The enormous leaps of growth and development experienced by Eastern and Southeast Asian states since the 1960s on account of their astonishing industrial development have led to concerns that a resulting global economic and political shift might favour the 'Pacific region' at the expense of the 'Atlantic region'. A 'Pacific century' was proclaimed, in which it was predicted that Asian-Pacific countries would outpace the traditional leading powers of the West. A more careful look quickly reveals that this view is too simplistic.

From the point of view of various disciplines and covering different nations like China, Vietnam, Indonesia, Singapore, the Philippines and Papua New Guinea the authors of this publication pursue the question whether the 21st century can already be labelled the 'Pacific Century'. This was also the title of the interdisciplinary series of lectures held at the University of Göttingen/Germany in the winter semester 2003/2004. This series of lectures was jointly organized by the Department of Geography, the University of Göttingen and the Association of Pacific Studies e.V. (APSA).

This 10th volume of the publication series 'Pazifik Forum' contains contributions by W. Kreisel, M. Taube & Ka-Wai Yiu, M. Waibel, A. Croissant, B. Dahm, H. Schneider, R. Seib and R. Jordan.
This publication contains selected contributions of the interdisciplinary lecture series „Wird das 21. Jahrhundert das pazifische Jahrhundert?“, held during the winter term 2003/2004 at the Georg-August-University, Göttingen

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The Pacific Challenge
Development Trends in the 21st Century

Pazifik Forum Volume 10
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Preface:
The Pacific Challenge

This publication gathers the contributions of the interdisciplinary series of lectures entitled ‘Will the 21st century be the ‘Pacific Century’?, held at the University of Göttingen/Germany in the winter semester 2003/2004. This series of lectures was jointly organized by the Göttingen Department of Geography and the Association of Pacific Studies e.V. (APSA).

In his introductory paper, Prof. Werner Kreisel from the Department of Geography at the University of Göttingen/Germany shows that the proclamation of a ‘Pacific century’ and the inherent outpacing of the traditional leading powers of the West by the national economies of the Pacific-Asian region is too simplistic. Reasons for this are the immense heterogeneity of these countries and their economic, social, ethnic and cultural disparities as well as the acute economic vulnerability which became apparent during the Asian financial crisis. Prof. Markus Taube and Mrs. Ka-Wai Yiu from the Institute of East Asian Studies at the University of Duisburg-Essen/Germany highlight the astonishing rise of China in the global economy, identify development factors and look at the impacts of China’s partaking in the global economy, with special consideration of the effects on the prices for commodities and goods. The authors conclude that the world economy will have to learn to deal with a strong Chinese economy that in the coming decades will increase its leverage over the direction and intensity of global goods and factor flows. Dr. Michael Waibel from the Department of Geography at the University of Göttingen/Germany pursues the question whether Vietnam can already be labelled a new Asian economic tiger and investigates and evaluates Vietnam’s economic and social achievements in recent years. In particular, the role of foreign direct investments (FDI) and of official development aid (ODA) as major external capital sources is examined. The answer to the question whether Vietnam is already a new Asian economic tiger remains ambivalent: Whereas the metropolitan regions show substantial characteristics of a tiger economy, most of the rural provinces still bear more resemblance to a developing country. Consequently, the author calls for a reduction of the increasing spatial and social inequalities of the Vietnamese society as the major development problem. The political scientist Dr. Rolf Jordan, currently working for the Asia House (Essen/Germany), investigates the export-oriented strategy of industrialisation by means of ‘Export-oriented processing
zones’ (EPZs), which played a vital role in the development of the first generation of tiger economies. Focusing on the Singapore-Johor-Riau Growth Triangle, the first transnational growth zone in South East Asia, the author describes the structural characteristics of EPZ-development in terms of industries, labour force and infrastructure. Taking into account their character as an enclave, he argues, that EPZs can hardly been seen as engines of development. Prof. BERNHARD DAHM, former chair holder in the Department of Southeast Asian Studies at the Passau University/Germany discusses the changes in Indonesian politics after the fall of SUHARTO and pays special attention to the reasons for, and the consequences of, the loss of East Timor, to the threats of further national disintegration, to the chances of special autonomy in Aceh and in West Papua as well as to the challenge of Islamic radicalism in recent years. Finally he analyses the results of the parliamentary elections in 2004, which saw SUSILO BAMBANG YUDOHYONO as the clear winner in the second ballot of the presidential elections in September 2004. The political scientist DR. AUREL CROISSANT who is currently working as Assistant Professor for comparative politics in Southeast and East Asian politics at the Naval Postgraduate School in Monterey/California, undertakes a systematic inquiry of democratic development in three Asian sub-regions: South, Southeast and Northeast Asia. The author provides a systematic analysis of why and how defective democracies originate. In the last section, the author examines the prospects for further liberal democratic development in Asia. Dr. HELMUT SCHNEIDER, Lecturer at the Department of Geography, University of Düsseldorf/Germany and at the Department of Geography, University of Duisburg-Essen/Germany examines the resource mobilisation strategies of the different Muslim Moro rebel groups in the Southern Philippines from the past to the present and shows the usefulness of JEAN/RUFIN’s approach for an explanation of the form and development of inner-state conflicts. The political scientist Dr. ROLAND SEIB, who lectures at the German University of Administrative Sciences in Speyer, analyses the economic, social, environmental and administrative impacts of the mining and petroleum industries in Papua New Guinea. The author offers many reasons why the country has failed to benefit from its natural wealth, such as the context of politicized ethnicity and fragmentation, a weak and dysfunctional state, and the corruption of the political and bureaucratic.

We hope this publication will find a wide and interested readership.

The editors

May 2005
The 21st century: A ‘Pacific Century’?
The 21st century: A ‘Pacific Century’?
An Introduction

Werner Kreisel

1. ‘The Pacific challenge’
In the 19th century, attention first focused on Pacific Asia in the context of imperialist agendas. While initial interest centred on the need to secure raw materials for the burgeoning European industries, focus later shifted to the developing markets of Eastern and South-Eastern Asia and the desire to secure optimum geo-strategic positions.

Great Britain thus became a Pacific power by annexing Burma, Malaya, Singapore, Australia, New Zealand, Hong Kong, Papua New Guinea, the Bismarck Archipelago, the Solomon Islands, the condominium of the New Hebrides (together with France), Nauru, the Gilbert and Ellice Islands, Fiji and Western Samoa. France occupied French Indochina (Vietnam, Laos, Cambodia), New Caledonia and French Polynesia. The Netherlands annexed the Malay Archipelago, whilst the USA already constituted a Pacific power on account of its Pacific States (Alaska, Washington, Oregon, California). By the end of the 19th century the USA had extended their sphere of influence to the Philippines and parts of Micronesia. The Russian ‘Far East’, finally, comprised North-eastern Asia. Japan and Thailand (Siam) were thus the only countries to escape direct colonial influence. Japan joined the concert of superpowers in the wake of the Meiji reforms, which led the country to the development of its own imperialist agenda (annexation of Korea, extension of its spheres of influence in North-Eastern China, ‘larger East Asian sphere of wealth’) and stimulated its own industrial growth.

The stage was thus set for military conflict even before the First World War. However, they did not fully emerge until the Second World War. WW II significantly affected the entire region, beginning with the Japanese attack on Pearl Harbour and ending with the nuclear attacks on Hiroshima and Nagasaki. The resulting East-West conflict also embroiled Pacific Asia, epitomised by the Korean War and the decades of war in Vietnam.

Rapid economic development in the region at first seemed difficult to conceive. Japan was beaten, China weakened by war and civil war, and most other
countries still laboured under the influence of the colonial powers. Gradually however, the states of the region were able to shake off the colonial embrace. Decolonisation paved the way for independent development, whose speed and intensity took the world by surprise. It was these rapid and sur-prising developments that came to be known a ‘Pacific challenge’. Beginning in Japan and followed later on in other parts of Pacific Asia, growth was particularly rapid in the textile, automobile and electronic industries. From simply copying Western products, these soon posed a serious challenge to established Western industries in terms of competitiveness and potential for innovation.

Representing a complex construct of economic, political, societal and cultural changes (NAISBITT), these ‘Asian megatrends’ have led to the heralding of a ‘Pacific Century’. The global economic shift from the ‘traditional, protectionist and backward’ Western economies to the Pacific has already led to comparisons between the Pacific as an ‘ocean of the future’ and the Atlantic as an ‘ocean of the past’. Economic growth rates exceeding ten percent (preceding the Asian crisis) and the growing proportion of global trade concentrated in the region were perceived as indicators for this transition and the rise of a new Pacific global economic hub at the expense of Europe and North America.

From its beginnings in the 1950s, this rapid process of development soon jumped Japan and kick-started a similar pattern of development in the ‘small tigers’. The ‘flying-geese model’ is a visual representation of the specific economic dynamism that characterises Pacific Asia. Japan is the first state in the region to challenge Europe and North America and therefore represents the ‘lead goose’. It is closely followed by a second tier of geese, comprising the four small tigers and ‘newly industrializing economies’ of South Korea, Taiwan, Hong Kong and Singapore. A third tier includes the ASEAN States of Malaysia and Thailand, which in turn are followed by Indonesia and the Philippines as fourth and last tier. China and Vietnam however, as an unofficial fifth tier, are rapidly closing the gap. Globally, the economic development of Eastern and South Eastern Asia represents one of the most significant developments of the later 20th century (“Asian affirmation”, SAMUEL HUNTINGTON).

2. From the ‘Pacific challenge’ to a ‘Pacific century’?
All these states have taken extraordinary leaps in economic growth. Within a generation, they have done what has taken the old industrial countries, now termed a derogatorily ‘newly declining countries’, more than a century to achieve. In the 1960s, growth rates in Pacific Asia were three times those of Southern Asia and Latin America, 25 times those of sub-Saharan Africa and twice those of
the OECD countries. By the mid-1990s economic growth had settled at a comfortable annual rate of 5 to 6%. At the same time, declining birth rates contributed to a rapid growth of per capita income, again considerably exceeding the rates of other global regions. This holds true for the ‘high performing Asian economies’ as well as the least developed countries in Indochina still suffering from the effects of decades of war. Economic growth primarily focused on the industrial sector. From exporters of raw materials, countries have developed into exporters of partly and fully manufactured goods, achieving an increasing share of the global market primarily at the expense of OECD countries. The region has thus been able to break away from the typical export pattern of developing countries. Export-based success also led to improved regional credit rating, although not all countries have achieved the same level.

Small wonder, then, that such leaps of growth and the growing share of world trade have caused some feelings of distinct unease within the established world. More importantly however, these ‘leaps of growth’ were also accompanied by veritable ‘leaps of development’, leading to notable improvements in the social and economic sectors. Poverty was significantly reduced, and improved educational and health care standards can be observed throughout Pacific Asia. The disparities between the cities and the countryside however are still enormous. Despite much progress, the Philippines and Thailand still export a significant proportion of their labour force as nurses, maids or shipping crews. According to some estimates, 60% of families living in the vicinity of Manila are maintained by the wages of family members working abroad.

Another criterion marking the transition from developing to “developed countries” is the gradual levelling of population growth. In China, this is achieved through enforcement, in Singapore and Thailand it is achieved through indirect means such as differential taxation. In Vietnam, Laos and Cambodia, the current increase in population growth results from normalisation following the years of war. Income in these countries is distributed relatively equally throughout society, mainly on account of agricultural reforms, which only the Philippines have failed to implement. Mega-cities represent visible proof of the Pacific Asian economic miracle. Some of these have developed into global cities like Tokyo, Hong Kong and Singapore as significant economic turntables.

Nevertheless, a more differentiated view is required. The overheating of the economy and the resulting Asian crisis have served to highlight certain negative aspects of development. What if the ‘Pacific Century’, as some critics have suggested, has actually just come to an end during the late 20th century? The economic upturn could have been a mere flash in the pan, and after all, the many
positive developments might suddenly come to a grinding halt. Although the crisis has passed, Pacific Asia is still faced with serious problems. Can uniform, positive developments indeed be expected in the future?

Apart from Japan and the ‘small tigers’, considerable disparities persist in terms of income between core regions and peripheries. Huge disparities also exist between the booming metropolitan cities and the stagnating hinterland. This has led to the suggestion that only the cities effectively deserve to be ranked as ‘first world’, whereas in terms of the hinterland, these countries should still be classed as developing countries. And although the mega-cities do constitute centres of development, they are also hotbeds of social and ecological problems. This characterisation however does not apply to the ‘small tigers’ of the first generation, which can be classed as developed countries throughout. But problems are also apparent in other areas. The discrepancy between the ever richer elites of power and the large majority of the population is highly disconcerting, as is the prevalence of corruption.

Certain achievements of modern Western Societies have not yet been embraced by Pacific Asia and probably never will be. Economic growth is still bought at considerable social costs. High productivity and low wages affect the working population to such a degree that it effectively forms societies, where sacrifices are accepted as normal, characterised by long working days, lack of protection at the workplace, inadequate social security and the suppression of workers unions. These conditions are justified by the traditional focus of Asian cultures on the community, which is emphasized by these countries as a key difference to our Western individualism. Economic success still carries with it huge environmental costs and ruthless exploitation of the natural environment, with environmental awareness in most countries still very low.

3. ‘E pluribus Unum?’
The author hopes to have made clear that ‘Pacific challenge’ and ‘Pacific century’ cannot be employed as blanket terms. Pacific Asia is too differentiated to be perceived as a closed unit.

As a highly industrialised nation, Japan leads Eastern Asia in terms of economic development. First to complete the transition from ‘labour intensive’ to ‘high technology’, it holds a special position within the region and also acts a role model for South Korea, Taiwan, Hong Kong and Singapore. The latter represent the first generation of ‘small tigers’, which are quick to catch up and where certain industries represent serious competition to Japan. China’s economy continues to expand and is expected to form a central future pillar of the Pacific com-
community. Thailand, Malaysia, the Philippines, Indonesia and Vietnam are densely populated threshold and developing countries gradually catching up with the ‘small tigers’. Laos, Cambodia and Myanmar, finally, have not yet been able to capitalise on the growing development of their neighbours. As an oil-rich enclave, Brunei is an exception in any case. Pacific Asia therefore contains the entire spectrum of nations from the highly industrialised down to developing countries. It therefore does not constitute a uniform and equal ‘threat’ to the West. From this differentiated perspective, it is apparent that only selected states are likely to be able to represent a true challenge to the classic Western economies.

The idea of a monolithic Pacific Asian bloc needs to be qualified in another respect. As mentioned above, development did not take place uniformly, but shows different phases, where different countries developed at different periods in time. Emanating from Japan as the major economic driving force, these dynamics first were transferred to the ‘small tigers’ in the 1970s and then to other states of South-East Asia and China in the 1980s. The region is a meeting of economic extremes, with highly developed countries existing right cheek by jowl to developing countries. These differences turn the development of a uniform economic policy into a serious challenge. A common market of ASEAN-States only exists on paper. And despite approaches such as APEC, there are no working instruments to actively support regional integration, manifest for instance in the current drift of Pacific Asian investors to China. Forms of Government, too, could hardly be more different: Democracies sit next to a colourful assemblage of authoritarian regimes, former communist states and a totalitarian regime in North Korea.

Political tensions such as the continuing wrangle between South and North Korea and the unresolved ‘Taiwanese question’ represent smouldering conflicts that could escalate to war. Territorial claims and in particular the maritime demands (the Spratly Islands) stand in the way of a joint political approach, so that the common foreign policy of the ASEAN states only exists on paper. Culturally too, there is no unity. Pacific Asia is characterised by very different and regionally diverse religious systems and values, including Confucianism, Buddhism, Lamaism, Shintoism, Daoism, Hinduism, Christianity, Islam, communism, atheism and animism. Religious diversity is surpassed still by ethnic diversity. Despite a dominant ‘state population’, most countries are populated by a multitude of ethnic minorities.

Tensions between individual States and disparities within them do exist. True homogeneity does not occur; the cultural, ethnic, economic and societal differences, military conflicts between individual countries and separatist movements
within the countries prevent the emergence of commonalities. Whilst the metropolitan centres of activity have clearly exceeded their social and ecological carrying capacity, ‘passive areas’ in rural regions are clearly marginalised. The cliché of the 21st century as a Pacific century therefore needs to be applied with some caution. One fact remains however, which is that Pacific Asia is likely to gain further economic influence. In global terms, the unipolar economic world and unilateral dominance of Western States is likely to be replaced by a multi-polar scenario where the distribution of power has taken a decided swing towards Asia. During the course of this century, the end of Western dominance is a distinct possibility. This however is likely to be a gradual process. Many sectors have been decreed dead in the West but were effectively replaced by others. Also, Pacific Asia is not invulnerable, as was clearly shown by the Asian crisis. Interests, too, do not necessarily converge. A pan-Pacific economic network such as the EU will probably remain an illusion.

On the other hand, estimates predict that Asia will feature four of the five largest and seven of the ten most important national economies by 2020 (HUNTINGTON). This is set to affect the distribution of power between Asia and the West, in particular the USA. The result is greater self-confidence, expressed for instance in the cultural renaissance sweeping Asia (TOMMY KOH), leading to a situation where Western products and influences are no longer automatically considered superior. The successful economic development of Eastern Asia was interpreted by some as evidence for the significance of indigenous traditions (Confucianism) and the success of indigenous culture. The Meiji-influenced policy of “detachment from Asia, affiliation to Europe” has given way to increasing distance from America and closer affiliation with Asia.

History, however, provides sufficient evidence for past shifts in the distribution of global political power. Europe has taken a lead role in global developments since the 15th century, joined in its leading role by North America in the 19th century. This period of history viewed through Asian eyes is a ‘mere’ 500 years. Prior to the ascent of Europe, China had already occupied a dominant position for more than 1000 years. This was not in the sense of a unipolar world, which did not exist back then, but still as a trans-regional hotbed and supreme power compared to other centres in the world. Between the 14th and 17th century (Ming Dynasty), China’s GNP was calculated to represent 20 to 30% of the global GNP. Around 1800, China provided 33% of the world’s industrial production, a percentage clearly exceeding the proportion achieved by the leading US national economy at the beginning of the 21st century. It was only in the 19th century, when China came under the influence of Western powers that its position changed.
4. Globalisation and value systems

‘Westernness’ is a multi-layered and rather nebulous term with roots in antiquity. As a concept, it comprises Christian values, compulsory legitimisation of rule and limits to rule, the inalienability of civil liberty and constitutional law as well as rationality and enlightenment. These have boiled down to the basic principle of feasibility. The West has been able to determine what is feasible for centuries. Despite the presence of some of these same elements, other cultures have been less universally successful. ‘Westernness’ was a success story up to the current phase of globalisation, which of course is also guided by Western values and principles.

In this time of globalisation, the question is whether the world will continue to be ruled by Western values and systems or whether another set of values might begin to compete for a share of the lead role. Although this does not automatically imply a ‘Pacific century’, it does point to the existence of other values and norms that could become globally significant. Will the ‘arrogant’ West be able to maintain its monopoly on paradigms of civilisation, or will competing visions be able to demand their own leading role? (FRANCIS FUKUYAMA, YASUHIRO NAKASONE, LEE KUAN YEW, SAMUEL HUNTINGTON). Whilst this is clearly related to the parallel phenomenon of economic success in the Western Pacific and the collapse of the socialist systems, it is also being discussed in the context of modernisation in Latin America, the question of identity in India, the Islamic protest and the emergence of ‘negritude’?. Nevertheless, the discussion is dominated by Eastern and South-East Asia. So if a ‘success story’ is a prerequisite or at least supports this, it could very well be assumed that new visions and objectives might radiate from Eastern and South-East Asia.

But where would such ideas lead? The West is a very attractive proposition, for society at large, for the economy, for politics and particularly for young people. To a greater or lesser degree, the ‘McDonaldisation’ of the region has already taken place. So what are the basic attitudes proposed by Asian societies? LEE KUAN YEW, the former Singapore Premier Minister, describes it as follows: Although the West has undoubtedly rescued Asia from its backwardness, “we do not want to embrace the West uncritically”, he says. Japan for instance, a classic precursor of ‘Westernness’ in Asia, has not renounced its traditional values. Dialectic tensions exist, leading to oscillations between accepting Westernness on the one hand and re-discovering indigenous values on the other. The cautious attitude to Western values might partly date back to colonial times, which not only led to exploitation, but also to significant threats to the cultural identity of some regions (a fact, that also holds true for Japanese colonialism). The West,
some critics remark, epitomises negative aspects of development such as deca-
dence, weapons, force, drugs and excessive individualism, and has reached a cri-
sis in terms of leadership. Its fundamental value systems and institutions are gra-
dually losing credibility, and it speaks with ‘forked tongue’. The question is
whether the young generation, whose majority embraces the Western lead, will
still agree with this should radical positions develop.

On principle, interference by the West is undesirable. The official position vis-
à-vis Western ideas are that Asian culture presents a well-ordered society, where
every individual enjoys maximum freedom within an orderly state. This, it is said,
prevents anarchy and strife. A major difference is that Asian values emphasize
the role of the individual within the wider family, with the state considered an
extension of the family. The principle of harmony states that individuals take
second place behind society as a whole. Asian states do not provide for individu-
als in areas where family structures are better placed to do so. Democratic tradi-
tions exist, but focus on global democratisation rather than democratisation
within the confines of national states. Harmony is an essential concept through-
out. Asian states are well able to deal with human rights, they simply take a dif-
f erent view than the West.

So much for the official position; in the face of Asia’s success, these ideas are
gaining ground. Looking closer however, it is apparent that the above values are
less representative of Asia than of Confucianism. China here plays an essential
role. The economic dynamics in Eastern and South East Asia are often univer-
sally accounted for by reference to the Confucian tradition and the presence of
Chinese Confucian minorities. Whilst they may well represent a strategic group
of industrialisation processes, growth is also influenced by global and regional
economic driving forces (for instance the flying-geese model or investments
from Asia). Given the multitude of cultures and values in Eastern and South E-
ast Asia, the only commonality is the joint rejection of the automatic supremacy
of the West. Non-Confucian societies have also begun to ‘look east’, and they
are numerous.

Whether there can and will be a ‘clash of civilisations’ as predicted by
HUNTINGTON is a matter of debate. Disagreements certainly exist, for instance
in the Philippines or Indonesia. These however are unlikely to spring from cultu-
ral differences alone. Such conflicts have often been instrumentalised by diffe-
rent interest groups or brought to a head by a sense of suppression or inequality.
Criminal dealings, corruption and mafia-like activities, playing an important role
in all those countries, add to this.
On the other hand, many Eastern and South East Asian countries are characterised by a fusion of values. Economic growth is acquired by Western methods and the appropriation of western strategies and patterns of thought. Western values are finding acceptance where necessary, but are tempered by a conscious choice of Asian cultural traditions over the wholesale adoption of Western value systems. Overall – and importantly –, Westernness is no longer a one-way street. Basic Asian attitudes and values such as suppression of the individual for the benefit of larger society might well gain ground. Other visions have greater power to exert influence than previously. The main point is to partially renounce Western values and to define an independent, non-Western (or at least not exclusively Western) identity based on Asian cultural traditions.

We need to leave behind the idea of the unipolarity of the world in terms of values too. A multipolar world is about to emerge. This emergence however will be a differentiated process of unknown timescale, speed and impact. We cannot therefore predict whether the 21st century will indeed be dominated by the Pacific. Development is influenced by too many variables. These include global economics and politics as much as the question whether stability can be maintained in the Pacific Asian countries or will fall prey to regional conflicts and fragmentation. Another unknown quantity is the development of China, which is likely to exert a considerable influence. The future development of the traditional economic powers is also uncertain. Many questions therefore remain. Ultimately, therefore, we cannot say for certain that the 21st century will be a Pacific century.
Abstract

The enormous leaps of growth and development experienced by Eastern and Southeast Asian states since the 1960s on account of their astonishing industrial development have led to concerns that a resulting global economic and political shift might favour the 'Pacific region' and occur at the expense of the 'Atlantic region'. A 'Pacific century' was proclaimed, in which Asian-Pacific countries were predicted to outpace the traditional leading powers of the West. Looking more carefully, however, it is quickly obvious that this view is too simplistic. Far from being a monolithic bloc, the Pacific-Asian region comprises a wide range of developed and developing nations. Democratic systems exist alongside autocratic and totalitarian regimes. Political tensions have so far prevented the Asian-Pacific region to show a united front. Economic, social, ethnic and cultural disparities are common in many of these States. In addition, the Asian crisis has shown that the region is not inviolate. Whilst global economic and political powers have shifted and are certainly continuing to shift, the effect on the Pacific States is therefore highly individual. The jury is still out on whether the 21st century will truly become a 'Pacific century'.
China’s Ascendancy in the Global Economy

Markus Taube & Ka-Wai Yiu

Introduction
In the course of the last quarter century China has become a major player in the global economy and today seems to be on a trajectory towards even greater prominence. The market-oriented transformation process initiated in China in the late seventies by Deng Xiaoping created the preconditions for the resumption of economic contacts that had been largely stagnant in the preceding years. Since then, China has freed itself from its former isolation and gradually integrated with the world economy. The gradual establishment of a market-based economic framework has step-by-step contributed to an economic environment that has allowed economic actors to exploit the comparative advantages of the economies concerned and enlarge the scope of labour division with China.

In the following we will first highlight the historical milestones which have brought China back into the global economy. Then China’s position in the global division of labour will be analysed by covering general features of the Chinese export/import industry. Another important aspect of China’s integration is the role of Foreign Direct Investments (FDI). The importance of inbound FDI for the creation of new industrial structures in China, the transfer of knowledge to China and finally their interaction with trade will be discussed first. As a topic that is only recently gaining importance but may have important implications for future developments, we will also touch upon China’s outward bound FDI flows and their potential to strengthen the position of China in the global economy. On the basis of these findings, China’s position and its effects in the global economy will be evaluated at the end of this paper.

Historical mile-stones of China’s integration in the global economy
China’s contemporary integration into the global economy amounts to a complete U-turn with respect to the role international economic relations have been
playing in China’s economic development strategy since the Communist Party has come to power in 1949.

Until the late 1970s China was one of the most isolated economies of the world. This isolation was on the one hand the result of an ideologically motivated rejection of foreign trade and capital flows – especially with the industrialised western economies. On the other hand China was a political pariah, being rejected by the Western world due to its participation in the Korea war and from 1960/1 onwards by the Socialist block led by the CCCP as well, when China and the CCCP encountered serious ideological differences and entered a diplomatic ice age.

Following an aborted initiative under the short Hua Guofeng reign (1976-1978) to import a large number of turn-key plants, China radically changed its strategy towards foreign economic relations from 1979 onwards. But how could international economic transactions utilized for the advancement of the domestic economy, if that was still organized in a hierarchical system of state planning and in the absence of a price system that would be able to indicate the relative scarcity of goods and production factors in the domestic economy and also in relation to the global economy? Without a big-bang transformation scheme the domestic economic system of order, i.e. central planning, had to be protected from incompatible ordering mechanisms like decentralized decision making and competition (TAUBE 1997). The solution found was the isolation of small parts of the economy, special economic zones, from the prevalent hierarchical system of order and allow them to adapt to the horizontal transaction structures underlying the global economic exchange. After a short time substantial amounts of FDI found their way into these enclaves and foreign trade picked up promoting rapid economic development.

With the success of these first enclaves of a market based economy, more and more regions were permitted to experiment with institutions and institutional structures specifically designed to cater to the needs of international economic exchange (table 1). In addition, with the gradual substitution of planning elements by market elements in the national system of order it became possible to invest decentralized economic subjects with an increasing range of decision making rights. The primary role of the opened regions has since then changed from functioning as adapter between incompatible systems of order to functioning as a gateway for ideas and concepts between the global economy and the Chinese hinterland.

In the run of this development process the Chinese economy has become increasingly susceptible for signals emanating from the global economy and has
gradually reorganized in such a way as to bring its specific factor endowments to full play. On December 11th 2001 China has finally become a full member of the World Trade Organization (WTO). This event marks the end of China’s “long march” into the WTO and represents at the same time a logical step in its market transformation process. China’s WTO entry is de facto a policy agenda for economic liberalisation and signals to economic actors inside China as well as in the world market that China’s transition to a full fledged market economy will continue and not stop in the middle of the road. As such China’s membership in WTO is a credible commitment to create and sustain a market oriented economic regime based on the principles of non-discrimination and transparency. It constitutes the (formal) completion of a total turn about-face from China’s former strategy of self-sustenance to one of full participation in the world economy.

Table 1: Sequential Regional Opening of the Chinese Economy

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1979</td>
<td>Establishment of a Export-Production Zone in Shekou (Shenzhen)</td>
</tr>
<tr>
<td>May 1980</td>
<td>The Provinces Guangdong and Fujian are granted privileges with respect to foreign trade and the attraction of FDI</td>
</tr>
<tr>
<td>August 1980</td>
<td>Establishment of 4 Special Economic Zones (Shantou, Shenzhen, Zhuhai, Xiamen)</td>
</tr>
<tr>
<td>May 1980</td>
<td>Declaration of 14 Open Coastal Cities and the island Hainan, some of them encompassing a specific Economic and Technological Development Zone</td>
</tr>
<tr>
<td>February 1985</td>
<td>Opening of three river deltas (Pearl River Delta, Yangtse Delta, South Fujian River Delta</td>
</tr>
<tr>
<td>March 1988</td>
<td>Expansion of open coastal economic area</td>
</tr>
<tr>
<td>April 1988</td>
<td>Hainan established as fifth Special Economic Zone</td>
</tr>
<tr>
<td>June 1992</td>
<td>Pudong (Shanghai) opened</td>
</tr>
<tr>
<td>March 1991</td>
<td>Establishment of 21 New High-Tech Development Zones</td>
</tr>
<tr>
<td>1992</td>
<td>Further 18 Economic and Technological Development Zones established</td>
</tr>
<tr>
<td>June 1992</td>
<td>Opening of 28 harbour cities on the Yangtse River</td>
</tr>
<tr>
<td>June 1992</td>
<td>Opening of 14 border cities</td>
</tr>
<tr>
<td>1992-1993</td>
<td>13 bonded warehouses established</td>
</tr>
<tr>
<td>March 1993</td>
<td>Establishment of 27 New High-Tech Development Zones</td>
</tr>
<tr>
<td>1994-1996</td>
<td>Inland Regions are granted greater authority with respect to foreign economic relations</td>
</tr>
<tr>
<td>March 2000</td>
<td>In line with the Great Western Development Strategy West Chinese regions receive greater authority with respect to foreign economic relations</td>
</tr>
<tr>
<td>December 2001</td>
<td>China accedes to the World Trade Organisation. Roll-out of general liberalisation and global opening process begins with industry specific timelines.</td>
</tr>
</tbody>
</table>

China’s Participation in Global Trade

Starting from an extremely low volume of goods traded internationally, China has continuously intensified its integration in the international exchange of goods and become more and more integrated in the global markets. As documented in table 2, today China has already become one of the most important trading nations in the global economy. In 2003 China’s exports rose by 34.6% to 438.4 bn. US$, while imports rose by 39.9% to 412.8 bn. US$ thereby propelling China to rank four in global exports and rank three in imports.

