asia to the agenda of all relevant institutions. Once the rescue packages will be implemented, there will be little money left to rebalance the agenda.

Hope this was "stimulating" as the organizer wanted me to be. I am looking forward to our discussion.

9. See ADB (May 2009): The Global Economic crisis. Challenges for Developing Asia and ADB's Response. <http://www.adb.org/Documents/Reports/Economic-Crisis/Global-Economic-Crisis-042709.pdf>.

The World Crisis in Latin America.

A test for the **Left-Wing** **Governments**

(Paper for the conference Responding to a Systemic Crisis - Asian Social Democrats in Search of Policy and Practical Solutions, Manila, 20-23 May 2009)

José Natanson¹

Latin America is a region characterized by its diversity. There are very large countries, like Mexico (with 110 million inhabitants and the 14th largest GNP in the world) or Brazil (with a population of 160 millions and the 10th largest GNP), together with the much smaller countries of Central America and the Caribbean.²

Despite these differences, the Latin American countries have a common origin. Almost all were once Spanish colonies, the most important exceptions being Brazil (a Portuguese colony) and a few Caribbean islands (French, English and Dutch).

The Spanish or Portuguese language is common to nearly all the countries of the region. Furthermore, the great majority won their independence from the metropolitan power in the early nineteenth

century (the exceptions being Brazil and Cuba, which remained colonies until towards the end of the century), and there are notable similarities in their respective political and economic trajectories.

All these factors allow us to refer to certain general characteristics of Latin America, and not treat it as a mere geographical reference, as the sum of its different parts.

In this conference, I will refer briefly to the origins and principal characteristics of the 'neoliberal model', the development model applied between the late eighties and the late nineties. Then I will explain why neoliberalism was a failure. Afterwards, I will focus on the current model, which some analysts call the "New Left". Although its features are not yet altogether clearly

1. Argentinian journalist and political scientist, currently editor of Nueva Sociedad. His latest book is *La nueva izquierda. Triunfos y derrotas de los gobiernos de Venezuela, Argentina, Bolivia, Brasil, Chile, Uruguay y Ecuador* (Random House Mondadori)
2. All the economic data included in the text are from ECLAC.

defined, I think we are justified in talking of a distinctive development model. I will attempt to emphasize the redefinition of the role of the State and its consequences for confronting the current international crisis.³

Neoliberalism and Redemocratization

Between the late eighties and the early nineties, the majority of Latin American countries experienced profound changes.

In political terms, the majority had left behind the legacy of the military dictatorships of the sixties and seventies.⁴

At the same time, they were experiencing the crisis provoked by the loss of viability of the “developmentalist model”, based on the substitution of imports and a marked protagonism of the State. The macro-economic problems were becoming unmanageable.⁵ and in this context, almost all the countries of the region began to apply neoliberal policies.

In this way, the process of re-democratization and economic modernization –as understood by the neoliberals- appear as the two faces of the same coin. It was assumed that the two agendas would allow Latin America to recover from economic recession, political authoritarianism and its international isolation.

The neoliberal policies formed part of what was to be known as the ‘Washington Consensus’, which could be resumed as: opening up the economy, privatizations, de-regulating and fiscal responsibility. The objectives were: to restore order in the macro-economic variables, improve the region’s insertion in the global economy and recover the path to growth. To this end, what was proposed was to increase the role of the market in the economy and reduce

state intervention. As a result, the capacity of the State to influence the functioning of the economy was radically weakened.⁶

Initially, the results appeared favorable.

- Latin America succeeded in increasing its exports at a rapid pace: on average 8% a year. This ‘export boom’ was particularly important in Mexico, Chile and Brazil.
- The majority of the countries succeeded in balancing their budgets. Fiscal deficits became a thing of the past. (Indeed, during most of the nineties, Latin America complied with the criteria established in Maastrich.)
- Some countries improved the efficiency of the State by introducing measures designed to professionalize the bureaucracy.
- Inflation was reduced

Despite this, the neoliberal policies provoked several problems:

- They did not overcome the problem of instability. The Latin American economies continued to be vulnerable to external ‘shocks’. This was due to the rapid opening up of the economy and an excessive dependence on foreign capital flows. As a result, they were affected by the 1997 Asian crisis, the 1998 Russian crisis and by their own local crisis (Mexico in 1994 and Argentina in 2001)
- The export boom did not lead to a diversification of the products exported.
- Income from taxes rose, but not enough

The net result was a disappointing growth performance during the neoliberal

period. From 1990 to 2001 average growth of the GNP in Latin America was 2.7%. The hopes of reducing the gap which separated the continent from the developed countries remained unfulfilled: The Latin American GNP per capita continues to be a quarter of that of the G-7 countries.

The impact was also negative in terms of the struggle to overcome poverty. At the end of the nineties, poverty rates in Latin America continued to be high: roughly 45%, about 240 million people.⁷

As for inequality, the neoliberal policies, instead of reducing it, aggravated it. Latin America is the most inequitable region of the world, not as poor as Africa, but more inequitable. The distribution of income is very regressive: the 20% of the continent’s well-off account for 60% of income and the 20% poorest only 3%.⁸

Summing up, neoliberal policies succeeded in modernizing the economies, improved the efficiency of the State, increasing exports and re-inserting the continent into the world economy. But they did not provoke high rates of growth and led to a further worsening of social conditions.

In parallel, the basis of democracy was being strengthened. Despite the social problems and the economic crisis, elections were held, press freedom was respected and the political parties were functioning, etc. In the mid-nineties, all the Latin American countries –except Cuba- were democratic.

So, the consolidation of democracy was accompanied by a social discontent provoked by the impact of neoliberalism. The result was a series of profound political and economic changes.

The Left turn

Neoliberalism was not displaced from one day to another. In fact, it was a prolonged and difficult process, provoked, above all, by the levels of social discontent.⁹ Nevertheless, democracy survived.

The failure of neoliberalism was the most important but not the only cause of the 'Turn to the Left'. There are two other factors which must be taken into account. The first is the geopolitical change provoked by the fall of the Berlin wall. The collapse of the Soviet Union left Latin America without its traditional 'communist threat'. This meant that Washington was more willing to accept Left governments in its 'backyard'. The second tendency is the growth of indigenous movements in various countries.¹⁰

The Latin American political panorama has changed. In most of the region, we find presidents or parties which define themselves as Left-wing and got to power on the basis of campaigns marked by a radical criticism of neoliberalism. : Hugo Chávez in Venezuela (1999), Ricardo Lagos in Chile (2000), Lula in Brazil (2003), Néstor Kirchner in Argentina (2002), Evo Morales in Bolivia (2004), Tabaré Vázquez in Uruguay (2004), Rafael Correa in Ecuador (2006), Daniel Ortega in Nicaragua (2007) y Fernando Lugo in Paraguay (2007. (Y El Salvador?)

In order to understand the scope of the 'Left turn', we need to distinguish two regions.

On the one hand, Mexico, Central America and the Caribbean. These countries are closely tied to the United States in economic terms (all have Free Trade Agreements with the US), in terms of migration problems (all have a significant proportion of their population resident in

the US), and politically (of key importance for US security strategy). In this region, the turn to the Left is less marked, although there are left-wing governments in Nicaragua and El Salvador.

In South America, the turn to the left is unambiguous. Only two countries in the region (Perú and Colombia) lack a left-wing government.

Economics and the State under the Left-wing governments. The situation in the world economy in recent years, and up to the crisis which exploded in 2008, was favorable for Latin America. Between 2001 and 2008, the average annual growth rate was 5%. It is the highest rate since the nineteen seventies.

This is to be explained, above all by the influence of exogenous factors:

- The growth of the world economy led by China and India.
- The increase in prices for primary products. The Latin American countries are net exporters of commodities. So the commodities boom was a direct benefit.
- The liquidity and low interest rates in international financial markets.

The Left-wing governments took advantage of this stage of high growth rates to introduce economic policies which in some aspects differed from those of the neoliberals.¹¹ In general, these governments increased State intervention and thus reduced the space occupied by the market.

To this end, they attempted to increase tax revenues. In some cases, governments decided to re-nationalize their principal natural resource and primary source of exports: the case of gas in Bolivia and oil in Venezuela. They also nationalized petro-

3. This analysis covers all of Latin America and, as a result, is naturally schematic. However, in the footnotes we attempt to indicate the most important national cases
4. The re-democratization did not occur from one day to the next. The countries of the Southern Cone and the Andean region were the first to recover their democratic institutionalities. In Central America the process was longer and followed bitter civil wars.
5. In Argentina, inflation was 1000% in 1989; Mexico was obliged to declare a moratorium on her debt; and Brazil entered into a prolonged recession.
6. These changes were not equally intense in all the countries. Chile was the first Latin American country to begin introducing neoliberal policies under the Pinochet dictatorship. The reforms were especially radical in Peru and Argentina (Argentina privatized all its oil resources.) The reforms were more moderate and progressive in Brazil, Uruguay and Costa Rica. Mexico is a special case because the neoliberal reforms were accompanied by a process of integration with the United States.⁷ One of the few Latin American countries which managed to reduce poverty in a sustained way was Chile. The poverty level was 42% in 1989 when Pinochet left the presidency and is currently about 18%. Nevertheless inequality rose during the same period.
8. Inequity in the distribution of income is especially marked in Brazil, Mexico and Bolivia, and less striking in countries like Uruguay and Costa Rica.
9. There were violent social demonstrations in Argentina (2001), Ecuador (2005), Bolivia (2003, 2004), attempted coups in Venezuela (1992, 2002), Ecuador (2002), Paraguay (2000), Haiti (2004) political indignities and the overthrow of presidents (Brazil, Argentina, Paraguay, Venezuela, Ecuador) and the premature demission of presidents (Bolivia, Peru, Paraguay Haiti).
- 10 The indigenous movements are particularly strong in the Andean countries. Until Evo Morales' triumph, Bolivia had never had an indigenous president, despite the fact that 67% of its population is indigenous. This represents a 'symbolic revolution' which some have compared with that of Nelson Mandela in South Africa.
- 11 Not all the governments introduced the same policies. Some, like those of Uruguay or Brazil, applied more moderate policies. In these countries, the transition from neoliberalism to the New Left stage was more gradual.

chemical industries, tele-communications and transport. This implied a counter-reform, reversing the move towards privatization in the nineties.

In other countries, the governments decided to impose new taxes on the main export product, in Argentina for soy beans and in Ecuador for oil.

The Left-wing governments also adopted more sophisticated mechanisms to influence economic performance: industrial policies, credit, support for exports. Nevertheless, these instruments can only prove effective in countries counting on an efficient State, with technical capacity, a professional bureaucracy, etc. Many Latin American countries have never been able to count on a State with these characteristics.¹²

These two tendencies combined to strengthen the Latin American economies: on the one hand, the elevated prices of the principal export products; on the other, the decision to increase the government income derived from the export sector. The result was the high growth rates we have already commented.

Furthermore, the Left-wing governments succeeded in maintaining a fiscal equilibrium and low rates of inflation. Some even succeeded in reducing their external debt. In the past, many argued that Left-wing governments were incapable of containing social demands and, as a result, would provoke economic chaos. But the new governments learnt from the neoliberals the importance of maintaining order in the macro-economic variables.¹³ In consequence, their economic policy is a combination of heterodox and orthodox measures.

The State and social policies under the Left-wing governments.

Buoyant economic growth, moderate inflation and the general stability allowed for an improvement in social conditions in Latin America between 2000 and 2008. Unemployment fell to 7,5%. In 2007, poverty and extreme poverty registered the lowest levels in 30 years: 31,1 and 12,7%.

Improvements in the distribution of income were not so marked. Some countries, like Brazil, succeeded in improving it but, in general, Latin America continues to have a notably regressive and inequitable distribution.

But these advances were not simply the product of economic growth. The increase in taxes and the strengthening of the State permitted a broader system of social protection. The majority of these governments created or improved 'programs of income transference'.

These programs transferred every month a small amount of cash – 'social wage' – to the poorest families. In exchange, the government sought a declaration from the parents that their children were going to school and taking advantage of the public health programs. In this way, they tried to articulate social assistance with education and public health.¹⁴ There were also policies directed toward the elderly.

The State and politics under the Left-wing governments.

From a political point of view, the Left-wing governments can be divided into two categories

On the one hand, those which promote a radical reform of the judicial basis of the State by way of Constitutional reforms: Venezuela, Bolivia and Ecuador. In these three countries, the transition from

neoliberalism to a Left-wing government was dramatic. The party system and the economic model collapsed and there was a massive renovation of the political elites. Currently, these three countries are ruled by strong-minded presidents who provoke political polarization. Power is concentrated in their hands. Some analysts define them as 'populists'.¹⁵

On the other hand, there are countries where the transition from neoliberalism to the Left was less traumatic, as in Chile, Brazil or Uruguay. These countries have more organic political parties, the State is more institutionalized and the political polarization less intense. It is no coincidence that these are countries with a higher standard of living. The parties and their leaders appear to be similar to the European social democratic model, although there are important differences.

The distinction is, of course, schematic. They are ideal types. Elements of one group can also be found in the other. On the other hand, the relations between these different types of government are reasonably good. In fact, one of the characteristics of the new political movement in Latin America is its emphasis on regional integration. However, the integration under way is far from that in Europe. There are different processes: NAFTA (Mexico, the United States and Canada), CAFTA (the Central American countries and the US), and the Andean Community (Colombia, Peru, Ecuador and Bolivia). The most developed is MERCOSUR (Brazil, Argentina, Uruguay, Paraguay and, more recently, Venezuela) Despite the evident difficulties, in the coming years there could well be an increasing convergence between the different South American countries, doubtlessly led by Brazil.

The impact of the World crisis in Latin America. A new role for the State?

Unlike the previous crises (Asia 1997, Russia 1998, Mexico, 1994 and Argentina 2001) this crisis did not break out in the 'developing countries' but in the heart of the 'First World'. Latin America is the victim and not the cause of the crisis.

It is calculated that the GNP in Latin America will fall 0.3% in 2009 and unemployment will rise to 10%.

The world crisis affects Latin America in different ways. However its impact is not the same in the different countries. It will be particularly serious in Mexico, Central America and the Caribbean, as these countries are economically more closely linked to the US:

- Between 70 and 90% of their exports go to the US.
- The greater part of direct foreign investment comes from the US.
- Tourism, one of their more important economic activities, is affected.
- The remittances from the many nationals living in the US, which are of fundamental importance to these economies, will fall as a result of the crisis and the growing unemployment in the US.¹⁶

In South America, the impact of the crisis is less serious. These countries do not depend as much on the US market, on North American investment or on remittances.

In these countries, the main impact comes from the global recession and the reduction in commercial activity. At the same time, the prices for their exports are falling and the availability of foreign capital has been reduced. Nevertheless, the South American countries are better prepared to

confront the crisis.

