

Regional Linkages, National Politics and the Role of Identity

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International political economy is centrally concerned with the social construction of livelihood. It insists that economics and politics are two sides of the same coin. It views the social construction of livelihood as an essentially political activity, and claims that elites must read enfolding structural circumstances and pursue definite projects. It also suggests that elites mobilize their populations, legitimize their activities and make polities, and that polities build identities. International political economy locates the social construction of livelihood within international and domestic economics, and within social and political structures. Domestic and international relations intermingle, and the intermixing of politics and economics at these two levels is very complex. While the elite pursuit of desired goals can be upset by unexpected events, these events can also open up new goals. Thus international political economy is concerned with the unfolding dynamics of change. Understanding the actions of politicians, social groups, commercial actors or organizations implies contextualizing their activities. What were the structures within which they operated and why did they take the actions which they did? In this vein, against the expectations of liberal market theorists who posit a self-regulating economic system, it can be asserted that economics, society, politics and national identity are intermingled. There is no self-regulating liberal market; it is a myth.¹ Economics are embedded in societies, which are shaped by politics and grasped in terms of the ideas current within the national community or culture. In this perspective, national economic champions have values wider than market price and gain attention from groups other than direct shareholders. A vivid example was offered recently by the sale of a Thai telecoms company, which resulted in a military coup.

Temasek Holdings and Shin Corporation

Temasek Holdings is owned by the Republic of Singapore.² It is a sovereign wealth fund.³ These organizations invest funds derived from government sources in a variety of instruments available within global financial markets—bonds, bank deposits, equities and so on. They are secretive; their concerns are unclear;⁴ their governance is unsupervised;⁵ their linkages with domestic political/administrative elites are unclear; and they are controversial.⁶

Thaksin Shinawatar was a member of a prosperous trading family from Chiang Mai in northern Thailand.⁷ He attended an expensive school—the Thai Police Academy—and later gained a doctoral degree from an American university. He enjoyed business success and his family became wealthy. Thaksin first went into politics in the early 1990s and became fully engaged later. The Asian financial crisis marked a change in his political fortunes. After the shock of the crisis the new Democratic Party-led coalition government blamed Thai institutional regulatory weakness and careless domestic borrowing, and a Washington-consensus-style package of reforms was instituted, which included regulatory strengthening, expenditure cuts and liberalization.⁸ There was domestic distress and anger. The business community and others blamed international financial institutions and their corporate policies in respect of lending and investing.⁹ Thaksin offered an alternative. In 1998 Thaksin founded the Thai Rak Thai party, and it was able to assemble a distinctive electoral coalition, comprising a mass of rural Thai voters and key sections of the urban population, including business people and social activists. Thaksin offered a strategy of national economic development in order to use aggressively the opportunities of the internationalized global economy. The party won the January 2001 elections and was re-elected in February 2005, but success did not last.

In January 2006 Temasek Holdings bought a controlling share in the Shin Corporation telecoms conglomerate. On the face of it, the deal was a simple commercial arrangement.¹⁰ The Shinawatar family sold the company at the top of the market and the investment firm gained a stake in a strategic industry. The deal was intra-ASEAN and thus strengthened regional economic links. However, the deal proved to be highly controversial. By this time Thaksin had lost support among the urban professionals and

commercial groups, who perceived his government to be corrupt in respect of economic matters and careless in respect of political and human-rights issues.¹¹ Mass street demonstrations in Bangkok followed, and long-hostile conservative groups took their chance and a coup took place.¹²

The trouble had structural roots. Thaksin's economic policies and the Temasek deal implied a future for Thailand and reforms. Thaksin modelled himself on Lee Kuan Yew and Mahathir Mohammed:¹³ both had been powerful political figures; neither had been content merely to update the legacy given to him by history; both had significantly changed the economic and political make-up of their countries; and both had upgraded the niche their country occupied in the international system. Thaksin followed their lead. His policies were oriented towards national development. But in the case of Thailand, the country has a distinctive political structure, including: a conservative elite comprising palace, bureaucracy and army who take upon themselves a particular responsibility for the country; an assemblage of metropolitan and provincial business groups who have supported various political parties; an urban middle class which has comparatively little power; and a large, dispossessed rural population. Thaksin successfully created a coalition of groups from outside the traditional elite. His economic policies were a threat to the position and self-understanding of the traditional conservative elite in the palace, bureaucracy and army. A version of the familiar conflict between palace and politicians had taken place earlier, albeit muted by Thaksin's electoral success and the burgeoning economy. When Thaksin was deserted by his urban supporters, it gave his long-established enemies their chance. The conservative forces acted, and they characterized the Thaksin government as typically corrupt and represented themselves in a familiar excuse as saviours of the nation.

