



## Capitalist Development in Contemporary Southeast Asia

*Neoliberalization, Elites, and Authoritarian Liberalism in the Philippines and Malaysia*

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# Capitalist Development in Contemporary Southeast Asia: Neoliberalization, Elites, and Authoritarian Liberalism in the Philippines and Malaysia\*

Bonn Juego<sup>β</sup>

## INTRODUCTION

There is something distinctive in the evolution of capitalism in Southeast Asia. This historical specificity of present-day capitalist moment concerns the differences in dynamics that the process of neoliberalization may have in different social contexts depending on the conflict-ridden interaction between local and transnational elite interests and on the contradictions between the political and economic imperatives of capital accumulation. Understanding the region's complex structural relations and their attendant manifestations demands a dynamic analysis of processes, interests and transformations.

This paper seeks to identify the specificities of capitalism in Southeast Asia focusing on the contrasting cases of the Philippines and Malaysia and explain the social transformations and struggles that brought it about, producing a particular social form with distinctive dynamics. To this end, it opens up three important areas of inquiry about post-1997 political-economic transformation and social change in the region.

First, how has the *process* of neoliberalization evolved since 1997? Here the impetus given by the crises of 1997 and 2008 to the construction of new opportunities for economic restructuring and political reforms is called into question. Second, how and why class relations, specifically national and transnational elite *interests*, shape the evolution of capitalism in the region? This examines the role of domestic and transnational political-economic elites and the extent of their respective vested interests in shaping, negotiating, promoting, or resisting neoliberal reforms. And third, what particular social *form* (political-economic structure) is emergent in the region as a consequence of the interactions between the process of neoliberalization and the dynamics of elite interests? It also interrogates the how and why in the emergence of a seemingly contradictory social regime called 'authoritarian liberalism', which combines a strong state with liberal market economy, in the Philippines and Malaysia that results from conflicts in contemporary capitalist relations.

Before addressing these interrelated phenomena, the next section sketches out an analytical framework through which post-1997 crisis evolution of capitalist

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**NOTE:** This paper is a sketch of my PhD thesis. It only highlights key arguments and findings. As such, the empirical evidence on the claims made here is elaborated on the thesis and will be presented during the conference session.

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development in Southeast Asia, with particular reference to the cases of the Philippines and Malaysia, is examined, analyzed, and understood. A critical political economy framework of analysis is herein proposed—derived from a critique of mainstream approaches in politics and economics, and shaped by a synergy between classical Marxism, Coxian method of historical structure, and social conflict theory. It also presents a conceptual framework in which to understand the constitution of specific processes, interests, and forms in the system of capitalist development, particularly the interrelations of this paper’s working concepts: neoliberal reproduction, elite interests, and authoritarian liberalism.

## **A FRAMEWORK OF ANALYSIS ON THE SPECIFICITIES OF CAPITALIST DEVELOPMENT<sup>1</sup>**

The paper combines the concepts and tools from various traditions in ‘critical political economy’ developed in and derived from the interrelated methodologies of classical Marxist political economy, Coxian method of historical structures in critical IPE, and social conflict theory in the political economy of Southeast Asia to produce a distinctive approach in understanding the specificities of capitalist development in developing countries. This alternative approach will prove useful in examining the interaction between neoliberal processes, social forces, and emergent social regimes at global, regional, and state/society levels. For the significance of these linkages to be grasped, the reductionist and ill-formulated mainstream approaches ranging from neo-classical economics and neoliberal ideology to the established institutionalist approaches must be put aside.

The critical political economy approach understands phenomena as ‘social relations’, in which ‘the political’ and ‘the economic’ are organically connected to, rather than separate from, one another. Through this approach, it can *reveal* the politics behind the economy.

In sum, the critical political economy approach used here sees the structures, the relations, the processes, and the conflicts in understanding specific phenomena. A focus on *structures* allows for an analysis that situates phenomena within the broader context of the global and local dynamics of capitalism. An understanding of *relations* involved in specific phenomena allows for an inquiry into questions of power, interests, and ideology among the actors involved. An appreciation of *processes*—in which phenomena emerge and evolve—provides for a dynamic, not static, analysis of social change. And a perspective of *conflicts* understands the conflictual nature of structures, relations, and processes through which change is induced and produced.

Combining the concepts and tools from the traditions of critical political economy creates an alternative approach viewed from comparative, critical, and interdisciplinary perspective. This approach thus captures ‘global - state - social change’ synergy and dynamics. At the same time, it is sensitive to specificities in national situations in particular historical moment in the context of social relations within a broadly comparative framework.

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<sup>1</sup> An elaboration of the analytical framework—including a comprehensive review of literature on the political economy of Southeast Asia, the Philippines, and Malaysia—outlined here is in Chapter I of my PhD thesis (see Juego forthcoming).

## *Specificities of Capitalist Development in Southeast Asia: Processes, Interests, and Forms*

The method of analysis of this paper is to move from ideational abstractions to concrete historical processes through empirical evidence. At its most abstract, the conceptual framework for understanding the specificity of capitalist development outlines a simplified representation of a particular configuration of forces, namely: *processes*, *interests*, and *forms*. This is not to dispute that other factors or forces matter, but to illuminate the dynamism—rather than determinism or reductionism—of contemporary political economy in Southeast Asia so as to emphasize conflict, motion, and flux in capitalist development.

As a heuristic device, three forces—which are either latent or manifest—interact in shaping capitalist development. In stylized format, the presentation proceeds as follows:

### Processes — Interests — Forms.

It is necessary to understand neoliberalization as a ‘process’ to imply motion, flux, and the possibilities of change. Interests specifically refer to ‘vested interests’ of individuals or groups who have stakes for personal, class, ethnic, ideological, political, economic, or financial gains. And ‘form’ is a particular political-economic configuration. All these forces interact with each other in shaping the evolution of capitalism, and their interactions constitute a specific dynamic of capitalist relations.