- The destinies of their exports are more diversified. They are not concentrated in the North American market, but also go to Asia, Europe and the rest of South America.
- Some of the South American countries, like Brazil and Argentina, can count on developed domestic markets, which can sustain their economic activity
- The financial impact of the crisis is limited because their banking systems are relatively solid, at least when compared with those of the US or Europe.
- In previous years, several countries had succeeded in reducing their external debt. This eases the problem of paying short-term debts.¹⁷

For all these reasons, The South American countries are relatively well prepared to confront the crisis. Although, of course, there is no guarantee for the future.

Responding to the crisis. The first reaction of the Latin American governments once the crisis broke was to reduce interest rates, together with other measures designed to inject liquidity into the market. Then, many governments launched plans designed to stimulate domestic demand. These plans included tax reductions, above all for medium and small enterprises and for the export sector. They also introduced programs which implied an increase in public spending: construction of infrastructure (roads, ports and housing), credit for firms from State banks, programs for creating employment, etc.¹⁸

12 The principal exception is Brazil. During the nineties, although it formed part of the neoliberal wave, Brazil maintained certain elements of the 'developmentalist model'. For this reason, it currently counts on some instruments absent in other countries, for instance the BNDES, a State development bank which concedes long-term credits to national firms. In 2008, BNDES conceded credits amounting to 30.000 million dollars.¹³ This is the case even with the most radical governments. Evo Morales has a 3% surplus, the highest in recent Bolivian history.

14 These programs assume different forms and scope, according to the country. The most important is the Program Zero Hunger in Brazil, which incorporates 14 million families, 40 million persons (a third of the population).

15 Populism is a long-standing tradition in Latin America. Populist presidents are strong leaders which establish a direct relation with the popular masses, govern in a plebiscitary way, by-passing institutional controls. These governments tend to maintain their distance from the US government and are sometimes anti-imperialist. The antecedents from the last century would be Perón in Argentina, Vargas in Brazil and Cárdenas in Mexico.¹⁶ The country most directly affected is Mexico. Its exports (90% directed to the US) fell 40% in 2008, direct foreign investment fell 35%. Oil, the principal export product was also affected. Remittances passed from 17.000 million to 15.000 million dollars. It is calculated that Mexico's GNP will fall between 3 and 5% in 2009.

17 Brazil's reserves are 200.000 million dollars, those of Argentina 50.000 million and Venezuela's 40.000.

18 The capacity for applying this type of policies is not uniform. There are countries with a more efficient and professionalized State apparatus which count on more modern instruments, like Brazil or Mexico. In other countries, the financial weakness of the State, the lack of a professional bureaucracy and specialized technical organisms, like Ecuador or Bolivia, makes the task of implementing these policies much more difficult.

Of central importance is that the Left-wing governments take advantage of the relative buoyancy of previous years to introduce anti-cyclical policies in the Keynesian tradition.

As in other parts of the world, some Latin American governments were tempted to take protectionist measures and increase the taxes on imports. However, the regional integration agreements prevented this from being a general tendency. There was no return to the State protectionism of the fifties.

The Latin American governments have made an effort to prevent a worsening of living standards. Indeed, the maintenance of the social improvements is a priority. For this reason, apart from the measures designed to stimulate the economy, there has been a notable emphasis on social policy: some countries, like Brazil and Chile, broadened the scope of the social protection networks developed in previous years.

Challenges of the crisis. Although the world economic crisis found Latin America, and especially South America, relatively well-prepared to face it, the challenges are many and very important.

- *The first is to strengthen the fiscal resources of the State.* The Left-wing governments, by way of nationalizations and special taxes on exports, managed to increase their disposable resources. However, tax levels continue to be very low: the average for the region is 18% of GNP (compared with 35% in the OCDE). Furthermore, the tax structures are regressive, basically on consumption and not on income. The tax potential is further weakened by the scale of the informal economy.¹⁹ Low levels of taxation evidently limit the capacity of maneuver for the State and also

limit the capacity to apply anti-cyclical policies over time. Many analysts are already asking what will happen if the crisis persists? How will social expenditures be maintained?

- *The second challenge is to improve the State's capacity to act.* During the neoliberal period, the majority of the States in the region were disarticulated. Many of them abandoned instruments for intervening which, in times of crisis, are really needed. The Left-wing governments have tried to reconstitute the State's capacity to act by way of a strengthening of the instruments for intervening and regulating, development banks, credit banks, organisms designed to promote competition in the market, etc. But it is a challenge that has been with us for many years and the social demands are urgent and the rhythm of State action sometimes too slow.

- *The third challenge is to diversify production.* With the exception of Brazil and to a lesser extent Argentina and Mexico, the economy of the majority of Latin American countries is based on a reduced number of export products, with little added value and generally related to primary production.²⁰ This pattern creates weak economic structures, which produce few employment possibilities, it inhibits diversification and has little dynamism. All this, in turn, stymies the efforts to improve the distribution of income. Those countries that depend on the exports of primary products are, by definition, inequitable and, generally, underdeveloped. I personally am convinced that this is the essential source of Latin America's problems.

Final comments

In the nineties, parallel to the return to democracy, Latin America abandoned the developmentalist model and began to apply neoliberal policies. A decade later, these policies had not produced the expected results, especially in relation to growth rates and social equity. The 'Left turn' was an almost natural result of the disappointing results of the neoliberal policies. The new presidents, which in many cases assumed power in the wake of serious social discontent, attempted to introduce some changes in the neoliberal model: Strengthening the State, restricting the scope of market relations, broadening the basis of social networks. The years of high growth rates permitted some advances. Nevertheless, the pending challenges are important.

The world crisis is the source of the central challenge for Latin America. Its effects are not as direct as in other parts of the world, but are nevertheless perceptible. The future of the Left in the continent depends on how the different governments manage the crisis.

¹⁹ In some countries, like Nicaragua or Bolivia, the informal sector accounts for between 60 and 75% of the economy. In others, like Uruguay Argentina or Brazil the problem is not as serious, but they nevertheless have rates above 40%.

²⁰ Oil represents 70% of Venezuela's exports; gas and nickel account for 70% of the exports of Bolivia; oil, bananas and shrimps account for 72% of Ecuador's exports; copper represents 40% of Chilean exports and food crops (soy beans, maize and wheat) represent 60% of Argentina's exports. The only country with a truly diversified export sector is Brazil.

A Cure to the Country's Housing Crisis Lies in the Arms of a Healthy Balance*

IVAN HADAR**

In 2007, the SBY-JK administration proclaimed its “1,000 Towers” plan, the provision of one million high-rise apartments, mostly in Jakarta and other large cities in Java, to address a growing housing crisis. According to official estimates, the demand for housing in Indonesia has reached at least 5.5 million units and will increase annually by approximately one million units. The towers were originally scheduled for completion this year, but by the end of 2008 only 86 towers had been built.

The official estimates of housing needs do not fully reflect the realities of the housing situation. Missing are the millions of families who are registered as owning a residence that does not meet eligibility standards. Many of these housing situations are a result of natural disasters.

In general, the housing crisis is marked by slum housing, including sheds and



illegal shelters in river floodplains and under bridges, that has expanded and reached into most corners of large cities. The housing crisis is also marked by social-space inequalities resulting in the number of houses occupied exceeding the capacity, a very high housing density in certain regions, the unavailability of space for privacy, the loss of public space and recreation and housing locations that are at some distance from the workplace.

As a member of Habitat International, Indonesia has officially ratified the housing basic needs clause. The Constitution also

clearly states that “the state is obliged to help to provide proper houses for the people of Indonesia.” Similarly, the 2000 Law on the National Development Program (Propenas) and the Building Act of 2003 also require local governments to “empower the poor who do not have access to housing.” All these constitutional directives aim to provide access to housing for the people of Indonesia, especially for lower-income families.

Affirmative actions are needed in the process of developing a system for social housing. The actions are empowering and

facilitating citizens and communities to be able to produce and repair (or upgrade) their houses. The main role of government is to ensure that basic resources of housing, such as land, building, infrastructure, facilities and funds can be accessed by the majority of communities, therefore not being monopolized by a few people or companies.

The essence of social housing system is to focus on the involvement of state, private investor, including financial institutions, as well as the prospective tenants/house owners in solving the housing crisis. Theoretically, the housing crisis and its solutions can be considered from the perspectives of two major groups. The first group views the housing crisis as a “capital and income issue,” whereas the second group sees it as a “cleanliness, health and regulations issue.”

For the first group, the housing crisis is directly related to the high price of land caused by unproductive ownership, land and building speculation, and the control of housing stock and land by only a few people. This perspective has succeeded in “exposing” various negative behaviors on the part of housing developers.

This criticism of housing and land speculation is supported by many progressive thinkers, urban planners and local politicians who, in several countries, have been successful in initiating the housing reform movement.

The solutions offered attempt to address the financial issues, such as the lack of funding for the development of modest housing, the high interest rates for home mortgage loans, mortgage manipulations in order to speculatively auction the land and the low level of community income.

Meanwhile, the perspective that is held by the second group reduces the housing crisis to only an issue of village renovation and rejuvenation, a culture of poverty and the lack of country supervision due to the expansion of slum housing. These various

views color the long history of housing policy in the country.

Despite the corruption that comes with government-subsidized housing, there are those individuals with high ideals who are committed to housing development that is community-focused. However, it seems that the various initiatives are increasingly far from a consensus, depend upon external funding and have only resulted in a small number of pilot projects.

The funding required for adequate housing is beyond the financial capacity of those who need housing. Thus, a kind of selection process eventually occurs, which sacrifices those who are weak. The utilization of high-rise apartments in Jakarta, for example, was initially conceived for those who could not otherwise afford housing.

Yet in practice, this housing is often controlled by those who turn the apartments into a business proposition by buying and then renting them. The dilemma is rooted in the fact that the housing problem is closely related to a funding issue. Also, the concept of self-help by the community will not, by itself, be able to overcome the problem from a larger perspective.

Several lessons from other countries could prove useful in finding a housing solution for Indonesia. Singapore presents an example of the dominant role of government in overcoming a housing problem. This city-state established the Housing Development Board in 1960, a time when a large number of people were still living in unhygienic, potentially hazardous slums and crowded squatter settlements packed in the city centers. With government support to acquire land at cheap prices, the HDB proceeded to build and rent houses, especially to those in the lower income strata. Presently, about 84 percent of Singaporeans live in HDB housing. Singapore also has the Central Provident Fund, an old-age social security

fund that collects money from workers and employers and also supports housing development.

For Indonesia, land seized from big developers who have problems with the Bank Restructuring Board (BPPN) could be utilized to build housing for the lower and middle-income groups, a demographic that has often faced difficulties due to the high price of urban land. Meanwhile, the Civil Servants Housing Savings (Taperum) could be expanded to a wider scope and assist with solving the housing issue.

Germany offers another example. Following World War II, in which the majority of German cities were heavily damaged by Allied bombing, Germany made the development of housing a key engine of economic development through the provision of tax incentives, cheap credit and related incentives to those developers who would build housing for the lower and middle classes.

Despite a relatively small profit margin, there was almost a 100 percent certainty of the developers earning a profit from these building activities.

Thus, it should not be surprising that more than 60 percent of the housing in Germany was built by developers under this government incentive program. Those who seek greater profits must, of course, face correspondingly greater market risks.

There are many opportunities to solve the housing crisis in Indonesia. The political will of the government and the willingness of all parties to find a healthy balance to the various interests are the two key prerequisites for solving the country's housing problems. The rest is a technical issue.

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Discussion Notes: **Jude Esguerra**
 Direction and Ambivalence in the Local
 Governance Work of **Akbayan**



Akbayan is unique among the small left parties in the Philippines in having had recent attempts to build a political base among elected local officials. Yet it would be an understatement to say that the party has no consensus about the value, direction and plan concerning local governments. There is, at best, a great ambivalence towards the idea of power accumulation at the local level in the context of an unreconstructed social and political system..

While there is no lack of attempts to theorize about the place of local governments in the project to accumulate power, there is just as often a surprising inability among officers and ordinary members alike to speak about local governance work and the takeover of municipalities as central to the repertoire of the party strengthening project.

It is worth highlighting several important circumstances that might

explain this:

The involvement of the left in contentious politics in the country is the main experiential base of engagement with power. More often than not the main reference to being left is still the militant politics of groups that associate themselves with the Maosit insurgency (CPP/NDF). To paraphrase a former party president - the CPP is already a dead star, but a significant number of the planets of the

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left are still drawn by its gravitational pull.

The membership, especially those who were there since the founding Congress of the party, has had very limited prior experience in engagement within political institutions. What should only be necessary warnings about caution and deliberateness in the engagements with entrenched traditional powers (like the local elite families) often morph imperceptibly into messages about the unredeemability of local politics in the country and the need to avoid being contaminated by that logic or staying away from it altogether.

In the context of elections that happen every three years, entrenched local politicians have highly dependable organizations and networks for mobilizing votes. In comparison to these the left has yet to demonstrate that it can be effective in the electoral terrain of local politics or that it can be a valuable ally in local elections. Consequently, it has been difficult to achieve some degree of parity with vested interests (business interests, public works contractors, churches, families, armed groups) that try to influence the agenda of local politicians. In other words the left has not yet tried to establish its claim to a place in the table of local politics. The political projects of the left have usually been those that require a generation to achieve, aside from the other non-trivial prior requirement of first achieving a decisive seizure of national state power. On the other hand, those projects that can believably be launched to demonstrate the difference that the left can make to those who want to succeed in local politics are still just being developed.

Even when there are those from the left who manage to become mayors it

has not been easy for them to make a mark on local politics. For while there is no lack of knowledge about best practice and innovative approaches to governance, innovation is a highly destabilizing process that can unite vested interests and challengers. One suspects that it is actually those politicians from long-lived political families or those who have no credible challengers that are able to innovate in local governance.

When the party still had access to Congressional pork barrel funds those resources were put to good use as entrypoints for building relationships with local politicians. This has been especially useful and effective in the poorer municipalities where a project of half a million pesos can already go a long way to satisfying very urgent needs. If nothing else those local officials reciprocated by ensuring that his own election watchers would also guard the party list votes of Akbayan. In other settings the visibility of "Akbayan financed projects" made it very easy for mayors to endorse the party to his own constituents. This was until around 2004.

Earlier on the party's local governance committee began a programmatic attempt to make use of pork barrel funds as an inducement for local politicians to start engaging community groups, including incipient local party formations and respond to priorities identified by local communities. After years of participatory planning exercise in around two thousand barangays many NGOs and people's organizations had folders and folders of plans that were already starting to gather dust. It was hoped that these pork barrel funded projects would allow both local governments and community groups to initiate mutually beneficial relations.

But these efforts would not last long. As soon as the party became prominent in the efforts to unseat and impeach the incumbent president after the 2004 elections the president cut all access to pork barrel funds (P60 million pesos a year). This also happened to a handful of other Congressional representatives.