Table 2: China’s Share in World Merchandise Trade 2003

<table>
<thead>
<tr>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>bn. US$</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>United States</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>3</td>
</tr>
<tr>
<td>China</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>8</td>
</tr>
<tr>
<td>Canada</td>
<td>9</td>
</tr>
<tr>
<td>Belgium</td>
<td>10</td>
</tr>
</tbody>
</table>

* Retained imports (i.e., imports less re-exports) of Hong Kong are only 24.2 bn. US$.

Source: WTO data.

Figure 1 gives us a glance at the monthly development of China’s export/import trade. It shows the dramatic increase in China’s foreign trade in the wake of a subsiding ‘Asian crisis’ and China’s accession to WTO. At the same time it becomes obvious that China has overcome the last remnants of central planning in foreign trade by about 1997, which had been symbolized by the extraordinary peaks of foreign trade in December. Since then fluctuations in China’s foreign trade have become dependent on the global business cycle, exogenous shocks like the second gulf war, and institutional changes in China’s foreign trade regime. The dramatic increase of China’s exports at the end of 2003 and its dramatic decline in January and February 2004, e.g. has been caused by a reduction of the VAT reimbursements to exporters by 3 percentage points on average starting in January 2004. This institutional change resulted in a frenzy to export as many goods as possible before the new year begun, followed by a slack in export activity in the first months of 2004.
The growing integration of China in the international division of labour is also reflected in China’s high ratio of foreign trade to GDP. A share of exports in GDP of 31%, which China achieved in 2003 is highly remarkable for a ‘large’ country that according to economic theory should have extensive opportunities for domestic interaction, making foreign trade a comparatively costly alternative to domestic trade. China’s high foreign trade ratio is therefore an indicator of global integration as well as of domestic problems, i.e. intra-Chinese barriers to trade. The high foreign trade ratio, however, is also an outcome of China’s extensive export processing activities, which constitute about one half of China’s foreign trade. Export processing is a very important means to integrate developing economies in the global division of labour and gives them a chance to participate in the interregional division of industrial value chains. Such export processing activities, however, result in an over-proportional increase in the foreign trade ratio. By importing pre-products in the first place, which are then processed in labour intensive production processes, followed by the eventual export of the finished (or just further processed) product, comparatively high import and export volumes are generated. In contrast, the contribution to domestic GDP, the value added generated by the processing activities, is comparatively low.

At the begin of the reform era China’s foreign trade was determined by the amount of goods available for export, which were merely more than a residual item of domestic production and domestic consumption (OECD 1994). Lacking a price system that would be able to indicate the relative scarcity of a certain
good in the economy, China’s export activities were ‘blindfolded’ resulting in deals that from the perspective of its Western counterparts made no economic sense (but were highly profitable for Western traders) and to a certain extent ran counter to China’s actual comparative advantages (factor endowments). Since then China has converted its export structure into one that is determined by a price system based on relative scarcities. Comparative advantages have now been allowed to structure China’s exports.

Taking a closer look at the development of China’s exports it becomes obvious that the reform process and rapid economic development has gone along with a sizeable shift in China’s comparative advantages. This can be shown by using the Revealed Comparative Advantage (RCA) index which measures the relative export performance by country and industry. It is defined as the share of a country's exports of a certain product in the total exports of this country divided by the share of the exports of this product by the world in the world’s total exports. The result is transformed in a natural logarithm and multiplied by 100. The index takes a positive (negative) value if the first ratio is higher (smaller) than the second. A positive value indicates a revealed comparative advantage, i.e. relative strong export performance, of a country in the said good.

While resource-intensive, low-tech and labor-intensive products lay at the core of China’s export activities during the 1980s, China’s export structure had already changed quite dramatically in 1995. Agricultural and labor-intensive products still commanded positive RCA values, but at the same time China had already begun to establish positive RCA values in some medium-tech and more capital intensive products. This trend has continued into the 21st century. As depicted in figure 2 SITC groups 72, 74-77 belong to those products that feature the highest increase in RCA values from 1995 to 2001. At the same time, the product groups 74-77 belong to the 10 most important export goods of China.
In contrast, the product groups characterized by the greatest decline in RCA values are first of all concentrated in the field of agricultural products (figure 3). The declining values of product groups 67, 33 and 52 seem to be primarily determined by an increasing demand of the booming Chinese economy, which has not been able to keep up with the expansion of domestic production capacities. The declining RCA values for SITC 54, which includes products belonging to the area of the canon of traditional Chinese medicine, are to be seen against the background of these products’ prominence in China’s foreign trade even before the reform and opening policy. Demand for these products is largely restricted to the overseas Chinese community and therefore cannot increase at the same rates as that for other products.
Largely unaffected by these dynamic shifts in RCA values SITC groups 83-85 (footwear, clothing, hand bags etc.) have been featuring the highest RCA values throughout the period covered. Their consistent dominance provides an impressive documentation of China’s ability to uphold comparative advantages in labor-intensive manufacturing, while the economy is at the same time upgrading its industrial structure and creating revealed comparative advantages in increasingly technology-intensive industries.

As shown above, today China is a major player in global trade. As such, China’s import and export behaviour does have an impact on global prices resulting in inflationary as well as deflationary tendencies depending on sectors. China is exerting deflationary effects on the global economy in those sectors where its WTO accession allows it to bring its domestic resource endowments to full play and its export activities are no longer hampered by protectionist measures in its main export markets. Overcapacities in China’s major export industries make it possible to meet the new demand without significant increases in China’s export prices. These structural realignments result in global perspective in a reduction of the relative prices of these respective product groups over the longer term. In
addition a short-term effect exerts additional price pressure as at least for a certain period of time suppliers from other world regions that are being crowded out by Chinese suppliers will leave the market only after a certain period of time. In the interim period the global economy will be faced with excess production capacities and an oversupply in the respective goods.

Inflationary effects on the world economy are resulting from China’s large and – most importantly – rapidly rising shares in global imports of certain goods. Such inflationary effects, however, are restricted to goods that are imported to China in order to meet rising domestic demand resulting from a rapidly growing economy. Chemical products, bauxite, copper, zinc, iron & steel in general as well as inputs for steel production like iron ore and nickel belong to this category (UNCTAD 2003). The creation of new production facilities in China, however, can be expected to reduce the inflationary pressure emanating from China in these product categories in the mid term.

China’s booming imports are first of all destined for processing activities in China and to a large extent eventually re-exported. These booming import activities are therefore an indication of China’s integration in the global value chain and by making use of China’s abundant supply of cheap unskilled labor may result in cost savings and therefore deflationary impulses to the global electronics as well as clothing sectors.

The re-direction of global goods flows and changing relative price structures described above are having an impact on the terms of trade of China in the long run and other actors in the global trade arena. In those product groups, where Chinese exporters are granted better access to their main export markets a dampening effect on relative world market prices can already be observed and further effects have to be expected in the run of the implementation of the WTO-accession protocol. At the same time the WTO accession has induced an import surge of Chinese economic actors in the areas of capital and high end consumer goods as well as commodities brings about an increase in the relative prices of these goods as – at least in the short term – scarcity is going to increase. Therefore the terms of trade especially of industrialized economies are improving as their imports become cheaper while their exports can command higher prices. These changing terms of trade constellations are not confined to bilateral trade positions but apply to all transactions in the goods concerned as arbitrage processes lead to price corrections world wide.
Attraction of Foreign Direct Investment

Foreign direct investment (FDI) activities have been playing a central role in China’s economic development during the last two decades and are the key to China’s successes in global trade. Foreign invested enterprises (FIE) have been the driving force in the modernisation of China’s industry, providing it with new technological and organisational know how as well as access to new markets.

The initial legal and institutional basis for an inflow of FDI to China was established only in the late 1970s and early 1980s. But despite of various measures to attract foreign investors FDI inflows picked up only slowly in the 1980s (KHAN 1991). It was not before China’s strong commitment to a market economy in the early 1990s that the country was able to attract truly substantial amounts of FDI. The first “FDI-boom” began in 1992 and came to a halt in the turmoil of the Asian crisis. A short period of consolidation was quickly followed by the take-off of the second “FDI-boom” which finds its basis in China’s accession to the WTO in late 2001 (figure 4). In 2002 China eventually surpassed the USA and advanced to the very top of the globe’s most attractive destinations for FDI.

Figure 4: FDI Inflows to China 1978-2003, bn. US$

While the bulk of FDI is still being exchanged between the industrialized economies, China has been the prime destination for FDI in the developing world since the early 1990s. It has been absorbing 20-25% of all FDI directed towards these countries and a multiple of the FDI the whole African continent has been able to attract (figure 5).
China’s success in the attraction of FDI is mirrored by the important role FIE are commanding in terms of industrial production. In 2002 the share of FIE in China’s industrial production has risen to about one third of China’s gross industrial output value. In some industries, however, FIE are even more dominant. To name just a few examples: China’s passenger car production depends to 98% on FIE, 87% of computers 80% of electronic apparatus and 68% of telecommunication equipment are manufactured in FIE.

Outward bound Chinese Foreign Direct Investment
In recent years a new phenomenon of China’s integration in the global economy has become observable. Chinese economic subjects are increasingly reducing their dependence on multinational corporations and are turning into more pro-active players in the global economic arena. In comparison to the huge flows of inward-bound FDI, outward-bound FDI originating in China are still of an only minor magnitude (figure 6). But still, the rising intensity of outward investment activities by Chinese enterprises signals the dawning of a new stage in China’s integration into the global economy.
Outward-bound FDI used to be and still are one of the most heavily regulated fields of the Chinese economic system. Especially in the 1980s and early 1990s when foreign exchange was a scarce and very precious resource, China’s FDI flows were greatly influenced by political calculus and macroeconomic strategic considerations. The commercial interests of individual enterprises were often of only secondary importance for the investment decision (CAI 1999). While the overall development strategy, as devised by the economic bureaucracy in Beijing, is still playing an important role with respect to China’s FDI in the raw materials sector, today it is mostly the commercial interest and the strategic business development calculus of individual enterprises that drives China’s FDI activities.

In regional perspective China’s outward FDI had been highly concentrated in Hong Kong during the early stages of development. Chinese FIE in Hong Kong functioned as a ‘window to the world’ for state-owned enterprises, various branch ministries as well as local governments on the provincial, county and city level. The Hong Kong subsidiaries were to promote the export economy of their home localities, earn foreign exchange, access the international capital markets, and provide training possibilities for young managers and cadres (SUNG 1991, TAUBE 1997). In recent years the geographical reach of China’s FDI has increased substantially. China’s FIE are venturing outside the boundaries of ‘Greater China’ and start to actively explore the global markets.
According to data compiled by the Ministry of Commerce (MOFCOM), covering officially approved FDI only, about ca. 60% of China’s cumulative investment value 1979-2002 was directed towards Asia, followed by North America, Africa, and Latin America. Europe ranks fifth with FDI inflows only a fraction higher than those directed towards Oceania. Germany at rank 22 is the only European country listed in China’s top-30 FDI destinations.

The bulk of China’s FDI is still focused on trading activities, i.e. motivated by the intention to promote China’s export industry. In addition to such market oriented activities, Chinese enterprises are also conducting resource oriented investments in the industrialized as well as in the developing world. Such investments in the industrialized world are motivated by the desire to gain access to new technologies and know how generated in Europe and the OECD economies in general. This intention is also driving the establishment of R&D centres in developed economies. In Europe for example, Huawei Technologies as well as ZTE Corporation have established R&D centres in Sweden; Hai’er one in Germany and in Denmark eight Chinese companies have started technology alliances with Danish firms or acquired the firms as a whole (UNCTAD 2003a).

Resource oriented manufacturing activities are predominantly concentrated in Africa and South East Asia and are often designed to circumvent quota restrictions against Chinese exports to the Triad economies. Chinese textile & clothing companies, for example, have invested in Cambodia and Nigeria in order to gain quota-free access to the markets in Europe and the United States. The intention to secure natural resources for the further development of the Chinese economy lies at the heart of a rising share of FDI directed at oil respectively natural gas exploration and exploitation projects, mining ventures, as well as other natural resource based projects predominantly in Central and South East Asia. China’s steel and aluminium industry has recently started to get involved in joint exploration as well as production projects with Brazilian and Australian enterprises.

As a consequence of these activities, but still largely unnoticed by the developed world, a considerable number of Chinese enterprises has already become trans-national. And most importantly, Chinese enterprises are already beginning to position their own brands for overseas expansion and establish an international network of foreign affiliates. The Hai’er Group, for example, has already got a strong presence in South East Asia’s emerging markets and is right now on its way to become a major player in the United States. Legend, the largest computer manufacturer of China in April 2003 launched ‘Lenovo’ as its new brand for global market development. Mobile-phone producer Kejian is sponsoring the British premier league soccer club Everton, not only because British soccer is
drawing crowds to China’s TVs and sponsoring one of its top teams may be a good idea to strengthen name recognition in the domestic Chinese market, but also as a first step to introduce its brand name to the British markets.

At the same time, Chinese enterprises are also beginning to acquire established European brands in order to get a branded foothold in the European markets. The Chinese electronics maker TCL International Holdings, for example, has bought the insolvent German TV producer Schneider Electronics in September 2002. The 8 billion US$ deal includes Schneider Electronic’s plants, distribution networks as well as trademark rights to a series of brands, including the well-established brands Schneider und Dual (MCKINSEY 2003). In 2004 TCL has become a majority shareholder (67%) in a Joint Venture with France’s Thomson SA which will combine all TV and DVD related factories, research and development institutions as well as sales networks of the two companies in China, Vietnam, Germany, Mexico, Poland and Thailand. The new company TCL-Thomson Electronics is replacing Sony as the largest TV-maker worldwide.

**China: A new power in the global economy?**

China’s accelerating integration in the global division of labour has probably been the most important element of China’s recent economic development process. Foreign trade has been the lever to readjust prices in the Chinese economy and indicate relative scarcities on the level of goods as well as factors of production. A notion which had gone lost in three decades of central planning. FDI was the catalyst to bring China’s economy back to the global stage. It was foreign investors, first of all overseas Chinese from Hong Kong and South East Asia, that provided the knowledge of what products China could manufacture for the global market, and how to penetrate the markets of the industrialized world. In later stages of development China has been successfully trading domestic market shares for technological and organisational know how introduced to the economy by foreign investors.

Today China has already become a major player in the global economic circus and the world economy will have to learn to deal with a strong Chinese economy that in the coming decades will increase its leverage over the direction and intensity of global goods and factor flows. Already today global prices for various commodities and some goods like electronic consumer goods and clothing have become very sensitive to changes in the supply and demand of China. This phenomenon will become more pronounced in the future and extend to a larger array of products. Furthermore, China is expected to become the major player on
the global capital markets in 15-25 years time (GOLDMAN SACHS 1999), thereby greatly increasing its influence on the global price of capital.

China is not challenging the established players in the global economy in the field of labour-intensive, low-tech industries alone. China has already become an important manufacturer of products belonging to the medium-skill/white-collar and even high-skill industries. And the challenge does not stop here. Chinese enterprises are on the verge of becoming pro-active players in the global economy. No longer content with being dependent on MNCs from the triad and other economies, who are taking advantage of China’s favourable factor endowments, a rising number of Chinese enterprises is venturing abroad and establishes its own brands on the global markets. As such the challenge arising from China to the world has reached a new level. It is no longer just a question of export competition by products manufactured in China under the direction of the MNCs of the industrialized world. Now Chinese enterprises are challenging these very enterprises in their home markets.

**Bibliography**


Abstract
The size of China’s market and its past rate of growth are impressive by any means. This article depicts China’s ascendancy in the global economy. Important for this development are political aspects, China’s participation in trade and the receiving and latter spending of Foreign Direct Investments. The impacts of China’s partaking in the global economy are various but can be especially seen with prices. Already today global prices for various commodities and some goods have become very sensitive to changes in the supply and demand of China. The world economy will have to learn to deal with a strong Chinese economy that in the coming decades will increase its leverage over the direction and intensity of global goods and factor flows.
Vietnam
A New Asian Economic Tiger?

Michael Waibel

The development of the Vietnamese economy has been widely praised as a success story. Since the promulgation of the Renovation (Doi Moi) Policy during the Communist Party’s sixth National Congress in December 1986, the Vietnamese government has implemented many reforms (see Table 1) thereby gradually transforming from a central-planned socialist economy of heavy industrial and primary resource development to value-added services and goods production, as well as encouraging domestic and foreign investment, creating a market economy and raising the overall standard of living for its people. In this context, a strategy of gradual integration within the world economy as well as a policy of export-orientated industrialisation have been adopted. In April 1992, a new state constitution was approved which reaffirmed the central role of the Communist Party of Vietnam (CPV) in politics as well as society and which outlined government reorganisation and increased economic freedom. Although Vietnam remains a one-party state, economic development has become more important as a national priority than adherence to ideological orthodoxy.

Following the popular ‘flying geese model’ (see also paper of KREISEL in this publication) the latecomer nation of Vietnam has already been labelled as new ‘economic tiger’. This expression is a synonym for a New Industrializing Country (NIC). Important characteristics of a tiger economy are high economic growth rates which are mainly export-led and which are primarily focused on the industrial sector: From exporters of raw materials and of low-value-added products, such countries have developed into exporters of partially and fully manu-

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1 The ‘Flying geese model’ (FGM) of economic development was introduced by the Japanese economist AKAMATSU in the 1930s. It tries to explain the phased regionally agglomerated growth in East and Southeast Asia. In the FGM, foreign direct investments (FDI) and trade play an important role: In the investing countries the relocation of labour-intensive industries releases resources for emerging industries, making it possible to upgrade the industrial structure. In the receiving countries, the inflow of FDI helps to transfer funds, management know-how and technology needed for catching up with the industrial countries. Following the FGM, Japan is regarded as leading goose, Singapore, Taiwan, Hong Kong and South Korea as tiger economies of the 1st generation, Malaysia and Thailand as tiger economies of the 2nd generation.
factured goods, achieving an increasing share of the global market. The exports of manufactured goods mostly originate from transnational corporations, in the case of the tiger economy of Malaysia, the percentage is even 90% (Waibel/Jordan, forthcoming).

Table 1: Selected Reforms as a consequence of the introduction of Doi Moi Policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>Proclamation of Renovation Policy (Doi Moi) at the Communist Party's sixth National Congress in December 1996</td>
</tr>
<tr>
<td>1987</td>
<td>First Law on Foreign Direct Investment (FDI)</td>
</tr>
<tr>
<td>1988</td>
<td>Resolution No. 10 - Allocation of land use rights to households</td>
</tr>
<tr>
<td>1993</td>
<td>New Land Law - Land use rights can be transferred, exchanged, leased, inherited, and mortgaged; revised 1998</td>
</tr>
<tr>
<td>1994</td>
<td>Lifting of Embargo by the U.S.</td>
</tr>
<tr>
<td>1994</td>
<td>Ordinance on rights and responsibilities of foreign organisations and individual in Vietnam dated October 14, 1994</td>
</tr>
<tr>
<td>1995</td>
<td>Accession to the Association of Southeast Asian Nations (ASEAN)</td>
</tr>
<tr>
<td>1995</td>
<td>First Civil Code</td>
</tr>
<tr>
<td>1995</td>
<td>Fully Diplomatic Relations with the U.S.</td>
</tr>
<tr>
<td>1996</td>
<td>New Law on Foreign Investment dated 12 November 1996</td>
</tr>
<tr>
<td>1997</td>
<td>Decree No. 12/CP on Foreign Investment in Vietnam</td>
</tr>
<tr>
<td>1999</td>
<td>Law on Enterprises dated June 12, 1999</td>
</tr>
<tr>
<td>1998</td>
<td>Accession to the Asian Pacific Economic Community (APEC)</td>
</tr>
<tr>
<td>2000</td>
<td>Decree No. 24/2000/ND-CP, regulating in detail the implementation of the Law on Foreign Investment in Vietnam</td>
</tr>
<tr>
<td>2000</td>
<td>Enactment of a new Enterprise Law</td>
</tr>
<tr>
<td>2001</td>
<td>Ratification of the Bi-Lateral Trade Agreement (BTA) with the U.S.</td>
</tr>
<tr>
<td>2001</td>
<td>Law on the Organisation of the Government</td>
</tr>
<tr>
<td>2006</td>
<td>Planned accession to the World Trade Organisation (WTO)</td>
</tr>
</tbody>
</table>

*Source: Own Compilation.*

This paper aims to answer the question, whether Vietnam can already be labelled a new ‘economic tiger’. At the same time, the economic and the social development of Vietnam in the course of transition will be highlighted and finally, challenges still to be met will be shortly mentioned.
Vietnam’s economic achievements in the regional context

Vietnam’s GDP per capita expressed in PPP dollars rose by an astonishing 5.9% on average annually from 1990-2002. This is the highest growth of all Southeast Asian countries in the specified period (see Table 2). Only China outbalanced Vietnam with a stunning 8.2% growth rate (see also paper of TAUBE/YIU in this publication). Also, Vietnam was able to avoid the worst effects of the 1997-98 Asian financial crisis. The sustained high rates of economic growth together with a remarkable macro-economic stability verify the success of Vietnam’s opening policy. However, the GDP per capita with 2,300 PPP US$ is still relatively low. Even assuming that a substantial part of revenue is generated by the large informal sector in Vietnam, a fact unaccounted for by official statistics, the income gap has remained huge in comparison to second generation tiger economies such as Malaysia and Thailand. Furthermore, the living standards of countries like Indonesia or the Philippines outreach by far that of Vietnam.

Table 2: GDP, GDP per capita and the annual growth rate of GDP per capita of the Southeast Asian Countries and of China

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5860,9</td>
<td>4,580</td>
<td>8,2</td>
<td>8,6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>682,9</td>
<td>3,230</td>
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<td>2,1</td>
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<tr>
<td>Thailand</td>
<td>431,9</td>
<td>7,010</td>
<td>5,2</td>
<td>2,9</td>
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<tr>
<td>Philippines</td>
<td>333,5</td>
<td>4,170</td>
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<td>Malaysia</td>
<td>221,7</td>
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<td>Vietnam</td>
<td>185,4</td>
<td>2,300</td>
<td>5,0</td>
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<td>100,1</td>
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<td>Lao People’s Dem. Rep.</td>
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<td>Myanmar</td>
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<td>1,027</td>
<td>1,8</td>
<td>5,7</td>
</tr>
</tbody>
</table>

PPP: Purchasing Power Parity.


A further serious problem is the growing gap between rural and urban incomes in the process of transition (DAPICE 2003: 13ff.). These increasing socio-economic disparities have been clearly proven in the Viet Nam Living Standards Surveys jointly conducted by the State Planning Committee and the General Sta-
tistical Office in 1992-1993 and in 1997-1998 on a country-wide scale (see also HAUGHTON et al.: 2001) as well as in the 2002 Vietnam Household Living Standards Survey. According to KOH (2004: 56) two-thirds of the rich in Vietnam are found in the urban areas, and only ten per cent of the residents in the countryside are considered well-off. The areas which have profited most are the largest cities – the economic hub of Ho Chi Minh City in the south and the capital Hanoi in the north (NCSSH 2001: 90ff./WAIBEL 2002/BERESFORD 2003: 67f.). These metropolises are Vietnam’s most outstanding motor of innovation, growth and modernisation (Waibel 2004B: 10). Meanwhile, a modern consumer society has evolved there. Transnational corporations have erected many hotel- and office towers in the Central Business Districts of these metropolises, which gain more and more resemblance to the skylines of the neighbouring capitals. Similarly as in the transition countries of Eastern Europe, the metropolitan areas represent main target regions for flows of foreign direct investment (FDI) and display by far the highest per capita incomes in the country (WAIBEL 2004A: 31; FASSMANN 1999: 17).

Moreover, the income disparity among the whole population which can be recognized through the GINI coefficient\(^2\) has jumped significantly in Vietnam: The country’s Gini coefficient rose from 0.350 in 1995 to 0.410 in 2002, just above the level of China, which has a Gini coefficient of 0.404 (LAM 2002). According to TAYLOR (2004: 2), ‘[…] inequalities are growing and becoming more visible, in contemporary Vietnam.’

On provincial level, the highest incomes disparities are to be found within the municipality of Vietnam’s largest metropolis Ho Chi Minh City. Nowhere else in Vietnam can such a distinctive degree of polarisation as well as fragmentation of urban society be encountered. Here, the GDP per capita in PPP US$ of the richest 20% of the population is 11 times higher than that of the poorest 20% of the population (NCSSH 2001: 90). Not unusual for transitional economies, the income of these poorest 20% is still higher than the average income per capita of almost all rural provinces in the country. An illustrating visual example for the increase in social polarisation is the huge city extension project Saigon South, just 4 km south of the central District No. 1 of Ho Chi Minh City with mixed residential and commercial urban development for a projected population in the year 2020 between 500,000 and 1,000,000 people (WAIBEL 2004B). The conceptual design and implementation of Saigon South is a visual symbol for the political wish to be part of a globalizing modern community as well as for an interna-

\(^2\) The Gini coefficient receives a value of 0 to 1. If the Gini coefficient is 0, there is no disparity. The closer the Gini coefficient approaches 1, the higher the disparity is.
tionally standardized town planning, driven by neo-liberal market forces. In contrast, aggravated by the ongoing real-estate and speculation boom, Ho Chi Minh City’s low-income inhabitants concurrently have almost no chance to get adequate shelter. Whereas numerous landless migrants are forced to build up marginal settlements with almost no security of tenure along the many canals of Ho Chi Minh City, the needs of the beneficiaries of transition are exclusively served within the well-guarded Gated Communities of Saigon South (see Figure 1).

Figure 1: Social Polarisation in the urban fabric of Ho Chi Minh City: Marginal Settlements along a Canal – Gated Community within Saigon South


Here, Vietnam’s nouveaux riches will live, who follow an upscale Western lifestyle and value security as well as comfort (WAIBEL 2004b). In this way, the de-
velopment of Saigon South is contributing to the increasing process of physical, functional and social segregation within the municipality of Ho Chi Minh City.

Besides Vietnam’s undisputable success in economic respects, the country has also made tremendous progress in terms of social development, also compared to other low-income countries.

**Vietnam’s social achievements in the regional context**

As a matter of course, the development level of a country can not only be considered to be based on the GDP per capita but on the development level of social humanity as well (BOOTHROYD/NAM 2000: 160). The Human Development Index (HDI) has become a standard means of measuring well-being, since both economic and social indicators are taken into consideration. Vietnam’s score of 0.52 compared to a maximum score of 1.0 ranked it at 112th of 177 countries in 2002 (UNDP 2004a; see also Table 3). In 1990, Vietnam still had a considerably lower HDI value of 0.46 (UNDP 1992). Nowadays, Vietnam is part of the group of so-called ‘medium human development’ countries, as classified by the UNDP.

Although Vietnam’s per capita income is lower than in most neighbouring countries, the social indicator of adult illiteracy rate for example, shows that Vietnam has a better position than more prosperous countries like Malaysia or Indonesia. The percentage of people in Vietnam living on 1 US$ per day is only slightly lower than in richer countries like China or the Philippines. More impressing, this percentage dramatically dropped from 50.8 % in 1990 to 13.6 % in 2002 (World Bank 2004: 15). This shows the massive success of Vietnam’s poverty alleviation efforts in the 1990s. A key to rapid poverty reduction in the 1990s was the redistribution of agricultural land to rural households (World Bank 2004: 1). The World Bank even states that ‘Vietnam’s achievements in terms of poverty reduction are one of the greatest success stories in economic development’ (World Bank 2004: 1). On the other hand, the decline in poverty is much more moderate when using the two-dollars-a-day poverty line: The contrast between these trends is due to the fact that a large proportion of the Vietnamese population is not badly poor anymore, but it is certainly not affluent yet (World Bank 2004: 15). This is supported by the fact, that all countries placing better in the HDI-Ranking have a lower percentage in the two-dollars-a-day indicator.

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3 The HDI is a composite index measuring average achievement in three basic dimensions of human development - a long and healthy life, knowledge and a decent standard of living, measured by the GDP per capita in PPP).
Table 3: Human Development Index Rank and Income Poverty of the Southeast Asian Countries and of China

<table>
<thead>
<tr>
<th>HDI Rank</th>
<th>Adult illiteracy rate</th>
<th>Population below income poverty line (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(% ages 15 and above)</td>
<td>$1 a day $2 a day</td>
</tr>
<tr>
<td>Singapore</td>
<td>25</td>
<td>7,1</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>33</td>
<td>6,5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>59</td>
<td>11,3</td>
</tr>
<tr>
<td>Thailand</td>
<td>76</td>
<td>7,4</td>
</tr>
<tr>
<td>Philippines</td>
<td>83</td>
<td>7,4</td>
</tr>
<tr>
<td>China</td>
<td>94</td>
<td>9,1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>111</td>
<td>12,1</td>
</tr>
<tr>
<td>Vietnam</td>
<td>112</td>
<td>9,7</td>
</tr>
<tr>
<td>Cambodia</td>
<td>130</td>
<td>30,6</td>
</tr>
<tr>
<td>Myanmar</td>
<td>132</td>
<td>14,7</td>
</tr>
<tr>
<td>Lao People's Dem. Rep.</td>
<td>135</td>
<td>33,6</td>
</tr>
</tbody>
</table>

- **a.** Data refer to the probability at birth of not surviving to age 40, multiplied by 100. They are medium-variant projections for the period.
- **b.** Data refer to the most recent year available during the period specified.
- **c.** Poverty line is equivalent to $1.08 (1993 PPP US$).
- **d.** Poverty line is equivalent to $2.15 (1993 PPP US$).


Similar as for the economic indicators, there are huge regional disparities for social development indicators such as school enrollment, life expectancy and access to basic social services in Vietnam. Among the poorest provinces of Vietnam are those in the remote and mountainous regions, where a large proportion of the population consists of ethnic minorities (NGU 2004: 208f.). The National Human Development Report of 2001 shows for example, that in the province of Vietnam with the worst HDI-rank, the Lai Chau Province in the North-West, over 76.7 % of the population is without access to safe water (NCSSH 2001: 90f.). This is in sharp contrast to the best-classified province Hanoi where the percentage is only 1.4 %. Another indicator which may illustrate the huge regional disparities is the infant mortality rate which is six times higher in Lai Chau (6.45 %) than in Hanoi (1.10 %) (NCSSH 2001: 100f.).