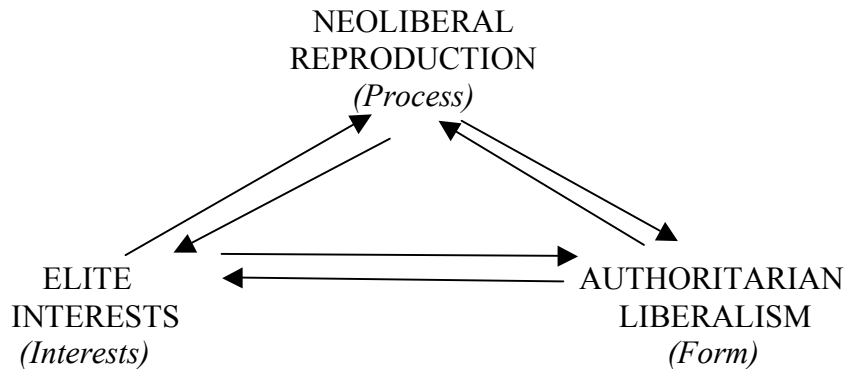
The relationships among these forces are neither mechanical nor predetermined hierarchically. Rather, causal relationship may be established depending on history and empirical study. Where relations between the forces are contingent, their specificity must always be an empirical question, that is one which must be answered by observing actual cases.

However, as a critical research, the focus is more than on causality because it understands the dialectical relationship between these forces. The dialectics here is understood in three senses. First, all these forces exist together, not simply in causation but as interrelations within a system of interacting moments. That is to say, the three forces are an organic set of relations in which one cannot be separated from the other. Second, the dialectics deals with conflicts in the internal relations of a structure. As such, a phenomenon is approached in an open and fluid way, and hence it avoids mechanistic and reductionist interpretations of change. And third, against the broader reality in the overall structure, rival forces and different tendencies also exist. This means that there are other, alternative processes, interests, and forms interacting within the structure.

The framework of this paper—centered on the dialectical relationship between the concepts ‘neoliberal reproduction’, ‘elite interests’, and ‘authoritarian liberalism’—is based broadly upon a critical comparative political economy approach that takes inspiration from classical Marxism, critical IPE, and social conflict theory and their applications to the circumstances of contemporary global capitalism (see Figure 1). Its critical orientation means that the purpose is not simply to conceptualize for the sake of conceptualization, but to explain the processes of historic transformation of capitalism

in Southeast Asia, the Philippines, and Malaysia. Its comparative approach suggests that there is a comparable dynamic at work that drives the general capitalist process to assume particular forms in specific contexts.

*Figure 1.*  
*Conceptual Framework: Specificity of Capitalist Development*  
*in Contemporary Southeast Asia*



The question as to the reciprocity or to which direction the arrow of causality moves is a question of history. The present historical conjuncture is to be understood based on the most prevailing relationship among the several possible relationships that can be established in this heuristic device.

On the question of the level of analysis, the focus of this paper is on the enduring hegemonic structure in Southeast Asia. In particular, neoliberalization is regarded here as the prevailing social process in Southeast Asia; elites as the dominant social force in capitalist relations; and authoritarian liberalism as the emergent social regime in the region. Of course, it acknowledges the existence of a counter-hegemonic structure and its potentials for social change. A much-detailed study on the dynamics within this counter-hegemonic structure is no doubt an important field of inquiry for another discussion. For instance, another worthwhile research endeavour may focus: on different social processes other than, or as an alternative to, neoliberalization; on labour, civil society, and social movements as potent social forces driving these processes; and the possibilities of a different social regime like democratic development that envisions both democracy and development as organically political and economic categories. The rationale for selecting the current focus is to show that even within the hegemonic structure itself, capitalist dynamics in the region and in respective countries is also conflictual.

Just like other frameworks of analysis, the conceptual framework proposed here reflects precedence on what it deems to be (the most) significant impetus for the process of change. The paper does not make any claim that neoliberal reproduction is the only process in operation, that elites are the only actors at play, and that authoritarian liberalism is the only social form emerging in contemporary Southeast Asia. For sure there have been a plethora of research done in various contexts that focus on other actors, groups, agents, or identities that intervene in the processes of change and hence produced varying tendencies and social forms. It is simply to

articulate that it is implausible to understand existing dynamics of capital accumulation in the region without examining the conflictual relationship of these dominant forces.

At this point, three key concepts used in this paper have to be operationalized: neoliberal reproduction, elite interests, and authoritarian liberalism. Each concept is already a phenomenon in itself in contemporary Southeast Asia. But an analysis of the interrelations of the three concepts and their mutually reinforcing tendencies is very significant in unpacking the complexity of the neoliberal phase of capitalist development in the contexts of enduring social relations in the Philippines and Malaysia.

### *Neoliberal Reproduction*

The concept of ‘neoliberal reproduction’ refers to the prevailing political-economic process at this historical juncture. It is a concept of *process* by which contemporary capitalism evolves and reproduces its class and social relations, its means and resources of production, its political and economic institutions, as well as its structural contradictions and conflicts. Thus, the process entails the production of capitalist relations and the creation of social conditions for capital accumulation.

There are two defining terms in this concept: neoliberalism and reproduction. Critical scholars have interpreted neoliberalism, *inter alia*, as a development discourse and strategy (Munck 1999), a new development doctrine (Cammack 2002), an ideological and class project (Harvey 2005), and a hegemonic paradigm (Cerny 2008). Amid these interpretations, there is agreement that neoliberalism is basically the contemporary configuration of capitalism that has de- and re-constructed capitalism in response to the 1970s crises. Based on this understanding, neoliberalism is essentially capitalism with the same drive for capital accumulation and the same exploitative relations of capital over labour. A critical conception of *reproduction* is related to a Marxist insight of ‘capitalist reproduction’ (see Weeks 1981; Jessop 1990; Himmelweit 1991; Bonefeld 1993). Hence, reproduction is a process in which capitalism reproduces as it evolves its own relations (class and social relations), production (productive forces and resource allocation), exchange (money and finance), interests (bourgeois class interests), institutions (state, market and social institutions), and contradictions (structural contradictions and social conflicts). Within this conceptualization, it is implied that the survival and hegemony of neoliberalism ultimately depends on the reproduction of these material and ideological mechanisms of capitalism. At the same time, it suggests that the reproduction of capitalism’s inherent contradictions, as well as the conflicts these contradictions generate, signifies the precariousness of neoliberalism.