No one supposed that the party could subsist, or do better than other parties and politicians on the basis of pork barrel funds. Still the sudden disappearance of grants that can be coursed to local governments and communities had growing party units had an inevitable impact in the ability of the party to follow through on relationships that were starting to be built. Without a doubt this contributed to the election setback suffered by the party in 2007. Nasty rumors that the party pocketed funds that it committed for specific projects circulated in a number of provinces for a while, because before Gloria Arroyo there was never a time when the president selectively denied pork barrel funds to congressional representatives. From this experience the party has made a public stance in favor of abolishing the pork barrel system as we know it and clipping some of the president's key budget powers, especially those that pertain to implementing budgets that deviate from those approved by Congress.

There have been recent efforts to put the work at the local government level back on track:

Immediately after the post-2007 setback it was the consensus of the national council that there has to be an emphasis in the local, not only because it is here where votes are cast but also because it is here, rather than in the party's highly visible national engagements, where the life of the party needs to be seen even when there are no forthcoming elections. It is also presumed (as in previous years)

that it is at the local level where there can often be found both: i) a high degree of fluidity (declining clans, rising education, rise of new competing elites, mobilization of church and civil society groups) ii) and the possibility of achieving sufficient organizational reach and capabilities to allow organized communities to matter in poicymaking.

Immediately after the post-2007 setback there has been an emphasis by the National Organizing Committee on re-consolidating party units organizationally and in terms of the articulation of local issue advocacies. The expectation is that the local advocacies will bring about a restart of relationships with progressive local politicians and prominent civic personalities. Many of these attempts lead to policy dialogues, popular mobilization and legal cases filed to cause local government and other public agencies to perform their duties. There have been issues around corruption in public infrastructure, peace-keeping, pollution of watershed due to commercial farming practices and issues of unattended and stinking garbage. As often as these issues open the possibility of creating alliances with people influential in politics they also give rise to friction with local authorities.

Continuing with its original initiatives the Local Governance Committee worked with non-government organizations and convened local officials affiliated with the party to deepen discussions on the expansion of the delivery of urgent municipal services especially around livelihoods, community-level health services, potable water and housing and resettlement. The approach entails organizing communities to begin to invest their own time and financial resources around the municipal services that are most urgent to their communities. There are several ideas associated with this effort:

- i) People are incurring high costs anyway in addressing their needs for health services, housing, water and environmental services – there are existing and often huge cash flows that only have to be reorganized and re-channelled to collective, long-term and more efficient responses.
- ii) At the local governance level there is a similar cash flow (for sickness for the repair of crumbling infrastructure etc) that is available, but deliberately deployed on an ad hoc manner and deployed, more often than not, with an intent of establishing relationships of political dependence using public funds;
- iii) Communities that bring in their own resources into a proposal to expand and improve municipal services will be able to shape municipal priorities around their own priorities. Local governments that meet self-help communities halfway and provide partial support to these will be able to reach more communities with their limited resources in a given year.
- iv) Depending on the circumstances, this can make as much electoral sense as trying to nurture anarrow, select group of loyal supporters to the exclusion of others. This is an example of an innovative approach that creates new constituencies for the reformers at the same moment that it creates enemies through the disrupting old practices of patronage politics. This means that even incumbent politicians who won through the logic of patronage can shift towards this new atrategy set.
- v) For the party, this approach does not only result in an ability to influence the deployment of public funds it also results in new governance practices that can lead to a radical break away from the ubiquitous micropolitics of patronage;
- vi) The ability of party organizations to orchestrate such new rules and new roles in the delivery of municipal services can be a powerful starting point for achieving reach and organization in a significant number of communities of a municipality. Because this is all in the course of engaging local governments and politicians in fulfilling their mandates the expectation is that the organizing effort can also draw partly from the resources of the local governments, reducing reliance on a central party structure that will not be in a position to fully subsidize core operations of party building in-between elections. Presumably, such organizational reach and effectiveness will be just as highly valued during elections as other resources that politicians must mobilize in order to win.

These models of local public action already have actually existing ground level realities, often developed as well by politicians not affiliated with the party, but they have yet to reach a significant enough scale and a viral mode of transmission.

Again there are several reasons for this: i) training activists to be facilitators of collective action and negotiators for a range of municipal services requires creating brigades of highly skilled organizers, necessarily this takes time and resources ii) it also requires a communication infrastructure that allows conversations and knowledge transfer among practitioners duoining similar things but separated by distance to take place iii) it also requires innnovating financing approaches that will reduce the burden of upfront co-financing of initiatives among poor communities iv) as often as there are politicians who do not expect to rise to prominence and to go very far on the basis of their competence in patronage politics and would be attracted

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to the idea of building a political career around supported-self help there will also be politicians who will undermine collective action by promising free goods on the strength of their alliance with district representatives and well-placed. Unfortunately, there are times when such politicians are able to delivery making their promises quite credible. In other words, there will be a significant number of places and contexts where this approach will likely bear fruit. But this approach cannot be seen as a stand-alone strategy of building national power from strength at the local governance level.

There are important actions at the national advocacy level that can complement the work at the local level:

In the run-up to the 2010 elections alignment with a presidential candidate can increase the number of politicians who can run mainly under the Akbayan banner and subsequently be influenced to win through the new non-patronage modes being advocated by the party at the local level. They can do this because even though they would abandon affiliation with the major parties with which they are now officially affiliated with they will still have the benefit of being in alliance with a major party that has access to legal protections, access to redress and resources during elections and potential access to national resources in case of victory. At the ground level such politicians will have the benefit of complete identification with the Akbayan communities, which are often more consolidated than the traditional national political parties.

The pork barrel system is only the worst manifestation of this overarching logic of how national politicians try to assemble provincial support in the run up to elections and protection by majorities (that bound by money politics) during the incumbency of a president. The power of national-to-local patronage ties, the

mutual dependence that this reproduces and the political ladders up national career paths that it builds for those who are able to master the art makes this a formidable fortress to breach. It's resilience and its power to condition what is and what is not possible at the local level is the basis for the skepticism even of top party leaders about local government work as an entrypoint for the accumulation of political power.

The pork barrel system will have to be transformed i) into one that is not subject to the intervention of the executive branch ii) into one that supports baranggay-bayan (community-LGU) joint ventures in service delivery expansion and iii) into one that allows for the allocation for local governments' annual investment plans, rather than for individual projects chosen by mayors and thru specific contractors. Short of abolishing the pork barrel system in its entirety, there will at least have to be windows for progressive politicians who would like to win local elections by being effective at responding to the priorities of communities -- Alternative paths to re-election that do not plug into the proven power of patronage and money politics.

This will not be easy. It will be important for the party to make a vigorous move towards building national alliances with local governments and politicians who are marginalized by the current system of patronage-based national-local financial transfers. There is a strong basis for such a reform alliance and it may yet be possible to bring these groups together in time for the 2010 national elections:

vice mayors and vice governors who will have a say (veto power) in the approval of LGU annual investment plans that will be financed by what used to be known as congressional pork barrel; congressional representatives who (through clipping the president's budget powers) would want their pork barrel funds automatically released

even if these would be subject to greater institutional checks at the local government level;

mayors who know that there are political families who are more adept and who are more connected than they will ever be in the game of securing favor from national politicians for the needs of their constituencies;

Parties like Akbayan who are confident in their capability to take advantage of the new political opportunities created by LGUs and communities that attract national resources through joint action in achieving effectiveness in delivering services.

city-based politicians who, because of their possession of fiscal resources that dwarf pork barrel resources and because of their organizational capacity to respond to new performance-based incentives from the national government, will not be defending the current system of national-local pork barrel politics. Certainly, it will be an added bonus if pork barrel funds of the city's congressional representatives will only be able to fund plans that are listed as being within city priorities.

Many of the propositions in this short presentation will probably prove contentious within the party. But this only goes to show the how far the party has yet to go in terms of specifying a firm direction and confronting the demons of ambivalence.

J Esguerra

Former co-conveor of the Governance Affairs Committee

Social Democratic Parties
in Southeast Asia

Chances and Limits

Norbert von Hofmann*

1. Introduction

The people of Southeast Asia, both masses and elites alike, looked for many years foremost up to the United States of America (US) as a role model state. However, the war on terrorism waged by the current US administration linked with cuts in civil liberties and human rights violations, especially the illegal detention and torture of prisoners in Guantanamo Bay, has in the eyes of many Southeast Asians considerably discredited the US concept of liberal democracy. Furthermore, the US propagated classical economic liberalism has failed to deliver the most basic human necessities to the poor, and the current food and energy crisis as well as the latest bank crisis in the US prove that neo-liberalism is itself in trouble. The result of neo-liberalism, dominated by trade and financial liberalization, has been one of deepening inequality, also and especially in the emerging economies of Southeast Asia. Falling poverty in one community, or one country or region, is corresponding with deepening poverty elsewhere. The solution can therefore not be more liberalization, but rather more thought and more policy space for countries to pursue alternative options such as “Social Democracy”.

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The sudden call even from the most hard-core liberals for more regulations and interventions by the state in the financial markets and the disgust and anger of working people everywhere as their taxes being used to bail out those whose greed, irresponsibility and abuses have brought the world's financial markets to the brink of collapse, proof that the era of "turbo-capitalism" is over. After the Asian financial crisis of the late 90s, this new crisis will again threaten jobs, homes and futures of millions of human beings, also in Southeast Asia – those who never drew profit from the years of excess, whose work has been underpaid and degraded and who bear no responsibility for what is now happening.

Social democracy strives to secure the necessary social and economic conditions and to attain equal freedom for all. It is an ongoing task that can be fulfilled in a variety of ways and at different levels depending on given recourses and conditions. Social rights are based on the premise that all citizens assume responsibility for their own lives to the best of their abilities and can rely on the support of the community when their own efforts do not meet with success.¹

In its "Kathmandu Declaration" of February 2007 the "Socialist International", a worldwide organization of socialist, social democratic and labour parties, formed in 1951, noted: "The people of this vast and dynamic Asia-Pacific region have reached a crucial point in their efforts to confront the challenges of advancing and consolidating democracy and securing peace and stability, both within and between nations. The Socialist International Asia-Pacific Committee underlines that there is ever greater urgency in the need to further those goals through sustained, determined and concerted political action by the social democratic forces, political parties and like minded organisations in the Asia-Pacific region so that the progress achieved in recent decades can be maintained and to

ensure that all citizens of the region benefit from the gains that have been made."²

At an International Conference on "The Relevance of Social Democratic Parties and Progressive Movements in East and Southeast Asia" organised by the Friedrich-Ebert-Stiftung in October 2004 in Manila, Philippines, the participants were of the view, that Social Democratic Parties and social democratic politics have definitely a chance in Southeast Asia, even if globalization has forced them temporarily into a more defensive position.

There was the common understanding, that the values and principles of social democracy remain identical, regardless if referring to local, national, regional or international levels. Solidarity means sharing with those who are less fortunate and this applies to individuals in local communities as well as to nation-states in a globalized world.

Since that Manila conference four years have passed. Several Social Democratic Parties in the region, like in the Philippines, in Timor-Leste and in Malaysia, faced democratic elections, with mixed results. Today, the collapse of neo-liberal policies provides new challenges but also new chances for the social democratic movement. It is a defining moment for setting priorities and alternatives at the centre of the political agenda. Therefore the Indonesian Office of Friedrich-Ebert-Stiftung considered it timely to take once again stock of developments in the field of social democracy in Southeast Asia and hence commissioned this study.

2. Social Democracy - A definition

Social democracy is a political ideology of the left or centre-left that emerged in the late 19th century from the socialist movement and continues to be influential in many countries worldwide.³

Social democracy is neither a system, nor a patent remedy for all the social and economic diseases, nor a ready-made model

that could be exported to other places in the world. It is a pragmatic approach to give equal value and importance to all five "basic rights", namely civil, political, social, economic and cultural rights, in the framework of a liberal democracy. The respective social democratic institutions, however, have to be shaped in order to suit the concrete conditions of individual countries.⁴

3. The political climate and party politics in Southeast Asia

In this study Southeast Asia combines eleven states; ten of them are members of the Association of Southeast Asian Nations - ASEAN (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam), the eleventh is Timor-Leste (East-Timor). The total population counts more than 500 million people, one twelfth's of the world's population. All these countries have different cultures and histories as well as different forms of government, and therefore their political systems do not have much in common. Brunei is an absolute monarchy, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Timor-Leste are to some degrees democracies, Vietnam and Laos are single-party states and Burma is ruled by a military junta.

On the other side, the development of these eleven states over the last 50-60 years has shown a number of mutual characteristics such as the fight against colonial powers, experiences with dictatorships and military governments, the emergence of civil society and the struggle for more democracy. But democratization has proceeded at a mixed pace. In the past decade, the Philippines and Thailand have tried with different successes to consolidate their relatively young democracies, so has Timor-Leste in recent years. Indonesia, under authoritarian rule for thirty years, continues to make strides in its democratic

transformation, so does Malaysia. In Cambodia, Laos and Vietnam societies have at least started to open up. But at the bitter end, Burma still lacks any progress at all towards democratic changes.

The newspaper *The Economist* pronounced in April 2004 the year 2004 as a year of elections in Southeast Asia, with elections taking place in Indonesia, the Philippines and Malaysia. It called this development towards more freedom and democratic maturity “that other miracle”. It proclaimed a triumph for democracy in Asian voters’ democratic sophistication and will to progress towards “real freedom”, as manifested in the use of their vote to reflect their intolerance for corruption, incompetence, petty politics and national insecurity.⁵

Since then some form of election has taken place in all Southeast Asian countries with the exception of Brunei which does not have an electoral system, and Burma where the last elections took place in May 1990.

On May 14th 2007, Filipinos voted at congressional and local elections. Five days earlier, Timor-Leste’s voters choose Jose Ramos-Horta, once a leading personality in the struggle against Indonesian occupation, as their president. On May 20th the Vietnamese elected a new National Assembly, an institution that has over the years shaken off its image as just a rubber-stamp for the ruling Communist Party. On June 30th people in Timor-Leste elected a constituent assembly and on 23rd December Thailand restored its parliamentary democracy. To complete the list, Malaysians have voted for new national and state parliaments in March 2008 and Cambodians went to the polls in July of the same year.

However, almost exactly three years after the above mentioned article in *The Economist*, the same newspaper wrote in May 2007: “Very impressive. But alas, all this voting does not mean that the region’s half-billion people enjoy liberty in its true

sense, nor that the freedoms they have come to enjoy are irrevocable.”⁶ The region continues to be the stage for ongoing political crises and unsolved ethnic and social conflicts and is still severely hobbled by institutional deficiencies, elite collusion, and subtle forms of societal repression.