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4 In the study, the HDI rank for the Province of Ba Ria-Vung Tau was actually the best. However, this should be interpreted with care, since most of GDP of this province came from oil and gas revenues that accrue largely to the central Government (UNDP 2002: 89). Therefore the author chose the municipality of 2nd-placed Hanoi as comparative example.
According to World Bank (2004: 1/134), the further reduction of poverty in Vietnam may become progressively difficult as rural and ethnic minority households concentrated in remote areas will offer ‘tougher pockets of resistance’ (see also World Bank 2002: 4). These households will represent a great majority of the poor for many years to come.

The Role of Foreign Direct Investments (FDI)

One of the key factors in Vietnam's integration into the global economy and in the successful economic development is the promotion of Foreign Direct Investments (FDI). Inbound FDI are a reflection of the country's economic environment and are regarded as essential for the movement toward a market economy as well as for the creation of new industrial structures. Moreover, FDI are considered important to provide scarce investment capital, access to western markets as well as to facilitate the privatisation and restructuring process of Vietnam’s transitional economy (MAI 2004: 14).

In 1987, the Vietnamese government promulgated for the first time a Law on Foreign Direct Investment which has been repeatedly amended and renewed since that time (see Table 1). In this context, the export-led industrialisation strategies of the tiger economies of the 1st generation served as a role model (REVILLA-DIEZ 1995: 164). According to KHAI (2003: 176) the FDI demand also put great pressure on the Vietnamese policy makers to adopt significant economic reforms in order to attract the much needed foreign capital. Like China, Vietnam was able to draw considerable benefit from outsourcing strategies of transnational corporations in the regional contest for favourable locations. The main cause of the foreign investors to come to Vietnam was the search for abundant, well educated, highly literate and cheap labour (MAI 2004: 30). Another important motivation was the large and fast developing domestic market.

From a very low starting point, the FDI-boom set in at the beginning of the 1990s and reached a climax in 1996 (see Figure 2). In the turmoil of the Asian crisis the FDI inflows decreased dramatically. Since that time, the FDI inflows have mostly been modest, also relative to China (DAPICE 2003: 1).

Only recently have FDI begun to rise again significantly. Reasons for this are a low terrorist risk profile, the increasingly stable economy, the gradually improved investment environment, the Bilateral Trade Agreement (BTA) with the United States and increased economic prospects in the context of the accession to the WTO now planned for 2006. According to the recently published ‘Vietnam Development Report 2005’, the ratio of FDI inflows to GDP in Vietnam even surpasses that of China in the meantime (World Bank 2005: 38). However, the em-
employment effects of the foreign-invested sector are not tremendous: According to the Foreign Investment Department (FID), this sector employed 739,000 workers in 2004. Given the fact that approximately 1.0-1.2 million people enter the labour force of a total 38.6 million (2003) each year (GSO 2004: 39), the Vietnamese government will not be able to solely rely on foreign corporations to create sufficient jobs.

Figure 2: FDI Inflows to Vietnam 1988-2004, million US$, Committed Capital

The actual committed FDI flows in Vietnam until the 20th of November 2004 totalled 45,368 million US$ for 5,021 projects with 25,959 million US$ already implemented (see Table 4).

Table 4: FDI by Country, total to November 20, 2004

<table>
<thead>
<tr>
<th>Country or Territory</th>
<th>Projects</th>
<th>Total Capital (million US$)</th>
<th>Implemented Capital (million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>332</td>
<td>7,953.7</td>
<td>3,228.3</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1,235</td>
<td>7,180</td>
<td>2,789</td>
</tr>
<tr>
<td>Japan</td>
<td>481</td>
<td>5,351</td>
<td>4,122</td>
</tr>
<tr>
<td>South Korea</td>
<td>823</td>
<td>4,712</td>
<td>2,875</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>320</td>
<td>3,142</td>
<td>1,893.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,021</strong></td>
<td><strong>54,368.4</strong></td>
<td><strong>25,959</strong></td>
</tr>
</tbody>
</table>

Source: VEA 2004B: 58.
The most important countries of origin of FDI flows into Vietnam are the tiger economies of the 1st generation, Singapore, Taiwan, Hong Kong and South Korea as well as of the leading goose Japan. This seems to confirm the flying geese model of economic development. With committed FDI flows of 253.6 mio US$, Germany is only on position 17 in the ranking of FDI donating countries, behind countries such as Australia, the Netherlands or Switzerland (VEA 2004B: 58). In contrast, Germany is the most important European trading partner of Vietnam.

The biggest German single investor has been the commercial enterprise ‘METRO Group’ which has successfully launched three huge superstores in the periphery of Ho Chi Minh City and Hanoi (see Figure 3). Five more openings, among others in Haiphong and in Danang are in the process of planning (SIEREN 2004: 25).

Figure 3: Superstore of METRO AG in Ho Chi Minh City

The regional distribution of FDI has been very uneven and contributed to the rising disparities in Vietnam. This can best be illustrated with the development of so-called Export Processing Zones (EPZ) and Industrial Zones (IZ) in Vietnam (see also paper of JORDAN in this publication). These zones usually offer a superior investment environment to that available outside: the physical infrastructure is better, rents are subsidized and one-stop approval and licensing procedures are available (World Bank 2004: 38/WAIBEL 2003: 12f.).
Similar as in the tiger economies of the 1st and 2nd generation, the development of EPZ/IZ has become a central part of export-led industrialisation in Vietnam (WAIBEL/JORDAN, forthcoming). In this process, the tiger economies like Singapore, Taiwan or Malaysia actively exported their development model to Vietnam (WAIBEL/JORDAN 2004: 31f.). Characteristically, Vietnam’s first EPZ, the Tan Thuan Export Processing Zone was licensed in September 1991 through a joint venture between the Peoples’ Committee of Ho Chi Minh City and the Central Trading and Development Corporation (CT&D), owned by Taiwan’s ruling Kuomintang Party (KMT) (WAIBEL 2003: 12). Typical for the transitional process of Vietnam as well, this happened one month before a decree of the Prime Minister officially legitimated the operation of such Export Processing Zones.

As of May 2004, almost 90 EPZ/IZ had been authorized, of which 61 were operational. (VEA 2004: 51f.). About two thirds of all zones are located in the so-called Southern Key Economic Region (SKER), which consists of the economic hub of Ho Chi Minh City and the surrounding provinces (see Tab. 5). There alone, over 80% of all EPZ/IZ Zones workers are employed (VEA 2004: 51). Also, more than 80% of all FDI implemented within EPZ/IZ have been realized in the SKER (see Table 5).

<table>
<thead>
<tr>
<th>Vietnam</th>
<th>HCMC in % of VN</th>
<th>SKER in % of VN</th>
<th>Hanoi in % of VN</th>
<th>NKER in % of VN</th>
<th>CVKEZ in % of VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of EPZ</td>
<td>61</td>
<td>19.7</td>
<td>65.6</td>
<td>4.9</td>
<td>13.1</td>
</tr>
<tr>
<td>Area in ha</td>
<td>9,006</td>
<td>15.9</td>
<td>74.9</td>
<td>3.2</td>
<td>10.0</td>
</tr>
<tr>
<td>FDI in million US$</td>
<td>10,885</td>
<td>14.1</td>
<td>83.6</td>
<td>6.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Domestic Inv. in bill. VND</td>
<td>65,769</td>
<td>19.4</td>
<td>77.8</td>
<td>0.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Utilisation rate in %</td>
<td>58.4</td>
<td>63.8</td>
<td>57.7</td>
<td>41.6</td>
<td>41.8</td>
</tr>
</tbody>
</table>

Source: VEA 2004: 51; Own calculations.

Furthermore, this region has received half of all disbursed FDI in Vietnam up to May 2004. In addition, the SKER is the only region of the country, which attracts sizeable volumes of labour migrants on a nation-wide basis (UNDP 1998). On the other hand, the Northern Key Economic Region (NKER) with the eco-

5 According to a decree issued by the Prime Minister in August 2004, the SKEZ includes HCMC, Dong Nai, Binh Duong, Ba Ria Vung Tau and since July 2003 the provinces Tay Ninh, Binh Phuoc and Long An as well. The Northern Key Economic Region (NKER) includes Hanoi, Hai Phong, Quang Ninh, Hai Duong, Hung Yen, Ha Tay, Vinh Phuc and Bac Ninh. The Central Vietnam Key Economic Region (CVKEZ) includes the municipality of Da Nang and the provinces of Thua Thien-Hue, Quang Nam, Quang Ngai and Binh Din (WAIBEL/JORDAN, forthcoming)
nomic axis Hanoi/Hai Phong attracts only 10% of all FDI implemented within EPZ/IZ (see Table 5). Furthermore, the utilisation rate of the EPZ/IZ in the NKER is considerably lower than the average. So far, only 5 EPZ/IZ are actually located outside the key economic regions.

Although the EPZ/IZ have not contributed to a more even regional development of Vietnam either and mostly have not fulfilled the expectations of the Vietnamese government, these zones have been a valuable market economy oriented laboratory for the restructuring of the Vietnamese economy and for the set-up of a legal framework in respect of foreign investors (WAIBEL 2003/BECKER 2004: 116f.).

Besides FDI, official development assistance (ODA) constitutes another major source of external capital for a developing country on its way towards a tiger economy.

**The Role of Official Development Aid (ODA)**

With the beginning of the Doi Moi reforms, Vietnam has received rising shares of development aid from the international community. Since the mid-1990s, Vietnam has consistently been among the top ten recipient countries of ODA, according to OECD statistics (UNDP 2004B: 2). The sectoral distribution of infrastructure-related ODA has changed over time: From 1993 until 1995, water and sanitation projects were dominant while energy projects accounted for the largest share of infrastructure disbursements from 1996 to 2000. The large development banks became active during this period. Between 2001 and 2003 the dominant sector was transport, representing over 50 percent of total disbursements in infrastructure.

In 2003, Vietnam broke the 2 billion US$ barrier for the first time (see Figure 4) which represents an increase of 45 percent over 2002 (UNDP 2004B: 6). Simultaneously, the number of projects fell slightly to 1,130, implying a drastic boost in the value of the average project. This massive increase in ODA disbursements can be explained by three main factors: the re-emergence of projects with disbursements larger than 100 million US$; almost doubling of ODA disbursements of Japanese yen; and the depreciation of the US$ against the euro and Japanese yen (UNDP 2004B: 6). In 2003, major infrastructure like the upgrade and rehabilitation work on the National Highway No. 1 remained the largest ODA category with total disbursements of 847 million US$. The second major ODA category in 2003, accounting for 26 percent of total disbursements in Vietnam, was policy support.
According to UNDP (2004B: 7) ODA to Viet Nam can still be characterized as a large number of small projects combined with a small number of large projects. In 2003, 25 bilateral donors in addition to the World Bank, the Asian Development Bank, the UN Agencies and other multilateral organisations reported ODA disbursements in Viet Nam (UNDP 2004B: 29).

The top six donors in 2003 were Japan (599 million US$) (see Figure 5), the World Bank (575), the Asian Development Bank (252), France (106), Australia (65) and Denmark (61) (UNDP 2004B: 29f.). Germany was the ninth largest donor with a total disbursement of 40 million US$.

In contrast to the regional distribution of FDI, the regional distribution of ODA in the last years has mirrored much more the local distribution of poor households in Vietnam (UNDP 2004B: 37). Nevertheless, the ODA-Report of the UNDP (2004B: 39) stresses the importance of looking at the evolution of regional disparities in basic human development indicators in order to avoid major geographical differences and at the same time calls for a more even spatial allocation of ODA not only in terms of general disbursements, but also by type and sector.
Results: Structural Changes of the Economy

In the past 15 years, considerable progress was made in the restructuring of the economic sectors. Between 1990 and 2003, the proportion of industry and construction substantially increased from 22.6 % to 40.0%. At the same time, the proportion of agriculture, forestry and fishery decreased from 38.7 % to 21.8 % (see Figure 6). Despite this shrinking portion, the output of agriculture, forestry and fishery ensured national food security, which had been an essential problem just two decades ago.

The average annual growth of the manufacturing industry of 11.4 % in the period from 1993-2003 is impressingly large, which underlines the success of Vietnam’s strategy of industrialisation. A major driving force of this growth has been the highly dynamic private sector which also increasingly contributes to the growth of exports. While less dynamic than their private sector counterparts, state-owned enterprises (SOEs) in manufacturing have also been increasing their output at an impressive rate, which according to World Bank (2005: 70) would be considered more than acceptable in many countries around the world.

Although the average annual growth in the agricultural sector was comparatively lower with 4.2 % in the same period, ARKADIE/MALLON (2004: 180) state, that this growth was ‘also impressive compared with long-term historical trends and international experience’.
Also, the primary sector diversified its range of products to coffee, tea, cashews, pepper, cinnamon, rubber, fruit and vegetables as well as to seafood and aquaculture. Furthermore, the high growth rate in agriculture substantially helped to slow the widening gap between rural and urban incomes (AKARDIE/MALLON 2003: 180). Also, agricultural growth has generated non-agricultural rural employment opportunities in food processing industries and services (AKARDIE/MALLON 2003: 190).

**Trade Balances**

The main engine for economic growth in Vietnam has been the expansion in exports which reflects the rising integration of the Vietnamese economy in world markets. According to DAPICE (2003: 3) Vietnam’s export growth is an ‘unambiguous success’. From a closed economy with a very low ratio of trade to GDP, Vietnam has transformed to an economy whose foreign trade is larger now than its GDP (UNDP 2003: 54f./ARKADIE/MALLON 203: 186).


At the same time, the growth rate of imports was much higher than that of exports: The value of import goods and services rose from 4,199 million US$ in 1993 to 25,227 million US$ in 2003 (VEA 2004: 50). Therefore, the resource balance is increasingly negative from -442 million US$ in 1993 to -5,051 millions US$ in 2003. Whereas Vietnam has a trade surplus with the U.S. and the Euro-
The signing of the Bilateral Trade Agreement (BTA) with the United States in 2001 helped to advance the United States to be the most important export market, followed by the European Union and Japan. For the coming years Vietnam has committed - under the Asian Free Trade Area (AFTA) and agreements with the World Bank and the IMF - to liberalize its trade and investment rules even further. The gradual development of a transparent, rules-based trading and investment system will be required for the later entry into the WTO. So far, Vietnam has undertaken nine rounds of multilateral negotiation on accession to the
Word Trade Organisation, WTO, and has completed bilateral negotiations with six of 27 partners requesting talks. According to an announcement of Trade Minister Truong Dinh in March 2005, however, Vietnam will miss its end-of-2005 deadline, so that the first months of 2006 will be the new target (VEA 2005). Certainly, the accession to the WTO will further boost foreign trade.

The principal export goods are crude oil, garments and textiles, footwear, sea products, rice and coffee. For example, Nike and Addidas rely on Vietnam as one of their most important production locations. On the import market side, the regional neighbours China, Japan as well as the tiger economies of Taiwan and Singapore play the most significant role. In an initial assessment, this certainly underlines the adaptability of the Flying Geese Model. The principal import goods are refined petroleum, textile, steel, cloth and fertilizers. However, the dominance of agricultural and labour intensive light manufacturing goods on the export side versus the dominance of preliminary products and manufactured goods on the import side indicates that Vietnam still is a developing country. So far, Vietnam has no significant production base for high-tech products and the know-how transfer from the Export Processing and Industrials Zones, hoped for by the Vietnamese government, is rather marginal (WAIBEL/JORDAN, forthcoming).

An illustrating example for this assessment is that Vietnam has to export crude oil and to import refined petroleum products at the same time. The completion of the country's first oil refinery, the long-troubled Dung Quat refinery, a US$1.3 billion project located in Quang Ngai province was already licensed in 1997, but had to suffer from several delays (DZUNG 2003). The political decision of the Vietnamese government to develop its central provinces and therefore to choose Quang Ngai province turned out to be a great mistake. This location is approximately 1,000 kilometres from the country's main oil fields off Vietnam's southern shore and also far away from the country's economic hubs Ho Chi Minh City and Hanoi (DZUNG 2003). As a result, the refinery's location implies higher transportation costs for both crude oil and refined products which makes a profitable operation rather complicated. Also, the petroleum industry in Southeast Asia already has surplus capacity which significantly dampens the economic prospects. In 2002, the state-run Russian Zarubezhneft Group finally withdrew from the project. On December 31, 2002, Vietnam had to reimburse Russia the $235 million it had invested in the joint venture (DZUNG 2003). Consequently, the Vietnamese Government decided to dissolve the joint venture and to carry out the project alone (DZUNG 2003). Now it is due to become operational by the end of 2005 or early 2006. The difficulties in establishing its own refinery pro-
duction are not the only challenge the Vietnamese government has to meet on its way to become a new Asian economic tiger.

**Development Challenges**

As shown, Vietnam has made tremendous progress in terms of economic and social development since the introduction of Doi Moi reforms. Not wrongly, the upheaval of the Vietnamese economy is widely recognized as a success story. None the less, international development agencies like the World Bank, the International Monetary Fund or the UNDP as well as scientists have identified some problem fields which still need to be addressed to further develop towards a new Asian economic tiger. To name a few, the modernisation of the legal framework aiming at promoting domestic capital and attracting foreign investments, the implementation of the Public Administration Reform (PAR) envisioning a more transparent, participatory and predictable public administration, the reduction of red tape, corruption and nepotism, the acceleration of the cumbersome restructuring of the state-owned enterprises, the increase of banking efficiency and of revenue mobilisation, more attention to environmental protection issues (DIGREGORIO et al. 2003), more respect for human rights as well as the promotion of information technology and education, which are lagging far behind China, are often mentioned as challenges Vietnam still have to meet.

The way the author of this paper sees it, the main development problem will be the alleviation of the increasing inequalities of the Vietnamese society. This concerns the huge and growing gap between rural and urban incomes on one hand as well as the growing social differentiation of the overall society caused by the market economy on the other. The World Bank (2004: 2) even states that ‘The next decade may well be characterized by inequality in Vietnam.’ At the moment, the economic reality is in sharp contrast to the still existing egalitarian ideology of the Communist party of Vietnam (see also KOH 2004: 56ff.). In some way, this dilemma can be interpreted as the price of the successful opening towards a globalizing economy in the course of Doi Moi reforms. A more spatially equilibrated regional development policy would help to close the gap between political and economic objectives but slow down the economic growth for Vietnam for years to come. For the Vietnamese government which apparently legitimizes itself strongly with high economic growth rates, this seems to be a rather uninspiring alternative.

The answer to the question if Vietnam is already a new Asian economic tiger is consequently ambivalent. The metropolitan regions like Ho Chi Minh City and surroundings as well as the capital of Hanoi certainly show substantial characte-
istics of a tiger economy. A large proportion of the urban population of these metropolises can already be labelled as a so-called post-modern society. However, most of the rural and mountainous provinces still bear more resemblance to a developing country. If the Vietnamese government will be able to meet most of the above mentioned challenges in the foreseeable future, the author is optimistic that the nation of Vietnam will contribute to the vision of the 21st century as a ‘Pacific Century’.

References


Abstract
Vietnam’s impressive economic development in the past two decades has led many to already label the country as a new Asian economic tiger, which can be accredited to the popular ‘flying geese model’ of regional growth. Consequently, the author investigates and evaluates Vietnam’s economic and social achievements in the recent years, also in the regional context. In particular, the role of foreign direct investments (FDI) and of official development aid (ODA) as major external capital sources is examined. Furthermore, the restructuring of the economic sectors and the development of trade is reviewed. By doing this, the author tries to identify similarities and contradictions of the Vietnamese development in the context of the label of an Asian tiger economy and in the context of the flying geese model. The answer to the question if Vietnam is already a new Asian economic tiger remains ambivalent: Whereas the metropolitan regions like Ho Chi Minh City and surroundings as well as the capital of Hanoi certainly show substantial characteristics of a tiger economy, most of the rural and mountainous provinces still bear more resemblance to a developing country. Consequently, the author calls for a reduction of the increasing spatial and social inequalities of the Vietnamese society but recognizes the development dilemma of the Vietnamese government at the same time.
Exportproduktionszonen im asiatisch-pazifischen Raum
Ein Entwicklungsmotor?

Rolf Jordan


Im Rahmen der Gründung des SIJORI-Growth Triangle, einer Wachstumsregion, die Anfang der 1990er Jahre um den Stadtstaat Singapur herum entstanden sind, wurden auf den indonesischen Inseln Batam und Bintan moderne Industrieparks errichtet, die den industriellen Kern dieser EPZ darstellen. Vor dem Hintergrund dieser Entwicklung wird der Frage nachgegangen, ob EPZ als Entwicklungsmotoren für den Industrialisierungsprozess in der Region verstanden werden können. Ein besonderes Augenmerk liegt dabei auf der Rolle, die staatliche Entwicklungspolitik gerade in diesem Zusammenhang spielt.
1. Was sind Exportproduktionszonen? – eine Annährung an den Gegenstand


interne Restrukturierung der Produktion, die sowohl auf entsprechenden Absatzmärkten in den Ländern der Dritten Welt, als auch auf das Vorhandensein der dafür notwendigen Produktionsstandorte, die eine rentable Produktion erlauben, ausgerichtet ist.


DICKEN (1992: 181f.) konzipiert exportorientierte Produktionszonen als Export-Enklaven mit je spezifischen Vergünstigungen für die dort produzierenden Unternehmen, „including an extensive package of incentives and, very often, exemption from certain kinds of legislation, which do not apply outside the zones.“ DICKEN benennt dabei bereits eine Reihe von Merkmalen, die für die Bestimmung und Analyse von EPZ von zentraler Bedeutung sind. So sind EPZ in der Regel bereits durch ihre baulichen Strukturen deutlich als solche zu erkennen: nach außen durch Zäune, Mauern und kontrollierte Zufahrten abgeschirmt, verfügen sie im inneren zumeist über eine umfangreiche Infrastruktur, die die dort produzierenden Firmen von Versorgungseinrichtungen außerhalb der EPZ weitgehend unabhängig machen.


Zu den rechtlichen Besonderheiten gehört dabei, dass innerhalb der Produktionszonen kaum bzw. keine Restriktionen hinsichtlich der Eigentumsverhältnisse bestehen. So ist in vielen EPZ im Gegensatz zur Gesamtökonomie der vollständige Besitz an Produktionsanlagen und von Landtiteln durch ausländische Investoren möglich. Neben der weitgehenden Befreiung von Zöllen auf Importe


Doch nicht nur hinsichtlich Größe und geographischer Verteilung lassen sich deutliche Unterschiede feststellen, sondern auch in Bezug auf die in den Zonen angesiedelten Industrieunternehmen. Denn die Auslagerungsstrategien multinationaler Unternehmen umfassen nicht die gesamte Bandbreite industrieller Produktion. Vielmehr begannen Prozesse weltweiter Produktionsverlagerungen bei der Textil- und Bekleidungsindustrie und setzten sich später über die Bereiche


Neben diesen sektoralen und geographischen Verteilungsmustern haben die meisten EPZ in der Dritten Welt aber auch noch eine spezifische Beschäftigungsstruktur gemeinsam: hier arbeiten in der Regel vor allem Frauen, wie ein Blick auf die Tab. 1 zeigt. Auch nach neuesten Angaben der Weltbank beträgt der Frauenanteil an den Beschäftigten in den so genannten Weltmarktfabriken multinationaler Fabriken zwischen 70 und 90 Prozent.

<table>
<thead>
<tr>
<th>Land</th>
<th>Beschäftigungsanteil innerhalb von EPZ (%)</th>
<th>Beschäftigungsanteil außerhalb von EPZ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hongkong</td>
<td>60</td>
<td>49,3</td>
</tr>
<tr>
<td>Indien</td>
<td>80</td>
<td>9,5</td>
</tr>
<tr>
<td>Indonesien</td>
<td>90</td>
<td>47,9</td>
</tr>
<tr>
<td>Korea</td>
<td>75</td>
<td>37,5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>85</td>
<td>32,9</td>
</tr>
<tr>
<td>Philippinen</td>
<td>74</td>
<td>48,1</td>
</tr>
<tr>
<td>Singapur</td>
<td>60</td>
<td>44,3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>88</td>
<td>17,1</td>
</tr>
</tbody>
</table>


Dabei handelt es sich vor allem um junge, unverheiratete Frauen zwischen 15 und 25 Jahren. Die Präferenz multinationaler Unternehmen für die Beschäftigung von Frauen hat eine ganze Reihe von Gründen; zu den wichtigsten zählen,
dass die Frauen in den Weltmarktfabriken im Durchschnitt nur etwa 50 bis 70 Prozent des Einkommensniveaus ihrer männlichen Kollegen erzielen, dass die jungen Frauen aufgrund der oftmals geringen oder auch fehlenden Qualifikation zumeist kaum Arbeitsmarktalternativen haben und dass sie ohne entsprechende Vergleichsmöglichkeiten oftmals gezwungen sind, schlechtere Arbeitsbedingungen zu akzeptieren, als dies bei erfahreneren Arbeitskräften der Fall wäre. Außerdem sind die Frauen als Arbeitsmarktneulinge in der Regel nicht oder nur in geringem Maße gewerkschaftlich organisiert (LIM 1980; WICK 1998).


2. Das Beispiel ‘Batamindo Industrial Park’

innerhalb der Wachstumszone eine spezifische arbeitsteilige Struktur, die Abb. 1 für den Bereich der Produktionsorganisation aufzeigen soll.

**Abb. 1: Regionale Arbeitsteilung im SIJORI-Wachstumsdreieck am Beispiel Produktionssektor**

*[Diagramm](image)*

*Quelle: Siddique 1997; eigene Bearbeitung.*

Für die Entwicklung dieser Kooperation war es von Bedeutung, dass die Bemühungen Singapurs um eine Verlagerung arbeitsintensiver Produktionsbereiche als Teil seiner *Upgrading*-Politik auf indonesischer Seite auf eine Politik verstärkter exportorientierter Industrialisierung traf – die wirtschaftspolitischen Interessen beider Staaten sich also ergänzen konnten. Die Industrieansiedlungen auf Batam und der Nachbarinsel Bintan sind nicht nur Teil der SIJORI-Kooperation, sondern sie gehören zugleich zu den wichtigsten Entwicklungsprojekten des indonesischen Staates im Bereich der Exportindustrialisierung. In dem Park produzieren seit Mitte der 1990er Jahre vor allem multinationale Unternehmen für den Weltmarkt. Wie die folgende Exportstatistik (vgl. Tab. 2) zeigt, ist seither die Bedeutung Batams als Industriestandort deutlich gewachsen, so dass der Batamindo Industrial Park auch in dieser Hinsicht als ein wesentliches Element exportorientierter Industrialisierung in Indonesien angesehen werden kann.


<table>
<thead>
<tr>
<th>Jahr</th>
<th>Indonesien (Mrd. US$)</th>
<th>Anteil der Riau-Provinz</th>
<th>Anteil der Insel Batam</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>18,2</td>
<td>2,3%</td>
<td>1,3%</td>
</tr>
<tr>
<td>1993</td>
<td>27,0</td>
<td>2,3%</td>
<td>3,4%</td>
</tr>
<tr>
<td>1995</td>
<td>34,9</td>
<td>2,9%</td>
<td>6,7%</td>
</tr>
<tr>
<td>1997</td>
<td>41,8</td>
<td>5,5%</td>
<td>11,7%</td>
</tr>
</tbody>
</table>

Quelle: Batam Industrial Development Authority (BIDA): Development Data up to 1999.

Der Industriepark selbst ist ein Gemeinschaftsprojekt von drei Unternehmen: Auf Seiten Singapurs sind dies die Jurong Town Corporation International (JTCI) – zentraler Industrieparkentwickler in Singapur – und die SembCorp Industries (SCI), eines der größten staatlichen Industrieunternehmen Singapurs. Beide Unternehmen hielten Ende der 1990er Jahre zusammen 40% der Anteile am Batamindo Industrial Park. Als Batamindo Industrial Management obliegen den beiden Unternehmen gemeinsam die Entwicklungs- und Finanzplanung sowie der Ausbau des Parks. 60% der Besitzanteile entfallen auf die Salim Group, einem der größten Unternehmenskonglomerate Indonesiens mit engen Beziehungen zur damaligen Regierung SOEHARTOS. Über die Batamindo Investment Corporation (BIC) ist die Salim Group Eigentümer des Industrieparks; die BIC ist zugleich wichtiges Bindeglied zur Batam Industrial Development Authority (BIDA) und anderen staatlichen Stellen in Indonesien.


Neben den zoll- und steuerrechtlichen Ausnahmen besteht auf Batam für ausländische Unternehmen auch die Möglichkeit des vollständigen Besitzes (100% Ownership) an der Produktionsanlagen; Mindestanteile für indonesische Partner, wie in Indonesien sonst üblich, sind hier nicht notwendig. Besonders wichtig für
die Exportorientierung ist die Tatsache, dass Exportgüter aus dem Industriepark in der EU und den USA unter das *Generalised System of Preferences* (GSP) fallen und damit in der Regel von Einfuhrzöllen befreit sind.

Abb. 2: Der Batamindo Industrial Park

![Der Batamindo Industrial Park](image)


Die Arbeitsbedingungen im Park sind reglementiert und werden im wesentlichen durch die Anwerbepraxis der Firma *PT Tunas Karya*, einem Tochterunternehmen der am Industrieparkprojekt beteiligten *Salim Group*, bestimmt. Die Arbeitskräfte werden in anderen Teilen Indonesiens angeworben und für eine Beschäftigungsduer von ca. 2 Jahren nach Batam gebracht. Trotz gesetzlichem Mindestlohn und umfangreicher Gebühren und Abgaben, die die produzierenden Unternehmen für diese 'Dienstleistung' zahlen müssen, betragen die Löhne und Gehälter im Industriepark nur etwa ein Drittel dessen, was in Singapur für vergleichbare Tätigkeiten gezahlt wird. Gewerkschaftliche Aktivitäten sind in dem Park nicht erlaubt.

Abb. 3: Produktionsgebäude im Batamindo Industrial Park


Gleiches gilt auch für die Wohnanlagen der Arbeitskräfte im Industriepark, die wie die Fabrikanlagen in einheitlichem Design entlang der Straßen am Rand des Industrieparks stehen. Die Unterkünfte vermitteln dabei für den Betrachter einen eher kasernenartigen Eindruck von der gesamten Industrieparkanlage, der noch dadurch verstärkt wird, dass einige der Wohnbereiche durch Stacheldraht von den Industriebereichen des Parks abgegrenzt ist. Daneben finden sich auf dem Gelände auch eine Reihe von Food Centres sowie Supermärkte, Sport- und Freizeiteinrichtungen und eine Moschee.
Zentraler Bestandteil der Konzeption des Parks ist die Bereitstellung eines umfangreichen Serviceangebots. Zum 'one-stop service' des Parkmanagements gehört die Koordination der gesamten Verwaltung: von der Ansiedlung der Unternehmen, der Beantragung von Produktionslizenzen und 'Work Permits' für die Arbeitskräfte bis hin zu den notwendigen Export- und Importgenehmigungen.