But there is more to this process of neoliberalization than the reproduction of market-oriented policies and the institutional modifications associated with it. Reproduction does not mean that the process is not contested. In fact, the austerity and ‘stabilization’ programmes imposed on the indebted Third World during the international debt crisis of the 1980s provoked massive protests from Turkey to Ghana to Mexico to Brazil to the Philippines that went on for years (Walton and Ragin 1990). Neoliberalization also comes with the reproduction of conflictual social relations between economic and political classes. This conflict has sprung from neoliberalism’s strategy to create or restore elitist and capitalist class power through what David

Harvey (2003, 2005) calls ‘accumulation by dispossession’ whereby private appropriation necessitates deprivation of peoples’ collective rights, access, or ownership.

Neoliberal reproduction thus constitutes two organically-connected processes: [a] the reproduction of market-oriented policies and institutions, and [b] the reproduction of market-driven strategy of accumulation by dispossession. As such, there are opposing tendencies in this process of neoliberalization that entails, on the one hand, a convergence towards the reproduction of neoliberal institutions and policies, and on the other hand, the reproduction of social antagonisms that spring from this accumulation strategy through dispossession which deepens hierarchies, divisions, inequalities, and hence resistances.

### *Elite Interests*

The concept of ‘elite interests’ refers to the dominant social forces who mediate, or who are implicated in, the process of neoliberal reproduction. It comprises two terminologies—elites and interests—that need to be identified and specified. Who are the elites, and what are their interests?

Elites are individuals or groups of people who enjoy power and whose powers are derived from political position and/or economic wealth. The focus here is on these political-economic elites at domestic and international levels. The political elites pertain to incumbent government officials in the Philippines and Malaysia, as well as elites in the bureaucracy and the technocracy. And the economic elites include both local business interests and transnational corporations.

Interests are stakes in the process of neoliberalization that are based on personal, political, economic, financial, ideological, class, familial, ethnic, or institutional considerations. Unlike some ideologies—such as neoliberalism, which is a set of established ideas—interests may be varied and oftentimes conflictive.

In this paper, the concept ‘elite interests’ is understood as vested interests of political-economic elites at domestic and transnational levels. Since the process of neoliberalization is an evolving—rather than a fixed—regime of accumulation, elite interests are intrinsic to the formation of a particular configuration of political-economic power relations and the shaping of capitalist development.

### *Authoritarian Liberalism*

The concept of ‘authoritarian liberalism’ refers to an emergent social regime in Southeast Asia that has been a consequence of the social transformations in the evolution of capitalism in the region. In this paper, authoritarian liberalism is preferred to be categorized as a ‘social regime’, which is a specific form or configuration of political-economic relations within the society, rather than as a ‘form of state’, which has strong political and governmental connotation. As John Holloway (1994) argues that to defetishize the notion of the state is necessary ‘to dissolve the state as a category...to understand the state not as a thing in itself, but as a social form, a form of social relations’ (p. 26).

Authoritarian liberalism is a social regime that combines a liberal market economy with political authoritarianism. In other words, it is a neoliberal economy embedded in an authoritarian political framework. The state form within this social regime is an ‘authoritarian-liberal state’ that is oriented to the ideology and practices of political authoritarianism and economic liberalism.

*Towards a Critical Political Economy Approach to Southeast Asian Studies*

While each of the three key concepts—neoliberal reproduction, elite interests, and authoritarian liberalism—is specifiable independently to each other, they have to be brought together in a dynamic framework of interrelations to understand the specificity of the changing shape of capitalism in Southeast Asia. Based on the dialectical framework outlined above, it is argued that neoliberal reproduction in Southeast Asia is conflict-ridden whose process is mediated at the national level by conflicting elite interests and consequently engenders a contradictory social regime of increasing and deepening authoritarian liberalism in the Philippines and Malaysia, respectively.

The framework and method of analysis outlined above allows for an understanding of the historical specificities and dynamics in Southeast Asia with emphasis on the dialectics between particular processes, interests, and form in contemporary capitalism in the Philippines and Malaysia. The critical theories and concepts introduced here understand the process of social change as both a reflection and a by-product of structure-agency contradiction. The analytical framework, within which these critical theories and concepts are constituted, enables an unraveling of capitalist dynamics in historical and comparative contexts by: firstly, examining the prevailing political-economic structure (processes); secondly, relating the action of agency or actors in the evolution of this hegemonic social structure (interests); and thirdly, deciphering the emergent social regime in the enduring structure-agency interaction (form).

## NEOLIBERALIZATION<sup>2</sup>

Neoliberal globalization emerged during the crisis of the 1970s and, since the end of the cold war, it has become the prevailing structure of the global political economy within which all societies, economies, and governments operate to varying degrees. Domestic political economies of Southeast Asia are deeply embedded within, whether locked-in or locked-out of, this wider global structure. The advent of this new phase in capitalist transformation ushered in the ascendancy of the idea of ‘neoliberalism’ as the new hegemonic development discourse and political-economic practice, supplanting the old Keynesian economic paradigm and the social democratic ethos in the advanced industrial economies, dismantling import-substitution industrialization experiments in Latin America, and challenging the Asian model of capitalist developmental states. But more than just an idea as a new configuration of liberal economics, neoliberalism is both a class project to secure the hegemony of capital over labour and a capitalist process involving new strategies for protecting and promoting the logics of accumulation and commodification.

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<sup>2</sup> The empirical evidence of the theoretical and analytical claims made in this section are in Chapter II of my PhD thesis (see Juego forthcoming).