Identity: the political project of ASEAN

ASEAN has been extensively theorized, often as a security organization or an economic organization.¹⁴ In a social constructivist style, it has been argued that ASEAN cooperation is allowing the region to reconstitute itself after the severe long-term disruptions caused by the incoming colonial powers.¹⁵ In this perspective, ASEAN is essentially a political project. The general crisis in East Asia saw the collapse of foreign

empires and allowed local proto-nationalist elites to take their chances.¹⁶ New states emerged and nation building was initiated. The key elite preoccupation was with differentiation, that is, the establishment of a regional order of states. Overall, the region escaped the interminable insecurities that have plagued other areas in the wake of the end of empire—such as Africa, the Middle East and parts of South Asia. In this sense, the record is one of success, and ASEAN is a part of that success.

ASEAN routinely considers its institutional apparatus. The organization is sometimes compared to the European Union,¹⁷ but this is a limited analogy. European elites had the experience of a general crisis in the period 1914–1945—plus division and occupation thereafter—before they agreed on the goal of unification. The historical experience of the elites of ASEAN member states has been quite different. The ASEAN elites came to power in the context of dissolving foreign empires. There were no states and no nations, and the first task for the replacement elites was to make states and nations. Their historical experience means that there is no equivalent moral impulse to institutional convergence. Rather, the moral impulse is towards mutual differentiation. In this way, it can be suggested that talk of unification in Europe runs with the historical and cultural grain, whereas such talk in Southeast Asia cuts across the grain, and thus talk of integration is intrinsically more difficult.

If we look at today's politics in Southeast Asia, it is clear that domestic and regional inter-linkages can work in various ways—both towards and away from convergence. In the case of the Singaporean investment agency's purchase of the Thai telecoms company, the link was commercially rational and regionally integrative but it produced a backlash in Thailand. Conservative elite factions took exception to the future implicit in the activities of the Thaksin government—the energetic pursuit of national development within the global market economy. The takeover deal was criticized, and a coup followed as domestic groups reasserted their distinctive identities. Whatever view may be taken about the coup leaders, the mix of economic, political and identity concerns is probably typical of elites throughout Southeast Asia.

Implications: Lessons from the Temasek-Shin Corp Episode

ASEAN is contingent. The organization is the outcome of the interaction of local states reading and reacting to shifting structural circumstances. The general crisis in East Asia gave rise to the collapse of empires. Prospective replacement elites took their chance, gained power and pursued national development. ASEAN has not been oriented towards creating a polity. Southeast Asian elites were concerned with differentiating their regimes one from another.

ASEAN is a loose regional body. It has facilitated the activities of post-colonial nationalist elites. It has allowed them to define the boundaries of post-colonial states, to resolve differences, and to imagine a cooperative future. It is a success. In forty years, ASEAN has developed its own contingent forms, and the habit of cooperation continues.

Economic matters cannot be separated from wider social and political issues. Regional economic inter-linkages will always have a political aspect and, depending on circumstances, they may also have an identity aspect. The promotion of economic integration cannot be separated from the promotion of regional political and identity integration. The experience from the European Union suggests that, while arguments for economic integration are awkward, the later arguments about politics and identity are thoroughly difficult—as evidenced by the wrangling over the proposed European Union constitutional treaty. Moreover, the nature of the arguments and their likely success will be shaped by the historical trajectories of the regions: what groups have done and what they think may be achieved. Thus, the discussion has to be specific.

Looking to the future of ASEAN:

- it would be useful to develop ASEAN dialogues on identity;
- it would be useful to reinforce ASEAN dialogues on politics;
- it would be useful to attend to the low politics of ad hoc regional economic cooperation;
- it would be sensible to have low expectations but to continue to interact routinely; and
- it might be interesting to borrow an idea from Europe and ask if an ASEAN core group might be helpful, to move ahead of the organization as a whole and perhaps plot a course for the future.