Insgesamt weist der Industriepark eine große Zahl von Aspekten auf, die den Enklaven-Charakter des Parks unterstreichen. In sozioökonomischer Hinsicht wird dies noch daran deutlich, dass der Park keine Verknüpfung mit der lokalen Ökonomie aufweist: die 'Spill-over'-Effekte des Parks sind sehr gering; Rohstoffe und Vorprodukte werden ebenso importiert, wie die Arbeitskräfte, die aus zum Teil weit entfernten Teilen Indonesiens stammen.

Abb. 4: Wohnunterkünfte der zumeist weiblichen Arbeitskräfte im Batamindo Industrial Park

Ende der 1990er Jahre arbeiteten nahezu 65.000 Menschen im Industriepark. Bei den Beschäftigten handelt es sich fast ausschließlich um junge Frauen, die in verschiedenen Teilen Indonesiens – vor allem auf Java und Sumatra – angeworben werden. 1996 entsprach die Zahl der im Batamindo Industrial Park Beschäftigten 54% aller im Industriesektor Batams beschäftigten Personen – ein Anteil, der seitdem noch weiter angestiegen sein dürfte. Zugleich ist auch die Gesamtzahl der Bevölkerung auf Batam seit den frühen 1970er Jahren, als erste Bemühungen zur Entwicklung der Insel zum Industriestandort zu verzeichnen waren, konti-
nuierlich von etwa 6.000 auf mehr als 260.000 gegen Ende der 1990er Jahre angestiegen (PEACHEY et. al. 1998).


Abb. 5: Eine Rumah Liar in der Nähe des Batamindo Industrial Parks

3. Der Batamindo Industrial Park als Teil staatlicher Entwicklungspolitik


**Entwicklungsdisparitäten und die Grenzen der Entwicklungsplanung**

Im Gegenteil: dies hat zu einer weiteren inter-regionalen Ungleichentwicklung beigetragen.

Und auch innerhalb der Provinz hat die Entwicklung exportorientierter Industrien nicht zur Verringerung bestehender Entwicklungsdisparitäten beigetragen. Die Einbindung der zentralstaatlich kontrollierten 'Wachstumsklaven' in die ökonomischen Strukturen der Provinz ist gering; der überwiegende Teil der erwirtschafteten Gewinne fließt entweder nach Jakarta (Zentralregierung, Salim Group) oder ins Ausland (Singapurer GLC, MNC). Die deutliche Exportorientierung der Industrieparkprojekte gehen mit sehr geringen 'Spill-over'-Effekten für die Wirtschaft Riau einher.

Bei der 'Entwicklung' auf Batam und den benachbarten Inseln geht es daher in erster Linie um eine punktuelle Entwicklung, die auf einen kleinen Bereich beschränkt bleibt; die Angleichung von Lebensverhältnissen – eines der zentralen ideologischen Bestandteile indonesischer Entwicklungspolitik – wird mit dieser Art der wirtschaftlichen Entwicklung nicht erreicht werden. Die Ausgangsfrage, ob Exportproduktionszonen zugleich Entwicklungsmotoren darstellen können, ist diesbezüglich deutlich negativ zu beantworten. Vielmehr stellt sich die Frage, ob solche konzentrierten ökonomischen Entwicklungen nicht vor allem auf Kosten möglicher alternativer Entwicklungskonzeptionen gehen. Zu denken wäre hier an die Förderung lokaler Strukturen im agrarischen Bereich, im Kleingewerbe und an Investitionen im Bildungs- und Sozialbereich in den Provinzen – Entwicklungen, die stärker auf die vorhandenen ökonomischen Strukturen des Landes abgestimmt sind und mit diesen verknüpft werden können, was im Falle der exportorientierten Industrialisierung auf Batam nicht der Fall ist. Vielmehr hat die rapide industrielle Industrialisierung der Insel zur Zerstörung bestehender sozialer Strukturen beigetragen.

Der rasche Anstieg der Zuwanderung nach Batam und die Ausbreitung so genannter Squattersiedlungen im Umfeld der Industrizone zeigen bereits Mitte der 1990er Jahre die Grenzen der Entwicklungsplanung auf. Mit Beginn der Asienkrise verschärfen sich die Probleme weiter. Deutlich zeigt sich, dass die Entwicklungsplanung sowohl in Singapur, als auch in Indonesien einseitig auf ökonomisches Wachstum ausgerichtet ist und die sozialen Kosten einer rapiden und räumlich konzentrierten Entwicklung weitgehend ignoriert hat. Ende der 1990er Jahre ist aus dem großen Pool von Arbeitskräften, mit dem Indonesien für den Standort Batam geworben hatte, längst das Problem der 'illegalen' Migration geworden. Indonesier, die auf der Suche nach Arbeit in die 'Bonded Zone' Batams und Bintans kommen, gelten den staatlichen Behörden vor Ort nun als Illegale. Ohne Aufenthaltserlaubnis auf den Inseln sind sie gezwungen, ihren Le-
bensunterhalt im informellen (und nicht selten illegalen) Beschäftigungssektor zu suchen oder weiter nach Singapur oder Malaysia zu migrieren. Gleichzeitig wandelt sich etwa Batam von einem der wichtigsten Industriestandorte Indonesiens zu einem der größten Prostitutionsmärkte in der Region – ausgerichtet auch hier auf die Nachfrage aus Singapur.

### Die politische Dimension der Entwicklung


### 4. Der Batamindo Industrial Park als Entwicklungsmotor?

#### Ein Fazit

Wie ist nun – vor dem Hintergrund der oben beschriebenen Entwicklung – die Frage zu beantworten, ob Exportproduktionszonen wie der *Batamindo Industrial Park* als 'Motoren' einer in erster Linie exportorientierten Entwicklung gesehen


Aus politikwissenschaftlicher Sicht muss die Antwort auf die eingangs formulierte Frage daher eher 'nein' lauten: eine 'Entwicklung' Batams oder der Riau-Provinz ist bestenfalls im sehr engen Rahmen ökonomischer Kennziffern erfolgt, während sozioökonomische Disparitäten zwischen den Provinzen und Re-
gionen des Landes einerseits und innerhalb der Region andererseits eher zuge- 
nommen haben.

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Abstract

In the 1980s and 1990s Asia-Pacific was seen as the most dynamic region in terms of economic development and industrial output. Following the example of Japan and the 'Four Little Tigers' Hong Kong, Singapore, South Korea and Taiwan countries such as Malaysia, Thailand and Indonesia started to embark on an export-oriented strategy of industrialisation. 'Export-oriented processing zones' (EPZs) had been the central locations of this strategy in all of these countries. The city-state of Singapore, which was famous for its EPZ-development in the 1960s and 1970s has already become a developer of industrial parks in the region itself. Focusing on the Singapore-Johor-Riau Growth Triangle, the first transnational growth zone in South East Asia, the article describes the structural characteristics of EPZ-development in terms of industries, labour force and infrastructure. Taking in account their enclave character, it will be argued, that EPZ itself part of many national development policies - can hardly been seen as engines of development.
Threats to Indonesian Stability in the Early Years of the 21st Century

Bernhard Dahm

Political Changes after the Fall of Suharto
On May 21, 1998, after 32 years in office as Indonesia’s second president, General SUHARTO followed the advice of a few trusted councillors and resigned. The impact of the monetary crisis of 1997/98 had unleashed a rapidly growing reform-movement joined by all groups in society that had been suppressed or had, in one way or the other, suffered from the negative effects of his increasingly repressive regime. The latter was openly criticized as being corrupt, and prone to nepotism and collusion. As in the last months of the rule of former president SUKARNO in 1966, it were in particular students that took to the streets, mobilized people and organized mass-demonstrations. These, in turn, lead to pillaging and burning, to attacks of quarters of the well-to-do-sectors of the Chinese minority and to confrontations with security forces. A first climax was reached when four students of the Trisakti-University in Jakarta were shot to death during a rally on their campus on May 12. After that, the situation got out of control and SUHARTO, who did not want to risk a civil war, had no other choice but to quit and to transfer formal authority to B. J. HABIBIE, who had been elected Vice-President by the MPR, the People's Consultative Assembly (Majelis Permusyawaratan Rakyat) only two months ago (March 11, 1998).

HABIBIE, a German trained former Minister of Research and Technology, had been close to the SUHARTO-family since his early youth and had, after his recall to Indonesia in the mid-1970’s, played an increasingly important role in the Indonesian semi-democratic political system, the so-called „New-Order“. Its bases were the loyalty of the Indonesian Armed Forces to their leaders (also known as bapakism) and the government-machinery Golkar, an organisation of the state-functionaries. Golkar had won all elections since SUHARTOS rise to power with huge majorities, the two remaining parties were, in 1973, created for those, trying to uphold some traits of their own identity: For the Muslims it was the Partai Persatuan Pembangunan (PPP) or United Development Party, which was not even allowed a reference in its name to its true foundation, the Islamic faith. For
all others, interested in political participation, there was the Partai Demokrasi Indonesia (PDI). Both parties where considered as potential opponents of the system and never found any government support during election-campaigns. Their political influence, therefore, remained marginal up to the end of the New Order and their activities were watched with growing suspicion. To give two examples:

When Islamic leaders protested at the end of the 1980s against the little appreciation paid to Islam in a country with by far the most Muslims in the world, SUHARTO created an Association of Indonesian Islamic Intellectuals or ICMI. The leadership of this new organisation was not entrusted to prominent religious leaders of the famous association of traditional Muslims, the Nahdlatul Ulama, or to their counterpart, the reform-oriented Muhammadiyah, both of them having tens of millions of adherents, - but to SUHARTO’s most trusted favourite HABIBIE. Or, when a few years later, MEGAWATI SUKARNOPUTRI, the daughter of the first Indonesian president was elected to the chair of the PDI, the government feared that SUKARNO’s charisma as a leader of the poor might substantially increase the image of the PDI. The government started therefore to interfere in the party’s management and succeeded in 1996, to have MEGAWATI ousted from its leadership. Since then, she is seen as the victim of government intrigues. Around her a new PDI established itself with the name PDI-P (P for struggle) and the PDI-P became the standard-bearer for the call for reforms.

HABIBIE, after his appointment as the third Indonesian president in May 1998, responded quickly to the demands for reforms in the Indonesian political system. He welcomed proposals for new laws for decentralisation of the strongly centralized state and more autonomy for the regions, and he was also ready to follow the request for new elections that really deserved that name. The last elections had taken place in a time, when open discontent with the repressive system was already gaining ground. Prominent political newspapers and magazines such as Tempo, Editor and Detik had been suspended in 1994 for criticizing government politics, new parties like a Marxist-leaning Democratic People’s Party had been founded secretly in protest against the neglect of social issues in June 1996 and there had been violent reactions and street fighting in Jakarta a few weeks later in reaction to the interference in the MEGAWATI case (July 1996). Under these circumstances the overwhelming victory of the Golkar-party in May 1997 (it received 74.2% of the total vote) did not reflect the political wishes of the majority of the people but was, by means of a number of restrictive degrees, quite obviously manipulated to create an impressive scenario for the sixth re-election of General SUHARTO as President in March 1998. After this had happened, ho-
However, the storm broke loose, and HABIBIE, in accepting the major demands of the leaders of the reform-movement, opened a new era: 1999 saw the framing of two important laws to pave the way for a gradual process of decentralisation with more autonomy for the regions and the prospect of a greater share in the profits of their natural resources. And, already on June 7, 1999, the first general elections since 1955 took place in Indonesia, which truly deserved this name. This was indeed a drastic change compared to former procedures: Although a hastily convened electoral committee had to restrict the number of competing parties to 48, in contrast to the New Order period all thinkable political orientations were represented. For the first time since the beginning of the SUHARTO-regime there was no screening of the sentiments and convictions of the candidates. There were also no commands of the village headmen how to vote, and there were no promises, or veiled threats, as had happened almost regularly before.

As could be expected, the big winner of the elections was the PDI-P of MEGAWATI SUKARNOPUTRI, representing the hopes for a rapid improvement of the livelihood of those sections of the people, which had suffered most under the economic crisis, starting in 1997/98. In fact, the party of the daughter of SUKARNO received 35.7 million votes, or 33.12%, whereas the former protégé of the SUHARTO-time, the Golkar, came in second place, with 23.7 million votes or 22.43% (a contrast indeed if compared to the 74.2% it received in 1997). Most of the other parties, which received in total somewhat more than 40% of the votes, were of different Islamic orientations. The multitude of about 30 Islamic organisations participating in the elections testifies not only to the importance of the Islamic belief for the people living in the archipelago, but also to the great variety of Islamic orientations on Indonesian soil. The overwhelming majority of them, be they traditionalist, reformist or modernist Muslims, is, due to pre-Islamic traditions, moderate in outlook and can live with the main pillar of the state-philosophy Pancasila, i.e. the belief in one almighty god, which means, that they are willing to tolerate other religions.

**The Loss of East Timor**

Another drastic change in Indonesian politics after the fall of SUHARTOS was the gradual reduction of the role of the armed forces, in particular of the TNI, the Indonesian national army. From the beginning of the Republic of Indonesia, proclaimed on August 17, 1945, the army had contributed significantly to the survival of the state in the time of the Indonesian revolution (1945-50). On these achievements it had founded its claim of having not only military but also political functions. Thus, in the SUHARTO-time they were represented in the Indonesi-
an parliament and in the MPR. In parliament, they were in control of 100 of the 500 available seats, and this number was now, in 1999, reduced to 38. But there were other signs of a gradual loss of power of the army, which had been the backbone of SUHARTO’s regime. There had been growing criticism with regard to its brutal handling of uprisings, in particular in regions with secessionist movements, like in East Timor, in Aceh, or in West New Guinea or Irian Jaya, as the province was called in Indonesia. A climax had been reached with the so-called Santa Cruz-massacre of November 1991 in East Timor, where, according to foreign correspondents, hundreds of peaceful demonstrators had been killed. SUHARTO, who, at the begin of his reign, was responsible for the killing of thousands of Communists in the wake of the attempted coup d’état in 1965, was known to give no quarter to insurgents. Nor did he tolerate „softies“ among his officers, when they failed to apply stern measures while dealing with local uprisings. To the outside world he wanted to appear as a strong man, able to provide security for foreign investors, who were willing to cooperate with Indonesia in exploiting its natural resources. The formation of a special command of the armed forces (Kopassus) in the late 1980s therefore was intended in the first place to suppress any kind of resistance to New-Order politics.

HABIBIE had learned during his many trips abroad how this policy had harmed the former image of Indonesia as a peace-loving nation. As an economist he was also aware, how much money was spent annually in, for instance, East Timor, without the prospect of winning the loyalty of the people of the former Portuguese colony, which had been annexed by Indonesia in 1976. Even if there once might have been chances of a gradual integration of East Timor into the Indonesian state, by the end of the 20th century these chances had been spoiled. The pleas of freedom fighters like XANANA GUSMAO, Ramos HORTA and Bishop BELO for an Indonesian withdrawal from East Timor had found more and more international support and HABIBIE was aware of this. Therefore, when in late December 1998 the Australian Prime minister JOHN W. HOWARD indicated that Australia was no longer willing to support the Indonesian view that East Timor was an integral part of Indonesia, HABIBIE reacted quickly. In a speech on January 27, 1999, he declared that the East Timorese would be given the opportunity to vote on an autonomy package; if they rejected it he would seek the approval of the MPR to grant East Timor independence.

This announcement in early 1999 is another drastic change in Indonesian politics. There had been a sort of referendum before. In 1969, West New Guinea, the remaining Dutch colony in the archipelago after the transfer of authority to Indonesia in 1949, had been offered an „act of free choice“ whether it wanted to
become an integral part of the Indonesian republic or whether they wanted to be independent. 1025 Papuan leaders had been brought to Jakarta for this ceremonial act and they had voted for Indonesia instead of independence. This time, the outcome of a referendum would be different, this was clear to both sides, the Indonesians and the East Timorese. Informed groups knew, that the percentage in East Timor really in favour of integration was very small. The Indonesian army, knowing that it was hated by the East Timorese, was particularly shocked by the announcement of HABIBIE and the hardliners in the TNI began to think of means, how a massive option for independence could still be prevented. Special militia units were trained in East Timor to instigate fears of violent reactions in case the East Timorese people would not accept the status of special autonomy and vote for independence. In order to assure a peaceful process, the UN sent, on June 1, 1999, a United Nations Assistance Mission in East Timor (UNAMET) to help in the preparations for the referendum.

The ballot was taken on August 30. The results showed that an overwhelming majority (78.5%) of the East Timorese had rejected the status of special autonomy and had, in spite of all threats, voted for independence. Thereafter, the pro-Indonesian militias lost no time to unleash an unprecedented rampage of killings, lootings and burnings throughout East Timor, which could not have happened without the secret support of the Indonesian army. When Indonesian authorities proved to be unable to stop the marauding militia, the United Nations sent, on September 20, an International Force for East Timor (Interfet) to restore peace in the war-torn region. Under a UN Transitional Administration in East Timor (UNTAET), the former Indonesian province could then gradually prepare for an independent existence, which was ceremoniously proclaimed on May 20, 2002.

The loss of the province of East Timor was the climax of the changes, occurring after the fall of SUHARTO. It brought not only an end to Indonesian rule in the eastern part of Timor, but also to the political career of the architect of this policy, B.J. HABIBIE. The newly elected MPR rejected his speech of accountability in its first session in October 1999 whereupon HABIBIE withdrew his candidacy for re-election. Elected as the fourth president of Indonesia was - after some manoeuvring on the part of the Islamic parties in order to avoid that a woman (MEGAWATI) became president of a Muslim-nation – the long-time leader of the Nahdlatul Ulama, ABDURRAHMAN WAHID, who had to deal with the consequences of the changes, introduced by his predecessor. HABIBIE had indeed tried to put Indonesian politics on the track in direction of democracy, which was highly appreciated in countries, interested in Indonesian developments. In Indonesia
itself, however, he was fairly isolated as an agent of change: the nationalists and the Indonesian army held him responsible for the loss of East Timor and the latter also for the weakening of their position in the regions under the new laws of decentralisation. In the regions they had formerly ruled practically without control. For the democrats and the students his reforms were, at best, half-hearted, and most of them considered him still as a lackey of the former dictator SUHARTO, who could not be trusted. For the Islamic community his Western education and his many contacts in the Western world questioned at least his reputation of being a good Muslim, and that in spite of the fact that he once had been appointed as the leader of the Association of Indonesian Muslim Intellectuals. For all these reasons, HABIBIE had neither the power nor the opportunity to play a major role in trying to overcome the threats to Indonesian stability, caused by the changes in the 19 months of his government.

The Threat of National Disintegration
The loss of East Timor not only tarnished the international reputation of the Indonesian government, and, in particular, of the Indonesian army, it also caused nationally the rise of expectations in other areas in Indonesia with a history of secessionist movements like Aceh and West Irian (the Indonesian name for West New Guinea). These had been mercilessly suppressed but not uprooted during the SUHARTO-regime. After the referendum for East Timor had been announced, the leaders of these independence movements in both provinces demanded the same right for their own regions. And after the results of the ballot had become public knowledge, the demands for a referendum became more and more aggressive in both provinces and posed the first real problem for the newly elected government of ABDURRAHMAN WAHID. Before its reactions can be discussed, a somewhat closer look at the arguments of both sides, that of the government and that of the secessionists, is necessary.

For the New Order-government economic development had top priority. Development-plans were to be financed from the enormous wealth still hidden in the natural resources. For the exploitation of the huge stocks of crude oil, liquid natural gas, hardwood, copper, gold, petrochemicals etc. foreign experts and foreign investors were needed and had been found. Impressive industrial plans had been created, such as the Lhokseumawe Industrial Zone in Aceh, or the Freeport Copper and Gold Mine Inc. in West Irian, and internationally renowned firms like Mobil Oil, BP, Exxon, McMoRan and a number of logging companies provided capital and technical assistance for the exploitation of the natural resources. These yielded enormous profits to the subsidiary foreign firms, to their In-
donesian counterparts and also to the treasury of Indonesia. In Aceh alone the total income of oil and gas exports, of petrochemicals and of other manufactured goods as well as of logging brought, beginning in the mid-seventies, annual profits for the Indonesian state of two billion US-Dollar and in West Irian the annual earns with up to 1.5 billion $ was not much less. Almost nothing of the giant profits, however, was used for the social and educational development of the people of the regions themselves. This was one of the reasons for the quest for independence from a state, which did not bother to let the local people have a fair share from their own resources. There were, however, other reasons for the secessionist minded leaders as well.

Let us consider West Irian first. Here the intellectuals, still educated by the Dutch, needed only to repeat the arguments of their former colonial masters when they were trying to prevent the region from becoming a part of Indonesia: the Papuans, they had argued, were ethnically different, had different social organisations and languages, and the religions were different too, if compared with those of the great majority of the people living in the Indonesian archipelago. The Indonesian nationalists had argued that Irian Jaya had already been included in the former Indonesian empire of Majapahit. A more important reason for claiming the territory for their own state was that the Dutch had used the swampy and mosquito-infested region around the upper Digul-river as an internment camp for Indonesian freedom fighters, that many of them had died there and that Indonesian nationalists therefore considered the region as sacred soil for the Indonesian cause. Whatever the weight of the arguments might be, after the transfer of authority on Indonesia in 1949, West Irian remained under Dutch administration until the early sixties, when the UN ruled, that after a period of joint Dutch and Indonesian administration there should be an act of free choice, whether the Papuans would join the Indonesian state or become an independent nation. In this time a group of the young Dutch educated elite had already formed a Free Papua Organisation (OPM), which, on December 1, 1961, proclaimed the independence of the region and never recognized the results of the act of free choice in 1969, when 1025 Papuan leaders, who had been brought to Jakarta by the Indonesian government, had voted for integration rather than independence of the region. The leaders of the OPM had rejected this referendum as a fraud, caused by bribery and deceit, and some of the Papuan representatives admitted later that these accusations were correct.

Some aspects suggest, that the roots of the Papuan problem are related to those of East Timor: There is no racial or ethnical identity with the majority of the Indonesian peoples; the Papuan languages belong to a different non-
austronesian language family; there is certainly no common history, the inclusion of the region in the empire of Majapahit testifies only to the geographic knowledge of Prapanca, the author of the Nagarakertagama, a chronicle of the 14th century; there is no common culture like in the rest of archipelago, based on the Malay language and on Islam as the dominant religious belief. Therefore, like in East Timor, there were fewer reservations against the acceptance of the Christian religion from their colonial masters. There is one big difference between East Timor and West Irian, however, and that is the success of the East Timorese in lobbying for international support for their cause. This success is due to the active support of the Portuguese, whose record of former colonial rule was no better than that of other European powers, but who ever since the occupation of their former colony by Indonesia in 1976 did no cease to help their former subjects in their fight for an independent existence. This included appeals to international organisations such as the UN and the European Community, so that there was always a worldwide platform for East Timorese complaints, a stage that the OPM, the freedom fighters for Irian Jaya, did never find for their own grievances.

Turning our attention to Aceh, the other major secessionist threat, we will find very different conditions. Aceh is well known as a sea power at the entrance of the Straits of Malacca to the Indian Ocean, which was able to defend its independence against all attempts of European powers at colonisation up to the end of the nineteenth century. A major reason can be seen in the fact, that Aceh was a strong base of Islam. It was regularly visited by Muslims from the Near East on their way to China and by pilgrims on their way to (or from) Mecca. Famous Islamic scholars were teaching here and from Aceh Islam spread to other parts of Southeast Asia. Thus, Acehnese Islam can be seen as the cradle of the Malay-Indonesian culture. In 1903, the Dutch, already in possession of most parts of Indonesia, succeeded in conquering the proud sultanate at the northern tip of Sumatra. But they never succeeded in completely subduing the population, there were religiously tinged rebellions up to the end of their colonial rule. When Indonesia in 1945 proclaimed its independence, the religious leaders of the Acehnese gave their full support to the nationalist leaders in Jakarta and were willing to join the newly founded republic, expecting that the prominent role of Islam there was recognized. When Aceh’s special status was revoked during an attempt of the government in Jakarta to restructure the national administration in 1953, the Acehnese joined the Dar-ul-Islam rebellion, whose leaders were trying to convert Indonesia into an Islam state. This rebellion was rampaging already in other parts of Indonesia like in West Java or in South Sulawesi. In the early
1960s, however, the national leaders in Jakarta could persuade the religious leader of Aceh, DAUD BEUREUEH, to leave the rebellion and become again an integral part of the Indonesian Republic in the early 1960s.

A leaning toward rebellion therefore seems to be prone to the nature of the Acehnese, in particular, if issues concerning their Islamic religious conviction are involved. But GAM, (Gerakan Aceh Merdeka), the Acehnese independence movement, which has caused so much trouble to the Indonesian government in recent years, is of clearly different origin. It was founded by HASAN TIRO, a former Acehnese diplomat of the Indonesian UN-delegation. After the Indonesian government had seized his passport because of his engagement for the cause of the Dar-ul-Islam movement in the 1950s he had spent his time in New York as a business man. In the early 70s he learned about the discovery of huge stocks of liquid natural gas and crude oil in his home province and of plans of the Indonesian government to attract foreign investors for their exploitation. As a member of a famous Acehnese family, noted for their resistance against the Dutch, he had planned to participate in this business together with some friends, critical like himself of the plans of the leadership in Jakarta. After their attempts to get the necessary license had failed, he decided to revive the spirit of rebellion, and depicted the government in Jakarta as the new colonial exploiter. On December 4, 1976 he declared before a small group the independence of Aceh and called for a general uprising.

It was the same year, in which the Indonesians had annexed East Timor and were facing strong international criticism. Obviously HASAN TIRO had hoped that this was a good opportunity to open a new area of conflict and expected the Acehnese people to rush to his movement in great numbers. In the first years this, however, did not happen, the masses stayed aside. The main reason was that the Acehnese ulamas had made their peace with the Indonesian government and did not bother to support a call for an uprising as long as religious issues were not involved. And religion was not involved. Hasan, in order not to displease his American and European friends, had avoided to play the Islamic card. This he also tried to explain to the most important Acehnese religious leader, DAUD BEUREUEH, whom he had contacted in order to get his blessings. When the latter found out that the main motivation of GAM was political and economic, he had refused to support their case. Modern ulamas, in favor of solid and rapid economic development of Indonesia under the New Order-regime like ALI HASJMY or TEUNGKU USMAN ALI even worked against the secessionists, so that HASAN DI TIRO finally had to leave the country. In 1983 he and a few
associates found permanent exile in Sweden, from where they continued to lead the movement, which, in the early 1990s, suddenly started to grow.

The reason for the sudden rise of support for GAM by the local Acehnese population after ten years of relative indifference was an aggravating change in the methods used by the Indonesian armed forces. A new military doctrine was introduced in 1989, turning the province into a territory of military operations (daerah operasi militer or DOM). It was a policy of applying terror when dealing with perceived threats to national security, including a systematic use of civilians as auxiliaries and spies in counterinsurgency operations.

This new policy led in Aceh, in East Timor and in West Irian to the explosive growth of the resistance movements and, in reaction to this, to the sending of more troops, among them the Kopassus units, notorious for their brutality. Up to the end of the SUHARTO era, tens of thousands of people have been killed under the reproach of being disturbers of security. And if there was no real secessionist sentiment at the begin, as could be seen in the case of GAM, which was almost isolated in its early years, after a number of years the sentiment was there to stay. The younger people in particular, who had never known a period of peace, and who had grown up in an atmosphere of suspicions, of hatred and fear, were firmly resolved to insist in their demand for independence, in particular since the referendum in East Timor had shown that the conflict could be settled in a way the secessionists wanted to have it.

The governments of ABDURRAHMAN WAHID (November 1999 – July 2001) and that of MEGAWATI (since July 2001) worked hard to overcome the threat of further disintegration of the unitarian state. Already immediately after the fall of SUHARTO, the commander in chief of the Indonesian Armed Forces, GENERAL WIRANTO, had publicly apologized to the Acehnese for the atrocities and excesses committed by the Special Forces when he lifted Aceh’s status as an area of military operations and promised a substantial troop withdrawal from the province. This had consoled at least a part of the older people, who, in contrast to the East Timorese, were well aware of their common history and cultural ties with other parts of Indonesia. ABDURRAHMAN WAHID, who had many friends in Acehnese Islamic circles, was optimistic that the conflict could soon be ended. Firmly convinced of a decision in favour of Indonesia he mentioned shortly after his election to the presidency in November 1999 the possibility of a referendum for the Acehnese people already in the following year. This, however, was quickly rejected by the House of Representatives as being out of question. His councillors later tried to explain that what was meant by ABDURRAHMAN, was to
give a possibility for the Acehnese to decide, whether they wanted to have the Shariah, the Islamic law, included in their regional constitution or not.

Unlike their popular leader, members of the Indonesian cabinet in this crucial period of transition were well aware that the humiliations and the killings would not be forgotten that easily, in particular by the younger generation. They had, following the referendum in East Timor, arranged huge mass-demonstrations which drew millions to the streets, demanding the same rights that had been given to the East Timorese, and their „national leader“ HASAN TIRO predicted in an interview to the AFP in the same time: „Indonesia will become at least five different countries. The first two will go and the rest will follow, absolutely!“ (Straits Times, Nov.12, 99). The first two were for him East Timor and Aceh, and the rest in all likelihood, Irian Jaya and other resource rich provinces like Riau and South Sulawesi, where secessionist movements were also demanding the right to decide themselves whether they wanted to secede from the state. „Freedom-Festivals“ and Flag-raising ceremonies on the „national days“ of the Papuans (December 1) and of the Acehnese (December 4) underlined the threats of secession and showed that the prospects of maintaining Indonesian unity seemed to be bleak. At the end of the 20th century the unitary state of Indonesia had indeed reached a critical stage.

**Can Special Autonomy and Decentralisation stem the Trend to Secession?**

To overcome the crisis situation after the loss of East Timor the Indonesian government tried to find a balance between a policy of carrots and sticks, of favours and suppression. With regard to the revived demands for independence of the Papuans, ABDURRAHMAN WAHID, at the begin of his government, gave his blessings to the flying of the „Morning Star“ flag „as a cultural symbol“ and to the change of the name of the province of Irian Jaya to Papua. He even allowed and partly financed the convening of the „second“ Papuan Peoples Congress in May 2000, thus accepting the assertion that a „first“ congress had already taken place (at the occasion of the proclamation of independence in 1961). The Papuans made wider use of ABDURRAHMAN’s policy of carrots, they elected a Papua Council and a „presidium“, functioning as a kind of government of the Papuan people. These developments caused alarm in Jakarta. Security forces stopped allowing activists to fly the Morning Star-flag and when the MPR reconvened a few months later, prominent politicians criticized the President’s policy as leading directly to secession. Instead, they recommended the development of a draft for a special autonomy law for Irian Jaya.
When this was worked out in 2001 it reflected Papuan political and cultural values and ideals with a substantial transfer of decision-making authority and distribution of resources from the centre to the province. It visualized a region with self-government within Indonesia. Special autonomy included authority in all areas of government except external defence, monetary policy and the Supreme Court. The distribution of revenue should be 80% to the province (so far it had been only 10-15%) and 20% to the state. The governor and his deputy have to be Papuans. There will be two houses of Parliament: the Papuan upper house should consist of representatives of local Adat-groups, of Papuan religions and of women. The elections for the Lower House will be contested by local as well as national parties. And as far as the use of symbols was concerned, the draft now officially recommended that the province should be called Papua and that it should have its own flag, anthem and code of arms in addition to the Indonesian ones.