In its latest ranking, “Freedom House” considers only two out of the eleven states in Southeast Asia as “Electoral Democracies” (Indonesia and Timor-Leste). The term “electoral democracy” meaning that the election of the ruling elite be based on the formal, universal right to vote and that such elections are general, free and fair. Also Singapore and Malaysia hold elections regularly which are considered free of fraud, cheating and violence but several *de jure* and *de facto* restrictions of the freedom of organisation, information, speech and assembly and skilful electoral management by and for the benefit of the dominant parties in both countries prevented so far any significant threat to the “Barisan Nasional” in Malaysia and the “People’s Action Party” in Singapore.⁷

According to “Freedom House”, Indonesia is the only “free” country in the region, whilst five countries are considered as “partly free” (Malaysia, the Philippines, Singapore, Thailand and Timor-Leste) and the rest (Brunei, Burma, Cambodia, Laos and Vietnam) as “not free”. “Freedom House” promotes the concept of liberal democracy and it assesses countries on their current state of civil and political rights. Compared to 2003, five years ago, hardly anything has changed, only Indonesia switched its place with the Philippines.

Another indicator for democratic development is the “Bertelsmann-Transformation-Index” (BTI). In its 2008 report it ranked 125 countries worldwide for its “Political Transformation”. Contrary to “Freedom House” it obtains its ratings on a broader base, by calculating the mean value of several more criteria: Stateness; Political Participation; Rule of Law;

Stability of Democratic Institutions and Political and Social Integration. On a scale from 1 (lowest) to 10 (highest), Indonesia reached 6.45 (2003: 6.0); the Philippines 6.30 (6.0); Singapore 5.37 (5.6); Malaysia 5.33 (5.2); Thailand 5.10 (7.6); Cambodia 4.13 (4.0); Vietnam 3.15 (2.8); Laos 2.78 (2.8) and Burma 1.7 (2.0) points. None of these countries reached a status of “advanced” or “highly advanced”. Again, comparing 2008 with the year 2003, only very small progresses in the countries’ transformations to democracy can be observed - besides the heavy down fall of Thailand.

In all the so-called “partly free” countries or, to use another term, “defective democracies”⁸ the process of developing party-democracies is still ongoing. In most cases it is a second attempt, after the first trials with multi-party-systems failed soon after independence, when single-party-systems prevailed, often as results of coup d’états or civil wars.

Despite a remarkable growth and come-back of political parties all over Southeast Asia, parties are still generally held in very low regard by the public. In most countries they are the least respected and trusted of any public institutions.

The major deficits of political parties are found in the weak political representation

1 Thomas Meyer and Nicole Breyer 2007

2 <http://www.socialistinternational.org/viewArticle.cfm?ArticlePageID=823>

3 http://en.wikipedia.org/wiki/Social_democracy

4 Thomas Meyer in Bob S. Hadiwinata / Christoph Schuck (Eds.), 2007

5 *The Economist* April 24th 2004, page 12

6 *The Economist* May 19th 2007, page 52-53

7 Aurel Croissant, Beate Martin (Eds.) 2006

8 Merkel 2003

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and the lack of consolidation within the party systems. The high fragmentation (in Thailand 48 political parties participated in the last election) with little ideological and vague programmatic differences are another common short-coming as is the low institutionalisation and the lack of inner-party democracy, e.g. closed rules of party recruitments. Parties are considered as corrupt and self-interested organisations, not more than just mechanisms for the distribution of power and recourses. Frequently parties centre around charismatic leaders, e.g. from traditional families, religion, military or business. The decisive role of parties, namely aggregation, articulation and representation of the views and interests of their voters, is mostly neglected and parties are often only active around election time when they are looking for votes. Soon afterwards voters are forgotten and the elites concentrate on the setting up of government and the distribution of posts.

Furthermore, the process of party-based elections has in some countries uncovered long-lasting differences between various sectors of society. Political divides and conflict ridden politics mark elections and democratic processes, for example in Cambodia or Malaysia.

Therefore many critical civil society groups and social movements out-rightly dismiss political parties and politicians due to their inability and lack of qualifications - a scenario which can be found for example in Thailand, the Philippines and Indonesia. But none of these groups has so far really made clear what kind of institutions or processes could replace political parties and fulfill their major democratic functions. Even the present proposal of the Thai People's Alliance for Democracy (PAD) to nominate 70 % of all members of parliament in order to weaken the electoral power of the rural poor is only supported by a rather small segment of Thailand's social movements.

Most major political parties of some

relevance in Southeast Asia consider themselves as liberal, market economy oriented and more or less in the political centre or to the right of it.

Communism in Southeast Asia gained only some importance during the period immediately following World War II, the Japanese occupation and the attempted return by European colonial powers. During the period of the Cold War several communist insurgencies broke out in the region. However, only the communist movements in Vietnam, Cambodia and Laos were successful, but even they took thirty years to achieve their goal and paid for it with millions of lives and the devastation of their countries.

Today only small and insignificant Communist, Marxist or Maoist parties or groupings do exist in Southeast Asian countries outside Vietnam, Cambodia and Laos, such as in Thailand (e.g. Peoples Coalition Party), Indonesia (e.g. Perhimpunan Rakyat Perkerya), the Philippines (e.g. Bayan Muna) and Malaysia (e.g. Parti Sosialis Malaysia). Interesting enough, on June 17th, 2008 the last mentioned Marxist "Parti Sosialis Malaysia (PSM)" obtained approval from the Home Ministry in Kuala Lumpur to register as a political party after a 10-year battle that included a protracted law suit against the government. In the March 2008 election the PSM managed to win two seats — one in parliament and one in a state assembly, using the logo of the "People's Justice Party (PKR)".

The Marxist-Leninist/Maoist Communist Party of the Philippines (CPP) became again legal in September 2007, when President Gloria Macapagal-Arroyo signed an amnesty for members of the Communist Party of the Philippines and its armed wing, the New People's Army, as well as other communist rebel groups and their umbrella organization, the National Democratic Front. The CPP itself did not participate in the last legislative elections in 2007, but three of its forefront

organisations the Bayan Muna, Anak Pawis and the Gabriela Women's Party were able to secure four seats through the party list procedure.⁹

The role of Social Democratic Parties in Southeast Asia is, compared to Communist Parties, only marginally bigger. However, social democracy is not unknown to that part of the world. It flourished especially in the years following the end of the World War II and with the growing number of independent states. For example, the Burmese Socialist Party (BSP) and the Indonesian Socialist Party (PSI) played an influential role in establishing an "Asian Socialist Movement" in the early 50s. This development found its peak in the "First Asian Socialist Conference" held in Rangoon. It brought together Socialist Parties from nine countries (Burma, Indonesia, India, Israel, Japan, Lebanon, Malaya, Pakistan and Egypt) as well as fraternal delegates from the Socialist International, the League of Communists of Yugoslavia, the International Union of Socialist Youth, the Congress of Peoples against Imperialism and several representatives from African freedom movements. This linkage between socialist parties from Asia and Africa played a fundamental role two years later in the development of the Bandung Conference and the Non-Aligned Movement.

The PSI in Indonesia was banned by Suharto in 1960. The BSP in Burma lasted until March 1962 when General Ne Win seized power in a coup which inaugurated until today a military rule in Burma.

4. Social Democratic Parties in Southeast Asia

There are at present four Social Democrat Parties in Southeast Asia which are acknowledged as such by the Socialist International¹⁰ and are represented in national parliaments. These are:

- the Democratic Action Party of

- Malaysia;
- the Philippines Democratic Socialist Party;
- the AKBAYAN Citizen Party in the Philippines; and
- the Revolutionary Front of Independent East Timor.

4.1. Democratic Action Party (DAP)

In Malaysia, first Social Democratic Parties came into existence in the 50s, for example the People's Party and the Labour Party of Malaya, which formed in August 1958 the Malayan People's Socialist Front. Later it was renamed into Malaysian Peoples Socialist Party (Malay: Parti Sosialis Rakyat Malaysia - PSRM). In 1990 the party stripped the word "socialist" from its name and constitution calling itself Malaysian Peoples Party (Malay: Parti Rakyat Malaysia - PRM). In August 2003 it officially merged with the more centrist National Justice Party of Anwar Ibrahim, becoming the Parti KeADILan Rakyat (English: People's Justice Party - PKR).

The **Democratic Action Party** (Malay: Parti Tindakan Demokratik) was founded in October 1965 just after Singapore seceded from Malaysia. The first Secretary General of DAP was Mr. Devan Nair, the later president of the Republic of Singapore. The DAP was formally registered in March 1966 as a democratic socialist party "irrevocably committed to the ideal of a free, democratic and socialist Malaysia, based on the principles of racial equality, social and economic justice, and founded on the institution of parliamentary democracy". (Setapak Declaration, made in the first DAP National Congress in Setapak, Kuala Lumpur on July 29, 1967). The 2006 party constitution changed the term "Democratic Socialism" into "Social Democracy".

In October 1967, the DAP joined the Socialist International and is until today the only full member from Southeast Asia in that organisation.

The DAP has a membership of more

than 90,000, including a youth wing, (the DAP Socialist Youth - DAPSY) and a women's wing (the DAP Wanita). Local branches do exist all over the country.

The stronghold of the DAP lies in the urban areas of Malaysia, where the majority of voters are of Chinese decent (26% of the total population). But today's support comes not only from the Malaysian-Chinese community but also from Malaysian-Indians and from a growing segment of Malays.

One of the main concerns of the DAP is the social welfare of all Malaysian citizens. The DAP believes that the state has a big role to play to correct social imbalances. The party supports a free market economy but insists that the state must put certain mechanism in place to help the poor and the disadvantaged. Unfortunately, the political debate in Malaysia is presently dominated by issues of race and religion.¹¹

The DAP contested its first general election in 1969 and won 13 Parliamentary and 31 State Assembly seats, securing 11.9 % of the valid votes cast. Since then, the DAP experienced many ups and downs in the various general elections between 1969 and 2008, from winning only 9 Parliamentary and 11 State Assembly seats in 1995 to capturing 28 Parliamentary and 79 State Assembly seats in the 2008 general election. The party's National Chairperson is Mr. Karpal Singh; Secretary General is Mr. Lim Guan Eng who is also the Chief Minister of the State of Penang.

From the March 2008 general election, a new political scenario emerged with the unprecedented denial of the two-thirds parliamentary majority to the ruling Barisan Nasional and its loss of power in five states including Penang, where now the DAP provides the Chief Minister. This success led to the formation of "Pakatan Rakyat" (People's Alliance) by the three opposition parties: the DAP, the Parti KeADILan Rakyat (PKR) and the Parti Islam Se-Malaysia (PAS); together

they are holding 82 of the 222 national parliamentary seats.

Further to the Penang Chief Minister, DAP also provides 9 State Executive Councillors (ExcOs) in Penang, 3 in Selangor and 6 in Perak. In Selangor and Perak, additionally DAP's top state representatives are appointed to the position of Senior Exco, who is effectively the deputy chief minister. In the state of Perak the DAP actually forms the largest bloc of state elected representatives (18 out of 31 state government seats), but did not make it to the chief ministership due to a restriction in the state constitution which restrains non-Malays to hold that post.

After its election in 2008, the DAP-led State Government in Penang announced that its underlying rationale and approach is the "Malaysia Economic & National Unity Strategy" (MENU), which will be based on competence, accountability and transparency (CAT). This declaration marked the party's distinct departure from the current administration's New Economic Policy (NEP), where racial factors rather than merit and competence play the dominant role. The new strategy in contrast is a policy to bring about national integration through just and equitable economic policies where the poor, regardless of race, religion or creed, are given priority.

Aspects of social democracy are also seen in the proposed DAP 2009 Budget Brief, where the party declares the need

9 Interview: Mirko Herberg

10 For more information on the Socialist International, see Chapter 7

11 Interview: Anthony Loke

Study

of reengineering the social security system in order to ensure that the poor, less fortunate and under-privileged are not left behind. In line with this the DAP pursues the implementation of “FairWage”, a policy which serves to improve the livelihood of low wage earners above the age of 35. At the same time the policy will offer incentives to employers to provide increased employment opportunities. This strategy is also in accordance to the call for the introduction of minimum wages by Malaysian trade unions.

Besides that, the DAP emphasizes that the wealth of natural resources on the shores must be shared equitably to make sure that everyone gets to benefit from the countries goods.

4.2. Philippines Democratic Socialist Party (PDSP)

The Philippines Democratic Socialist Party (Partido Demokratiko-Sosyalista ng Pilipinas - PDSP) is a nationwide political party drawn from all classes and sectors of the Philippine society, mainly from workers and small farmers, but also from progressive elements among professionals and persons in business. It embodies the interests and aspirations of the people of the Philippines and works for their empowerment, especially of the poor and disadvantaged who are marginalized by unjust societal structures.

The PDSP aims to put an end to widespread poverty, malnutrition, poor health, lack of housing, lack of quality education, and lack of gainful and decent employment that burden the majority of the people. These signs of a badly functioning society are caused by the neo-liberal economy, politics, and culture presently dominant in the Philippines.

According to the PDSP the form of “democracy” now prevailing in the Philippines is a liberal democracy which stresses equality of formal political rights but does not promote equality of social

power for all Filipinos. The result of this is formal equal rights for all, but privileges for the few who are wealthy, and disadvantages for the majority who are poor. The societal model that guides the actions of the PDSP is therefore “Social Democracy”.

Established on May 1st 1973, the PDSP has contributed to the difficult task of establishing and expanding a progressive and democratic alternative to the Marcos dictatorship and to Marxism-Leninism. The party actively participated in the mass campaigns which eventually led to the “people power” revolution in 1986. Furthermore, it helped to consolidate the newly restored democracy, especially through education and mobilization of its members in people’s and non-governmental organizations, and assisted in drafting socially progressive and pro-people laws and government regulations, in relation to issues and concerns of its constituency.

The PDSP is also active in supporting the current peace initiative of the government with the Moro Islamic Liberation Front (MILF). Earlier, the PDSP assisted in the establishment of the Bishops Ulama Conference as a forum of Christian and Muslim Leaders for interfaith dialogue.¹²

In its vision, the PDSP intends to help the people of the Philippines to build a society that cares equally for all Filipinos. The PDSP is convinced that each unique human being can develop only in a society which embodies the value of equality of all. If human beings are to develop their distinct identities and capacities they must be accorded equal respect and opportunities, but these are presently denied to them by the inequalities of the capitalist Philippine society.

The PDSP is a consultative member of the Socialist International. Its current membership is given at 26,000. The party actively cooperates with several progressive trade unions especially the Federation of Free Workers (FFW), but also with the

Alliance of Progressive Labour (ALP), which is close to the second Philippine social democratic party: AKBAYAN.