¹ It does not exist (empirical claim), it cannot exist (ontological claim), and it is not desirable (moral claim). What we do have is the contingent model of the form of economic life of the United States misrepresented as a universal model. On universal and local models, see Stephen Gudeman, *Economics as Culture* (London: Routledge, 1986), esp. Chap. 2.

² The Singapore government has two funds: Temasek Holdings and General Investment Corporation (GIC). The former controls assets valued at US\$100 billion while the latter controls assets valued at US\$330 billion. *Economist*, 26 May 2007.

³ *Economist*, 26 May 2007; and *Financial Times*, 30 July 2007.

⁴ These concerns could be short term or very long term. They could be political, or they could be strategic, seeking technology, resource or market control.

⁵ They are not standard market players. They do not have to make public reports on their operations. See Lawrence Summers in *Financial Times*, 30 July 2007. Temasek's place within the Singaporean system of governance is dealt with in Ross Worthington, *Governance in Singapore* (London: Routledge Curzon, 2003), pp. 25, 168, 197–206.

⁶ *Economist*, 26 May 2007; and *Economist*, 28 July 2007.

⁷ Amy Kazmin, "A Setback for Thai Democracy: The Rise, Rule and Overthrow of Thaksin Shinawatra", *Asian Affairs* 37, no. 2 (2007), p. 214–215.

⁸ Kazmin, "A Setback for Thai Democracy", p. 213.

⁹ On the various explanations of the crisis, see Paskuk Phongpaichit and Chris Baker, *Thailand's Crisis* (Singapore: Institute of Southeast Asian Studies, 2000), esp. Chaps. 1 and 2.

¹⁰ *Economist*, 26 January 2006.

¹¹ An early summary was offered in Pasuk Phongpaichit, "Thailand under Thaksin: A Regional and International Perspective", *Core University Project*, Centre for Southeast Asian Studies, Kyoto University, September 2004, pp. 3–7.

¹² The events were followed by *The Economist*. A series of criticisms of the coup were made. In brief, the coup was ill-advised and its leaders were less than obviously competent. A different critique was offered by Walden Bello, "A Siamese Tragedy", in *Trans-national Institute*, 2006, available at <<http://www.tni.org>>(accessed 31 July 2007). Bellow notes the criticisms of Thaksin and adds that the cure was much worse than the disease.

¹³ Phongpaichit, "Thailand under Thaksin", p. 2. Kazmin reports that urban Thais came to see an old style Chinese *tao kae* (businessman). Kazmin, "A Setback for Thai Democracy", p. 218.

¹⁴ ASEAN is politically contextualized in Michael Yahuda, *The International Politics of the Asia-Pacific* (London: Routledge Curzon, 2004), pp. 223–231. The organization is surveyed in a standard text, Kernal S. Sandhu *et al.*, *The ASEAN Reader* (Singapore, Institute of Southeast Asian Studies, 1992). The future is considered in Simon S. C. Tay *et al.* (eds.), *Reinventing ASEAN* (Singapore, Institute of Southeast Asian Studies, 2001), esp. Chaps. 1, 2 and 3.

¹⁵ Amitav Acharya, *The Quest for Identity: International Relations of Southeast Asia* (Oxford: Oxford University Press, 2000), esp. Conclusion.

¹⁶ The destructive period can be dated in various ways: 1911 sees the Chinese Revolution, the first decisive break with colonial rule; and 1975 sees the reunification of Vietnam and the end of colonial rule.

¹⁷ On the political history and motives driving the European Union, see Tony Judt, *Postwar: A History of Europe Since 1945* (New York: Penguin Press, 2005), esp. Chaps. 1 and 3. These chapters detail the occasion of the moral impetus to unification. On the Union machineries, see Jeremy Richardson (ed.), *European Union: Power and Policy Making* (London: Routledge, 2001), esp. Chaps. 1, 2 and 3. Ben Rosamond offers an excellent general survey of theories of integration. Ben Rosamond, *Theories of European Integration* (London: Palgrave 2000). Thomas Christiansen, Knud Erik Jorgensen and Antje Wiener offer an interesting constructivist take on the Union. Thomas Christiansen, Knud Erik Jorgensen and Antje Wiener (eds.), *The Social Construction of Europe* (London: Sage, 2001), esp. Part Two. Peter Preston looks at European identity in the post-Cold War period. Peter W. Preston, "Reading the Ongoing Changes: European Identity", *Political Quarterly* 76, no. 4, pp. 497–504.