Over the years, the term neoliberalism has been interpreted in different ways by numerous scholars in the areas of political economy, geography, and sociology as, *inter alia*, a hegemonic ideology, a set of Washington and post-Washington Consensus policies, and a form of state and government (e.g., Larner 2000; Bourdieu and Wacquant 2001; Cammack 2003; Robison 2006a; Gamble 2006; Harvey 2007; Cerny 2008; Saad-Filho and Yalman 2009). However, in order to grasp its complexity, as well as to capture its pervasiveness and contradictoriness, it is necessary to regard neoliberalism as a *process*, and hence ‘neoliberalization’ (Peck and Tickell 2002; Harvey 2005; Ward and England 2007). But while neoliberalization is understood as being ‘contradictory’, which also ‘tends to provoke counter-tendencies’ and that focuses on ‘change’ (Peck and Tickell 2002; Tickell and Peck 2003), it does not consider the process as merely contingent or a pure conjuncture. Rather, the process of neoliberalization is very much a process of the latest phase of capitalist development that is constitutive of a critical appreciation of history, political economy, causality, social relations, and structure (Wood 1986, 1995).

Against the background of globalizing capitalism, societies in Southeast Asia develop at an uneven pace where pre-capitalist and advanced capitalist modes of production and exchange coexist across and within nations. While there are external historical-structural reasons for the unevenness of capitalist development in the region (see, e.g., Kunio 1988; Dixon 1991), intra-regional variations in terms of different domestic power relations give rise to distinct strategies for capital accumulation considering national differences in economic structure, political regimes, and cultural attributes. And while the neoliberal advance, especially during the pivotal decades of the 1970s and 1980s, engendered continuing class conflicts and contestations over power and resources, it also created new coalitions between capital and pro-capital political forces, both domestic and foreign, and hence sealing a particular nexus of businesses, states, and politics (McVey 1992a, 1992b; Jayasuriya 2003). In the Philippines, where the social structure of patronage still predominates domestic political and economic relations, new social forces consistent with the neoliberal restructuring agenda of the World Bank and the IMF have increasingly emerged since the fall of the authoritarian rule of Marcos in 1986 (Hutchison 2001; Bello 2000; Rivera 1994). In Malaysia, where social relations is not simply an issue of ethnicity but a profound class question, the dynamics of its domestic political economy and development future rest upon the balance of power between state, domestic capital, and foreign capital (Khoo 2001; Gomez 1990, 2002b; Jomo 1986, 1995).

Though susceptible to capitalism’s systemic crises, neoliberal reforms has historically gathered and gained momentum during crisis moments. Neoliberalism was born out of the oil crisis and stagflation in the 1970s and has since evolved from crisis to crisis—from the debt crisis of the 1980s to the 1997 Asian financial crisis and the 2008 global economic crisis. Thus, crises play a constitutive role in the reproduction of capitalism in general and of neoliberalism in particular. It is this process of the reproduction of neoliberalism—and, as such, the social relations and political-economic dynamics that come with it—in the contexts of capitalist crises that characterizes contemporary Southeast Asia.

### *1997 Asian Financial Crisis*

The aftermath of the 1997 Asian financial crisis has been pivotal in shaping contemporary political-economic structure in Southeast Asia. For many analysts, this crisis acted as a ‘catalyst’ for substantial economic restructuring and political contestations in the region (MacIntyre, Pempel, and Ravenhill 2008; see also Haggard 2000; Robison, Beeson, Jayasuriya, and Kim 2000; Rodan, Hewison, and Robison 2001). For hyperglobalists, the crisis signaled the end of ‘Asian exceptionalism’ (e.g., Fukuyama 1999) and thus provided the imperative for reforms and adjustment of economies that were fraught with corruptive and non-competitive ways of business (Haggard 2000; see also Pempel 1999).

With the benefit of hindsight, the 1997 crisis and its aftermath are now seen as neoliberal globalization’s first major crisis that while it shook the emerging ascendancy of financial and economic liberalization, it also provided an opportune moment for neoliberal reformers to advance new macroeconomic policies and structural adjustment for the further institutionalization of an open market economy on a regional scale. These latter arrangements paved the way to the locking-in of East and Southeast Asian economies deeply into the disciplines required by the neoliberal orthodoxy, laying down the conditions to alter the so-called models of ‘late industrialization’ of state-coordinated industrial policy and to expose the institutional debilities and anti-competitive practices of ‘crony capitalism’. Neoliberal proponents from the International Financial Institutions (IFIs) to local technocrats were upbeat about these crisis-induced reforms. Regional, interregional, and international organizations such as the Asia-Europe Meeting (ASEM) and the Asia Pacific Economic Cooperation (APEC) functioned to hasten, reinforce, and complement processes of neoliberal reforms that were already under way at different national economies with the objective of locking these economies in to irreversible reform. Key instruments in their strategies are in the fields of social policy and labour market reform where the ideals of privatized welfare, deregulation of global finance, liberalization of trade, and the authority of capital over labour were reasserted to reinforce the logic of capitalist reproduction (Richards 2000).

At the turn of the twenty-first century, the region was back to business-as-usual with market players and state actors actively engaged in accumulation. Yet, the rules of state-market relations in the region and in individual political economies have been thoroughly rewritten with neoliberalism as a new development orthodoxy. Central to these reforms was the governments’ adoption of the new public management framework where the old ideals of people-centered democracy through transparency and accountability had been reduced to the goals of efficiency by a kind of regulation to guarantee market competitiveness and foreign capital competition.

### *2008 Global Economic Crisis and Southeast Asia*

The world capitalist system is currently under the conglomeration of interdependent and interrelated crises. It has become palpably evident that the recent catastrophe is a culmination of the cumulative effects of the simultaneous crises in finance, production, food, environment, energy, and governance that have been plaguing the world in the nearly four decades of neoliberalism. While crisis moments in capitalism have been viewed traditionally and conventionally as a conjunctural phase, rather than a fundamental structural contradiction, today actors from various ideological positions

perceive the situation as an opportune moment to advance their respective interests.

A survey of the responses to the crisis coming from global governance institutions (the World Bank, IMF and the G-20), regional organizations (Asian Development Bank [ADB] and the Association of Southeast Asian Nations [ASEAN]), and states (in East and Southeast Asia) manifests the unapologetic project for the perpetuation of neoliberal globalization (see Juego and Schmidt 2009). Take for example the crisis responses of regional organizations operating in the Asian region—the ADB and ASEAN.