The PDSP was in the May 14th 2007 House of Representatives Elections a member of the “TEAM Unity”. TEAM (Together Everyone Achieves More) Unity was composed of several major political parties, mostly supporters of the current Philippine president, Gloria Macapagal-Arroyo. In that election the PDSP won 4 seats. In addition, the party presently occupies one Governor and one Vice-Governor position, has two members on Provincial Boards, and fills 13 Mayor, 4 Vice-Mayor and 11 Councillor posts.¹³

The PDSP is a coalition partner in the present government of President Arroyo, who appointed the party chairperson, Norberto Gonzales, as her National Security Advisor. General Secretary of the PDSP is Atty. Ramel Muria.

4.3. AKBAYAN Citizens’ Action Party (AKBAYAN)

Compared to the strategy of the PDSP to form alliances with traditional parties and politicians, including those presently in power, AKBAYAN attempts to implement a bottom-up approach. As mentioned before, after twenty years of dictatorship under the Marcos regime, formal democracy in the Philippines was restored in 1986 through a broad “people power” movement. The moving force behind the anti-dictatorship struggle - concerned citizens and progressive groups - has quickly been relegated to the periphery of decision-making and policy implementation. In response, social movements, trade union groups, and political organizations have emerged to challenge state policies through lobbying and pressure politics.

Despite the dynamism of Philippine movements, formal institutions of democracy remained in the hands of the few and the wealthy. It was within

this context that the idea of building an alternative, a citizens' political party, first emerged. Social movement groups wanted to be part of the formal processes of government. AKBAYAN was thus conceived as an effort to institutionalize people power and thereby to deepen the Philippine democracy. Contrary to the strongly anti-communist PDSP, AKBAYAN was conceptualised to be a pluralistic party and was thus open to integrate also former members of the (Maoist) National Democrats and other Marxist groups.

Consultations on the party-building project began in 1994. Throughout the country, pro-democracy groups were invited to help in shaping the party's concept and strategy. Aspirations of various sectors - labour, peasants, youth, women, gay and lesbians, professionals, overseas Filipino workers, urban poor etc. - were discussed and consolidated into a program of governance. Ad hoc structures were formed in Luzon, Visayas and Mindanao, and four years later, in January 1998, AKBAYAN was formally established through its Founding National Congress. In May of the same year, the new party tested its strength by participating in the local and party-list elections and won seats in the House of Representatives, and several local government units.

In the 2004 Legislative Elections, the party gained through the party-list procedure 6.7% or three seats in the House of Representatives, the maximum allowed of the national vote. Unfortunately, in the 2007 elections progressive parties like AKBAYAN were badly defeated and suffered a 47 percent decline in its vote. Due to the undermining of the party-list procedure by government-linked, clan-organised and religious groups, the share of mandates for grass-root and programme oriented parties dropped considerably. AKBAYAN could only maintain one seat. Mrs. Risa Hontiveros-Baraquel is currently representing AKBAYAN in Congress

AKBAYAN has a membership of about 45,000 who are organized in 2,000 chapters which are the basic building blocks of the party at the neighbourhood or Barangay levels, and is present in 64 out of 80 provinces.¹⁴ AKBAYAN also has international chapters made up of overseas Filipinos in countries like Italy, UAE, Greece and Germany. AKBAYAN obtains its funds from membership contributions.

The party held its 3rd Regular Congress in October 2006. The Congress was attended by several international delegations, as from the Social Democratic Party of Sweden, the Australian Labor Party, the National League for Democracy of Burma, Young Labour of the New Zealand Labour Party, the Social Democratic Party of Germany, the Norwegian Labour Party, the Perserikatan Rakyat Party of Indonesia and the Alternative Political Party Study Group of Thailand. AKBAYAN is a consultative member of the Socialist International and its leaders attended the XXIII Congress of the SI in Athens from 30th June to 2nd July 2008.

Party Chairperson is Dr. Joel Rocamora, Party President Mr. Ronald Llamas and Secretary General Mrs. Arlene Santos.

In addition to the already mentioned one seat in Congress, the party presently occupies two Vice-Governor positions, has six members on Provincial Boards, fills 15 Mayor, 17 Vice-Mayor and 53 Town Councillor positions. On the grass-root level, e.g. Village-Chiefs and Village-Councillors, it holds 65 respectively 131 post, in the more than 40,000 Barangays, which are the smallest administrative divisions of the Philippines.¹⁵

4.4. Revolutionary Front of Independent East Timor - FRETILIN

The Revolutionary Front for an Independent East Timor (Portuguese: Frente Revolucionária de Timor-Leste

Independente - FRETILIN) was formed in Dili on 20 May 1974 following the "Carnation Revolution" in Portugal and the demands by the Lisbon-based "Armed Forces Movement" to grant independence to all of Portugal's colonies.

On May 20, 1974 East Timor's elite of intellectuals and civil servants formed a first social democratic party "Associação Social Democrática Timorense" (ASDT) which favoured immediate independence from Indonesia. On September 11, 1974 the party was renamed in FRETILIN. The party began as a resistance movement that fought for the independence of East Timor, first from Portugal and then from Indonesia, between 1974 and 1998. As much a social movement as a political party, it established itself nationally, undertook literacy and other development projects and built a strong grassroots base in rural communities which continues until today. After East Timor gained its independence from Indonesia, FRETILIN became one of several parties competing for power in a multi-party system. In that, FRETILIN turned out to be quite comparable to the earlier Social Democratic Parties born out of independent struggles in other parts of Southeast Asia.

FRETILIN holds consultative status with the Socialist International. Its representative attended the XXIII Congress of the Socialist International in Athens from 30th June to 2nd July 2008. FRETILIN claims that it had about 230,000 card carrying members in 2001 and estimates that its current membership

12 Interview: Jose Sonny G. Matula

13 Ditto. 14 Interview: Joel Rocamora

15 Interview: Mirko Herberg

Study

is around 120,000.¹⁶

In the first elections, held in 2001, the year before independence, FRETILIN polled 57.4 % of the vote and took 55 seats in the 88-seat Assembly and formed the government in East Timor right from independence in 2002 until 2007.

In 2006 Timor-Leste was shaken by a political crisis, which FRETILIN considers as a consequence of a well orchestrated and intensive political campaign to overthrow the legitimate FRETILIN Government and to discredit the party.

In June 2006 the then President Xanana Gusmão demanded FRETILIN Prime Minister Mr. Mari Alkatiri's resignation. The demand was based on allegations that Alkatiri gave instructions to the Minister of Interior to distribute weapons to civilians for the purpose of killing opposition members. Upon the resignation of Alkatiri as Prime Minister, FRETILIN leaders were able to negotiate a compromise solution with President Gusmão and an agreement was reached to appoint the independent Mr. Jose Ramos Horta as Prime Minister.¹⁷

During the first round of the Presidential Elections of April 2007, the FRETILIN President Francisco Guterres had among the six candidates the highest support with 27.9 % of the votes, but he lost in the second round on 9 May 2007 against the then Prime Minister José Ramos Horta, who won with 69 %.

In the following Constituent Assembly Election of 30 June 2007 FRETILIN turned out again as strongest party with 120,592 votes or 29.0 %, resulting in 21 Seats out of 65 in the constituent assembly. However the party could not find sufficient coalition partners to form a government and is therefore presently in opposition.

After the Elections in 2007, FRETILIN elected Arsénio Bano as vice-president. The 33 year old will represent the new generation in the party. Party-President is Francisco Guterres and Party-Secretary General is Mari Alkatiri.

On May 1st 2008, FRETILIN signed an agreement with the 2001, by former FRETILIN members, re-founded and now rather conservative **Timorese Social Democratic Association** (Associação Social-Democrata de Timor - ASDT) to build a coalition government after the next election, which both parties demand for 2009.

5. Movements and parties which might be interested to join the Southeast Asian family of Social Democratic Parties

5.1. Indonesia

As mentioned before, Social Democracy has a long tradition in Indonesia.

The **Partai Sosialis Indonesia** (PSI) was founded already in the middle of the 40ths, well before independence of Indonesia in 1949. After the banning of the party in 1960 many of its members suffered from political harassment, jail or exile. Despite the fact that the presidential decree of 1960 is still in power, the party never dissolved itself completely. It is today a loose network of former members (including their children) or sympathisers, who often hold influential positions in today's Indonesia, even as advisors to the President, or in universities and in the media.

In the 2004 elected parliament are no parties left to the centre. The question of possible leftist wings within some of the major political parties applies at best to the PDI-P (Partai Demokrasi Indonesia-Perjuangan - Indonesian Democratic Party-Struggle). There are several leading personalities in the PDI-P who fancy the idea of Social Democracy. Even the possibility of an observer-status in the "Socialist International" has been discussed. However, at present, the party is still dominated by Megawati Soekarnoputri and other Soekarnoists and the question

remains open, to what extent it would be possible to reform such an established and most likely also corrupted political party.

Outside parliament, there are several small social democracy oriented parties or groups in Indonesia, the more relevant ones are:

- the Partai Buruh - PB
- the Partai Perserikatan Rakyat – PPR
- PAPERNAS (Partai Persatuan Pembebasan Nasional)
- Partai Rakyat Aceh – PRA (a local social democratic party in the province of Aceh)
- Pergerakan Indonesia - PI
- Uni Sosdem (Union Sosial Demokratis)
- Pergerakan
- as well as the Indonesian Metalworkers Federation - FSPMI

Most of these parties or groups cooperate with each other, but still prefer to remain independent.

The Partai Buruh was the only one running in the 2004 election, then under the name Partai Buruh Sosial Demokratik (PDSP). It came last of the 24 participating parties and gained only about 700.000 votes or 0.46 % - not enough to get a seat. (To run again in 2009, the Party Law of Indonesia required the PDSP to change its name.) The PBSI was founded in May 2001. It emerged out of the trade-union SBSI (Serikat Buruh Seluruh Indonesia), which is considered as one of the most progressive Union Federations in Indonesia. The SBSI claims one and a half million members. The low election result of the PBSI, which itself declared a membership of about 450.000, is therefore a bit astonishing. The party will have a second attempt in the forthcoming elections and its present membership is given at 2.8 million.¹⁸

The party is interested in becoming a member of the Socialist International;

however no decision has been taken so far.

At present, the **Partai Perserikatan Rakyat** (PPR) which was founded on August 17, 2005 in Bandung looks quite promising. The party integrates farmers and fishermen-groups, trade unions, women organisations, environmental groups and the rural and urban poor in general.

In comparison to most other social democratic groups in Indonesia it is a grass root initiative and not so much an intellectual circle. More than 50 farmer- and worker-organisations are cooperating. The party is represented in 233 districts and 18 provinces and its membership is given at 230,000. Party President is Mr. Syaiful Bahari.

The PPR sees one of the main problems of the Indonesian party system in the lack of political education for the masses, especially in the rural areas. The five major issues in the party-programme of the PPR are the land reform, the rights of fishermen and farmers, the equal treatment of women as well as the free access to education and health-service for all.

The party planned to participate in the 2009 election; however, its first attempt to register for this election failed due to the extremely complicated registration procedures in Indonesia. There is a clear attempt by the ruling elites to limit the number of political parties in parliament, including a 2.5% threshold. This forces the small progressive parties to look for alternatives, at least for the 2009 election. About 150 PPR members and 300 other social democratic activists plan therefore to run as independent candidates or on the lists of other political parties. Furthermore, the leaders of PAPERNAS intend to merge and stand for election on the list of the Partai Bulan Reformasi (PBR), a party which allegedly propagates some form of "Islamic socialism".¹⁹

Several of the parties and groups mentioned above, started in 2008 together with the Jakarta-Office of the Friedrich-

Ebert-Stiftung the foundation "**Yayasan Kita**" which publishes about three times a year a political journal called "**Jurnal Demokrasi Sosial**". The journal provides the Social Democratic Parties and groups with an open platform to voice their positions opposite the government and the ruling parties of Indonesia.

5.2 Burma

The **National League for Democracy** (NLD) is a Burmese political party founded on 27 September 1988. It is led by Daw (Lady) Aung San Suu Kyi, who acts as General Secretary and who has been in jail or placed under house arrest for about 14 of the past 19 years. In the 1990 parliamentary elections, the party won 392 out of 492 seats, but the ruling military junta (formerly known as SLORC, now known as the State Peace and Development Council - SPDC) did not permit the party to form a government. Soon after the election, the party was repressed, but a number of elected representatives escaped arrest, went into exile and formed the National Coalition Government of the Union of Burma (NCGUB).

Even though the NLD has never claimed an ideological platform and/or had not yet got a chance to establish an official relation with any international coalition of political parties, it seems to be inclined to social democracy as can be seen from the policy statements of the NLD on workers affairs, peasant affairs, health and education.²⁰

But in this context, one should not forget that the Burmese people have still to recover from the nightmare and ills of the former Burma Socialist Programme Party – BSPP, Ne Win's "Burmese Way to Socialism". The memories are so bitter that the people still have problems with the words socialist or socialism.²¹

At present it is not quite clear if the NLD will or is eligible to participate in the SPDC controlled parliamentary elections, scheduled for 2010. It depends on the party

registration law which has not yet been published by the Military Government.²²

The Socialist International has for many years supported the people of Burma, the NLD and its leader Aung San Suu Kyi as well as the NCGUB in their struggle for freedom and democracy. It regularly invites the NLD as guest-party to its congresses and regional committee meetings. Members of the NLD/LA (Liberated Areas), the NCGUB or the MPU (Members of Parliament Union) have frequently accepted such invitations. However non of them could and did claim that he or she were sent by the NLD leadership in Rangoon, which is not in a position, at least publicly, to deal with international interests and supports or to talk about activities of the exile movement.²³

At the last Socialist International Asia-Pacific Committee meeting in May 2008 in Islamabad, the participants unanimously nominated the then Co-Chairperson of the Pakistan Peoples' Party, Mr. Asif Ali Zardari, to visit Burma on behalf of the SI to act in favour of the release of Aung San Suu Kyi, whose house arrest had been extended once again.

The XXIII Congress of the Socialist International in Athens from 30th June to 2nd July 2008 was attended by two NLD representatives: Dr. Tint Swe, NLD-MP elect and Dr. Myint Choo, Coordinator for Parliamentary Affairs (MPU). At this conference, Daw Aung San Suu Kyi was elected unanimously as a Special Honorary

16 Interview: José Manuel Da Silva Fernandes

17 Interview: José Fernandes Teixeira

18 Interview: Marcus W. Tiwow

19 Interview: Syaiful Bahari

20 Interview: Thaug Htun

21 Interview: Tint Swe

22 Interview: Paul Pasch

23 Interview: Tint Swe

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President of the Socialist International. Dr. Tint Swe commented, that “this was not because of lobbying or petitioning by the Burmese delegation. However it is right to congratulate the SI for doing so because the world political scenario witnesses rising democracies with social essence and the pro-democracy struggle desperately needs support from all possible sources.”²⁴

Of some political delicacy is the fact that NLD/LA and MPU are both members of the National Council of the Union of Burma (NCUB). The NCUB sees itself as a liberal resistance organisation and is a member of the Council of Asian Liberals and Democrats. (Other members in the NCUB are the Democratic Alliance of Burma and the National Democratic Front).