And there was another provision: There will be no transmigration. This was important, since, around the year 2000, there lived in Western New Guinea only about 1.5 million people, already twice as many as in 1960. But, given the huge territory, even limited numbers of migrants could already easily cause distortions. And huge numbers of new settlers, a policy practiced in the time of the New Order in order to develop isolated and lowly inhabited regions outside the densely populated Java, could soon create serious problems. This had sharpened the conflict in East Timor, where the local non-Muslim population had often complained, that the Indonesian government, under the pretext of economic development, had applied a secret policy of islamisation. But transmigration had also caused problems in other parts of Indonesia, in Sumatra, in Kalimantan, South Sulawesi or in the Moluccas, where tensions between local adat groups, Christians and new Muslim-settlers after the end of the SUHARTO-regime often led to serious fighting.

The draft for the law on special autonomy for Papua became law on October 22, 2001. The presidium of the Papua Council, insisting on complete independence, rejected it. But there were also groups in the new Papuan elite ready, to give autonomy a chance. To them belonged moderate politicians and intellectuals who welcomed the possibility to strengthen indigenous institutions and to control their own resources. To them belonged also those, who were in favour of independence but knew they needed time to thoroughly prepare an independent existence. And there were also Papuans, who saw their own power enhanced by the implementation of autonomy. The official acceptance of the law by the Papuans will have to await the approval of the Papuan Parliament, to be elec-
ted in the frame of the general elections in Indonesia in April 2004. It is too early to comment on its outcome. A set-back in the approach between the two sides was in any case the murder of the Papuan leader THEYS ELUAY in October 2001, only a few days after the law on special autonomy was passed in Jakarta. THEYS ELUAY, who had already participated in the „act of free choice“ in 1969, had long been a member of the Indonesian parliament. Thereafter, however, he became a resolute enemy of autonomy and it is likely that he was murdered by members of Kopassus for this very reason.

Aceh was the second province for which a law for special autonomy was drafted. Like the draft for Papua it went far beyond the changes promised in the two laws on general decentralisation. These had been passed in September 1999, transferring extensive governmental powers from the centre to the regions (law No.22) along with a share of the net income from natural resources in each region (law No.25) in order to forestall the further growth of separatism in resource-rich provinces. But from the outset, their provisions (strengthening the authority of local and regional leaders vis-à-vis the centre and provincial governments and receiving 30% from the income of Natural Gas, and 15% of that of Oil) had been considered to be too meagre to really alleviate the situation in regions with a history of secessionist activities.

Like Papua, Aceh was therefore promised to receive 80% of the net income of its natural resources; hitherto it had been 10-15%. But in the field of administration the provisions, worked out by Acehnese jurists and politicians, tried to incorporate specific Acehnese cultural traditions, strengthening instead of weakening (law 22!) the powers of the provincial government. It began with the election of a „head of state“, the so called Wali Nanggroe, chosen by a special body of experts on Acehnese mainly Islamic traditions, the Ahlu Hallul Wal Akdi. Although he would not have political powers like the Acehnese sultans of old, his position would be a highly respected one by the about 4 million Acehnese living in the province at the beginning of the new century. He would be assisted by experts on Acehnese adat and by the Nanggroe-Police. The shariah-law would be the basis of the legal system of Nanggroe Aceh Darussalam, or NAD. The shariah-law would be the basis of the legal system of Nanggroe Aceh Darussalam, or NAD, chosen as the new official name of the province. In contrast to Papua, NAD therefore will not be subject in matters of law to decisions of Indonesia’s Supreme Court. Members of the Indonesian parliament, when discussing the draft, criticized, if it was implemented, the new law would create a state in the state. But the majority saw no other chance to end the conflict in the northern part of Sumatra.
The leadership of GAM agreed after the appointment of MEGAWATI SUKARNOPUTRI as the fifth Indonesian President on July 23, 2001, to an eventual holding of an all-inclusive dialog about the draft for special autonomy of all sectors of Acehnese society. This should enable GAM followers to participate in the Indonesian elections in 2004. But for months to come the war in the northern part of Sumatra went on, and continued to inflict enormous damage on the economic and social life of the province. The reason was that GAM insisted in a concrete offer for independence or at least for a referendum, nothing less! Under the mediation of the Henry-Dunant-Centre in Geneva it seemed in early 2002 that a compromise could be found in using the NAD-Law as a starting point for discussions. But thereafter a new controversy arose, whether the „starting point“ included acceptance of the law on special autonomy or not. On August 19, 2002, the Indonesian government finally announced an ultimatum to the GAM to accept the offer of special autonomy as a prerequisite for future dialogs until December 7, that was the end of Ramadhan, or face the full brunt of Indonesian military power. Under strong international pressure, both sides agreed on December 9, 2002, on a „Cessation of Hostilities“, but even this understanding did not last, so that on May 18, 2003, MEGAWATI announced a new phase of military intervention in Aceh. It was supposed to last six month, but it was continued until shortly before the parliamentary elections in April 2004.

A Look at the Results of the Elections in April 2004
The scheduled elections thus took also place in the provinces of Papua and NAD. There is as yet no clear information available, in how far they were affected by threats or interferences by the separatists. Of course, their representatives, the OPM in Papua and the GAM in Aceh, did not participate. The available data indicate however, that participation, if compared to other provinces, was rather low. Those, who participated (in Aceh: 1.126.688, in Papua: 111.851 and in Irian Jaya Barat: 41.309) did follow the national trend in preferring bigger parties such as Golkar, PDI-P, or PPP. In general, in Indonesia the elections to the parliament in April 2004 brought some real surprises:

The winner was Golkar, the old New Order-party, with 24.480.757 votes or 21.58%, (in 1999 they had received 23.742.112 votes or 22.43%), this was, after the huge losses in 1999, again a small gain. It has to be added, however, that in 2004 Indonesia had 15 million new voters more than in 1999!

The big looser of the elections in 2004 was MEGAWATIS PDI-P, receiving this time only 21.026.629 votes or 19.82%. In 1999 she had received 35.706.618 votes or 33.73%, thus a loss of 14.7 million voters, a clear sign that many people
were dissatisfied with her leadership and the way, she tried to solve Indonesian problems.

The following parties in the ranking were mainly Muslim-parties, able to defend their position of 1999: No.3 was as before the PKB of traditionalist Islamic orientation, close to ABDURRAHMAN WAHID, with 11.989.564 votes or 10.57% in 2004; in 1999 they had 13.336.963 votes or 12.60%; No.4. was, in spite of similar losses, again the PPP, the representative of Islam in the time of the New Order. It received in 2004: 9.248.764 votes or 8.15%, in 1999 the outcome had been 11.330.387 or 10.70%. The next party was in 1999 the PAN of AMIEN RAIS, a leader of the modernist fraction in Indonesian Islam and actively engaged in the fall of SUHARTO. But – may be for his openly shown ambitions, alien to Javanese ethics – he had received only 7.528.936 or 7.11% of the vote and in 2004, the „king-maker“ in the case of ABDURRAHMAN WAHID in 1999 (and in 2001 also the main player in his expulsion from the presidency) received even less votes (7.303.324 or 6.43%) and his party came in only on rank 7.

Two newly founded parties had received more votes than PAN: The Democratic Party (PD) of SUSILO BAMBANG YUDOHYONO (SBY), and an Islamic reform-party for Justice and Welfare (PKS). The latter, under the leadership of HIDAYAT NUR WAHID, became known because of its criticism of the role of the US in Islamic countries. It had organized huge anti-US-demonstrations, rejecting, however, any kind of violence. And, being „clean“ itself, it had fought against all kinds of corruption in the country, which had not been done consequently by the PDI-P of MEGAWATI and her government. SBY had different credentials. As a former four star general he had already criticized excesses committed by the army in the times of SUHARTO, and ABDURRAHMAN WAHID, when trying to reduce the army’s influence in politics had called him into his cabinet as Coordinating Minister for Politics and Security. It was SBY, who led the negotiations with GAM, and he was present on TV in every crisis-situation, trying to explain the problems and to find a solution. Thus the good-looking general, who held the same position in the government of MEGAWATI, won for himself a nationwide reputation of being well-informed and peace loving. When pre-electoral polls indicated his great chances for winning the direct elections later this year for the presidency himself, he quit the MEGAWATI-government. If the votes for his Democratic Party (8.455.225 or 7.45%) and those for the PKS (8.325.020 or 7.34%) are counted together, one comes close to the figure, that leading parties of the 1999 elections have lost in 2004. The results of the elections allow one conclusion: The people of Indonesia wish definitely a more effective govern-
ment in the period of crisis, caused by the problems mentioned above, and by terrorism, which, in recent years, has spread widely also in Indonesia.

**The new threat of terrorism for Indonesia**
The new threat of terrorism for Indonesia is connected with the radicalisation of Islam in recent years. Traditionally Indonesian Islam was renowned for its moderate character and its tolerance vis-à-vis other religions in the archipelago. This was due to the long history of pre-Islamic cultures in the region, to their custom of adapting new ideas only selectively and to their ability to synthesize. Thus, Islam had not been spread by fire and sword, it had adapted itself to local customs, different from region to region, which explains the „varieties“ in Indonesian Islam until very recent times.

The same peaceful process could be noticed, when reform ideas from the Islamic world found their response in Indonesia at the beginning of the 20th century. A movement following the reform ideas of MOHAMMED ABDUH from Egypt, the Muhammadiyah, was founded in 1912. Those who were critical of too many reforms, founded the Nahdlatul Ulama in 1926. These two organisations – even if they use different names – are until today the true representatives of Indonesian Islam. Both claim to have tens of millions of followers and this is also borne out by the elections: Followers of Muhammadiyah vote for PAN and PKS, those of the Nahdlatul Ulama for PKB, and for both directions the PPP is acceptable as well).

The origins of Islamic radicalism lie with the fundamentalist Darul-Islam, referred to when discussing the case of Aceh. This was a movement in reaction to the secular nature of the Indonesian state, which, according to some Islamists, did not pay sufficient attention to the fact, that almost 90% of the Indonesians were Muslims. In trying to implement an Islamic state, it caused a lot of trouble in the 1950s and the early 60s, but its membership was extremely limited, it had perhaps 30-50000 adherents, most of whom reintegrated into the Indonesian state after the end of the rebellion in 1962.

A few of them, however, like ABDULLAH SUNGKAR and ABU BAKAR BASHIR from Ngruki, a religious school in Central Java, did not reintegrate themselves but went underground and fought against the SUHARTO-regime since the early seventies, when the New-Order regime started to humiliate Islamic organisations, forcing them to enter the government sponsored PPP and to accept the state ideology of Pancasila as their only guiding principle (this included the toleration of all other religions believing in the existence of an almighty god). In the mid-80s, SUNGKAR and BASHIR, who had been imprisoned, succeeded in finding
refuge in Malaysia, from where they returned to Central Java only after the fall of SUHARTO. ABDULLAH SUNGKAR died in the same year (1998), but ABU BAKAR BASHIR was extremely successful in spreading radical Islamic ideas. Quite obviously he had been chosen as the leader of an Islamic organisation Jemaah Islamiyah, which had close links to OSAMA BIN LADEN’s al Qaida, although this has as yet not been proved. BASHIR was arrested after the Bali bombing in October 2002 on charges of having organized terrorists acts and he is still in prison, in spite of his denial of the charges.

Whatever his contribution to the radicalisation of Indonesian Islam means, this process started to be spread in Indonesia already with the foundation of ICMI in 1990. The major reason for its foundation had been SUHARTO tried to win back Islamic support, which had sharply declined after the humiliation of Islamic organisation, mentioned above. And there had been first indications, which the loyalty of the armed forces, on which SUHARTO’s dictatorship was based, would not last forever. ICMI, in which AMIEN RAIS played a prominent role, soon proposed the introduction of the so-called proportional system, meaning that henceforth new appointments in important areas such as education or administration should follow the principle of proportion with regard to the religious beliefs of the applicants. Since it was no secret that, because of the support of the colonial tradition, Christian schools had produced better qualified candidates and that, therefore, Christian graduates occupied a disproportionate number of positions in the archipelago. The consequences of this policy of proportionalism in all fields would definitely lead in the direction of anxiety and communal violence. And this broke out, indeed, after the end of the SUHARTO-regime in various parts of Indonesia.

ICMI was only partly responsible for this development. Its interest in gaining influence in occupying more important positions in government and education is understandable enough. But in practice the proposals meant an end for the peaceful coexistence of the various religions, and that radical groups could exploit this potential of conflict. And these radical groups emerged soon after the fall of SUHARTO, when maintenance of order and quietude fell apart. A handful of agitators, most of them of Arabian descent and influenced by the activities of al Qaida, like HABIB MUHAMMED RIZIEQ, who, in 1998, founded a Front for the Defence of Islam, or Ja’afar UMAR THALIB, the leader of its Laskar Jihad, or Islamic fighting units, immediately started to respond to the commands of ABU BAKAR BASHIR. They „purified“ Islamic settings, attacked Christian churches and sent thousands of voluntaries to former predominantly Christian areas such as the Moluccas or Central Sulawesi to conduct real wars against the „unbelie-
vers“. Under these conditions, it was no problem for terrorists to creep into Indonesian regions and prepare their own plots, such as the bombing of Bali (on October 12, 2002) or the attack of the international Hotel Marriot in Jakarta (on August 5, 2003).

Since MEGAWATI did not want to loose Muslim-support for her re-election in 2004 she lingered in her reactions against Islamic radicalism as she did in her fight against corruption. This policy did not pay, however. The decisive second ballot for the presidential elections in September 2004 gave her only 39.1%, and her final opponent, SUSILO BAM BANG YUDOHYONO, won with an astounding 60.9%. SBY’s meteoric rise to power in 2004 was a surprise even to well informed observers of Indonesian politics. It remains to be seen, whether he will be more successful than his predecessors in trying to solve the many problems, threatening the stability of Indonesia.

References
This article is based on the regular reading of newspapers (Straits Times, Singapore, Kompas and The Jakarta Post, Indonesia) and of the Briefings and Reports of the International Crisis Group, Jakarta office, available on www.crisisweb.org. For the the background of problems discussed in greater detail see


Abstract
Discussed are the changes in Indonesian politics after the fall of Subarto, initiated by his successors B. J. Habibie (May 1998 - October 1999), Abdurrahman Wabid (October 1999 - July 2001) and Megawati Sukarnoputri (July 2001 - September 2004). Attention is paid in particular to the reasons and the consequences of the loss of East Timor, to the threats of further national disintegration, to the chances of special autonomy in Aceh and in West Papua and to the challenge of Islamic radicalism in recent years. A short analysis of the results of the parliamentary elections in 2004 finally suggests, that the majority of the more than 200 million Indonesians are as yet definitely not satisfied with the treatment of political issues and the fight against widespread corruption and poverty by the established politicians. Thus they put their hopes in the new leadership of Susilo Bambang Yudohyono, who emerged as the clear winner in the second ballot of the presidential elections in September 2004.
The Prospects for Democratisation in Pacific Asia
Findings and Perspectives

Aurel Croissant

At the early twenty-first century, democratisation dominates the political agenda of many countries in the world and also in Asia. In the course of three decades of „Third Wave of Democratisation“, the democracies in this part of the world tripled in number. This impressive figure, however, conceals the ambivalence of the actual political development in this region. On the one hand, one must confirm the trend towards more democracy. On the other hand, this trend is more precarious in this region than in other parts of the world. From the vantage point of research in comparative democracy, the dominating impression is one of a high level of heterogeneity in trends underlying democratic development. This article will attempt, in a systematic, comparative way, to analyze trends towards and prospects for democratisation in Asia in five steps. Firstly, the conception of democracy informing this investigation will be explained. This will be followed by an outline for an empirical topography of political regimes. Third, we are going to analyze two main trends in the democratic development in Asia: Firstly, most young democracies in Asia are more successful in the institutionalisation of political rights of participation than in the guaranteeing of law and order and civil liberties. The trend towards democracy turns out to be a trend towards „defective“ or diminished forms of democracy. Secondly, Asia drifts apart with respect to “democratic quality“. Or, more specifically: a dividing line runs separating the basically positive developments in the direction of liberal democracy in Northeast Asia from the stagnating or regressive developments in South and Southeast Asia. In a fourth step, theoretical considerations and empirical findings will be presented to explain the diverging developments of democracy in the region. The analysis then closes with an outlook over the future prospects of democratic transformation in the region.
I. The Concept of Democracy

Democracy analysis ultimately depends on the concept of democracy informing it. Probably the most influential definition of democracy is ROBERT DAHL’s concept of polyarchy (DAHL 1971). According to DAHL, polyarchy – as a realistic variation of democracy – is defined by the two interactive dimensions of political participation and contestation. DAHL’s definition is succinct and elegant. At the same time, however, it is insufficient for the understanding of a phenomenon which has increasingly occupied research in comparative democracy in recent years: the appearance of political regimes which, strictly definable neither as “functioning” polyarchies nor as open autocracies, are to be situated in the “grey area between democracy and dictatorship” (BENDEL/CROISSANT/RÜB 2002).

A look at several relevant democracy measurements highlights the relevance of the problem. According to the U.S.-based Freedom House-institute, the proportion of "electoral democracies" to all countries in the world has grown in the last 30 years from a 25 to today more than 60 percent. In the year 2001, 120 of the total 192 world states had a democratically elected government (FREEDOM HOUSE 2002). So, without any doubt, the world today is more democratic than ever; political alternatives to democracy have lost much of their relevance, both ideological and factual. But Freedom House deliberately chooses the term "electoral" and not "liberal democracies". Both the annual monitoring carried out by Freedom House and several comparative studies or case studies show that, in many systems undergoing political change, although de jure political rights, civil liberties, and the institutions of constitutionalism and the rule of law are found, a whole battery of de facto restrictions, usually informal ones, curb the effective working of the formal rules and significantly distort their value.

One theoretical concept, which allows the systematic division of such new regimes from liberal democracies, a typological understanding of their internal differences, the revelation of the causes for their existence and their demise, as well as a causal explanation of the dynamics specific to their development, is the concept of "defective democracy" (MERKEL/CROISSANT 2000; MERKEL et al. 2003). It itself makes use of a multidimensional conception of democracy, complementing DAHL’s concept of polyarchy by adding the two dimensions of effective power to govern and the rule of law. These dimensions form the conceptual coordinates, with which one may distinguish between different forms of democracy.

These dimensions are:

1) the dimension of vertical legitimation and control (DAHL’s polyarchy dimension),
2) the dimension of the effective power to govern,
3) the dimension of the rule of law and horizontal accountability.

   ad. 1) In liberal democracies, the access to political power is guaranteed by the universal right to vote and the conduct of fair elections. If a relevant segment of the adult citizenry becomes excluded on the basis of its race, ethnic background, sex, religion, property, education, or political conviction, the democracy is thereby "defective".

   ad. 2) In liberal democracies, the effective ruling power lies exclusively in the hands of representatives, who have been elected generally and fairly. If "veto powers" - e.g. the military, a guerrilla force, or a militia - withhold certain political domains from the grasp of these democratic representatives, the democracy is thereby "defective".

   ad. 3) In liberal democracies, democratic power is linked to arrangements stemming from the constitution and the rule of law. Especially relevant to this context are the reciprocal control of the powers of state and the guarantee of fundamental civil rights and liberties. If the representatives, empowered via free and general elections, compromise these fundamental rights, if the reciprocal control of power becomes suspended through circumvention of the parliament or of justice, or if the integrity of the rule of law falls under deliberate and chronic attack, the democracy is thereby "defective".

These considerations require, however, complementary explanations related to the complexity of multidimensional concepts. First of all, even defective democracies must display an extensive structural basis for a democratic ruling system in order for them not merely to represent a facade for authoritarian patterns of government. This democratic substance must exist even when partial limitations on one of the three dimensions of democracy are at work. It remains guaranteed if the channels both of the effective contestation of central power positions and of the control of power cannot be closed off unilaterally, whereby an autocratic regime would again arise.

The second explanation concerns in particular the vertical dimension of legitimation and control. The prerequisite for the control and legitimation of democratic rule is, first and foremost, free and fair elections. It is characteristic of real electoral alternatives exist, and thus also the danger of the loss of power as a result of the general electoral will. Elections only bear democratic significance if one can principally designate the position of power as being vacant. These considerations may be summarized by a typology of defective democracies. Depending upon the dimension of democracy, we strike upon four subtypes of defective democracy:
Table 1: Types of defective Democracy

<table>
<thead>
<tr>
<th>Damaged Dimension</th>
<th>Type</th>
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<tbody>
<tr>
<td>1) Dimension of vertical limitation and control</td>
<td>Exclusive democracy</td>
</tr>
<tr>
<td>2) Dimension of the rule of law and horizontal control</td>
<td>Illiberal democracy</td>
</tr>
<tr>
<td>3) Effective ruling power</td>
<td>Delegative democracy</td>
</tr>
<tr>
<td></td>
<td>Enclave democracy</td>
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</tbody>
</table>

Source: Merkel et al. (2003).

II. A Topography of Democratisation in Asia

Comparative research on democratisation in the 20th Century comes to a clear result. The Third Wave of Democratisation left its weakest traces at the coast of the Asian continent. As measured by the annual evaluations of political rights and civil liberties made by the already-mentioned Freedom House institute, the continent being in the last place in terms of the realisation of these basic conditions of democracy. Of course the term “continent” is, for the purposes of political science, a far too wide-meshed one to function as a meaningful taxonomic principle. Even if one compares the three sub regions commonly used by comparative Asian studies, i.e. South, Southeast, and Northeast Asia, the result would immediately have to be relativized: According to the data from Freedom House for the years between 1974 and 2002, the proportion of „electoral“ democracies among states in the region grew from 6 to almost 41 percent. One can distinguish between four groups of countries.

Although the number of democracies has risen significantly in the last 20 years, the regional wave of democratisation remains fragile and limited. More than half of Asian countries are governed autocratically. Even where democratisation has occurred and where democracy has survived, the way to consolidated liberal democracy is a long one. On the contrary, most young democracies remain unconsolidated. Most of them display significant defects in the area of the rule of law and democratic constitutionalism, in the civilian control over the military, in the struggle against corruption, in the development of stable political institutions, or in the peaceful resolution of social conflicts.
Table 2: Political Regimes in Pacific Asia (2003)

<table>
<thead>
<tr>
<th></th>
<th>South Asia</th>
<th>Southeast Asia</th>
<th>Northeast Asia</th>
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<tbody>
<tr>
<td>Electoral democracies</td>
<td>Sri Lanka</td>
<td>--</td>
<td>Japan</td>
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<tr>
<td>(“Second Wave”)</td>
<td>India</td>
<td></td>
<td></td>
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<tr>
<td>Electoral democracies</td>
<td>Bangladesh</td>
<td>Indonesia</td>
<td>South Korea</td>
</tr>
<tr>
<td>(“Third Wave”)</td>
<td></td>
<td>Philippines</td>
<td>Taiwan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand</td>
<td></td>
</tr>
<tr>
<td>Failed democracies</td>
<td>Nepal</td>
<td>Cambodia</td>
<td>--</td>
</tr>
<tr>
<td>(Democracy suspended</td>
<td></td>
<td>(Putsch, July</td>
<td></td>
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<tr>
<td>in October 2002)</td>
<td></td>
<td>1997)</td>
<td></td>
</tr>
<tr>
<td>Pakistan (Coup d’état,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1999)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autocracies without</td>
<td>Bhutan</td>
<td>Brunei</td>
<td>China</td>
</tr>
<tr>
<td>democratisation</td>
<td>Maldives</td>
<td>Laos</td>
<td>North Korea</td>
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<td></td>
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<td>Malaysia</td>
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<td>Myanmar</td>
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<td>Singapore</td>
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<td></td>
<td></td>
<td>Vietnam</td>
<td></td>
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</tbody>
</table>

Source: Classification by the author based on information by Freedom House (2002).

III. Trends in Democratisation

Though, in „defective democracies”, the formal procedures of electoral democracy are in place, they are combined with autocratic elements. We must distinguish, however, between regimes with fully-developed and relatively stable defects on the one hand and “defective democracies”, which have undergone a more or less continuous development towards liberal democracies in the last few years on the other, although most of such regimes have not overcome all their defects.

In South Asia, Nepal, Pakistan, and Bangladesh have gone through a transition to democracy between 1988 and 1990. For the Nepali government, the foundational elections in the year 1991 saw the birth of a genuine anti-authoritarian ruler ship, the Nepali Congress. However, a successful elite settlement between the old authoritarian ruling elite and groups of the political left, which could have stabilized the young democracy, did not occur. Maoist guerrilla fighters rather fight a revolutionary war in large areas of the country against the central government in Kathmandu. They find support among the poor, the intelligentsia, ethnic minorities, and the rural population. The massacre of the royal family in June 2001 further aggravated the crisis of democracy. Finally, in October 2002, King GYANENDRA took over direct governmental power by decree, dissolved parliament, and appointed a governmental cabinet personally answerable to him.
Thus the constant erosion of democracy in Nepal ended in a barely disguised power takeover on behalf of the monarch.

In Bangladesh too, the democratic process is characterized by strong polarisation and a high level of political violence. The various segments of the political elite exploit their democratically gained power to the same degree as ever, either to secure their own economic interests (or those of their families) or simply to get revenge on their political opponents. Technically, the judiciary is politically independent. De facto, however, the lower courts are hardly functional and enjoy for that reason very little prestige and trust on behalf of the population. Because of the poor functionality of the courts and the lack of acceptance of the constitutional principles, the rule of law is in a precarious condition and, in rural areas, actually hardly present any longer. In recent years, cases of politically motivated interference in the independence of the judiciary, particularly of the High Judicial Court, resulted in a widespread breach of confidence in the judiciary (ISLAM 2002), and the fight against corruption is being used increasingly as a political weapon. With regard to their civil rights, most citizens live under the thin protection of a „low intensity citizenship“ (O’DONNELL 1994).

Democracy in Pakistan already collapsed in 1999. Granted, it had already been clear in preceding years that democracy was hardly capable of getting the serious social and economic problems besetting the country in order. Although a multi-party system and an elected government existed, the principles of a loyal opposition and of tamed politics remained unknown. After 1988, even democratically elected prime ministers governed by decree, marginalized the parliament, and stood in conflict with other constitutional organs, such as the presidency and the high judiciary court. While Islamic movements gained in power, large numbers of the population had lost their trust in democratic institutions and in the political elite. In rural areas, big landowners and armed clans took over the state’s monopoly on the use of force. The governmental practices of Prime Minister SHARIF increasingly destabilized the fragile balance between governmental institutions, civil politics and militia, and the politically dominant familial clans. The destabilisation of the democratic institutions and attempts to remove commanders disagreeable to the government from the highest positions in the armed forces finally provoked, in October 1999, the military putsch.

Democratisation in South East Asia was achieved, between 1986 and 1999, in Cambodia, Indonesia, the Philippines, and in Thailand. In Cambodia, the Paris Peace Accord in 1991 paved the way for the first free and fair national elections in the country’s history in May 1993. With the strong support of the West and of Japan, an interim government of the United Nations was put together, which
was responsible for the pacifying and democratisation of the country. The elections led to the victory of the oppositional FUNCINPEC over the Cambodian People’s Party (CPP), which had governed the civil-war torn country since 1979. The CPP refused, however, to accept the result. The crisis was solved temporarily, when both parties formed a coalition government lead by Prime minister Prince NORODOM RANARIDDH (FUNCINPEC) and co-Prime minister HUN SEN (CPP). In spite of their defeat, the CPP continued to dominate the state apparatus. Continuous conflicts between the coalition partners escalated in July 1997 to armed fights between both parties, interpreted by most observers as a putsch on the part of the CPP against FUNCINPEC. Since then, the CPP has extended and secured its power (PEOU 2000). The parliamentary elections of 1998 and 2003, in the wake of both of which new coalition governments under HUN SEN were formed, were “clean”, at least technically speaking; in reality, pressure and threats during election run-ups allowed the CPP to assert itself as a hegemonic force.

Also for Indonesia, the prospects for successful democratic transition remain uncertain. Built upon the fundament of the “New Order” regime of president SUHARTO, Indonesia’s democracy finds itself in a virulent crisis of stateness. Conflicts between the central government and ethnic minorities are signs of a faltering nation building. One of the most urgent problems for stabilizing young democracies is the development of a stable and efficient relationship between presidency and parliament. Favoured through the electoral system, the election of 1999 produced a highly fragmented multiparty system and, consequently, a legislature in which no single party achieved majority status. Finally, ABDURAHMAN WAHID was elected as a compromise candidate, whose own party occupied less than 10 percent of the seats in parliament. After the inauguration of President WAHID, his rainbow coalition cabinet supported by the six largest parties proved as unstable and incapable of using its nominal majority in parliament for putting policies through effectively. The conflict between the president and the increasingly hostile parliament reached its peak in impeachment proceedings against WAHID in July 2001.

Reforming civil-military relations is another core challenge to Indonesian democracy. Given the powerful position of the armed forces during the authoritarian regime, it is hardly surprising that civilian control is weak. Democratisation forced the armed forces to concessions to the new democratic authorities (HEINZ 2001: 124). However, the armed forces continue to operate in problem regions like Aceh or West Papua according to old methods. Even after the regime change, “the activities of the officers are intertwined with the local level in
many ways – economic, social, and political – and political control is hardly possible under these conditions” (OP CIT.: 122). In sum, the transition process in Indonesia has led to a fragile and formal democracy, settled somewhere in the grey zone between democracy and autocracy, whose short-term stability rests essentially upon the co-option of previously excluded actors and the informal balance of power within the fragmented ruling coalition, which however, for this very reason, is unable to catch up on lasting authoritarian legacies or to deepen the minimal democratic standards it realized.