The ADB proactively responded to the fiscal needs of its developing member countries affected by the global crisis through ‘lending assistance’ amounting to USD 32 billion for the period 2009-2010 (ADB 2009). As expected, it is banking-as-usual—these are ‘loans’ extended to needy Asian countries to be paid from five to 15 years whose interest rates are determined by the London Interbank Offered Rate (LIBOR) either on a floating-rate or fixed-rate basis (ADB 2008). Typical of ADB’s agenda and priorities *for* the private sector, 44% of the loan are for programs to stimulate growth and restore private sector confidence; 35% for countercyclical support facility (a new short-term loan extended to middle-income member countries) for structural reforms toward an attractive investment climate; 12% for trade facilitation to support private sector development; but only 6% for infrastructure and a measly 3% for social protection (ADB 2009). Of course, the debtor governments (read: the people and the taxpayers) guarantee these loans, absorb all the risks, and are accountable even when the private sector fails and is responsible for the crisis.

A month prior to the G-20 London Summit the was organized to respond to the global crisis, the ASEAN Heads of States/Governments had its 14<sup>th</sup> Summit in Cha-am Hua Hin, Thailand and had a caucus on 1 March 2009 to discuss the global economic and financial crisis and come up with their agenda which Indonesia, the only ASEAN member country of the G-20, is ought to convey to the G-20 leaders. What the caucus’ final statement declares are exactly of the same theme—even using the same words—that the World Bank, IMF, and ADB spelt out in their respective responses to the global crisis. The ASEAN leaders: concurred [a] ‘to restore market confidence and ensure continued financial stability’; [b] ‘welcomed expansionary macroeconomic policies, including fiscal stimulus’ and ‘measures to support private sector, particularly SMEs’; [c] ‘stressed the importance of coordinating policies’; [d] ‘reaffirmed their determination to ensure the free flow of goods, services and investment, and facilitate movement of business persons, professionals, talents and labor, and freer flow of capital’; [d] ‘agreed to stand firm against protectionism and to refrain from introducing and raising new barriers’; [e] ‘agreed to intensify efforts to ensure a strong Doha Development Agenda outcome’; [f] ‘develop a more robust and effective surveillance mechanism’; [g] ‘welcomed the new Asian Bond Markets Initiative Roadmap’; [h] called for ‘more coordinated action by both developed and developing countries ... to restore financial stability and ensure the continued functioning of financial markets to provide support to growth’; and [i] ‘called for a bold and urgent reform of the international financial system’ (ASEAN 2009c). This declaration is coherent with ASEAN’s commitment towards the ideals of free trade, competitiveness, and an open market economy being institutionalized over the last decade and will be pursued in the years to come. With the adoption of the ASEAN Charter at the end of 2008, ASEAN member countries have expressed their commitment to deepen Asian integration,

patterned after the rules-based European Union (EU), towards the creation of a single market and productive space by 2015 (see ASEAN 2009a; ASEAN 2009b). Rather than being cautious of the promises of free market under conditions of the current crisis, ASEAN has had sealed investment and trade agreements with countries in the Asia Pacific (Australia and New Zealand), East Asia (South Korea and China), and South Asia (India) almost every month from February to August 2009.

#### *The ASEAN 2015 Project Towards a Single Market*

The current responses of East and Southeast Asian states to the global crisis are bold and explicit that there is no backtracking on neoliberalism. The multi-billion dollar economic stimulus packages carried out by these countries as well as the multi-million loans they have received from the ADB are all directed and oriented towards economic growth recovery, private sector assistance, and an open market economy, and less on social protection for the poor (see ASEAN Affairs 2008; ADB 2009). Still, in a highly volatile political-economic situation there are risks that these billions of dollars can generate sharper budget deficits and even lead to another debt crisis. In fact, it is in the context of the three successive major economic crises in the last decade—the 1997 Asia crisis, the 2001 dot-com bubble collapse, and the 2008 Great Recession—that a daring project for a rules-based ASEAN single market by 2015 has been launched following the ratification of the ASEAN Charter on December 2008. Add to this, as already mentioned above, is a series of trade and investment agreements in the region that have been signed and adopted in the first half of 2009, namely: ASEAN free trade agreements with Australia and New Zealand, investment and trade in goods and services within ASEAN itself, ASEAN investment agreements with South Korea and China, and ASEAN trade in goods agreement with India.

With the adoption of the ASEAN Charter and thereby the ASEAN Economic Community Blueprint, the 10 member countries have categorically committed themselves to the furtherance of free trade, competitiveness, and an open market economy; thus the perpetuation of a neoliberal order. All these commitments are expressed only on paper. The realpolitik is at the national level of individual member countries. The feasibility of this vision comes into conflict with the realpolitik of the nature of Asian elites—that is, it is their respective interests, not ideology, that matter at all times. Asian elites can be profoundly anti-market and counter-competitive so long as it serves their interests.

#### *The Philippines and Malaysia in Times of Crises*

By now, the respective political-economic responses of the Philippines and Malaysia on the 1997 AFC and the 2008 GEC have been documented. With hindsight, these crises have become functional, rather than dysfunctional, to the reproduction of the institutions, policies, and relations of neoliberalism. Neoliberal reformers have made these crises moments functional to the reproduction of market-oriented institutions and market-driven social relations—which entail both production itself and the conditions created for continued capital accumulation. The functionality of crises to neoliberalism is not a mere reflection of contingency, but a manifestation of history. This is particularly the case if one looked into the historical path of the political economy of reform undertaken in these economies since the 1970s. Hence, it is suggested that neoliberalization through a series of state restructuring projects and initiatives

associated with market reforms was already in train; but the crises contributed immensely to the acceleration of this process.