Despite these overlapping interests, the SI, its member parties and fraternal organisations are well advised to maintain the close contact and cooperation with the NLD, until the party’s leadership in Rangoon is free enough to make its own decisions on any Party International affiliation.

5.3. Thailand

As in most Southeast Asian countries there existed a **Socialist Party of Thailand** (SPT). It was especially active during the early 1970s. The SPT was led by one of its founders and general secretary Boosanong Punyodyana. The party did quite well in the 1975 elections when it managed to get 15 out of 269 seats in the House of Representatives. Most party members were students or recent graduates.

Punyodyana was murdered on February 28, 1976. More than 10,000 people attended the memorial orations held at Thammasat University a few days after his death. His death was recognized by many as a final blow to democracy in Thailand.

After the October 6 massacre in

the same year, many SPT cadres went into exile or joined the guerrillas in the northern parts of the country. In May 1977 the SPT declared that it would cooperate in the armed struggle with the Communist Party of Thailand (CPT) and form a united front. However in early 1981 the SPT broke its relationship with the CPT, claiming it became more and more Maoist and controlled by China. This shift in ideology and the offered amnesty by the Thai government triggered a mass defection especially of those students and intellectuals that joined the armed struggle after the 1976 massacre.

Since then, no attempt to revive a Social Democratic Party in Thailand showed at least some noteworthy results. However, Thailand has a rich history of social movement struggles that have considerably contributed to the democratization of the country. Unfortunately, successive waves of such struggles for social transformation processes frequently encountered obstacles, resulting in repeated lapses into military rule and a general prevalence of what some have called “low quality democracy”²⁵. The question remains why, compared with Indonesia or the Philippines, the social movements were not able to take the necessary steps to start an effective political party.

In November 2007 a new attempt was made and the **Sangkomsibataya Party** (SDB) was founded. Driving force and first President is Mr. Chockchai Suttawet. The party is based on the cooperation of five organizations: the Club of Scholars for Social Democracy which is also headed by Chockchai Suttawet; the State Enterprise Relations Confederation (SERC) which is the umbrella organisation of state-enterprise unions; the Committee for Thai Labour Solidarity; the Paisal Thawatchainun Foundation (PTF) which is interested in labour politics and cooperatives and works to fulfil the vision of the former labour-leader, Paisal Thawatchainun; and the Federation of

Workers’ Saving Cooperatives which is working closely with the PTF. The SDB participated in the December 2007 general election with a party list in Zone 6 which covered Bangkok and surrounding provinces where there are a large number of factories and workers. However, the party gained only about 1,300 votes, far behind the last winner elected. The low result is certainly also due to the fact that most workers are registered at their homes in the rural provinces and not at their workplace.

The SDB had in October 2008 about 400 members. In order to keep its registration as a political party it must increase this membership to at least 5,000 within one year. As this seems rather impossible, the SDB will most likely dissolve, but has challenged this ruling of the Political Party Act of 2007 by submitting a petition to the constitutional court on October 2nd, 2008.²⁶

The **Alternative Political Party Study Group (APPSG)** is another new group of political interest, made up of union leaders of the State Railway Authority, the Port Authority of Thailand and some leaders of private sector unions in the eastern coastal exporting zone as well as NGO-activists working in slum and consumer organizations. Its original values include all five basic human rights, but they tend to be interpreted in a classically socialist way. In the current (2008) political crisis, the APPSG has become a member of the Thai People’s Alliance for Democracy (PAD). The PAD is, to a great extent, a movement of the Bangkok middle and upper classes against former Prime Minister Thaksin Shinawatra, supported by the conservative elites; one of its main aims is to force the elected government and parliament, which are considered to be pro-Thaksin, to step down, while openly demanding that the military and traditional elite should play a more prominent role in Thai politics. Currently, it is not clear to which extent the APPSG is committed to

a political framework of liberal democracy, since they are actively supporting the PAD and its demands.

There exists also a **Confederation of the Thai Political Parties for People and Democracy**, again with Chockchai Suttawet as President, which embraces about 15 political parties including the SDB. This confederation is active since the beginning of 2008 and plans to participate in the next general election as an alliance of small people parties promoting social democracy.²⁷

The earlier mentioned international conference on “The Relevance of Social Democratic Parties and Progressive Movements in East and Southeast Asia” organised by the Friedrich-Ebert-Stiftung in October 2004 in Manila was attended by the Mahachon Party of Thailand, a party of concerned intellectuals and the middle-class which attempted to move from the more centrist Democrat Party to a more social democratic left, as can be seen from the following statement made before the 2005 general election:

“Mahachon party does not have a policy for privatization. Our party thinks that most social problems come from debts. Firstly, we have to decrease debt burden and then develop learning processes. If we are elected as a ruling party, we will provide free education for children until undergraduate level. Every old age person will be paid 1,200 baht per month, and nurseries will be provided to decrease the childcare burden of families. Our policy is to create equality so we think of solving the corruption problem as a priority. For the unprotected informal workers, we will formalize them. State enterprises workers will receive more education. We will certainly use the principle of consideration not calculation.”²⁸

Unfortunately the expected positive election results did not materialise. The party reached only 4.4 % and failed the five per cent threshold and this in spite of an open and programmatic election

campaign. Notwithstanding the defeat, the progressive party leadership planned to continue its social policy approach, but soon internal rivalry strengthened more traditional and conservative leaders and before the December 2007 election, key members of the Mahachon Party decided to join the conservative Chat Thai Party.

6. The situation in some of the remaining Southeast Asian countries Singapore, Cambodia, Laos and Vietnam

6.1. Singapore

The ruling **People’s Action Party (PAP)**, founded in 1954, was originally a broad-based political movement espousing a socialist program with backing from the mass of largely Chinese-speaking unionized labour in Singapore, but also from the English-educated Singapore Chinese intelligentsia.

In 1961, the left-wing of the People’s Action Party broke away and established the **Barisan Sosialis** (Socialist Front). The PAP repeatedly alleged that those who broke away were pro-communism.

In May 1976 the Government announced that 50 alleged communist suspects had been arrested. The announcement was made only days before the Socialist International were to meet in London to discuss a motion by the Dutch Labour Party that the People’s Action Party should be expelled. When the Dutch Social Democrats refused to withdraw their motion, the PAP announced its departure from the Socialist International:

“We cannot belong to an organisation some of whose social democratic members allow themselves to be made use of by communist elements in our society who are out to destroy democratic institutions. For if the friends of the Dutch Labour Party in Singapore ever obtain control, they will certainly not seek affiliation with the SI. On the contrary, we might well witness a repetition of Cambodia. Practically the

whole intelligentsia of Cambodia has been wiped out, and the whole population of Phnom Penh been violently uprooted. But one sees no reference to these appalling tragedies in Malcolm Caldwell’s *Journal of Contemporary Asia*. Nor do sensitive social democratic consciences in Western Europe appear to have been unduly agitated over happenings in that unhappy land. I have therefore come here, Mr. Chairman, not to show cause why the PAP should not be expelled from the SI. I have come here rather to ask the S.I. to show cause why we should regard some of the member parties of the International as being desirable company for us to keep.”²⁹

Still, even today, some people label Singapore a social democracy, although the PAP consistently rejects the notion of being socialist, claiming that the PAP-government uses public opinion and feedback when deciding policies. According to the PAP, “it is the people who should decide if they want a democracy or not, it is not up to the state. One has always to consider, that more evil than good will be achieved if one forces a country into a democratic system. ... For us (in Singapore) the priority is set on a responsible governing. All states have to be governed responsible, especially developing countries. If this is done in an authoritarian or democratic way is not so important ... There are no slums in Singapore because we have an effective social system. The people are satisfied

24 Ditto.

25 Jim Glassman 2007

26 Interview: Chockchai Suttawet

27 Ditto.

28 <http://www.thailabour.org/wnews/050115SERC.html>

29 Statement on behalf of the People’s Action Party of Singapore made at the meeting of the Bureau of the Socialist International held in London on 28-29 May 1976 by C.V. Devan Nair

30 Kishore Mahbuhani (Spiegel 21/2008 S. 61-62)

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with the total package. And they know that restrictions are part of such a package. They have voted for it themselves, nobody forced it upon them.”³⁰

However, as mentioned above, some of PAP’s policies do contain certain aspects of social democracy, which includes government-owned public housing constituting the majority of real estate, and the dominance of government controlled companies in the local economy. Singapore has a rigorous compulsory public education system, and basic health services are available for all citizens.

Ever since the PAP took office in 1959, it has systematically promoted elitism and put in control a highly paid political class with hardly any accountability to the people. The **Workers’ Party** of Singapore believes that this must change. The party was set up by David Marshall in 1957. In 1971 the lawyer J. B. Jeyaretnam became Secretary-General. He contested every election, increasing his vote each time until the 50 % mark was breached in 1981, thus becoming the first opposition Member of Parliament since 1965. He was duly re-elected in 1981 and 1984, after which he was disqualified from contesting further elections.

In May 2001 the Party’s Secretary-General position was transferred from J. B. Jeyaretnam to Mrs. Low Thia Khiang. The General Elections in May 2006 saw the Workers’ Party filing a total of 20 candidates with two of them winning a seat in parliament, whilst others gained a respectable number of votes in their contested constituencies.

In terms of its conceptualization under David Marshall and under J. B. Jeyaretnam the party held a social democratic approach to its politics. Later in the 80s, when the already mentioned Barisan Sosialis merged with the Workers’ Party there was a good number of older members who also held this view.

Since Low Thia Khiang took over the party, there has been a conscious attempt

to move away from this social democratic ethos as a stated guiding philosophy for Workers’ Party politics. Even though some older members and even younger ones may be inclined to keep this tradition, it is argued against by the present leadership. The party is not guided by a set of political values that binds its members, but is rather a vehicle for electoral politics.³¹

In its Manifesto it reads: “As a political party, the long-term goal of the Workers’ Party (WP) is to be an alternative government. While in opposition, we will play an active role as a check and balance on the ruling party. WP is Pro-Singapore and believes national interest should precede party interest.”

The veteran opposition politician J. B. Jeyaretnam announced in June 2008 the official registration of a new political party, the “Reform Party”, a party which some observers consider a closer candidate for social democratic linkages and internationalization.³² Unfortunately, J. B. Jeyaretnam died on 30 September 2008 in a Singapore hospital, aged 82.

6.2. Vietnam

The politics of Vietnam still take place in a framework of a single-party socialist republic. Article 4 of the 1992 State Constitution reaffirms the central role of the Communist Party of Vietnam (CPV) in politics and society and reads: “The Communist Party of Vietnam, the vanguard of the Vietnamese working class, the faithful representative of the rights and interests of the working class, the toiling people, and the whole nation, acting upon the Marxist-Leninist doctrine and Ho Chi Minh’s thought, is the force leading the State and society.”³³

Vietnam’s leaders are well aware that a party which follows a liberal market economy and faces a society which rapidly differentiates itself will most likely get difficulties to integrate all these ideological, programmatic social tensions and diverse interests under one

party roof. But despite all pragmatism, to change the name and to re-orient itself is until today unthinkable. Still, Vietnam’s leaders talk about social democracy and are interested in international experiences and are prepared for dialogue with Social Democratic Parties, especially the Social Democratic Party of Germany (SPD).³⁴

So it is hardly surprising that the SPD openly congratulated the CPV for its 10th National Congress in April 2006: “Viet Nam has yielded major triumphs since it initiated the renewal policy, significantly improving the people’s living conditions. However, new impediments on the way forward always appear, that Viet Nam, and even Germany, have to surmount. To achieve justice in the societies of each country as well as all over the world, it is necessary to promote citizens’ right to democracy alongside the work on boosting economic development. Only when all strata of society get involved, can we have a proper answer for those challenges triggered by globalisation.”³⁵

6.3. Cambodia

Of the 11 political parties running for the last National Assembly Election in Cambodia in 2008 none claims to be social democratic. However the Socialist International Asia-Pacific Committee met in Phnom Penh in April 2004 as guest of the **Cambodian People’s Party (CPP)**.

The CPP is or was neither a member nor an observer to the SI. The reasons behind the acceptance of the CPP as the host-party for a Socialist International Asia-Pacific Committee meeting are hard to understand, as the ruling clique around Prime Minister and ex-Khmer Rouge leader Hun Sen was and is frequently linked with the harassment and even murder of opposition and trade union leaders.

In the so called Cambodian Declaration, “the (Socialist International Asia-Pacific) Committee expressed its satisfaction at having had the opportunity to meet in Cambodia, hosted by the

Cambodian People's Party, a political force with whom the International has been cooperating for a number of years and to carry through them a message of support and solidarity to the people of Cambodia who endured the horrors of one of the world's most brutal regimes and who have managed to move forward with hope and in democracy in the search for a better future."³⁶

The CPP is the successor-party of the 1979 by pro-Vietnam forces within the Communist Party of Kampuchea founded Kampuchean People's Revolutionary Party. In 1991, during the UN-sponsored peace and reconciliation process, the party renamed itself in Cambodian People's Party. The CPP dominates Cambodian politics since 1979. Most CPP leaders are former communists. Party Chairperson is the President of the Senate, Mr. Chea Sim, and Prime Minister Hun Sen is Vice-Chairperson. The CPP is still closely linked to the Communist Party of Vietnam. Prime Minister Hun Sen and the CPP dominate national and local politics through their control of the security forces, officials at all levels of government, including 90 % of all village chiefs and the state-owned media. Systematic human-rights violations serve especially for the economic enrichment of the present political elites and for an effective suppression of the opposition.

The only noteworthy opposition party in Cambodia is the **Sam Rainsy Party (SRP)**. The SRP sees itself as a liberal party and largely depends on the charisma of its leader Mr. Sam Rainsy. It is affiliated to the Council of Asian Liberals and Democrats. Interesting is the SRP's close partnership with the most progressive trade union in Cambodia, the Free Trade Union of Workers of the Kingdom of Cambodia – FTUWKC.

In the latest July 2008 elections which, according to monitors from the European Union fell again short of international standards, the CPP claimed once more a landslide victory bestowing another five

years of power on Hun Sen, Cambodia's Prime Minister for the past 23 years.

6.4. Laos

Like Vietnam the Lao People's Democratic Republic is a single party socialist state. The only legal political party is the Lao People's Revolutionary Party (LPRP) which is closely linked and to some extent depending on the Communist Party of Vietnam. However discontent is more open than in Vietnam or, what is most likely, the power grip of the LPRP is not as tight and strong compared to the CPV.