Democratic defects are also to be recognized in the Philippines. Elections are of low quality and political violence remains highly prevalent. The military has been largely subordinated to the political control of democratically-legitimated authorities. Until the onset of the 90s, however, veto powers and reserved domains have been grave defects, considerably weakening the functioning of democracy, the elected representatives’ power to govern, and the impetus behind political reform (CROISSANT 2002). Since the Philippine Congress hitherto acts primarily as an institution of vested interests, the functioning horizontal accountability comes, paradoxically, to be a disadvantage to the political system’s ability to reform. Both administrative and tax reforms, which could have contributed to the increased ability of the weak state to act, failed because of the resistance of the Congress. Social and economic reforms, which, on a middle-term basis, contribute to the weakening of the strongly asymmetrical distribution of societal power resources, have failed up till now as a result of the resistance of this veto player. Political, economic, and societal reforms necessary for the removal of defects and their causes hardly have a chance to be realized in the functioning system of checks and balances between the president and the congress (CROISSANT 2003). The weak protection of civil liberties, the inefficiency of the courts, the endemic corruption of the judiciary, the administration, and the police, the brutality of the armed forces in insurgent regions, the insufficiency of the state’s power in parts of its own territory, and grave socio-economic inequality lead to a situation in the Philippines, such that, there too, much of the population can be merely said to enjoy a „low-intensity citizenship”.

In Thailand, the improvement of various democratic standards – above all the introduction of a directly-elected senate, the improved protection of the political rights of Thai citizens, and the cutting back of the political influence of the military – contrasts with the intensification of other defects. The greatest successes in the removal of democratic defects were achieved since democratisation in 1992, effected by the neutralisation of veto powers via the subordination of reserved public domains under the power of democratically-legitimized authorities.
This applies above all to the role of the armed forces. The Thai military transformed itself in the 90s from an undeniable veto-power to an influential interest group in Thai politics (CROISSANT 2002). However, weak rule of law represents a grave hindrance to the effective functioning of the Thai state of rule of law. The binding power of constitutional norms on the executive, the bureaucracy and the legislature is weak, and the relation between state and citizens marked by the frequent non-observance of civil rights of protection – this indeed more and more in recent years, as indicated by massive human rights violations by the police and the army in the fight against drug-related criminality and separatist insurgence in the Moslem-dominated Southern provinces.

Compared to Southeast Asia, the young democracies in Northeast Asia seem to be on the path from defective to liberal democracy. With some reservations, this statement is to be applied, firstly, to South Korea. After almost forty years of authoritarian rule, the countrywide protest for democracy in June 1987 marked the breakthrough for democratic transition. In free and fair elections, ROH TAE-WOO, the candidate of the government party, was elected to the presidency in December of the same year. Headed by an ex-general, the government was quickly able to integrate the military into a democratic system. This helped, during the first years of democratic rule, to bridge a consensus among the population and the political elite. This became clear in 1993, when KIM YOUNG-SAM took over the office of the presidency, the first civilian to do so after over 30 years of military-dominated politics. Finally, the election of former dissident KIM DAE-JUNG as president in 1997 proved that electoral competition, including the possibility of power shifts among parties, had become the only game in town.

However, this cannot be conflated with the consolidation of Korean democracy. Thus, for example, SAXER (2002: 222f.) correctly points out the difficult legacies of the national security and developmental state, that hinder democratic consolidation. The defects of Korean democracy have culminated at present, above all, in the area of horizontal accountability. Since its democratisation in 1987/88, the Korean governmental system has oscillated between the two extreme poles of “delegative democracy” and chronic institutional gridlock, depending on whether the president’s party had a majority in the National Assembly. Whenever the executive had a majority in parliament at its disposal, the relation between the president and the national assembly became characterized by an “imperial” president, who largely shifted the material production of policy from the legislative arena to that of his own decisions and who rid himself of annoying checks on the part of the parliament (“delegative democracy“). However, as soon as the president saw himself confronted with an oppositional ma-
jority in parliament, reciprocal blockades became the rule, even to the point of the complete paralysis of the political system, as most recently in early 2004. In both cases, this was detrimental to the consolidation of democracy.

Of the nine cases of democratisation in the Third Wave in Asia, the only country in which transition led to a democratic regime without significant defects is Taiwan. Surely, there remains a need for reforms for the elimination of continuing legacies left behind from more than four decades of authoritarian rule, for the fight against “money politics” or “mafia politics” (ALAGAPPA 2001), and for the strengthening of the rule of law. Still, human rights, political rights, elections, and institutions of the rule of law have been realized effectively. This does not mean that the process of democratic consolidation in Taiwan has been completed, as the last few years have shown. Similar to the situation in South Korea three years prior, the first-ever election victory of an oppositional candidate for the presidency (CHEN CHUI-BIAN) in March 2000 was a milestone in the democratic development of Taiwan. Nevertheless, the peaceful take-over of power brought a series of new problems for democratic consolidation. As at least to some extent a result of the semi-presidential system and competing majorities in the executive and the legislative, the first two years of the new government were marked by permanent gridlock, which led to serious problems regarding the political stability and the institutional inefficiency of the democratic system (CHU 2001). It is debatable whether this deficits of governance should be seen as acceptable forms of political dispute issuing forth from the interplay of an unfavourable semi-presidential system on the one side and, on the other, political parties yet inexperienced in their respective roles, or whether or not they indicate deeper problems besetting democratic transformation. At least one fact not to be ignored is that the process of the consolidation of Taiwanese democracy has by no means been successfully completed. The political turbulence in the wake of the extremely narrowly re-election of CHEN in March 2004 probably also supports this interpretation. Without intending to overstress its democracy-threatening potential – to what extent it will lead to a weakening or even to a strengthening of democratic consolidation is a question the future will answer –, it seems to support the thesis of an unconsolidated democracy.

This short overview reflects the differences in the dynamics and the profiles of democratic transition. By way of a summary, Table 3 assigns the young democracies to different subtypes of democracy:
### Table 3: Political Outcomes of Democratisation

<table>
<thead>
<tr>
<th>Autocracy</th>
<th>Defective democracy</th>
<th>Liberal democracy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exclusive Illiberal Enclave democracy Delegative</td>
<td>Cambodia Bangladesh Indonesia Korea (1992-1998; 1999-00) Taiwan Nepal (since 2002) Philippines Thailand Pakistan</td>
</tr>
</tbody>
</table>

*Source: Merkel et al (2003: 174).*

### IV. Primary Causes of Defective Democracies

What accounts for why and how defective democracies originate? Some years ago, SAMUEL HUNTINGTON (1996: 9) asserted that the challenge for new democracies was not “overthrow but erosion: the intermitted or gradual weakening of democracy by those elected to lead it”. JUAN LINZ (2000: XL-XLI), on the other hand, points out that political elites are not always responsible for the deficiencies of the democratic system. Anti-democratic rebels, separatists unwilling to seek compromise, disloyal soldiers, or unfavourable socioeconomic conditions may constitute problems of democratic governance which, although they foster defects of democracy, can hardly be traced back solely to the power-seeking strategies of elected officials.

These opposing views essentially reflect the age-old debate in social sciences on the importance of structure or political action in affecting political development. They function as an initial indication of the difficulties in identifying the primary causes of defective democracy. Given the sheer diversity of the defects of democracy, there is probably no one primary cause which leads to illiberal, enclave, or delegative democracies, but rather a set of causes. For lack of space and setting aside the influence of international factors as an explanatory variable, we focus on four categories of potential causes accounting for defects of democracy: 1) socio-economic variables, (2) cultural and historical factors, (3) stateness and nation building, and (4) political institutions (CROISSANT 2002; MERKEL et al. 2003).
1. Socio-economic Determinants of Democratic Development in Asia

The effect of a country’s level of socioeconomic modernisation on the democratic character of its political institutions is one of the most widely discussed questions in social sciences. Quantitative research has confirmed that a comparatively high level of socioeconomic modernisation, the broad dispersion of ‘power resources’ and a low ethnic, linguistic, or religious fragmentation positively correlate in the effectiveness of political rights and civil liberties (CLAGUE et al. 2001; VANHANEN 1997). Comparing political and civil freedom ratings in Asia thus provides an opportunity to investigate whether defects of democracy are linked to key socioeconomic determinants.

Table 4 clearly suggests a strong positive relationship between political and civil rights and different levels of economic prosperity, the distribution of economic or social power resources and economic inequality. The Pearson’s correlation coefficient $r$ for GDP per capita and political rights is $-0.55$, respectively $-0.637$ for civil liberties. For political rights and IPR it is $-0.564$ (civil rights $-0.542$) and for GINI coefficient it is between $-0.584$ (political rights) and $-0.435$ (civil liberties) (lower numbers indicate higher freedom in the Freedom House rating system). While the correlation of political and civil freedom with economic development is far from perfect, as some outliers from the regional trend suggest (most notably Singapore and Brunei), the analysis suggests that these variables partially account for different degrees of political and civil rights in Asia. In intraregional comparison, the status of political and civil rights is better the higher the GDP per capita, and the more equally power resources are dispersed and income is distributed in society.

Generally, one may conclude that the probability of greater political and civil freedom in Asia is strongly affected by the characteristics of economic wealth, income inequality, and distribution of power resources exhibited by a given country. If the Freedom House ratings are used as indicators of democratic quality, the prospects for democracy are the better the higher the level of economic development, the broader the dispersion of economic and cultural power resources, and the more equal the income distribution in society. Where cultural resources and economic wealth are dispersed so broadly that no single group within a society can suppress other groups economically by monopolizing cognitive resources or by centralizing economic power in their own hands, the more likely is a cardinal consensus on democracy, and thus arise prospects for the effective use of political and civil rights granted by the constitution. Thus socio-
economic obstacles seem to be an important cause for the deficits of the state of rule of law and ‘low intensity citizenship’ in South and Southeast Asian societies.

Table 4: Social and economic determinants in the development of Asian democracies

<table>
<thead>
<tr>
<th></th>
<th>Political rights</th>
<th>Civil rights</th>
<th>BIP p.c.</th>
<th>IPR</th>
<th>GINI Coefficient</th>
<th>Ethnic fractionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>3</td>
<td>4</td>
<td>1.602</td>
<td>2.5</td>
<td>0.33</td>
<td>n.a.</td>
</tr>
<tr>
<td>Bhutan</td>
<td>7</td>
<td>6</td>
<td>1.412</td>
<td>0.6</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Brunei</td>
<td>7</td>
<td>5</td>
<td>16.779</td>
<td>3.9</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Cambodia</td>
<td>6</td>
<td>5</td>
<td>1.446</td>
<td>0.4</td>
<td>0.40</td>
<td>0.30</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>3</td>
<td>2.358</td>
<td>5.4</td>
<td>0.38</td>
<td>0.89</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3</td>
<td>4</td>
<td>3.043</td>
<td>10.1</td>
<td>0.31</td>
<td>0.74</td>
</tr>
<tr>
<td>Japan</td>
<td>1</td>
<td>2</td>
<td>27.755</td>
<td>37.4</td>
<td>0.25</td>
<td>0.01</td>
</tr>
<tr>
<td>Laos</td>
<td>7</td>
<td>6</td>
<td>1.575</td>
<td>2.6</td>
<td>0.30</td>
<td>0.60</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5</td>
<td>5</td>
<td>9.068</td>
<td>10.4</td>
<td>0.49</td>
<td>0.72</td>
</tr>
<tr>
<td>Maldives</td>
<td>6</td>
<td>5</td>
<td>4.485</td>
<td>9.7</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Myanmar</td>
<td>7</td>
<td>7</td>
<td>1.027</td>
<td>7.7</td>
<td>n.a.</td>
<td>0.47</td>
</tr>
<tr>
<td>Nepal</td>
<td>3</td>
<td>4</td>
<td>1.327</td>
<td>0.9</td>
<td>0.36</td>
<td>0.70</td>
</tr>
<tr>
<td>North Korea</td>
<td>7</td>
<td>7</td>
<td>n.a.</td>
<td>1.1</td>
<td>n.a.</td>
<td>0.00</td>
</tr>
<tr>
<td>Pakistan</td>
<td>6</td>
<td>5</td>
<td>1.928</td>
<td>3.5</td>
<td>0.31</td>
<td>0.64</td>
</tr>
<tr>
<td>Philippines</td>
<td>2</td>
<td>3</td>
<td>3.917</td>
<td>15.1</td>
<td>0.46</td>
<td>0.74</td>
</tr>
<tr>
<td>PR China</td>
<td>7</td>
<td>6</td>
<td>3.976</td>
<td>3.5</td>
<td>0.40</td>
<td>0.13</td>
</tr>
<tr>
<td>Singapore</td>
<td>5</td>
<td>5</td>
<td>23.356</td>
<td>21.6</td>
<td>0.39</td>
<td>0.42</td>
</tr>
<tr>
<td>South Korea</td>
<td>2</td>
<td>2</td>
<td>17.380</td>
<td>38.8</td>
<td>0.31</td>
<td>0.00</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3</td>
<td>4</td>
<td>3.530</td>
<td>10.5</td>
<td>0.48</td>
<td>0.47</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1</td>
<td>2</td>
<td>17.200</td>
<td>31.1</td>
<td>0.32</td>
<td>n.a.</td>
</tr>
<tr>
<td>Thailand</td>
<td>2</td>
<td>3</td>
<td>6.402</td>
<td>12.9</td>
<td>0.41</td>
<td>0.66</td>
</tr>
<tr>
<td>Vietnam</td>
<td>7</td>
<td>6</td>
<td>1.996</td>
<td>2.7</td>
<td>0.35</td>
<td>0.26</td>
</tr>
</tbody>
</table>

a Freedom House for the year 2001/02.
b BIP per capita PPP US$, 2000, partially estimated.
d 1990-2000, different years.
e Index of ethno-linguistic fractionalisation, developed by TAYLOR and HUDSON according to data from Atlas Narodov Mira. The higher the value, the greater the fractionalisation.


Semi-modern development paths and cumulative inequalities of status, income, property, and cognitive power resources make the emergence of a pluralistic society difficult. This does not mean that a high GDP per capita leads necessarily to liberal democracy; societies with low socioeconomic modernisation are not doomed to autocratic rule or democratic instability. Among the recently democratized countries in Asia, there were more low or middle-income economies than upper-middle or high-income economies. But countries where democracy survived against all odds (Bangladesh) or those in which democracy did not emerge
despite high socioeconomic modernisation (Singapore) are exceptions. As a rule, expectations of sustainable institutions of liberal democracy in Asia are much higher in more developed societies with a moderate to low degree of socioeconomic inequality than in less developed, more unequal ones.

2. Political Culture and Colonial History
The capacity of civil societies and political parties to force autocratic regimes towards democratisation or to pressure a democratic government to adhere to the principles of democracy and the rule of law depends significantly on the society’s political culture and its legacies of political history. Colonial history, for example, has been claimed “to be a significant determinant of democracy in the Third World” (WEINER 1987: 19). Colonialism may affect a country’s prospects for democracy in different ways. Colonial rule may alter the evolution of a country’s political culture and civil society; it may accelerate the diffusion of political ideologies and new religious beliefs; former colonial powers often provide an institutional blueprint for post-colonial polities. Most notably, British colonialism has been claimed to be conducive to democratic stability due to its legacy of military professionalism, a well-trained civil service, an independent judiciary, and the pro-democratic disposition of the new countries’ leadership in former colonies. This is potentially of importance for Asia, particularly since its traditional political culture and social values are said to be relatively incompatible with democracy (ZAKARIA 1994).

As illustrated in Table 5, “Asian culture” or colonial experience makes only a weak case for democracy in Asia. There is no positive relationship between British colonialism and (liberal) democracy. Only three out of ten former British colonies have established democracy. Compared to the rest of Asia, there is no significant ‘over-democratic’ achievement in former British colonies, neither in political nor in civil freedom. Contrary to the “Asian values” thesis, countries with a strong Confucian heritage do quite well in terms of liberal democracy. Three out of six ‘Confucian countries’ (including Japan) have established democracy. Measured by their average scores in political rights and civil liberties, they do far better in terms of freedom than the rest of Asia; Confucian democracy also fare better, on average, than Asia’s democracies in general. There is a strong correlation between Islam and a lack of democracy and freedom. Only two out of six (predominantly) Muslim societies are under democratic rule. The average score of political rights and civil liberties in Islamic countries is lower than the regional average. Buddhism, however, appears to be the most non-democratic culture in Asia. Only two out of seven Buddhist countries have established de-
democracy; the average scores of political rights and civil liberties for Buddhist countries lie far below the regional average.

Table 5: Cultural background, colonial experience, democracy in Asia

<table>
<thead>
<tr>
<th></th>
<th>Political regime</th>
<th>Dominant cultural background</th>
<th>Colonial experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Democracy</td>
<td>Islam</td>
<td>British</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Autocracy</td>
<td>Buddhism</td>
<td>British</td>
</tr>
<tr>
<td>Brunei</td>
<td>Autocracy</td>
<td>Islam</td>
<td>British</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Autocracy</td>
<td>Buddhism</td>
<td>French</td>
</tr>
<tr>
<td>India</td>
<td>Democracy</td>
<td>Hinduism</td>
<td>British</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Democracy</td>
<td>Islam</td>
<td>Dutch</td>
</tr>
<tr>
<td>Japan</td>
<td>Democracy</td>
<td>Shintoism/Confucianism</td>
<td>--</td>
</tr>
<tr>
<td>Laos</td>
<td>Autocracy</td>
<td>Buddhism</td>
<td>French</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Autocracy</td>
<td>Islam</td>
<td>British</td>
</tr>
<tr>
<td>Maldives</td>
<td>Autocracy</td>
<td>Islam</td>
<td>British</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Autocracy</td>
<td>Buddhism</td>
<td>British</td>
</tr>
<tr>
<td>Nepal</td>
<td>Autocracy</td>
<td>Hinduism</td>
<td>--</td>
</tr>
<tr>
<td>North Korea</td>
<td>Autocracy</td>
<td>Confucianism</td>
<td>Japan</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Autocracy</td>
<td>Islam</td>
<td>British</td>
</tr>
<tr>
<td>Philippines</td>
<td>Democracy</td>
<td>Catholicism</td>
<td>Spanish/American</td>
</tr>
<tr>
<td>PR China</td>
<td>Autocracy</td>
<td>Confucianism</td>
<td>--</td>
</tr>
<tr>
<td>Singapore</td>
<td>Autocracy</td>
<td>Confucianism</td>
<td>British</td>
</tr>
<tr>
<td>South Korea</td>
<td>Democracy</td>
<td>Confucianism</td>
<td>Japan</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Democracy</td>
<td>Buddhism</td>
<td>British</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Democracy</td>
<td>Confucianism</td>
<td>Japan</td>
</tr>
<tr>
<td>Thailand</td>
<td>Democracy</td>
<td>Buddhism</td>
<td>--</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Autocracy</td>
<td>Buddhism</td>
<td>French</td>
</tr>
</tbody>
</table>

Source: Table 1 and Wint (1965).

Apparently, neither cultural background nor colonial experience accounts for democratisation and defective democracy in Asia, i.e. at least not in the expected way. There seems to be a negative relationship between British colonialism, Islam, Buddhism and democracy on the one hand and a positive relationship between Confucianism and liberal democracy on the other hand. Yet, the case samples are small. Additionally, profound cultural differences exist within each country. There are large Christian communities in Korea and Vietnam; Japanese culture is a mixture of Confucianism, Buddhism, and Shintoism; there are Muslim minorities in Thailand, the Philippines, Myanmar, and India; and Chinese (‘Confucian’) communities exist in Malaysia, Indonesia, and the Philippines. Apparently, cultural and colonial background offers, as an explanatory variable, a rather limited account for democratic development in Asia.
3. Stateness and Nation Building

The relationship between stateness, nation building, and democratisation has gained considerable attention in transition studies. Especially Juan Linz and Alfred Stepan explored this relationship. Their conclusion was, that “(d)emocracy, as a form of governance, presupposes a state. A nation cannot have a democratically elected representation, if this representation is not recognized and institutionalized by a state” (1996: 16). In order for democracy to function, the state monopoly of power must be secured institutionally and the Hobbesian problem of the lack of centralized legitimate use of force be solved. Strong ‘stateness’ requires that the state’s authority de facto covers the entire territory, that a sufficient bureaucratic capacity exists to implement regulations, and that a fundamental agreement is reached that the people under its rule are citizens of the state. The last requirement has also been labelled as that of ‘national unity’, which implies “that the vast majority of citizens in a democracy-to-be must have no doubt or mental reservations as to which political community they belong to” (Rustow 1970: 351).

With a view to Asia, one must ascertain that weak stateness and the lack of national identity poses a fundamental problem for liberal democracy in the region. Most states in the region arose in the wake of de-colonisation between the late 1940s and the early 1960s. Problems associated with stateness and nation building are not specifically those of the transformation phase, but rather extend back to this de-colonisation period. In the past, they had already burdened the political system’s ability to gain stability, although they were then further aggravated by the process of transformation (e.g. Indonesia), among other things.

Problems of stateness and nation-building may be fundamental causes for the emergence of defective democracy. Both concepts are multifarious and difficult to operationalize. Kaufman et al. (2002) have recently constructed six aggregate governance indicators, two of which may be used to compare at least some facets of the stateness-problem. The first indicator is ‘Political Stability’. It combines several indicators, all of which measure perceptions concerning the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional or violent means. The second indicator, that of ‘Government Effectiveness’, combines, among other things, assessments of the quality of public service provisions, the quality of the bureaucracy, and the competence of civil servants (ibid.). Their combined results suggest a relationship between the level of political stability, government effectiveness, and democracy. By and large, the indicator values of autocracies are worse than those of ‘electoral democracies’. Although there are exceptions, such as Singapore and Malaysia, both
of which rate highly in both of these aspects, it may nonetheless be concluded that the more impaired the political stability, the effectiveness of government, and thus the stateness as a whole of a particular country, the greater the damage is to political rights and civil freedoms and, therefore, the more defective is the democracy.

On the other hand, states with a liberal democratic political regime (Taiwan, Japan) receive better values than defective democracies. Northeast Asia’s democracies have a better record than democracies in South and Southeast Asia. The ratings of Bangladesh, Sri Lanka, and Indonesia are particularly bad, as are those of the failed democracies in Pakistan, Cambodia, and Nepal. In these countries, the disruption of the state’s monopoly of legitimate use of violence in parts of the country prevents public authorities and the courts in particular from protecting the rights of its citizens. Violations of the rule of law and human rights caused either by terrorism on behalf of political extremists or by the state’s military and police forces form a daily part of political life. Widespread development problems, corruption, and patronage render the state in South Asia and in some parts of Southeast Asia inefficient.

A look at the degree of ethnic and linguistic fractionalisation (see Table 4) gives some indication of the relative challenges faced by nation-building. As Table 4 illustrates, Asia is remarkably diverse in terms of ethno-linguistic fractionalisation; there are societies virtually without any minorities (North and South Korea) and heterogeneous societies like Indonesia and the Philippines. A correlation analysis suggests, however, that the probability of improved political and civil rights is not affected by ethnic diversity; that is, that there is no positive relationship between ethnic diversity and the Freedom House ratings. The Pearson’s correlation coefficient r for ethnic diversity and political rights is -0.240, respectively -0.134 for civil liberties, which is statistically insignificant. Thus, different degrees of ethno-linguistic heterogeneity in Asia cannot explain regional differences in the status of political and civil rights, even though differences in ethnicity and religion are a major cause of political conflict and human rights violations in some countries, e.g. the Philippines and Indonesia. This suggests that although ethnic diversity may have a negative effect on democracy, its overall impact on Asia is weak. Moreover, there are clear examples of ethnically diverse countries in the region which enjoy persistent and more-highly-than-average rated political and civil freedoms (India, Thailand). Rather, contemporary inter-ethnic violence is generated by ethnic nationalists, who either reject the citizen-status in the states in which they are members and demand statehood for themselves or who are reluctant to accept the universal right of citizenship for minor-
ity groups in their country. Current research on ethnic heterogeneity on the one hand and political violence and the state of political and civil rights supports this assumption, no matter, what measurements of ethnic heterogeneity are employed (FEARON/LAITIN 2000; FISH/BROOKS 2004). Thus, ethnic nationalism and violence are, to some extent, the outcome of both the political strategies of a country’s elite and their constitutional engineering rather than a direct result of ethnic diversity itself.

4. Political Institutions and Political Parties

Socioeconomic determinants, cultural heritage, historical experiences, the statelessness variable and ethnicity are all important contextual factors for democratic development, although they do not determine the result of processes of democratisation. Research on democratic consolidation suggest that the survival and consolidation of liberal democracy depend not only on structural conditions, but also on the design of political institutions and the calculations, perceptions, preferences, and strategies of political actors. Which type of democracy, which governmental and electoral system is most conducive for a working liberal democracy? Obviously there is no institutional master design constituting, the ideal solution for institutional engineering in young democracy. However, for example, presidentialism has been claimed to be detrimental for the consolidation of liberal democratic constitutionalism, conducive rather to political instability and delegative democracy. In particular, JUAN LINZ (1994) argues that presidential governments in young democracies tend to provoke conflicts between parliament and the (presidential) executive, constitutional breakdown, and a vicious circle of crisis in governance. This is especially so when the constitution gives the head of state considerable legislative powers the president can use, in times of an economic or political crisis, against the spirit of the constitution. Presidents are given the opportunity, at least in some instances, to circumvent challenges to and the control of powers by way of decree. In these ill-defined ‘emergency cases’, the executive, by way of its own decisions, bestows on itself important legislative authority. Executive usurpation of legislation increasingly debases the parliament “to a forum of demagogic posturing, while the president makes the tough decisions unilateral without the political parties in congress” (ACKERMANN 2000: 647).

Table 6 shows, however, that it is hardly possible to find any general relationship between institutional structures and the success of the consolidation of liberal democracy.
Table 6: Institutional Structural Conditions for Young Democracies in Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Governmental system</th>
<th>Type of democracy</th>
<th>Share of mandate in %</th>
<th>Election year</th>
<th>Person</th>
<th>Time in office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Parliamentary</td>
<td>n.a.</td>
<td>47.3</td>
<td>2003</td>
<td>Hun Sen</td>
<td>since 1997</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>40.5</td>
<td>1994</td>
<td>Bhattarai</td>
<td>1999-2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>54.1</td>
<td>1999</td>
<td>Koirala</td>
<td>2000-2002</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Parliamentary</td>
<td>n.a.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>64.0</td>
<td>2001</td>
<td>Zia</td>
<td>since 2001</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Presidential</td>
<td>n.a.</td>
<td>65.0</td>
<td>1997</td>
<td>Habibie</td>
<td>1998-1999</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10.2</td>
<td>1999</td>
<td>Wahid</td>
<td>1999-2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>30.2</td>
<td>1999</td>
<td>Sukar-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>nopu-</td>
<td>tri</td>
</tr>
<tr>
<td></td>
<td></td>
<td>majoritarian</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>35.6</td>
<td>2001</td>
<td>Arroyo</td>
<td>since 2001</td>
</tr>
<tr>
<td>South Korea</td>
<td>Presidential</td>
<td>majoritarian</td>
<td>49.8</td>
<td>1992</td>
<td>Kim YS</td>
<td>1992-1998</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>46.5</td>
<td>1996</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>42.1</td>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>majoritarian</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>54.5</td>
<td>1998</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>29.5</td>
<td>1998</td>
<td>Chen</td>
<td>since 2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>39.6</td>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>consensual-</td>
<td>majoritarian</td>
<td>25.6</td>
<td>1996</td>
<td>Chuan</td>
<td>1997-2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>49.6</td>
<td>2001</td>
<td>Thaksin</td>
<td>since 2001</td>
</tr>
</tbody>
</table>

Source: Croissant (forthcoming); Peou (forthcoming).

The only delegative democracy in Asia, South Korea, has a presidential government and the two liberal democracies in the region have either a cabinet system (Japan) or a semi-presidential government (Taiwan). On the one hand, this seems to support the largely negative opinion about presidentialism as an obstacle to the development of liberal democratic constitutionalism. On the other hand, the three failed democracies are all parliamentary systems. Contrary to the
Linzean nightmare of constitutional breakdown, presidentialism in both the Philippines and Indonesia is characterized by a weak, sometimes even paralyzed presidency and by a very strong system of parliamentary control of executive power.

The threat of illiberal or delegative democracy is neither limited nor inherent to presidentialism. Far from it: In parliamentary systems, especially in Westminster-type systems, the balance among the branches of power is particularly threatened, as ANDRÁS SAJÓ (1999: 160) explains: “One of the main risks of Westminster-type systems is that the cabinet makes parliament the source of its own unrestricted and hidden legislative power, in violation of checks and balances. Here general authorisation laws play the role of the rotten fig leaf, hence the importance of parliament’s real power to determine substantively the legislative processes”. Westminster-style parliamentarianism or ‘majoritarian democracy’ is particularly vulnerable to the majoritarian tyranny and to democratic illiberalism.

Due to majoritarian democracy’s inherent tendency to the political exclusion of minorities, its institutional structures tend to become a serious threat to democracy, particularly in plural societies, whereas consensual democratic institutions potentially offer a necessary precondition for democratic consolidation (see also LIJPHART 1999: 301-302). As we argue elsewhere (CROISSANT 2003), it is not inherently presidentialism but the broader institutional framework – the strength and types of the president’s legislative powers and the configuration of institutional and partisan veto players – which is favourable for the evolution of delegative democracy in South Korea. Strong, proactive legislative powers of the president and weak veto players permitted presidents to establish a delegative democracy in South Korea, whereas presidents’ weak, reactive legislative powers and strong veto players hampered executive usurpation in the Philippines, Taiwan, Thailand, and Indonesia.

V. Prospects

With regard to the long-term prospects for the stability of (defective) democracies in Asia, there seem to be grounds for optimism. With the global demise of communism and socialist revolutions, a lethal threat to democracy in Southeast and East Asia since the 1950s has vanished. In the 1970s and 1980s, political and military elites who strived towards establishing an authoritarian regime could rely on support, depending on which side of the iron curtain they stood, from either the West or the East, as long as they were willing to serve as bulwark against communism or imperialism. Today, however, authoritarian elites in most developing countries cannot hope to be supported externally. In view of the experi-
ences most countries have made with the economic and political failure of their past authoritarian regimes, only a low support among the citizenry exists for a repetition of the authoritarian experiment by former authoritarian elites and the military.

In some young democracies, at least, there is a rather broad acceptance of (defective) democracy, as can be seen in the results of recent public opinion surveys such as the East Asia Barometer and the World Value Survey. They suggest for the Philippines, Taiwan, Thailand, Bangladesh, and South Korea, that support for democracy-in-principle is generally higher than in other regions, for example in post-Communist countries. Asians in these countries are more ardent in supporting democracy than the post-Communist Europeans from a normative perspective (Lee/Shin 2003); again a blow to the ‘Asian values’ thesis. While the extent to which citizens of new Asian democracies support the actual performance of the democratic regime, their confidence in democratic institutions, and their trust in political parties is quite low, it is still higher in Asia than, for example in Latin America (ibid.).

Concerning the prospects for democratic persistence, one might interpret these findings optimistically, since it is a trivial but crucial precondition for the overthrow of democracy that its enemies find significant social support for the autocratic regime they want to create. Considering the available survey data for Asia, one can hardly expect the albeit more or less pervasive dissatisfaction with the workings of present democratic institutions to lead to any potential support for an undemocratic regime.