An examination of the major development plans and policies of the Philippines and Malaysia points to the observation that the process of neoliberalization and its associated state restructuring programmes have been underway—particularly taking off in the 1980s for both countries. Specifically, in the Philippines, the important projects are the respective Medium-Term Philippine Development Plans (MTPDPs) and key reform initiatives of the administrations of Corazon Aquino (1986-1992), Fidel Ramos (1992-1998), Joseph Estrada (1998-2001), and Gloria Macapagal-Arroyo (2001-2010). And in Malaysia, it is instructive to notice the continuity of economic reform process from the twenty-year New Economic Policy (NEP) for the period 1971-1991, carried on through the leadership of Mahathir (1981-2003) and reaffirmed in his ‘Wawasan 2020’ (Vision 2020) as enshrined in the New Development Policy (NDP) for 1991-2020, and to the development projects of Abdullah Badawi (2003-2009) with his ‘Islam Hadhari’ (economic competitiveness within the framework of Islamic civilization) and the current Prime Minister Najib Razak with his ‘1Malaysia’ vision for global competitiveness. All these have been consistently enshrined in the series of development plans from the First Malaysia Plan (1MP) for 1966-1970 to the Tenth Malaysia Plan (10MP) for 2011-2015, as well as the First Outline Perspective Plan (OPP1, 1971-1990), Second Outline Perspective Plan (OPP2, 1991-2000), and the Third Outline Perspective Plan (OPP3, 2001-2010).

The Asia crisis of 1997 had provided the opportunity for the thoroughgoing construction of a neoliberal regulatory regime in Southeast Asia, although variegated depending on historical and social dynamics in respective countries. For instance, one of the reasons why the Philippines has been more receptive than Malaysia to neoliberal external impositions (such as on austerity and further liberalization) was because of the former’s history of being tied and subjected to disciplinary SAPs by the World Bank and the IMF. Importantly, unlike Malaysia which got huge Japanese investments that boosted the economy’s industrialization project, the Philippines missed Japanese capital under the Plaza Accord due to the country’s political instability and a series of military coups in the late 1980s. But while Malaysia used capital controls and continued with a fixed exchange rate in response to the 1997 crisis, the country returned to business-as-usual immediately after the crisis, following a Keynesian rule that ‘the worse the situation, the less laissez-faire works’.

Neoliberalization entails contradictory tendencies. On the one hand, it pushes economies to converge towards market-oriented institutions and policies as proven in the administrations of Cory Aquino, Fidel Ramos, Joseph Estrada, Gloria Arroyo, and Noynoy Aquino in the Philippines, and from the 1970 NEP through Mahathir’s NDP to the recent governments of Abdullah and Najib in Malaysia. On the other hand, it also comes with the reproduction of social antagonisms that spring from the accumulation strategy through dispossession strongly manifested in privatization projects such as the proliferation of public-private partnerships that effectively guarantees continued private accumulation by systematically depriving the people their rights, access, or ownership over previously held public properties (see Figure 2). As such, this process deepens hierarchies, inequalities, and resistances in the societies, politics, economies, and communities in the Philippines and Malaysia.

<i>Figure 2: Crises and Neoliberalization in the Philippines and Malaysia</i>		
<b>CRISES &amp; NEOLIBERAL REPRODUCTION</b>	<b>Market-oriented institutions and policies</b>	<b>Market-driven strategy of ‘accumulation by dispossession’</b>
Philippines	Neoliberal institutions and policies underway. Crises were <i>functional</i> to further neoliberalization.	increasing poverty, inequality, underdevelopment, resistances
Malaysia	<ul style="list-style-type: none"> <li>• Neoliberal institutions and policies in place.</li> <li>• During crises: ‘The worse the situation, the less laissez-faire works’</li> <li>• Then back to ‘business-as-usual’.</li> </ul>	deepening differences, inequalities, hierarchies, resistances  <u>Dimensions</u> <ul style="list-style-type: none"> <li>• Class: the poor</li> <li>• Ethnicity: non-Bumiputera</li> </ul>

On the basis of this understanding of the contradictory internal logic of neoliberal reproduction, both the Philippines and Malaysia have similar drive to capital accumulation and hence undergo the social consequences related to this process. They differ however on the strategy for accumulation and on the intensity of its impact on social relations.

The cases of the Philippines and Malaysia gives an account of capitalist diversity in which differences in national situations necessitate distinct projects of post-crises neoliberal restructuring from society to society in the region. The structural imperatives, relational character, and process of capitalist development have been the same since time immemorial. The difference comes not in structure, not in relations, not in the process, but in the *strategy* to pursue accumulation. One can therefore observe ‘neoliberalization the Philippine way’ and ‘neoliberalization the Malaysian way’.

Due to the combined and uneven process of capitalist development in Southeast Asia, neoliberalization entails different strategies as it encounters varying interests among domestic elites from state to state in the region. In the particular contexts of the Philippines and Malaysia, the general neoliberal agenda for post-1997 crisis restructuring have taken varying configurations depending on the outcome of the struggle within the constellation of international and domestic forces.

The following section examines how and why neoliberal reproduction is a highly contested process mediated by conflicting interests among domestic and international elites. An understanding of this enduring struggle among different interests involved at domestic and international levels remains critical to have a clearer grasp of the nature of capitalist development in Southeast Asia in general and in the respective societies of the Philippines and Malaysia in particular.

### ELITES<sup>3</sup>

With regard to the question of agency that drives the process of neoliberalization, domestic and international elites as dominant social forces mediate, negotiate, promote, or resist processes of neoliberal reproduction. A critical understanding of this dynamic requires an interrogation of ‘competitive capitalism’—which is a system and culture of competition where no particular faction of the capitalist class is feared or favoured in economic activities—as the ideal-type neoliberal reform, and a recognition of the *realpolitik* of conflicting elite vested interests in shaping capitalist development. Neoliberalization is not a seamless process completely dominated by global market forces. In reality, local elites with their political affinity to states within which capital ultimately settles and operates have the power and capacity to shape the process of neoliberalization. Recent controversies on reform initiatives and allegations of graft and corruption involving factions of domestic elites and transnational capital show the conflict-ridden constitution of capital accumulation in emerging economies of Southeast Asia.