In late 1990 the Laos Government arrested three leaders of a so called **Social Democratic Party of Lao** because of their calls for political and economic change in the Lao Peoples Democratic Republic. They were brought to trial in November 1992 and sentenced to 14 years of imprisonment for criticising the Lao Government and advocating political and economic reforms in Laos. All three were former high ranking government officials (and not, compared to similar attempts in Vietnam, representatives of exile groups) and were considered as prisoners of conscience by Amnesty International. One of them, a former Vice-Minister, died in February 1998 after being seriously ill for several months without being given access to medical care, the other two were released from prison and left for France at the end of their sentences in October 2004.³⁷

7. The role of foreign parties and international organisations promoting Social Democracy in Southeast Asia

Only lately is there a certain amount of international response to the growing number of social democratic parties and movements in Southeast Asia. The **Socialist International (SI)**, as one of the four Party Internationals, and some of

its member parties and/or their political foundations carry out programmes to support the development of social democracy in the Asia-Pacific.

However all Party Internationals have a weak presence in Asia, with together only 51 affiliates: six with the "International Democrat Union", five with the "Centrist Democrat International", six with the "Liberal International" (including the Council of Asian Liberals and Democrats as a cooperating organisation), 14 with the "Global Greens" and 20 with the "**Socialist International**".

The Socialist International is an association of independent parties with common principles whose representatives want to learn from one another, jointly promote socialist ideas and work towards this objective at international level.

The purpose of the International is to facilitate this work of solidarity and cooperation, while being aware of the fact that there are different ways of promoting the basic values of a pluralist democratic socialism in different societies. Each member party is itself responsible for the manner in which it puts the decisions of the Socialist International into effect in its own country.

In Asia, SI parties are large only in Mongolia, Nepal, Japan and Pakistan – none of them in Southeast Asia. In addition, SI parties govern in both Australia and New Zealand.

As mentioned before, there are

31 Interview: James Gomez

32 Ditto.

33 http://www.vietnamembassy-usa.org/learn_about_vietnam/politics/constitution/

34 Interview: Jörg Bergstermann

35 <http://www.vietnamnews.vnagency.com.vn>

36 <http://www.socialistinternational.org/viewArticle.cfm?ArticlePageID=1056>

37 <http://www.amnesty.org/en/region/asiaandpacific/southeastasia/laos?page=1>

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presently only four Social Democrat Parties in Southeast Asia which are either full members such as the **Democratic Action Party** of Malaysia or consultative members such as **AKBAYAN Citizen Party** in the Philippines; the **Philippines Democratic Socialist Party**; and the **Revolutionary Front of Independent East Timor**.

Last time the SI met in Southeast Asia was in October 2004 in Phnom Penh, where some 20 parties and organisations from the Asia-Pacific region and beyond gathered for a meeting of the Socialist International Asia-Pacific Committee. It was the first SI gathering in Cambodia and it was hosted by the Cambodian People's Party (see also Chapter 6.2.).

Traditionally the SI plays only an indirect role in party strengthening and leaves the direct support to organisationally and financially better-off members especially from within the region. Most active in the Asia-Pacific is therefore the **Australian Labor Party (ALP)**.

Since November 2007 Australia has again a Labor Government. Comprehensive international engagement and building relationships across the Asia-Pacific and around the globe is one of its core businesses. Strategic interest is a prime focus but there are other priorities too, particularly the advancement of the human condition at home and abroad.

Already in 2006, the Australian Labor Party created an International Unit to establish a dialogue with political parties around the world and to encourage the spread of robust democracies in Asia and the Pacific. The dialogue with counterpart political parties is based on key issues facing the region and should promote the aims of the ALP. One of the major responsibilities of the Unit is the administration of the "Australian Political Parties for Democracy Program" (APPDP), which funds the democracy promotion activities of the ALP.

To promote social democratic values

in the Asia-Pacific region, including transparent governments and a fair go for all, the ALP seeks to strengthen political systems by providing support to political parties in their work. The programmes are open to parties from all persuasions and areas. When determining potential partner-parties for programmes, the ALP takes into consideration elements of ideology but not as the only criteria. The ALP has chosen not to support only formal fraternal parties, but has opened its programmes to all parties in recipient countries, as long as they seek to promote peaceful reconciliation of political differences and do not support organised violence or coups. The programmes focus on the fundamentally democratic processes of campaigning (party-building, constant campaigning and parties in election cycles) and governing (parties in parliament).³⁸

Under this strategy, the ALP has and is still continuing to run a series of programmes, in the Philippines, Timor-Leste, Papua New Guinea and Solomon Islands. In Indonesia the ALP cooperates with the US-based National Democratic Institute for International Affairs (NDI).

For example: In October 2006, ALP representatives visited Manila to develop options for greater engagement between the Australian Labor Party and the Philippines. They conducted a series of meetings with prominent political parties including AKBAYAN, the Lakas Christian Muslim Democrats and the Philippine Liberal Party. Additionally, the team met with key civil society organisations such as the Philippine Council of Young Political Leaders.

The ALP opened its doors to reformers from Indonesia's main political parties for the Victorian State Election campaign in November 2006. The targeted study mission exposed the delegates to the strategies, technologies and values used in Australian political campaigns. Eight representatives from Indonesia's most

prominent political parties were selected for the tour.

In May 2007, an ALP team delivered targeted training on political campaigning strategies to representatives of Timor-Leste's major political parties. The program continued Labor's record of practical support to Timor Leste's political parties in the lead up to the June 2007 legislative elections.

In February 2008 sixteen senior advisors to political parties from Indonesia, Solomon Islands, Tonga, Papua New Guinea, Philippines, Pakistan, Mongolia and Malaysia took part in a staff training course organised in partnership with the University of Sydney's Graduate School of Government.

New Zealand

The foreign policy of the **New Zealand Labour Party (NZLP)** is based on the values of peace, harmony, democracy, human rights, security and economic prosperity. In this context Labour believes that the Pacific region must be a priority for New Zealand. New Zealand needs to support the development and security of its neighbours in the region. It also needs to reach out to Asia to develop its relationships within a region which is important to New Zealand's future security and prosperity. However, there is no information available regarding any concrete activities of the New Zealand Labour Party in Southeast Asia.

Japan

Until the 1990s, the **Social Democratic Party of Japan (SDPJ)** was Japan's largest opposition party. It enjoyed a short period of government participation in 1993-94 and formed a coalition government under an SDPJ Prime Minister from 1994 to 1996. After the electoral defeat of 1996 it lost many of its members to the Democratic Party of Japan. Since then the SDPJ is considered a relatively small party. It therefore is unable

to maintain a systematic cooperation with socialist or social democratic parties in Southeast Asia. But there are sporadic exchanges of information and occasional meetings among parliamentarians.³⁹

Europe

Besides fraternal political parties in the Asia-Pacific also European political institutions are active in Social Democratic Party building in Southeast Asia. By far the largest institution is the German Friedrich-Ebert-Stiftung (FES), but also the Olof Palme International Center (OPIC) from Sweden and occasionally others like the Foundation Jean-Jaurès from France or the Renner Institute from Austria get involved.

The **Olof Palme International Centre** was established in 1992 by the Swedish Social Democratic Party, the Trade Union Confederation (LO) and the Cooperative Union (KF). Today the Palme Centre has 28 member organizations within the labour movement. In Southeast Asia it is active in the Philippines, Burma and Vietnam. Its support projects range from civic education and organisational structure development, to human rights and reconciliation programmes.

The **Friedrich-Ebert-Stiftung** was founded in 1925 as a political legacy of Germany's first democratically elected president, Friedrich Ebert. As a private cultural non-profit institution, it is committed to the ideas and basic values of social democracy. In its on the ground activities, the FES's promotion of democracy goes well beyond the minimalistic understandings of formal democracy and rule of law, as they are defined for example by Freedom House or Bertelsmann (see Chapter 3). Foremost "social justice" is an additional key criteria.

For example: The strengthening of groups working for democracy in Burma, both within the country and in exile is an issue for several FES-offices in the region as well as in Europe. In Indonesia, the

FES-office participates in the promotion of social democracy and supports civil society and social movements in their process of forming permanent political structures. The PPR, Uni Sosdem and PI are major partners in this undertaking. In Malaysia, FES cooperates with the DAP, the Malaysian Trade Union Congress and social pressure groups through its regional office in Singapore. In the Philippines, the FES-office supports civil society and social movements to further influence the ongoing national political reform debates for more democracy and a broader participation in development and local governance. In these activities FES integrates different political parties including AKBAYAN and the PDSP. In Thailand, the FES-office contributes to the integration of participative and pluralistic democratic elements into the political reform process. Partners are political active NGOs, informal networks of political activists etc. In Vietnam, the FES-office provides the Communist Party with all relevant information on German, European and international social democracy and invites regularly members of the leadership to conferences, congresses and topical study tours in Germany and Europe. FES hopes that this will contribute to the ongoing political debate within Vietnam on "political renewal".

8. Conclusions

Social democracy played a decisive role in the history of Southeast Asia following World War II and the struggle for independence. The Asian Socialist Conference in Rangoon in 1953 is a clear indicator for this presumption.

Due to the Cold War and the growing US-interference in the region, social democracy and democratic socialism were often seen by those US-allies in power as synonymously with communism. Social democratic movements were regarded as close to the communist insurgents and

therefore forbidden in most countries. Liberal democracy, US-style, became the model for most Southeast Asian states. As a result of this policy, words like social democracy, or socialism, or the general term "left" were in many countries highly discredited, a fact that is still relevant today.

However, the idea of a more just form of government has not diminished completely and today Social Democratic Parties are represented in the parliaments of three Southeast Asian states: Malaysia, the Philippines and Timor-Leste. Furthermore, following the example of the AKBAYAN Citizen's Action Party in the Philippines, social and labour movements within civil society of several Southeast Asian countries strive to develop Social Democratic Parties.

Civil society and social movements are flourishing in many Southeast Asian states and can play a key role in developing social democracy. Unfortunately many of those show the tendency to put the "pure" ideology ahead of the strive for power, forgetting that in order to change society at some stage, "doing" is more important than "talking". Potential voters have to feel that changes are possible. The keyword has to be "achievable". People do not respond anymore to "pie in the sky" idealism.⁴⁰ Attempts by intellectual and middle class initiatives alone proved not to be sufficient. Most social democratic parties in Southeast Asia have their mass base mainly among the urban population and since trade unions are widely considered as the most consistent pro-democracy forces they are of course important partners. But as the majority of the people

38 Interview: Michael Morgan

39 Interview: Takuya Kawai

40 Joel Rocamora 2007

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in Southeast Asia live in rural areas it is necessary to find ways to connect or even reconcile urban social democrats with the rural population, who in many cases follow popular nationalistic “pied pipers”.

To achieve this, it is necessary to focus more on local organizing, for example by relating actively with local political issues and by cooperating closely with farmer groups and associations. This could enable party members to get involved in the politics of his or her community, and would already be a clear contrast to mainstream politics limited to elite circles.

Among those committed to social and political change within civil society, three general strategies for action are being debated. The first is to work within the existing system and to press for changes in law, law enforcement institutions, and mindsets, through various forms of social action and political lobbying. The second alternative is to form a political party to provide a more direct channel for change. The third alternative is the so called New Anarchism - people just ignore the state, pursue their preferred way of life, and seek strength within the community and through networking between communities.⁴¹

Most civil society movements adopt the first option. The option of establishing a new political party is however actively debated, but often activists fear that the result could be infighting, disunity, and distraction from the goals of direct social action.

Other reasons for hesitancy are:

- Low regard for political parties.
- Party and election laws do not support the establishment of new parties.
- The social and labour movements are not strong and united enough to form the base for an alternative political party.
- The Southeast Asian political culture is to a large extent still opposing democracy. The old traditional patron and client approach is often still persisting.

As seen from the ranking of Freedom House or Bertelsmann, the pace of the transformation processes towards freer and more democratic states is still rather slow. As promising and encouraging the developments in Indonesia are, so alarming and frightening are those in Thailand.

From the experiences in the Philippines after Marcos, and Indonesia after Suharto, one could draw the conclusion that it needs an atmosphere of change to develop alternative political parties. Unfortunately such an atmosphere hardly exists at present in most other Southeast Asian states, with Malaysia, may be, being the one exception.

In addition, social democratic values are hardly known and understood after the long period of US influenced liberal policy and dictatorships. Intensive political adult education has therefore to be part and parcel of reviving social democracy in Southeast Asia.

As stated before, the main goal of social democracy is the equal realisation of all basic rights. These rights are universally applicable and know no cultural boundaries. While basic rights and values define the parameters for social democracy, there is considerable room to manoeuvre and align the options according to the ethics, problems and experiences specific to an individual society. The same applies to social democratic institutions which have to be shaped in order to suit the concrete conditions of a country. Experiences made in Social Democratic Parties of Europe, Australia, New Zealand or Japan are only applicable to a certain extent for the situation in Southeast Asia. Networking among the Social Democratic Parties and movements within the region itself is therefore of greatest importance. That such networking is possible can clearly be seen from the mentioned AKBAYAN Party-Congress in 2006 or from the repeated efforts of the FES to provide a platform and forum for members of Social Democratic Parties and progressive movements in East and Southeast Asia to exchange their views on the need for political party

development, the challenges to Social Democratic Parties and progressive movements in advancing democracies, and on the imperatives of cooperation among them, both on national and international levels.

It would however be advisable to meet more frequently and regularly, may be even with the target to agree on a “Charter of Southeast Asian Social Democratic Parties”. Also the edition of a jointly edited “Journal on Social Democracy in Southeast Asia” could be an option for further promoting the common idea.

Programmes to support the development of Social Democratic Parties or movements from outside, such as the Asia-Pacific region, the US or Europe had started rather lately, but have expanded rapidly in the last decade. All foreign institutions active in this field seem however not to concentrate on individual parties, but seek to foster changes in all democratic and progressive forces within one country. This applies to the political foundations like the FES or the Palme Centre in the same way as it does to the Australian Labor Party. Common topics of such an indirect party aid are: Electoral and party laws, party financing, inner party democracy, gender and youth representation in political parties etc. Direct party aid, especially in a material sense, like support during election campaigns or the development of the overall organisational capacity of a party, is seen by most foreign supporters as counterproductive to the overall aim to promote democracy and dialogue.

⁴¹ Pasuk Phongpaichit 2002

* Interviews were conducted by e-mail, as well as personally with participants of the National and Regional Conference on “Perspectives for change: Social democratic policy and social democratic parties in Southeast Asia”, organised by Friedrich-Ebert-Stiftung in Yogyakarta, Indonesia, 14 – 15 October 2008.

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Interview Questions for Topic: **Responding to the Crisis**

Walden Bello

Perspective on the global level: How to reshape the financial and economic system to make markets serve people?

Apart from the dominant explanation of the causes of the current global crisis, the left has proposed that inequality between and within nation-states is the root cause of the economic recession. What do you say about this?