What are the prospects for the development of liberal democracy? The optimistic assessment of the prospects for the stability of the status quo does not justify the conclusion that existing defective democracies will turn more or less automatically into liberal democracies. If one accepts the argument that economic prosperity, distribution of wealth and social power resources, and stateness-problems affect the prospects of liberal democratic development, then it will be much more difficult to develop a ‘working’ liberal democracy in South and Southeast Asia than in wealthy and developed countries like Taiwan and South Korea. Most of Asia’s democracies probably have to go a long way before they will develop into a consolidated, liberal democracy. It is rather unlikely that the young democracies of the Philippines, Indonesia, and Bangladesh will be able to improve the socioeconomic and stateness conditions of democratic rule in the near future. Thus, for most Asian democracies, the future of defective democracy may be ‘stagnation’.
References


Singapore.
Abstract
This article undertakes a systematic inquiry of democratic development in Asia. It draws on the concept of defective democracy, presented in the first section of the paper. Based on this concept, the article is mapping the development of democracy in three Asian sub-regions: South, South East and Northeast Asia. It makes two major trends of democratisation in these areas visible. Firstly, in most democracies the institutionalisation of political rights comes along with stagnation or decline of the rule of law and civil liberties. Secondly, the quality of democracy in Asia grows apart. While new democracies in Northeast Asia are on the track to democratic consolidation, democracy in South Asia is on the edge or did already fall victim to authoritarian renewal. In Southeast Asia, democratic consolidation is stagnating. The article also provides for a systematic analysis of what accounts for why and how defective democracies originate. While “Asian values”, type of colonial rule and ethnic heterogeneity make only weak cases for democracy in Asia, socioeconomic development, political institutions, stateness and political party systems are more important. In the last section, the paper provides an outlook to the prospects for further liberal democratic development in Asia, arguing that for the majority of countries and young democracies in the region, remaining a defective democracy is the likeliest perspective of democratic development in the near future.
Zur Ökonomie innerstaatlicher Konflikte
Der Regionalkonflikt im Süden der Philippinen

Helmut Schneider


Konfliktursache Kultur statt Politik?
liche Ursache innerstaatlicher Konflikte in Südostasien zu identifizieren. Der Oberflächenbefund scheint die These des amerikanischen Politologen SAMUEL HUNTINGTON zu bestätigen, nach dem Ende des globalen Systemgegensatzes seien Politik und Ideologie als Ursachen inner- und zwischenstaatlicher Konflikte durch Kultur und Religion abgelöst worden, wobei die Konfrontation mit dem Islam eine besondere Rolle spiele (vgl. HUNTINGTON 1998).

**Konfliktursache Ökonomie statt Kultur und Politik?**


**Plädoyer für einen multikausalen Erklärungsansatz**

Die skizzierten Erklärungsansätze leiden unter dem Mangel, jeweils nur einen Ursachenkomplex als ausschlaggebend für innerstaatliche Konflikte in den Vordergrund zu stellen. Tatsächlich stehen Politik, Kultur und Ökonomie immer in einem bestimmten und im Zeitverlauf variablen Mischungsverhältnis. Für reali-

Wenn bewaffnete Rebellenbewegungen über militärische und/oder humanitäre Rückzugsräume jenseits der Landesgrenzen verfügen können, erhöht dies ihre politische und ökonomische Effizienz und damit ihre Erfolgschancen. Das mit Grenzverletzungen verbundene Risiko eines zwischenstaatlichen Konflikts bietet einen gewissen Schutz, die bewaffneten Gruppen machen sich aber auch vom außenpolitischen Kalkül des Gastlandes abhängig. Humanitäre Rückzugsräume bieten durch die Präsenz einer Flüchtlingsbevölkerung und die damit verbundene Aufmerksamkeit der internationalen Öffentlichkeit zusätzlichen Schutz. Darüber hinaus haben humanitäre Rückzugsräume für die bewaffneten Gruppen auch den ökonomischen Vorteil, sich aus der internationalen humanitären Hilfe zu bedienen oder deren Verteilung kontrollieren zu können, um so Einfluss auf die davon abhängige Bevölkerung zu haben.

Bewaffnete Bewegungen können aber auch ohne ausländische Unterstützung existieren, wenn sie geeignete Strategien zur internen Ressourcenmobilisierung entwickeln. Eine wichtige Voraussetzung dafür ist die Schwäche vieler Nationalstaaten, die ihr Territorium nicht effektiv kontrollieren können. Dadurch entstehen rechtsfreie und gewaltsame Räume, die von bewaffneten Gruppen genutzt werden können. Die Ressourcenaneignung kann dabei von offener Ausplünderung und Schutzgelderpressung über organisierte Kriminalität bis hin zur Kon-


**Sabah - Rückzugs- und Unterstützungsraum der philippinischen Muslimguerilla**

Die muslimische Aufstandsbewegung im Süden der Philippinen konnte in ihren Anfängen nicht nur auf bedeutende ausländische Unterstützung zählen, vor allem durch Malaysia und Libyen, sie verfügte mit Nordborneo, dem malaysischen Bundesstaat Sabah, auch über einen bedeutenden Rückzugs- und Unterstützungsraum außerhalb der philippinischen Landesgrenzen. Möglich war dies vor allem wegen der außenpolitischen Interessen Malaysias unter seinem damaligen


Die britische Rechtsposition wurde von dem seit Juli 1946 unabhängigen philippinischen Nationalstaat nie anerkannt. Aus philippinischer Sicht galt Nordborneo/Sabah weiter als Teil des Sultanats Sulu, das wiederum aufgrund historischer Rechtsansprüche als zum nationalen Territorium der Philippinen gehörig betrachtet wurde. Der philippinische Präsident DIOSDADO MACAPACAL (Vater der derzeitigen philippinischen Präsidentin), erhob 1963, dem Gründungsjahr der malaysischen Föderation, zu der als Bundesstaaten auch die im Norden Borneos liegenden Territorien Sarawak und Sabah gehörten, offiziell Anspruch auf die Region Sabah (Claim on Sabah). Die Folge war eine ernste Verschlechterung der äußerenpolitischen Beziehungen mit der neu gegründeten Föderation von Ma-
Malaysische Unterstützung für die philippinische Muslimguerilla


**Folgen für die philippinische Muslimguerilla**

Strategien interner Ressourcenerschließung


Die Fraktionierungen der MNLF lassen sich als Folge des Verlusts ausländischer Unterstützungsressourcen interpretieren, sie waren aber auch eine Konsequenz der nur losen Organisationsstruktur. Entgegen ihrem Anspruch war die MNLF zu keinem Zeitpunkt eine zentralistische Organisation, sie konnte nie alle bewaffneten Moro-Gruppen integrieren, die Unterscheidung zwischen Mitgliedern und Nichtmitgliedern wurde nicht stringent verfolgt und die Führung konnte nie alle Untergliederungen effektiv kontrollieren. Bereits vorher bestehende politische Unterschiede traten nun an die Oberfläche. So stützte sich z.B. die MILF stärker auf die konservativen traditionellen Eliten der Moro-

in beiden rivalisierenden Organisationen zu finden sind, deutlich geringer ausgeprägt.

Die Organisationen der philippinischen Muslimrebellen haben unterschiedliche Strategien zur Mobilisierung interner Ressourcen eingeschlagen, was wiederum Rückwirkungen auf Ausrichtung und Dynamik ihres Kampfes hat.

**MNLF: Zugriff auf staatliche Ressourcen durch Autonomiekompromiss**

Karte 1: Territoriale Gliederung und Hauptsiedlungsgebiete der philippinischen Muslime

Entwurf: H. Schneider; Kartographie: U. Beha


**MILF: Rebellion als Lebensform**


Begünstigt wurde die Strategie der bewaffneten Gegengesellschaft durch die räumliche Konzentration auf Zentralmindanao, wo die MILF unter den dort lebenden Maguindanao ihre Hauptbasis hat und eng mit den traditionellen Führungsschichten verflochten ist. Räumlichen Ausdruck fand diese Strategie - für eine Guerillaorganisation ungewöhnlich - in mehreren festen Stützpunkten. Die beiden größten, Camp Abubakar in der Provinz Maguindanao und Camp Bushra in der Provinz Lanao del Sur, wurden bis zur Militäroffensive während der Regierung Estrada im Jahr 2000 auch von der philippinischen Armee als quasi auto-
nomes MILF-Territorium respektiert. Bei diesen Camps handelt es sich um ausgedehnte - *Camp Abubakar* umfasst ca. 5.000 ha -, wenig erschlossene Territorien mit dörflichen Siedlungsstrukturen, Schulen, Moscheen, sowie eigener landwirtschaftlicher und handwerklicher Subsistenzbasis. Die Funktion der kaum befestigten Camps ist dabei weniger militärisch als symbolisch: Hier wurde demonstriert, wie sich die MILF Staat und Gesellschaft auf islamischer Basis vorstellt, einschließlich der Shariah und in Einzelfällen auch der Vollstreckung der Todesstrafe. (vgl. VITUG/GLORIA 2000: 106 ff.)).


Mit schätzungsweise 12.000 - 15.000 Kämpfern ist die MILF heute die stärkste Formation der philippinischen Muslimrebellen. Profitiert hat sie von der Enttäuschung früherer MNLF-Anhänger über die Politik der Führungsgruppe um Nur Misuari, andauernden gewaltsamen Übergriffen auf die Zivilbevölkerung, ausbleibenden materiellen Verbesserungen durch die bisherige Autonomieregelung, aber auch davon, dass weltweit ein politisierter Islam im Aufschwung ist, während die mobilisierende Kraft des antikolonialen nationalen Befreiungskampfes weitgehend geschwunden ist. Durch ihre starke regionale Verankerung und den hohen Grad autochthoner Ressourcenmobilisierung hat die MILF den bisherigen Offensiven der philippinischen Armee weitaus besser standhalten können als die vor Jahren nur lose organisierte MNLF, auch wenn sie die meisten ihrer festen Stützpunkte aufgeben musste. Symptomatisch für diese Pattsituation ist die Entwicklung um das MILF-„Hauptquartier“ *Camp Abubakar*: Die philippinische

**Abu Sayyaf: Finanzierung durch Nötigung und Lösegelderpressung**


gendynamik, die ursprünglich vielleicht vorhandene politisch-religiöse Motive zur Unkenntlichkeit deformiert und eine Koalition von Akteuren hervorbringt, die aus unterschiedlichen Gründen am Fortdauern des bewaffneten Konflikts interessiert sind. Schließlich hängt aber auch das bloße Überleben der Gruppe zunehmend davon ab, ob die wachsenden Geldbeträge zur Finanzierung des Unterstützer- und Nutznießerkreises weiter aufgebracht werden können. Mag die Geldbeschaffung ursprünglich bloßes Mittel gewesen sein, so wird sie zunehmend zum Selbstzweck. Wenn das Geld nicht mehr in ausreichendem Maße fließt, sinkt die Zahl der Mitglieder, die neu rekrutiert werden können. Die Unterstützung von außen wird geringer oder bleibt aus, Informanten verkaufen ihre „Ware“ an andere, zahlungskräftigere Kunden (z.B. das Militär) und das Interesse von „Geschäftspartnern“ in der Armee oder auch der zivilen Verwaltung schwindet.


**Zusammenfassung**

Für den Verlauf der philippinischen Muslimrebellion war in der Anfangsphase in den siebziger Jahren neben der Unterstützung durch finanzkräftige islamische

Das philippinische Beispiel demonstriert anschaulich die Fruchtbarkeit des Ansatzes von Jean/Rufin (1999), innerstaatliche Konflikte zwar nicht auf „Ökonomie“ zu reduzieren, wohl aber die ökonomischen Interessen der Akteure, insbesondere die Bemühungen zur Sicherung der ökonomischen Basis bewaffneter Rebellionen zur Erklärung von Form und Verlauf dieser Konflikte heranzuziehen.
Literaturverzeichnis


Abstract
The loss of financial support from Islamic countries and the closure of the nearby Malaysian federal state of Sabah as their foreign base forced the Muslim Moro rebels in the Southern Philippines to develop alternative strategies of internal resource mobilisation. For this purpose all Moro rebel organisations fell back on ethnic-cultural networks. While the leadership of the weakened and fractioned MNLF began to favour an autonomy compromise, hoping this way to get a share of state resources, the MILF, now the largest Moro rebel organisation with strong roots among the Maguindanao ethnic group living in Central Mindanao, successfully adopted the strategy of an armed 'counter society', bound together by Islam as a way of life. Abu Sayyaf, the smallest and most violent Moro rebel group has focused totally on extortion and ransom demand to get the financial resources for their fight. Successfully acquiring millions of dollars of ransom money by taking Western foreigners as hostages a "hostage taking industry" developed, increasingly following its own dynamic. By crossing all conflict lines members of the state administration, the police and the army - but also parts of the population - participated in this "industry". When the Philippines were integrated into the US-led front against international terrorism this "business model" significantly lost some of its attractiveness especially for members of the army. - The Philippine example clearly shows the usefulness of Jean/Rufin's (1999) approach taking into account economic arguments, especially the economic interests of different actors, for an explanation of form and development of inner state conflicts – but without reducing those conflicts on 'economy' alone.
Plundering the Nation’s Wealth?  
Mining and Development in Papua New Guinea

Roland Seib

In January 2004, the independent Extractive Industries Review (EIR) commissioned by World Bank president James Wolfensohn and chaired by former Indonesian environment minister Emil Salim delivered its final report “Striking a Better Balance” to the Bank. The main aim of the two-year consultative process was to review the world’s largest public development agency’s role in the mining, oil and gas sector as to whether it is consistent with the Bank’s overall objective of achieving poverty reduction through sustainable development. After discussions with all stakeholders, including industry, governments, civil society, academia and the World Bank Group itself, the review concluded that this goal will only be achieved if three main conditions are met. These are good public and corporate governance, more effective social and environmental policies, and respect for human rights. An adjustment of institutional priorities, with a stronger focus on social and environmental aspects and less focus on economic development, is considered essential.1

Extractive industries are important to more than 50 developing countries, which are home to 3.5 billion people. These countries may benefit from increased government revenue, employment, infrastructure, the stimulation of growth in related sectors, technological innovation, and the transfer of training and technology. However, adverse impacts such as long-term environmental damage, destruction of the traditional economic and social foundations of local communities with an associated increase of poverty, economic dependency on extractive revenues and increased economic volatility, increased corruption, violence and even war are possible consequences (World Bank 2003). The EIR consultations highlight the importance of the quality of governance that determines the influence of extractive industries.2

These issues are closely linked to a prominent strand of discourse among development economists sometimes referred to as the ‘natural resource curse’ syndrome, or the ‘paradox of plenty’. The term refers to the empirically confirmed, seemingly paradoxical phenomenon that the majority of countries with abundant
natural resources have tended to exhibit slower economic growth than economies without substantial resources. Many disappointing resource-blessed countries in Africa and Latin America contrast with a small number of successful resource-poor nations such as the Asian tigers South Korea, Taiwan, Singapore and Hong Kong.

Earlier research refers to the Dutch Disease, named after the disappointing experience in the Netherlands following the discovery of large gas deposits in the 1960s. This approach focuses on macroeconomic factors, both internal and external, associated with a boom brought about either by the exploitation of natural resources or an increase in the price of resource exports. Symptoms of the disease include appreciation of the exchange rate after huge capital inflows, erosion of the competitiveness of industry as well as agriculture subject to international competition, promotion of public spending, external indebtedness and current-account deficits, acceleration of inflation, distortion of investment and the linking of the economy to volatile commodity markets.

The resource curse is by no means inevitable. Recent studies concentrate on the more political dimensions of the failure to use resource income productively. Studies underscore the decisive role of the quality of institutions for development. Weak, fragmented and dysfunctional states invest their income inefficiently and unequally. Large resource rents reduce the incentive to develop competitive manufacturing and other sectors. Necessary reforms are postponed, challenges not taken up. Long-term economic and human development goals are pushed aside in favour of corruption and nepotism.

Many of the mining- and oil-dependent states are classified as Highly Indebted Poor Countries, with some of the worst rankings on the Human Development Index prepared by the United Nations Development Programme. Many resource-rich but economically poor states also hold a prominent position in Transparency International’s Corruption Perception Index. Billions of US dollars have gone astray in recent decades. Under such conditions, the risk of human rights abuses, military violence against civilians, aggravation of social tension and an increased likelihood of civil conflict are often associated with resource projects.

With a total population of around 5.6 million, a land area of 462,840 km$^2$ – nearly twice that of New Zealand – an abundance of natural resources and an unparalleled cultural and linguistic diversity with more than 820 languages, Papua New Guinea (PNG) holds an outstanding position in the South Pacific. In economic terms it is a typical ‘mining country’. The formal economy is highly dependent on the exploitation of non-renewable resources. In 2000, PNG was the 11th largest gold and 13th largest copper mining country in the world (World
Bank 2003: 39). In the same year the extraction of gold, copper and oil contributed 21 per cent of Gross Domestic Product (GDP) of US$ 3.5 billion, 77 per cent of export receipts and about 33 per cent of government internal revenue (BAXTER 2001: 8).

The resource boom of the last two decades has contributed significantly to economic growth, but little to sustained development of the country. Chronic instability, the politicisation of the public service, poor financial management, incompetence and corruption have absorbed most of the revenues available for productive investment. Instead of realizing 'equality, self-reliance and rural development' as key principles of the post-independence development strategy (SEIB 1994: 64), wealth from mining has been squandered without improving the living standards of the majority of the people.

While the small urban political and bureaucratic elite has profited, the rural population has suffered from the deterioration of governance and the institutions of the state. On Bougainville island, operations of the world’s largest open-cut mine led to the most serious conflict in the South Pacific since World War II. Insofar, it is argued here, PNG has failed to benefit from its natural wealth. The case exemplifies the relevance of the resource curse hypothesis and the need for democratic, transparent and accountable governance procedures. Political stability, capacity building in all public institutions, advancement of the rule of law, entrenchment of norms against corruption and support for a strong civil society are all essentials for economic and social development and an equitable and fair sharing of the nation’s wealth. This paper outlines the complex and ambivalent economic, social, environmental and administrative impacts of mining and petroleum activities in PNG. It also looks into the challenges of better governance as well as the driving forces behind mounting ethnic conflict in two mining provinces in the Highlands.

**Mining and the context of economic development**

Few countries in the world are endowed as richly with mineral resources as PNG. Minerals, copper, oil and gas are abundant. Mining has brought great wealth, but also immense conflict and rapid social change. The impact of projects on local communities is more far-reaching than on economies. It includes the loss of autonomy and control over resources, be they cultural, social, political or environmental. The extractive industry in PNG has a long history of more than a century, even if its impact on local communities has often been limited and short-lived. Four years after colonisation in 1884, the first discovery of gold was made in the Louisiade Archipelago by North Queensland miners. It was the
first significant economic activity in the British part of Papua. The 1930s saw a boom of large-scale gold operations and small-scale gold dredging at Bulolo in the previously German-administered part of New Guinea through overseas capital. For years, gold became the main export commodity. Production of minerals then declined over time, accounting for less than one per cent of GDP in 1971.8

Systematic modern style exploration started in the 1960s. This was followed by the discovery of large gold and copper deposits on the island of Bougainville and in the mainland’s Highlands. Prior to independence the first large open pit mine, the Panguna mine, started production in 1972. Until its closure in 1989 it was the single most important component of the economy. At the beginning of the new millennium, the mining industry revolves around four huge open pit mines, Ok Tedi (commenced operation in 1984), Misima (1989), Porgera (1990) and Lihir (1997), and one medium-scale underground operation at Tolukuma (1995; for the locations see figure 1).

They are all gold and silver mines except Ok Tedi, which produces copper concentrate for smelters in Japan, South Korea, the Philippines, India and Germany (Norddeutsche Affinerie, Hamburg) and gold as a by-product. Ok Tedi ranks as the 8th largest copper producer in the world and Porgera ranks among the top ten gold producers (ANDERSON/MORAMORA 2002: 4). In 1992, with the start of the oil boom at the Kutubu, Gobe and Hides sites in the Southern Highlands Province, PNG became the Pacific’s first crude oil exporter (see also figure 2). For a few years petroleum even surpassed gold as the most important single export commodity (until 1997).

Small-scale gold mining has contributed its share. It is also an important source of income. In Wau-Bulolo in the Morobe province around 1,500 families produced alluvial gold for decades. The short local gold rush at Mount Kare in the Enga province started in 1988 with the involvement of 6,000 people. It ended abruptly in 1992 as a result of landowner disputes and an armed attack on the mine (CONNELL 1997: 127ff.). Some projects are also connected with illegal mining.

Despite several deaths in the stockpile and dumping area of the Porgera mine, about 1,500 people scavenge for the left-overs from the processing facility (Post-Courier 14.10.2003). BANKS (2002: 48) notes that these panners, using the most primitive technology, often make more from gold extracted from the tailings than their clansmen employed by the mine.
Figure 1: Mining Projects in Papua New Guinea

Source: Anderson/Moramoro 2002: 5.
Figure 2: Actual and Forecast Oil Production from existing fields, 1999-2012

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A recent report for the EIR consultation process estimates that 50,000 miners work today in different locations of the country, benefiting approximately 400,000 other people. They produce up to 4.5 tonnes of gold per year, equivalent to US$ 45 million (or 180 million Kina). The average annual income per miner is $ 900, as compared to the overall average income in PNG of $ 250 (World Bank 2004, Vol. II: 46). In 2002, large and small-scale projects contributed 59.1 tonnes of gold, 170,000 tonnes of copper concentrate and 15.3 million barrels of crude oil to exports (Bank of PNG, n.d., table 9.7).

All projects are located in relatively isolated mountainous or island areas with little contact to the rest of PNG. Only the Porgera mine has road access to the Highlands highway. In most projects subsidiaries of huge transnational corporations like British Rio Tinto Zinc (RTZ, now Rio Tinto), American ChevronTexaco, Australian Broken Hill Proprietary (BHP, now BHP Billiton) and Canadian Placer were or are involved, providing international capital and expertise. The entire regional infrastructure of international airstrips, wharves, towns, roads, electricity, water supply, and modern telecommunications has been built by these companies. Social facilities such as elementary and high schools, and large hospitals, as well as other development projects are provided by the industry. Even local police stations often receive support with fuel or maintenance. Given the weak or non-presence of state authorities in rural areas, resource companies act unintentionally as regional ‘de-facto governments’. The national government holds equity in all major projects through direct shareholding or through Orogon Minerals Ltd., a company owned 51% by the state. The state has an option
to acquire, at cost, up to 30% of any large mineral development and up to 22.5% of petroleum and gas developments.

Mining is by no means a risk-free investment. Indeed, risks can be high, as best demonstrated by Ok Tedi’s financial disaster. While private shareholders have done very badly, local landowners have done quite well (cf. JACKSON 1993, 2003). Operations are hampered by difficult natural and cultural environments and adverse climate phenomena (El Niño), as well as by extreme costs and fluctuating commodity prices on the world market. Far reaching are also conflicts with local communities about project participation, compensation, environmental damage, and land tenure. 97% of the country’s land is subject to complex customary land tenure systems. Only 3% belongs to the state or is private property.

On the island of Bougainville, located 1,000 km east of the mainland national capital, disagreements and tensions between landowners on the one side and the investor and the central state on the other arose from the beginning. Even before PNG gained independence, a risk was perceived that these tensions might lead to the island’s early secession. In fact Bougainville had declared its unilateral independence fifteen days before Australia granted PNG’s independence on 16 September 1975, but without consequences. The country’s legislative and administrative structure was decentralized in response to this risk. For the young state it was a success to be proud of to gain the maximum possible in its renegotiation of the 1967 Bougainville copper agreement with the big multinational. The introduction of a resources rent tax was widely hailed as a model for other Third World countries.

On the island, land, as the most critical element, and traditional values came increasingly under pressure. In the late 1980s frustration about lack of participation, employment of foreigners and people from the PNG mainland instead of locals, compensation concerns, the polluting of land and rivers and lacking services escalated into an armed rebellion that led to the death of 10,000 people. Since the end of the civil war in 1997, the province is slowly moving back on the road to re-establishing peace and normality with the support of neighbouring countries and international organisations. The parliament of PNG guaranteed a high level of autonomy, with the possibility of independence through a referendum to be held in the next 10 to 15 years after establishing the first autonomous government (e.g. BÖGE 2003).

A first impression is that mining companies have learned their lessons from this conflict – at least partly – even if Bougainville looks like a special case because of the population’s cultural bonds with the neighbouring Solomon Islands.
Corporations became more sensitive and responsive to local needs. Institutiona-
ized participation of all stakeholders – landowners and other affected communi-
ties (and since the international legal action against Ok Tedi in 1995 non-
governmental organisations too), mining companies, officials from all three ad-
ministrative levels – social and environmental impact studies, higher shares of
equity, greater royalty and compensation payments, are the results implemented
since the start of the Porgera project (CONNELL 1997: 140ff., see also FILER
Consequently, Filer observed a clear shift in the distribution of revenues away
from the national government to landowners and provincial governments, “a
further transfer of wealth from the public purse to private pockets” (1997: 244).
This intensifies the socially disruptive split between ‘true´ (project) landowners
and neighbouring affected communities.

Since the beginning of the 1990s, national economic growth, previously weak,
had been boosted by mineral explorations, the start of two major gold mines and
the Kutubu oilfield, in combination with favourable export prices (and also an
investment influx by Malaysian logging companies). But these operations have
been limited in creating job opportunities because of their capital-intensive na-
ture. Mining companies employ collectively 9,400 people, of which 90% are
from PNG. It is an enclave industry with few linkages to the national economy
except in the construction phase. Most inputs are imported. The most important
contribution to PNG is to generate revenue for the central state (see figure 3).

But governmental income has not translated into national development, nor
has it led to a more equal distribution of mining income between have and have-
not provinces. It appears that “mineral wealth and petro-dollars have vanished
into thin air” (MUWALI 1997: 15). JACKSON concluded after an evaluation of the
Ok Tedi project in 1993 that

“…the hope that mining would kick-start more desirable and appropriate forms of de-
velopment around the country has clearly been disappointed. In the twenty years since BCL
[Bougainville Copper Ltd.] opened there are very few indications that general development
levels in the country have shown anything more than sluggish, partial growth. Agricultural
performance, admittedly in the face of almost continually declining world prices, has been
particularly abysmal. Like almost all other developing countries heavily dependent on metal
exports, the PNG government has not been able to utilise mining revenues to raise produc-
tivity elsewhere in the country” (p. 169).

Prior to the 1990s PNG enjoyed macroeconomic stability because of sound ad-
ministrative management. However, an “anti-rural bias in public policy” (BAXTER 2001: 7)
combined with a hard-currency strategy disadvantaged rural producers. Stability derailed mainly as a result of escalating internal factors. A
lack of sound policies, discontinuity within the administration, loss of control of fiscal management and an increasing foreign debt were the consequences of continuing political instability.

Figure 3: Papua New Guinea government revenue from the mining and petroleum sector

![Graph showing government revenue from mining and petroleum sector]

Note: The mining and petroleum revenue is composed of mining and petroleum taxes, Mineral Resources Stabilisation Fund dividend and payments (until 1998), mining levy (from 1998) and mineral and petroleum dividends (from 1999). Data for 2000 are estimates; data for 2001-04 are projections. Not included in this figure are the sector’s contribution to government internal revenue through duties, royalties, salary and wage tax, withholding tax and the tax credit scheme; these contributions are equal to about half of the revenue note in the figure.


While corruption and white-collar crime were unknown until the mid 1980s, PNG is depicted today as one of the most corrupt 133 nations. Transparency International’s Corruption Perceptions Index 2003 ranked PNG at 121 among the countries surveyed.12

Whereas a few projects dominate the formal economy, other non-mineral sectors have stagnated. The country is still characterized by subsistence and small cash crop agriculture. 85% of the population live in rural areas. A large proportion experiences great economic and social hardship without having access to markets and basic services. Many rural villagers believe that their quality of life is now worse than it was 20 years ago.13 HOLZKNECHT assessed that “some 93% of the poor live in rural areas, where over 41% of the population live below the poverty line” (CURTAIN et al. 2003: 19). PNG’s social indicators also reflect this lack of progress.14
Economic expansion has not kept pace with the annual population growth of up to 3.1%. The informal sector is still the main source of livelihood for most rural households. The formal workforce only grew from 124,000 in 1978 to 146,000 in 2001, despite the doubling of the population in that period. An inefficient and bloated public service still accounts for roughly half the total formal workforce (WINDYBANK/MANNING 2003: 5f.). Within the primary sector, while agriculture was dominant until the 1970s, its share has declined substantially. Palm oil (plantation) production and large-scale logging are PNG’s only primary industries that have grown more rapidly than the population (CURTAIN et al. 2003: 8f.). With an emphasis on cash crop production, food production has been largely neglected. People in most rural areas are suffering substantially because of shrinking real incomes, a weakening domestic currency since the floating in 1994, a collapse of government services outside the capital Port Moresby, deterioration of infrastructure in roads, education and health institutions, growing ethnic disputes and conflicts about land and compensation, and increasing crime and law and order problems.

Since the new millennium, mining and petroleum output has started to decline. By 2011-12, all but one of the present projects will find a natural end with depleted resources – with dramatic consequences. Lihir will be the only goldmine in operation until the year 2037 (see fig. 4). Projects have created job opportunities for local people, encouraged local businesses, and provided vital infrastructure for remote communities that have influenced development positively. However, all activities and benefits depend on these projects. Mining is still the only engine of economic activity in these locations.

Local communities and regional state agencies will neither have the finances nor the capacity to maintain the projects’ cost-intensive infrastructure in the longer term, probably leaving behind ‘ghost towns’ slowly going to ruin. In 2002, the Mining Department advised the people in mining areas to prepare “to drastically reduce their standards of living due to lack of maintenance budget after mine closure” (Post-Courier 20.9.2002). There is the danger that people will suffer after project closure without having alternatives for income generation and livelihoods. Misima will be the first mine in PNG to undergo an orderly process of closure. 800 miners will soon be redundant, facing the prospect of returning to a village life-style or leaving the island to work at other projects.

The shrinking sector will also have major repercussions on public revenue (see figure 3). Exploration and investment activities by transnational companies have
reached an historical low, coming down from US$ 83 million in 1988 (highest recorded figure ever) to US$ 10.1 in 2001 and US$ 8.2 in 2002. Domestic and international confidence in the economy seems to have collapsed because of the increasingly unattractive investment environment. In 2002, the Australian mining industry branded PNG as the second riskiest place in the world to do business, after Zimbabwe and followed by Indonesia, India and Russia. The main reasons identified were volatile politics, urban violence and the propensity for armed uprisings (Post-Courier 21.5.2002).