In the Philippines, most notable, if not notorious, cases include infrastructure projects that are part of the neoliberalization process, namely (see Figure 3):

- [i] NBN-ZTE (National Broadband Network project awarded to ZTE, a telecommunications supplier based in China), the most controversial deal entered into by the Arroyo administration;
- [ii] NAIA-3 (Ninoy Aquino International Airport Terminal 3), built by the Philippine International Airport Terminal Corporation (PIATCO), a joint venture of a Philippine group of Filipino-Chinese businesspeople and Germany Fraport AG amounting to USD 565-million; and
- [iii] Northrail (North Luzon Railways), one of China’s biggest aid projects in Southeast Asia funded by the Export-Import Bank of China through a USD 900-million soft loan.

In Malaysia, some of the most controversial neoliberalization issues that showcase conflictive relations are (see Figure 4):

- [i] the resistance to privatize Petronas (Petroliam Nasional Berhad), an oil and gas company and the biggest government-linked company (GLC) in Malaysia and a *de facto* transnational corporation;
- [ii] Port Klang Free Zone (PKFZ), a multi-billion ringgit scandal; and

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<sup>3</sup> The empirical discussion of the claims made in this section as well as a detailed discussion of the cases enumerated here are in Chapter III of my PhD thesis (see Juego forthcoming).

- [iii] Water sector reforms, specially the struggles prior to the enactment of the Water Services Industry Act (WSIA) of 2006.

<i>Figure 3: Cases in the Philippines</i>		
<b>Case</b>	<b>Points of Conflict</b>	<b>Conflicting Agents</b>
<b>NBN-ZTE deal</b>	A transnational elite complicit in bribery attempts of domestic elites	Transnational elite; faction of political elites; losing local bidder; whistleblower; members of House & Senate; media; civil society
<b>NAIA Terminal 3</b>	Alliance of transnational and domestic business elites vs. the government	Transnational & domestic elites (PIATCO-Fraport); factions in the government; Government of Germany; local judiciary; international arbitration (WB, ICSID); members of House & Senate; media; civil society
<b>Northrail</b>	Transnational-domestic elite transaction, with state as risk-absorber	Transnational elite; Government of China; domestic elites; Philippine government; members of House & Senate; media; civil society

<i>Figure 4: Cases in Malaysia</i>		
<b>Case</b>	<b>Points of Conflict</b>	<b>Conflicting Agents</b>
<b>Petronas</b>	Domestic political elite on 'selective' privatization	Office of Prime Minister; Petronas; GLCs and domestic capital; transnational capital; neoliberal reformers
<b>Port Klang Free Zone (PKFZ)</b>	Domestic elite appropriating surplus in the name of liberalization, 'free market'	domestic political elite; transnational elite (Dubai); civil society; bloggers; media
<b>Water service sector reform - Water Service Industry Act (WSIA)</b>	Domestic elites for privatization, not liberalization  (Elites struggle over privatization, liberalization, or re-nationalization)	domestic elites; transnational capital; WTO-GATS; civil society



All these cases reveal various dimensions of conflicting elite relations in the process of neoliberalization in their scramble for capital accumulation.

The process of neoliberal reform is confronted with the classic structure-agency contradiction as articulated in the pithy analysis of Marx (1852) on the dynamics of historical social change. To paraphrase Marx's polemics, it can be said that: Neoliberal reformers attempt to 'make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of (the living neoliberals)'. At the heart of the process of neoliberal restructuring in Southeast Asia are domestic elites with political-economic vested interests in accumulation who wield significantly the shape of capitalist development in the region.

Both the Philippines and Malaysia embody substantive features of 'crony capitalism' and 'state capitalism' that are antithetical to neoliberalism's form and practice of 'competitive capitalism'. These political-economic regimes are therefore the ideal targets of neoliberal reform. It was hoped that the crisis of 1997 would be a turning point or a 'catalyst' for the convergence of these Southeast Asian economies towards a market-led development model (MacIntyre, Pempel, and Ravenhill 2008). But the prevailing structures and relations in the region make such reform projects all the more conflictive. In principle, the Philippines and Malaysia have acceded to the normative ideas of free market and competitiveness as evidenced in their respective economic restructuring policy measures. In reality, however, the fate of these neoliberal market reform *ideas* is, to a large extent, contingent upon the *interests* of domestic elites, not least incumbent political elites. In this sense, it is interests—rather than ideas—that mostly determine the shape of capitalist development in the region. Elites in Southeast Asia can be downright anti-neoliberalism or counter-competitiveness so long as it serves their interests. The proclaimed neoliberal ideology of these elites ends when their vested interests begin.

Neoliberalism regards the market—specifically, the private sector—as the means and ends of economic development. Market rationality in the policies of privatization, deregulation, and liberalization is said to be the logic of a truly competitive capitalism. It is assumed that if state's role is limited only to facilitating the conduct of private business, instances of corruption will largely be reduced. And so the neoliberal slogan goes: less state intervention, less corruption. However, the concrete cases of Southeast Asia undergoing the process of neoliberalization offer a prospectus different from the neoliberal ideology. While the policies of privatization, deregulation, and liberalization enlarge the territory for private capital accumulation, they have also opened a large pool of opportunities through which incumbent domestic (political) elites can swim on new channels for corruption and rent-seeking activities. With the opening up of Southeast Asia to the world market, incumbent state functionaries have discovered ways to receive bribes and other forms of rents from transnational capital. Transnational elites such as transnational corporations have included in their business accumulation strategies and their accounts the transaction costs of dealing with domestic political elites in developing countries (see, e.g., Moody-Stuart 1997). Economic liberalization has in fact not led to the reduction of corruption in the developing world (Harriss-White and White 1996; Schmidt 2002). Corruption, or what

Marx then called ‘primitive accumulation’, has always been embedded in the process of capitalist development.

What is intriguing that might implicate transnational capital and state functionaries in illegitimate accumulation is the huge amount of illicit flows in Asia at the beginning of the 21<sup>st</sup> century. For the period 2000-2008, the Global Financial Integrity (2011) has come up with cumulative figures of USD 291 billion for Malaysia and USD 109 billion for the Philippines, making both countries in the top three with the largest portion of illicit flows in the world.<sup>4</sup> One begs to ask the question about the timing, volume, and movement of these transfers. The neoliberal rules that encourage capital flight through the deepening of financial liberalization policies of easy entry and exit especially during the post-1997 AFC period make these transfers possible. The sheer volume and the outward movement of these flows are telling of the involvement of transnational corporations, who might have mobilized their contacts within the state to evade taxes and other laws and the usual red tape.