I would agree with this statement. The root cause of the crisis is the contradiction between the tremendous productive capacity of global capitalism and the limited consuming capacity globally owing to great income and asset inequalities, leading to overcapacity or overproduction and loss of profitability. What we have is not just a crisis of neoliberalism but a fundamental crisis of capitalism, which creates inequality even as it expands the productive forces. In fact, neoliberalism was a failed response to this crisis of overproduction.

It is also often said that state interventions and reform of international mechanism is needed to create a more equitable wealth distribution. In the context of Asia, what kind of state intervention is needed?

Well, the government should first of all play an aggressive role in the redistribution of land and other assets. Second, it should play a key role in production,

meaning ownership of enterprises that have a strategic role in industry and in the production of public goods. Third, it should strongly regulate the private sector, including and especially the financial sector. Fourth, it should manage effective demand through proactive fiscal and monetary policy. And fifth, it should aggressively manage foreign trade, using its control over tariffs and quotas not only to protect the domestic economy from the vagaries of the international economy but also to pursue industrial and agricultural policy, that is to build an effective industrial sector and maintain a healthy agricultural sector.

In the context of Asia, how should the region play its role in forming a more just international mechanism?

My sense is that the governments of the region should seriously consider withdrawing from the dominant institutions of global governance, that is, from the World Bank, International Monetary Fund, and the World Trade Organization. These do not exist mainly to rationally regulate global aid, financial flows, and trade flows but to secure the hegemony of the Northern capitalist countries. Powerful centralized institutions of global economic governance are quite dysfunctional although international agreements are important. Strong

institutions are more relevant and effective at the regional level, and here institutions like an Asian Monetary Fund and a truly Asian Development Fund (not the Japanese-controlled Asian Development Bank) need to be set up.)

Perspective on the regional level: What Instruments for regulation and cooperation are needed today to make regional integration a positive factor for sustainable development?

ADB estimates that crisis will produce 60 million more poor people in Asia in 2009 than if the crisis has not happened. The rescue/stimulus packages currently implemented in the region have little social focus. What should be the appropriate response of the Asian governments?

With the possible exception of China, the stimulus programs are small and ineffective and often, as in the case of the Philippines, simply a reshuffling of already programmed funds. To make an impact, these funds should be bigger and they should be targeted at employment enhancing programs such as infrastructure as well as social reform programs that have an immediate impact like expansion of agricultural credit. And of course, they have to be designed such that the bulk of the funds really go to the grassroots rather than to different layers of the government bureaucracy or to politicians.

The global recession provides a major chance for Asian governments and

their development partners to engage in important social reforms and new labour market challenges for the future. However, regional institutions such as the ASEAN+3 barely discuss the social and real economic implications of the crisis, but rather focus merely on the financial side. How should Asian countries and regional institutions play their role in response to the crisis?

They should prioritize the social dimension, especially employment and jobs. Thus while some funds should certainly go towards consumption assistance, like monetary assistance for seniors and subsidization of rice for poor consumers, the bulk should go to the maintenance or creation of jobs that last long.

Facing the fact that trade unions and civil societies in Asia are still relatively weak, what should they do to make their voices heard in the regional institutions?

Unless trade unions and civil societies participate actively in the political process by creating or joining political parties that advance their sectoral interests as well as the general interests of society, their influence will be limited. This need not mean the creation of labor-specific parties. Unions can take advantage of proportional representation electoral mechanisms like the party list system in the Philippines and Thailand and support multisectoral progressive parties serving various popular constituencies like Akbayan (the Citizens' Action Party). I am confident that the emergence of a progressive party that

will effectively compete with traditional parties is only a matter of time, and I am confident in the Philippines that party will be Akbayan.

Perspectives on the national level: Redefining the role of the State – A chance to map a social democratic direction?

The impacts of the global financial crisis in Asia take place because governments adopted liberal economic agenda some two decades ago. During this period, working people have no say in this development track; nevertheless they must bear the burdens. Is there any chance now that progressive political parties in Asia become more influential in the national level to give more say to the marginalized and working class?

Well, of course there is, but you have to combine a smart strategy with organizing, painstaking organizing, and that takes time. There is no substitute for painstaking organizing. And there is the problem of competition among parties that claim to represent the masses. I do not think these problems are insurmountable. As in 19th century Europe, these are part of the growing pains of progressive parties.

Social-democratic parties in some countries have become stronger; among others is the Democratic Action Party (DAP) in Malaysia that recorded successes in the last election. However, progressive parties in other countries are still relatively weak, such as in Thailand and South Korea (the Democratic

Labour Party/DLP). Provided that the crisis will give more chance for progressive political and economic agenda, how should Asia's progressive political parties answer the opportunity?

They should frame programs that combine social justice, effective economic management, and prioritize national development through progressive trade and industrial policy. Globalization is in retreat and it has been shown to be a disastrous strategy. Progressives should capitalize on this, but they should also offer a positive alternative. Otherwise, politicians and technocrats will fall back on the mantras of neoliberal globalization since it is the default ideology even when it has become objectively dysfunctional.

The Latin American countries seem to be well-prepared to face the crisis. The left wing governments in the region have prevented the worsening of living standards, stimulating the economy and expanding the social protection schemes. What can we learn from the Latin American experiences to respond the global crisis?

Well, we can learn from their courage in departing from neoliberal prescriptions; facing down the International Monetary Fund, confronting the creditors and instituting management of their debt that put national development priorities first instead of the interests of the creditors; and moving to create innovative regional institutions like the Bank of the South and the Bolivarian Alternative for the Americas (ALBA).

JUSTICE IS NOT A CHOICE

By Martin Manurung*

The Idea of Justice

By Amartya Sen

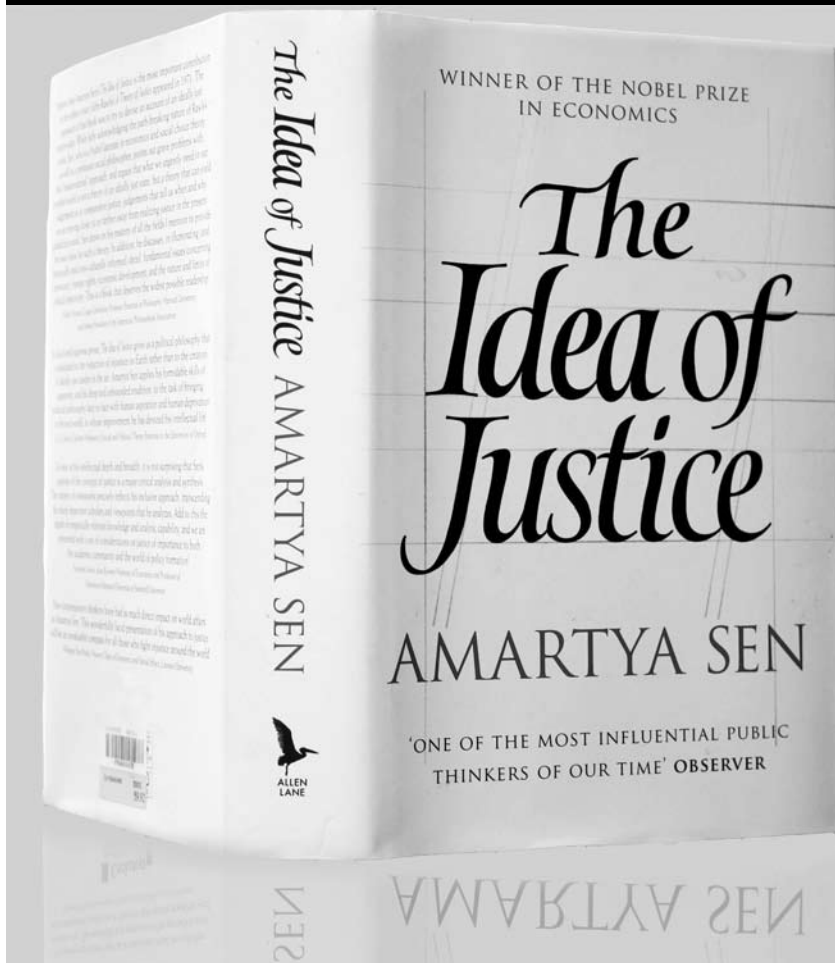
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Modern economic theorists have drifted too far from the actual world. In the beginning, economics was predominated with two main themes: ethics and economic rationality. However, later theorists have too narrow focus of human as homo economicus that people are purely self-interested.

In this book, Sen brings back the idea that people care for others and observe social norms. Although the values of freedom from hunger, disease, indignity and discrimination are perhaps complex, they are not impossible to measure. Sen, the Nobel winning economist, wanted to put the long forgotten ethics, or in this case more precisely said as 'social justice', back in the economic debates along with alternative perspectives to the long dominant Rawlsian theory of justice. While omitting the three decades debates on the liberal or illiberal issues in Rawls, he proposes a processual and negotiable notion based on practical notion of rationality.

Sen portrays the multi-faceted and complex notion of justice by an illustration: three kids – Anne, Bob and Carla- and a flute (p.12). Anne claims the flute because she is the only one who knows how to play it (the others do not deny this). Bob says the flute should be given to him because he is so poor that he has no toys of his own and the flute would give him something to play with (the other two concede that they are richer). Carla speaks up and points out that the flute is her own labour (the other confirms this), and just when she finished her work, she complains, "these expropriators came along to try to grab the flute away from me".



The illustration shows that that justice is not a monolithic ideal, but a pluralistic notion with many dimensions. Who gets the flute depends on your philosophy of justice. Bob, the poorest, will have full support of the economic egalitarian to reduce gaps. Carla, would receive immediate sympathy from the libertarian. The utilitarian will bicker a bit but will eventually come to conclusion that Anne's pleasure is likely to be stronger because she is the only one who can make the flute to function. Different philosophies would come to totally different resolutions as being obviously right.

By recognizing the complexities, Sen charges John Rawls, an American philosopher who died in 2002 and previously argued in *The Theory of Justice* (1971) that justice requires a "perfectly just institution". Focusing in the search of such just institution, Sen argued, is distracting and ultimately fruitless way to think about social injustice.

Therefore, Sen offers two alternatives. Firstly, instead of spending energy on establishing a hypothetical perfectly just institution, a theory of justice should have central recognition that is deeply concerned with systematic assessment of how to reduce injustice in the world.

Although there may be no agreement on the shape of perfect justice (even if people did agree about what would be immaculately just), but we can still have reasoned agreement on many removable cases of manifest injustice. Blatant cases are all around, from slavery, subjugation of women, widespread hunger and deprivation, the lack of schooling of children, to absence of available and affordable health care.

With this perspective, Sen favours Smith, Condorcet, Wollstonecraft, Bentham, Mill and Marx. Each, according to Sen, thought about justice in comparative rather than absolutist terms. They did not ask what is a perfectly just society, but focused on particular injustices.

Secondly, analysis of justice has to pay attention to the lives that people are actually able to lead, rather than exclusively concentrating only on the nature of "just institutions". This point is inspired by Indian philosophy of justice, in which Sanskrit has two distinct words to refer to: *niti*, which denotes the rules and behavioural norms of justice, and *nyanya*, the actual social realizations of justice – the lives that people are actually able to lead regardless the provision of 'just institutions'. From the latter perspective, the prevention of blatant injustice is more important and more feasible than the pursuit of perfect justice.

However, can we agree on a measure to judge a society, whether it is getting closer or drawing away from justice? Sen has a preferred category, which is of capabilities. He means not just the resources to live certain kinds of life that we have reason to value, but the capability of an individual to choose to use – or not use – the resources at hand to achieve what he has reason to value. Sen focuses on outcomes, but unlike the utilitarians that almost has no interest in nothing else, he also gives crucial notions on how those outcomes are brought about.

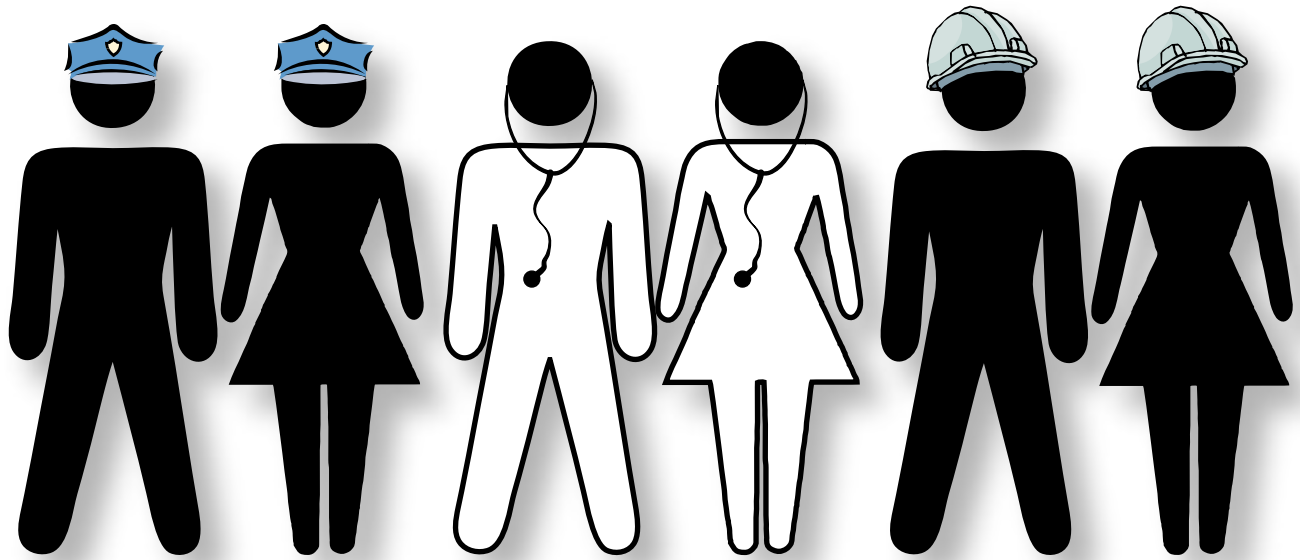
Then, Sen comes with his final important point: democracy. However, Sen also offers a different perspective to look at democracy. It is not merely

an institution that holds regular free elections, parliaments, etc, but a process of collective reasoning that injects more information, perspectives and voices into debates. Democracy, for Sen, is a government by discussion – to make people get involved and informed in making important decisions for their lives, and subsequently able to fulfill their potentials.

From the whole arguments in this book, we can see that Sen's hero might still be Adam Smith, but not the Smith of free-market mantra as understood by the neoliberals. Adam Smith that Sen refers to is the father of political-economy who understood economics as the force of moral constraints, ethics and the value of sociability. With this majestic book, Sen put back the original idea of "oikonomos", the original word of "economy", in which ethics and economics are not two subjects, but one.

Lastly, after reading this book I come to a conclusion that Sen did not explicitly say in his book. Justice is not about who gets what and how much – the main questions of the neoclassical economics –, but rather a never-ending effort to make everyone able to fulfill his/her potentials as human beings. Thus, justice is not a choice; it is an action!

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