Figure 4: Actual and Projected Gold and Copper Production from existing mines, 1998-2013

![Figure 4: Actual and Projected Gold and Copper Production from existing mines, 1998-2013](image)


Meanwhile, global players such as ChevronTexaco, BHP Billiton, BP, Shell, Mobil and Amoco have left the country (World Bank 2002a: 5, fn. 15). The first probably left due to the experience at Kutubu oil project of enmeshing in “countless jungle disputes some of its own making, others caused by corruption, inertia, cultural misunderstanding and ancient tribal enmities” (MCCOY 1992 quoted in CONNELL 1997: 160), continuing disputes between landowner groups that have been through various land courts, a Land Titles commission and court proceedings in Port Moresby with various law firms representing them (National 15.8.2002), and the permanent state of emergency experienced within the Southern Highlands Province in the last legislative period (see below).17

Broken Hill Proprietary, operator and biggest shareholder of the Ok Tedi Mining Limited (OTML) consortium, withdrew after its mega-merger with the British group Billiton and its reorientation of corporate identity towards the principle of shareholder value (building the more profitable ‘new BHP’ from the old ‘Big Australian’) instead of past criteria such as the size of the company or its worldwide engagement. To prevent unpredictable future liabilities with regard to
the environmental damage caused by the Ok Tedi mine, BHP-Billiton wrote-down its remaining investment of A$ 148 million and transferred its majority share of 52% to the Singapore-based ‘not for profit’ company ‘Sustainable Development Program Limited’. For the rest of the mine life of six to eight years, dividends from the operator shall be spent entirely for present and future development project funding in the Western Province. The PNG non-governmental organisation Environmental Watch Group criticized BHP’s exit without adequate compensation for the damage caused as an “insult and a slap in the face to landowners” (Post-Courier 5.2.2002).

Despite this rather desolate picture of the industry and its limited contribution to the development of the country, international institutions such as the European Union, the World Bank and the Asian Development Bank continue to supply assistance “to help the mining industry in PNG” (an EU representative, quoted in the National 17.12.2001). The European Union’s Sysmin Development Fund committed a grant of 50 million Euro for six years, while the World Bank gave a loan of US$ 11.5 million for an institutional strengthening technical assistance project within the Mining Department.

**Social and environmental impacts**

Mining projects in PNG are associated with substantial cultural changes within local communities and regions. They have heightened demands and conflicts about the extent and distribution of profits, royalties, compensation payments and infrastructure development. Depending on the location of affected communities they produce winners and losers. In general, huge projects initiate a stratification of local communities as “different members of the local community will experience the different aspects of the development process in different forms and degrees, and the process as a whole will give rise to new forms of inequality, division and conflict within the community” (FILER 1992 quoted in BANKS 1999: 88). Leadership structures are also rapidly transformed. While young educated English speakers are able to interact with foreign company representatives, elders are losing authority, intensifying group factionalism (MCLEOD et al. 2003: 17).

Originally, companies intended to introduce Fly-in-fly-out schemes (“commuter mining”, CONNELL 1997: 151) to reduce costs and local impacts of the projects. However, communities insisted strongly on the construction of mining towns because of its contribution to local economic growth. Wage employment, cash income, and new consumption behaviour led to the partial erosion or even disruption of cultural structures, values, norms and experiences of communities.
previously entirely independent from the modern world and cash economy. Often individualism and the nuclear family became the core of imagination of modern life, instead of local clan lineages as the main social units. Migration to mining towns, criminal activities, alcohol-related violence and vandalism increased substantially, as did domestic violence, the breakdown of marriages and polygamy. Women suffer from discrimination in the workplace. Violent incidents have occurred in resource development projects such as Ok Tedi, Porgera, Mt. Kare and Lihir.

Landowner and compensation income has mainly been spent on consumption because of limited skills and concepts of investment. For decades landowners and companies were more interested in quick cash income instead of efforts for sustained local development for future generations. During the short grassroots gold rush at the Mount Kare mine villagers removed nuggets worth an estimated 150 million Kina (FILER 1998: 161). They came to Mount Hagen “carrying buckets full of nuggets causing banks to temporarily run out of cash, motor vehicle salerooms to empty and salesmen to froth at the mouth” (JACKSON 1991: 29). Since 1996 the oil-rich Southern Highlands became famous as Toyota Land Cruiser country (National 20.5.2003). It is also the misuse of funds by these leaders that is seriously undermining the legitimate distribution of benefits. In the Southern Highlands, police criticized that the project’s Future Generations Funds had been recklessly spent for hotel and hire expenses, aircraft and helicopter charters, and payments to politicians and close relatives.

Most dramatic and in close connection to local protest movements are the negative environmental consequences of large-scale mining. All projects dump tailings directly into river systems and the ocean. According to the EIR report, which supports a ban of riverine tailings disposal, today only three mines in the world use this method, all on the island of New Guinea (World Bank 2004, Vol. I: 31). Environmental damage from the Bougainville mine was one of the main reasons for the tragedy of war on the island. According to the Australian Conservation Foundation:

“Rio Tinto laid the groundwork for an environmental disaster by dumping waste rock and tailings and emitting chemical and air pollutants without regard for the villagers. The tailings turned the fertile Jaba and Kawerong river valleys into wasteland. Fish and whole forests died and water became non-potable, turning 30 kilometres of the river system into a moonscape. As tailings made their way down the Jaba River to drain into the Empress Augusta Bay, the Bougainvillians’ major food source of fish there was also destroyed. At the same time, Rio Tinto’s mine operators dumped chemicals directly into the Kawerong River, leaving the river acidic and copper green. The mine also emitted dust clouds that created upper respiratory infections and asthma in villagers.”
From the beginning of operation in 1984, the Ok Tedi mine has also been connected with huge environmental degradation caused by failure to construct a tailings dam because of high costs due to the rugged topography, seismic activity and high rainfall. This has endangered the environment of thousands of people living downstream from the mine. At present, the mine continues to release waste into the Ok Tedi River system at a rate of about 90,000 tonnes per day.23

Gold mining companies on Lihir and Misima islands – Rio Tinto and Placer – use the Submarine Tailings Discharge (STD) method, planned also for the Ramu nickel project in the Madang province. They pump the leftover waste rock and contaminated tailings through an underwater pipeline at a depth of 80 to 125 meters to the ocean floor, a method prohibited in the USA and Canada (Mineral Policy Institute 2001: 11). While the industry insists that the technique is safe to both the local people and the environment, the EIR recommends avoiding it because possible effects on the tropical marine ecosystem are not well understood and island people’s sustainable livelihoods may be not assured (World Bank 2004, Vol. I: 31f.). The Australian Mineral Policy Institute has noted on the impact of Lihir that “during the life the mine will dump 98 million tonnes of cyanide contaminated tailings and 330 million tonnes of waste rock into the ocean in an area described by ecological studies as one of the richest areas of marine biodiversity on earth.”24 In Misima the tailings pipe broke underwater in 1997 and 2001/2002, forcing the mine to shut down its operation.

The Ok Tedi case gained publicity worldwide since the early 1990s. The media presented a picture of the grim opposition of 30,000 indigenous landowners of the lower Ok Tedi river area against a ruthless multinational collaborating with the state to exploit the region. Landowner activist ALEX MAUN, now a businessman working for Ok Tedi Mining Limited (OTML), toured Germany to inform environmental and Third World NGOs. The German parliament, recognizing the early involvement of the state-owned Deutsche Investitions- und Entwicklungsgesellschaft (DEG) Investment Company and private corporations Degussa and Metallgesellschaft, insisted in a cross-party vote in 1993 that environmental pollution from the mine be ended. But OTML and its majority shareholder BHP as well as the other companies involved refused to take note of the increasing complaints about environmental damage, as did the state. As late as 1995, BHP’s corporate general manager in Port Moresby emphasized the “lack of any clear evidence of permanent environmental damage” (quoted in BURTON 1997: 49).

Until today the central state of PNG, being in conflicting roles as regulator, controller, tax receiver and equity-holder of the industry, lacks the institutional and personnel capacity to monitor and control the activities of mining compa-
nies through independent environmental impact studies. It has failed to provide adequate funding for institutions responsible for control and supervision. From 1998 to 2002, the Department of Environment and Conservation was degraded to the status of an office to save costs. Even worse, the central state took sides in the conflict. In 1995, the 8th Supplemental Agreement contained provisions for compensation for landowners, but also barred any person from bringing compensation proceedings in court. BHP later admitted that it had drafted the bill when word processing codes on the draft documents were found to be those of BHP’s lawyers.\(^{25}\)

In 1994, non-compensated landowners of the most affected lower Ok Tedi river had sought to hold BHP accountable for environmental damage in one of Australia’s largest lawsuits in Melbourne, home of BHP, seeking four billion Australian dollars as compensation. The out-of-court settlement of the legal battle in 1996 resulted in compensation packages for the communities of the Ok Tedi and Fly River to be paid over the remaining life of the mine and a commitment to implement a feasible tailings containment option.\(^{26}\)

In June 1999 BHP announced a sudden U-turn of the corporation at its shareholder meeting, now accepting that “the environmental impact of the mine will be significantly greater than expected” (Sydney Morning Herald 5.6.1999). None of the options considered (continue the current dredging trial in the lower Ok Tedi, dredge and pipe the tailings to a formed storage area, do neither, close the mine early) would provide an improvement of the environmental situation.\(^{27}\)

An OTML risk assessment in the same year anticipated with immediate mine closure a likely dieback of tropical lowland forest covering 820 km\(^2\) caused by increased flooding over the floodplain. The worst-case scenario of continuing production and dredging predicts an area of 1,275 km\(^2\) damaged.\(^{28}\) Acid rock and copper drainage from dredged and deposited sediments could further escalate the ecological risks, even after closure. The World Bank concluded after its evaluation of the assessment that “from an environmental standpoint, the best option is to close the mine immediately. But (…) from a social standpoint this would result in a potentially disastrous situation because there is no preparedness for mine closure” (2000a: 1). Early closure could be followed by a “dramatic scenario of social breakdown” (op.cit.: 8) associated with famine and social chaos. Since then mine continuation agreements have been signed between OTML and the landowner communities.

Meanwhile BHP left PNG after the national parliament passed legislation in 2001 to “discharge the Company, BHP, the Company’s Shareholders….from all and any demands and claims arising directly or indirectly from the operation of
A trust took over the majority share, as mentioned above. The last chapter for the time being in the BHP saga was closed in January 2004. A second class action at the Victorian Supreme Court in Melbourne against OTML and BHP led by landowner activist Rex Dagi and a former PNG member of parliament for environmental restoration has been dismissed. The plaintiffs agreed that the companies had not breached the 1996 out-of-court settlement. The statement said that OTML, the PNG government and villagers from more than 150 villages had signed Community Mine Continuation Agreements as an indication of their desire to have the Ok Tedi mine continue operating. The agreements shall cover nearly 50,000 people of affected areas (National 19.1.2004). The representative of the landowners’ law firm, Slater and Gordon, concluded:

“No one would seriously contend now that this isn’t an environmental disaster of a very large scale. What BHP are really saying now, which is different to what they were saying in the early days of the mine, is that even though this is a large-scale environmental disaster, the economic benefits that will flow to the people of PNG, and in particular the people of the Western Province, balance up that environmental damage. And there are people affected in the river system who both agree with that and disagree with that.” (ABC Australia 20.1.2004)

In Los Angeles, a case against Rio Tinto on behalf of Bougainvillean people claiming billions of US dollars as compensation for damages is still continuing. The claim is made in terms of alleged “ecocide” and breaches of international human rights. As one of the crimes, the “destruction of an ecosystem” is specified.

But mining means not only ecological disaster and social disintegration. It is worth noting that projects have contributed significantly to medical improvement as well as education and skill formation of local people and the mine labour force. Given the low quality of official education and vocational training, the mines’ contribution to PNG’s human capital is relatively large. Without the Ok Tedi mine, the North Fly would be, as Jackson argues, “almost certainly – without (...) a slim chance for personal intellectual and economic advancement” (2003: 12). For the first time, thousands of remote people experienced a kind of development and prosperity, opening a connection with the rest of the world and paving the way for “participation in a local form of modernity” (Jorgensen 2003: 9).

It is also important to recognize differences between patrilineal societies of the Highlands and matrilineal groups on the islands. As Awart and Obrecht demonstrate for the case of the island of Lihir, women are willing and able to find creative solutions for the handling of modernisation processes. Mobility, free choice of partner, gender equality and options for monetary income are key factors for the deep-seated change in traditional ethnic gender roles, culminating in
the cheerful words of a woman: “we wear trousers” (1999: 225). These reasons, the varying political culture and the island character of project locations perhaps help to explain why opposition and protest against environmental impacts never reached the levels of the mainland provinces.

The decisive moment will be the impending closure of nearly all of the projects. It will be a huge task to handle to avoid severe poverty increases and social fragmentation in these regions. No one wants to return to a pristine subsistence economy, which, in many cases, lacked the reality of an idyllic, harmonic and satisfactory traditional life-style (see JACKSON 2003). Some communities are unable to return to their past self-reliance because of the destruction of their land and resources, as in the case of the lower Ok Tedi River and Misima. Horticultural skills have not been passed on to the next generation. For most people associated with prosperous mining business in PNG, modernity and the connection with the global world could be more temporary than they had ever imagined. The “general air of optimism” (JORGENSEN 2003: 11) will soon make way to a more realistic perspective that could include relapsing into a neglected and underdeveloped periphery, a status these areas could share again with most other rural regions in the country.31

Maladministration and the internal dynamic of politics

Provincial governments are important stakeholders in mining projects. They gain a steady flow of financial and other benefits from equity, royalties and infrastructure projects. But despite one or even two decades of high mining-related income, these provinces have not benefited from resource exploitation outside the projects’ sphere of influence. Development indicators are not better than national averages. In some cases they are even worse, as the oil-rich Southern Highlands Province (SHP) documents. For the 1997 – 2002 legislative period the government administration was in a state of collapse, the central state’s authority and the rule of law in the region non-existent. The delivery of social services such as health and education had broken down almost entirely. Roads were not passable because of widespread lawlessness. Business and public life came to a standstill, giving way to chaos. Six of the nine seats in the 2002 national elections have been declared null and void because of the violence by candidates’ supporters.

MIKE MANNING argues that the province has had more money from oil resources than any other province in the last ten years. Royalties of around 50 million US$ or 200 million Kina have been received.32 But budgets have not resulted in programmes and projects. Power struggles, misuse, nepotism and cash
handouts have been normal experiences associated with public funds. Competing ethnic groups have vied for political supremacy and the control of government institutions and their resources. A report commissioned by Intergovernment Relations minister Sir Peter Barter revealed that over a period of six years 106 Mio. Kina simply disappeared from the provincial government’s accounts (Post-Courier 10.2.2003). He identified a vicious cycle in which leaders steal money to buy weapons to win elections to steal money (Post-Courier 21.10.2002).

The province is not “kleptocracy-rule[d] by thieves for thieves” (Peter Barter, loc. cit.), or not primarily. It is a very disadvantaged region with a high population density and little room left for future agricultural development. Average income is about 20 Kina a year and most children are malnourished (McLeod et al. 2003: 5ff.). Observers see the SHP as relatively stable and quiet in terms of ethnic warfare from the colonial period until the 1980s. Since the province became ‘rich’, “stakes have risen high enough for people to fight for what they can get” (loc. cit.: 8). The majority of conflicts in resource project regions are interpreted as an expression of inter-clan rivalries and a direct result of state failure. Neglected groups are threatening mining projects in attempts to hold the government to ransom, hoping to attract attention, money and services as much as possible to improve their situation.

However, the overarching problem is not primarily state failure, even if the state has failed to fulfil its basic responsibilities to citizens. It is ethnicity and the distinct ‘big men’ culture, which are the hallmarks of the province and most of the central Highlands. It is the political environment, where instability and strife are endemic that determines the course of conflicts and poses threats to the industry. Leaders are under strong pressure to accumulate and redistribute wealth and hand-outs to family, kin, clans or wantoks (same language group), contributing to extensive misuse, corruption and nepotism. Competing identities and loyalties undermine nation-building and state capacity. Rivalries along ethnic lines make attempts for unity among elected representatives tenuous and short-lived.

The Southern Highlands are not the only example of how mining resources have been dissipated to the advantage of a few people and the disadvantage of the majority. Neighbouring Enga is another mining province with severe problems, although it has only one spoken language (in SHP there are 16 different languages). Tribal warfare has been experienced province-wide for years. There is an influx of modern weaponry and a kind of warlordism by wealthy leaders is developing. An NGO from Enga estimates that between August 2002 and August 2003, 501 lives were lost due to armed conflict. Many schools, health cen-
tres and private properties have been destroyed (National 13.10.2003). The public service in Enga is highly politicized and not performing. In 1985 GORDON and MEGGITT already observed:

“Mismanagement, waste and slipshod execution of jobs of all kinds were ever present, there was occasional peculation and much illicit use of public equipment and supplies, and the padding of project payrolls with friends and relatives was common” (quoted in CONNELL 1997: 280).

Since then, the government has been suspended four times by Port Moresby, which is remarkable even by PNG standards. The first elected governor was jailed for charges of misappropriation of public funds, then elected and suspended again over the same charges. Finally, the Western or Fly River province, where the Ok Tedi mine is located, must be mentioned. Despite the highest per capita funds in the country for most of the 1980s, there are little signs of change. The province is well known for its weak administration and the siphoning-off of millions of Kina for prestige projects such as an expensive Flying Doctor Service, which was unsuitable from the beginning. Its government was also suspended in 2000 (after 1992) for its financial shortcomings.

This context of politicized ethnicity, fraud, nepotism and state neglect provides a strong explanation why the majority of people affected by mining operations prefer the continuity of resource projects despite their negative impacts. For both Highland provinces and the Fly River, mining was a lost period in terms of regional development. High expectations, absent improvements and lack of confidence in the ability of leaders to perform with integrity and impartiality have contributed to erode trust in the state as the major facilitator of development.

The future of mining: From boom to crisis and vice versa?

Extractive industries in PNG have not turned out to be the country’s “pot of gold at the end of the rainbow”, as promised by former Prime Minister Sir JULIUS CHAN, referring to the Ok Tedi mine in 1981 (quoted in JACKSON 1982: 148). They have neither initiated nor contributed to sustainable development of the country. On the contrary, the sector has been consistently associated with low levels of economic and human development, bad governance, intensification of social tensions and an increased likelihood of conflict. They have fostered the squandering of the nation’s non-renewable resources, while citizens are left behind with costs that include huge environmental damage. Mining revenue has not reduced aid dependency as intended. Mining income and the large inflow of Australian aid – currently more than 200 million US$ annually – are still essential pillars for the survival of the weak state, which contrasts with a strong localized
society based on resilient pre-state social structures. Both constitute the overall context for post-independence development failure.

The future of the mining industry is uncertain. But it is sure that the sector will not be the same as at the end of the last century. The hope of the government to get another huge Ok Tedi or Porgera mine has not been fulfilled. No investor has been found yet to develop the 3.5 billion US$ PNG-Queensland gas pipeline project, the largest-ever industrial development in PNG. Translational corporations will not again invest billions of US$ in an economic environment as risky as that presented by PNG. More realistic is the involvement of corporations ("junior companies" for the government) in small short to medium-term gold projects such as Kainantu (Eastern Highlands), Hidden Valley (Morobe), Wild Dog (East New Britain) and Simberi (New Ireland) currently under construction or planned. They have a calculable financial frame and use old mines or exploration results. Smaller mines will further challenge the government, which at present is not able to control the few existing big ones.

The realisation of the Ramu nickel and cobalt project in the Madang Province presents a different picture. China Metallurgical Construction Corporation, a company involved in steel production and owned by the Chinese government, is interested in funding the development of the 650 million US$ (2 billion Kina) project, as well as operating it and buying its output to secure raw materials for the booming industrial growth of China. While it would secure PNG’s export income for more than four decades, it also holds tremendous uncertainties for the PNG government. If conflicts arise with landowners as expected there will be no "bad" multinational to point one’s finger at – the developer is in effect the government of China, a significant investor and important partner in trade and development aid.

However, a continuing emphasis on mining as the economy’s leading sector does not offer solutions to the problems of the country. The slow-down of the industry should be used as an opportunity to redirect policies and programmes away from the extractive industries (mining and large-scale logging) towards diversification of the economic base. Sectors such as agriculture, fishery and tourism are most promising to integrate the majority of the inhabitants economically and improve standards of living. The future of the country rests on this potential. It also would qualify PNG’s status as a “nation of rent-collectors” (Filer 1997: 223) and reverse the country’s dependency and hand-out syndrome. Underemployment, income generation and poverty in rural areas must be tackled seriously in order to avoid further social disintegration.
The export led growth strategy ("Recovery and Development" plan) of the present governing SOMARE coalition could be the beginning of such a redirection. But exports of raw materials alone do not mean development and do not escape volatile world markets. Reasons behind the minor recovery of the economy have included the appreciation of the country’s currency against the US dollar, favourable commodity prices, the move towards strengthening fiscal management and the change of the taxation regime for mining companies introduced by the government in the 2003 budget. The general medium-term economic outlook continues to be poor, while the income of individuals is projected to further decline.

Even more urgent is the stabilisation of the political sphere as a precondition for development. The quality and competency of leaders, institutions and policies determine whether a mining sector’s revenue can promote sustained economic growth, or whether income might impede development. But the fabric of the state reflects the fragmented societal fabric of PNG. The important law to strengthen the integrity of political leaders and parties, enacted in 2001, has not produced the results hoped for. The manoeuvring of leaders for power, prestige and loyalty continues unabated. It is best demonstrated by the endless leadership disputes and split parties in the national parliament, another suspension of parliament meetings for five months to avoid a vote of no-confidence, and the two elections of the Head of State (Governor-General) declared null and void. It looks as if corruption has finally reached the highest level of the constitutional system.

There is also a long way to go to improve the capacity of the public service to function effectively on the national, provincial and local level. In the past, PNG has started recovery and reform processes many times over, and has always ended up in severe crisis. Development should be more of a bottom-up process than it has been in the past 30 years. Empowerment of communities, strengthening the role of civil society, less reliance on the state and a greater focus on small successes could be a more promising path to development in the short term, as shown in Bougainville and the Southern Highlands recently, than to wait for a never coming miracle. But, as Enga governor Peter Ipatas has stated: “God creates miracles with his word, men make miracles with money.” At present, in PNG the national crisis in development continues despite abundant resources. The prospects for long-term solutions and a significant turnaround seem poor.
Notes

1 Evaluations of the Bank’s assistance to extractive industries in Chile, Ecuador, Ghana, Kazakhstan, Papua New Guinea and Tanzania from 1993 to 2002 were part of the EIR process. The report’s detailed findings are wide-ranging, especially in relation to tailings and waste management, closure planning, and participation and compensation of local communities. It recommends ending support for investments in oil and coal production and devoting funds to renewable energy resource developments and emissions-reducing projects. Resources for oil investments should be limited to poor countries with few alternatives (World Bank 2003, 2004). As a first reaction, the Financial Times (20.11.2003) reports that it seems unlikely that the EIR recommendations will gain support within the Bank’s governing board. For a critical view of the mining industry from an NGO perspective see SAMPAT 2003.

2 In the 1990s, the term governance became a leading paradigm in development theory as well as a prerequisite for development cooperation. The World Bank defined it in 1992 as “the manner in which power is exercised in the management of the country’s economic and social resources for development.” In 1994 the Bank detailed the term as follows: “Good governance is epitomized by predictable, open and enlightened policy making (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law” (quoted in World Bank 2003: 3). The key elements of good governance are transparency, equity, accountability, and participation.

3 While there is large overlap, rent-seeking and corruption have different meanings. The first refers to a political process of seeking to gain legal or illegal monopoly profits, the later the misuse of public power for private gain (for a discussion cf. COOLIDGE/ROSE-ACKERMAN 1997).

4 The phenomenon was termed resource curse by RICHARD AUTY in 1993. An extensive review of the literature concludes that “the curse of resource booms is very real” (SARRAF/JIWANJI 2001: 14/17). For another comparative evaluation of scientific studies see World Bank/IFC 2002, from an NGO perspective World Bank 2004, Vol. III. Most academic studies suggest that the number of states with disappointing results is larger than the number with successful outcomes. The literature names as cases of successful resource-based development the United States, Canada, Norway, Australia (all industrialized countries!) and a few examples in Latin America (Chile, Peru and Brazil), Asia (Oman [!] and Malaysia) and Africa (Namibia and Botswana). A World Bank study assesses Botswana as “one of the great success stories of developing countries” because of its sound economic policies and prudent management (SARRAF/JIWANJI 2001: 7, cf. also World Bank 2004, Vol. III, Annex 5). However, the main shortcomings of this case are named too: the poor performance of the agricultural sector (accounting for 70 per cent of the work force) and an unequal income distribution favoring a small group of large farmers instead of the majority of the population. Given these deficits, the assigned status of success seems highly doubtful, particularly under the Bank’s present prime criteria of poverty alleviation. For a discussion of the workings of the Dutch Disease in Papua New Guinea cf. SEIB 1994: 148ff. and CONNELL 1997: 147f.

5 In this paper, the terms extractive industry and mining sector encompass oil and gas production.

6 For the last decade the export of renewable resources from the forestry sector constituted the second most important commodity.

7 The broad term sustainable development includes the alleviation of poverty through economic, social and political participation, the enhancement of human rights and the conservation of ecological life-support systems. In 1987, the World Commission on Environment and Development defined it as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

‘Landowner’ is an important term in the public discourse. It emphasizes control of land and thus identity, autonomy and power of local people, especially in relation to or vis-à-vis the state.

Mining Minister and member of parliament for Central Bougainville SAM AKOITAI, Post-Courier 28.2.2003.

In 1977 the government stated: “Mineral development is justified principally in terms of the revenue it contributes to Government programmes.” (Quoted in JACKSON 1982: 148)


WINDYBANK/MANNING 2003: 3. The study by BAXTER (2001: 4) summarizes the rural crisis which has built up over a long period: “Rural Papua New Guinea is in a serious social and economic crisis. Overall in rural areas, living standards are worsening, the population is increasingly rapidly, the resource base is being depleted, income-earning opportunities are decreasing, access to services and transport infrastructure is declining, the infrastructure itself is deteriorating and effective government support is uncommon.”

For details see WINDYBANK/MANNING 2003: 3.


Mining Minister SAM AKOITAI in the national parliament, quoted in Post-Courier 16.7.2003.

See also “Oil industry under siege from landowner disputes”, headline of the National, 9.3.2001. The US company sold its subsidiary for US$ 96.6 million to the PNG company Oil Search in 2003 (Post-Courier 22.7.2003).


20% of the EU’s € 50 mio. are used to fund “the biggest ever helicopter-based air geophysical survey in PNG and maybe the world”, explained an EU mission member quoted in the Post-Courier 30.5.2003. For details cf. Post-Courier 26.2.2002 and World Bank 2002a. The Asian Development Bank has also given a loan of US$ 20 million for the support of small-scale miners (National 31.7.2003).


For Lihir Island see World Bank 2002b: 7.


Lawyer ANDREW GRECH after the class action dropped in January (ABC Australia 20.1.2004).


World Bank 2004: 40; for details about the Ok Tedi mine see SEIB 2001.

Cf. BANKS and BALLARD 1997. It is interesting to note the controversy about the interpretation of the determining factors of social conflicts associated with mining. Explanations that relate conflicts to the distribution of economic benefits and so to economic motives (cf. BALLARD, BANKS, FILER, JACKSON, KING, MACINTYRE/FOALE) contrast with models that see conflicts as a consequence of environmental crises and movements as ecologically motivated resistance (cf. KIRSCH, HYNDMAN). See BANKS (2002), who seeks to adopt a more holistic approach.


World Bank 2000a: 6. The press release (footnote 27) says that the dieback of vegetation could cover up to 1,350 km².

Quoted by MARSHALL cf. footnote 22.

Quoted in MACINTYRE/FOALE 2002: 1; see also Post-Courier 11.4.2001: “Ona to take Rio Tinto to court”.

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31 For details on the failed process of rural development in PNG in general see GUPTA/IVARATURE 1997.
32 MIKE MANNING of the PNG employers’ think tank Institute of National Affairs: The real costs of development failure, Post-Courier 10.5.2002.
36 In his article “Examine development flaws” (Post-Courier 14.2.2003) MANNING concludes in frustration that “despite the importance of the agriculture, the promises of every government and every politician for priority to agriculture, the sector is the worst at putting pressure to get what it wants. No matter how often it is said and how much everyone agrees that agriculture is the real basis of getting development moving, nothing is happening.”
38 This is the forecast of the Australian government while announcing an extra 102 mio. A$ aid transfer for the financial year 2004/2005 to stabilize its neighbour (Post-Courier 13.5.2004).
39 The statement attributed to IPATAS is quoted in LAKANE/GIBBS (2003: 96).

References


Abstract

A prominent strand of discourse summarized under the term “natural resource curse” refers to the phenomenon that most of the developing countries with abundant natural resources tend to exhibit poorer economic success than economies without substantial resources. While earlier attempts to explain the seeming paradox focused on macro-economic factors (Dutch Disease), recent studies center attention on the more political dimensions of failure to use resource revenues productively. They highlight the decisive role of the quality of institutions for development.

This paper analyses the economic, social, environmental and administrative impacts of mining and petroleum industries in Papua New Guinea. It also looks into the forces driving the growing ethnic tensions associated with mining projects and the challenges of better governance. It concludes that the country has failed to benefit from its natural wealth. The context of politicized ethnicity and fragmentation, the political culture, a weak and dysfunctional state, and corruption of the political and bureaucratic systems presented in the paper provide some explanation why the majority of people in resource projects prefer the continuity offered by such projects despite their negative impacts.
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The enormous leaps of growth and development experienced by Eastern and Southeast Asian states since the 1960s on account of their astonishing industrial development have led to concerns that a resulting global economic and political shift might favour the "Pacific region" at the expense of the "Atlantic region". A "Pacific century" was proclaimed, in which it was predicted that Asian-Pacific countries would outpace the traditional leading powers of the West. A more careful look quickly reveals that this view is too simplistic.

From the point of view of various disciplines and covering different nations like China, Vietnam, Indonesia, Singapore, the Philippines and Papua New Guinea the authors of this publication pursue the question whether the 21st century can already be labelled the "Pacific Century". This was also the title of the interdisciplinary series of lectures held at the University of Göttingen/Germany in the winter semester 2003/2004. This series of lectures was jointly organized by the Department of Geography, the University of Göttingen and the Association of Pacific Studies e.V. (APSA).

This 10th volume of the publication series "Pazifik Forum" contains contributions by W. Kreisel, M. Taube & Ka-Wai Yiu, M. Waibel, A. Croissant, B. Dahm, H. Schneider, R. Seib and R. Jordan.