In recent years, new institutional economics has assumed prominence and has been integrated into the vision of the neoliberal ideology to create ‘competition cultures’ across the global economy. This new configuration of neoliberalism has been referred to as ‘socio-institutional neoliberalism’ or SIN (Carroll 2010). Since the goal of institutions is to reduce transaction costs so as to provide incentives for productivity-enhancing behaviour, institutions are seen to offset institutionalized corruption in developing countries in Southeast Asia. It is hoped that institutions can provide the ‘rules of the game’—a substantial degree of predictability on the behaviour of economic agents and of regularity on the conduct of human interaction for growth and productivity in the long-run (North 1990; Greif 2006). This economic philosophy of the institutionalists, however, is very normative. In reality, amidst the phase of liberalization and economic reform in the Philippines and Malaysia, the institutionalized character of patronage and rent-seeking in these states make even international private capital play by the rules of the game through bribery and other palm-greasing acts. This therefore makes transnational capital both complicit and participant in the illicit practices of graft and corruption, which are political-economic activities that go against the tenets of competitiveness.

Neoliberalization has also brought in a process of restructuring of relations of conflict and collaboration between transnational and national elites. At some point, both groups collaborate on projects they deem to be mutually beneficial to their shared interests. At another point, both have conflicts over policies which contradict their respective interests for power and resources.

It has been assumed that the reproduction of neoliberalism through macroeconomic policies of privatization, liberalization, and deregulation would entail the destruction of state monopoly in economic activities and the subsequent introduction of a culture of competition in the supply market. On the contrary, neoliberalism has even enlarged the pool of prospective clients from whom entrenched elites may appropriate rents, and of

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<sup>4</sup> Global Financial Integrity (2011) reports that: ‘Asia continues to produce the largest portion of illicit flows, almost a half-trillion dollars in 2008 alone. Across the nine years from 2000 to 2008, selected cumulative figures are: China – US\$2.2 trillion; Malaysia – US\$291 billion; Philippines – US\$109 billion; and Indonesia and India – both US\$104 billion’ (p. i).

course, this increases the cost of doing business for foreign investors. The respective development experiences of the Philippines and Malaysia show that these neoliberal policies have not succeeded in creating a competitive regime. Instead of subjecting elites to disciplinary neoliberalism, elites themselves have appropriated neoliberal reproduction to their political-economic interests.

While classical political economy of Adam Smith claims the existence of harmony between classes, ‘the isolated individual of liberalism is parodied since private interest is itself already a socially determined interest and the symmetrical exchange relation is shown to conceal exploitation’ (Burnham 1994: 224). The detachment of political-economic theory from its social context has the effect of occluding an understanding of a very wide range of social conflict.

The normative constitution of the whole tradition of liberalism, in which the political-economic ideology of neoliberalism is founded on, takes for granted a range of concrete social conditions and relations that limit freedom of action (Skinner 2008; Wood 2008). Neoliberalism has always been peddled as a universalizing ideology of freedom and liberty of markets. Such ‘marketing’, however, seems to be insensitive to the many conditions that interfere with the reproduction of market relations. In reality, neoliberalism does not enjoy liberty—which is understood as the absence of dependence—especially at the domestic level in the context of Southeast Asian states like the Philippines and Malaysia whose economic activities firmly rest on political actions. Existing social dynamics of elite rule limits freedom of markets. And variegations of neoliberalism largely depend on the dynamics of elite interests. The arbitrary political power exercised by these elites greatly contradicts the requirements of neoliberalism for regularity, rationality, and rule of law. The politically-charged interference on economic policy implementation of these elites based on their vested interests strips off the market of its assumed supremacy and reduce it to the servitude of the elites.

Presumably, free markets exist in free states. Both the Philippine and Malaysian states are not ‘free’ from particular class interests; they are very much captive by their respective political elites, who in turn shape domestic market relations.

The idea of ‘market sovereignty’ is not absolute; it is very much normative. Its realization would derive from voluntary and unconditional submission of its subjects. Well-entrenched elites in the Philippines and Malaysia have established themselves into a first mover advantage position, and as such they would raise the barriers to entry for international capital that might compete with their interests. In this sense, old domestic elites can impede capitalism’s motion and can also obstruct capitalist reproduction.

The process of neoliberal reproduction—understood here as founded on the idea of ‘competitive capitalism’ that promotes a competition culture—comes into conflict with well-entrenched elite interests. Unlike *ideology*, such as neoliberalism, which is a set of established ideas, *interests* are varied. The normative prescription for ‘competitiveness’ in which there is no particular faction of capital that is feared or favoured confronts head-on the realpolitik of vested interests.

Moments of crises have further revealed the contradictions in the system of

neoliberalism; but, at the same time, it has manifested the consistency of the self-interested nature of the elites. While neoliberalism needs a stable financial system with integrity, the economic crises of 1997 and 2008 were due to greed, irrational exuberance, and selfish individualism of financial elites that venture into speculative activities which resulted in chronic volatility and instability of the system. And while neoliberalism requires the virtues of competition, the crises have reinforced the logic of elite interests for the consolidation of monopoly power.

Political-economic elite interests in the Philippines and political-business alliances with class and ethnic vested interests in Malaysia shape neoliberal reproduction in the region to a large extent. Far from being the ideal-typical Weberian bureaucratic polity with embedded autonomy, economic elites in the Philippine and Malaysian plutocracies have political leverage in state apparatus. The graft and corruption scandals plaguing both the Philippines and Malaysia provide the concrete empirical evidence to prove these contradictory tendencies. For Southeast Asian elites, their proclaimed neoliberal *ideology* ends when their vested *interests* begin. In the long-run, it is domestic elite *interests* that is the greatest challenge or obstacle to neoliberal reproduction.

A central agenda here is to highlight the question of agency as it interacts with capitalist development. In doing so, it has shown the structure-agency dynamics in the historical process of social change. It makes an argument that the process of neoliberal reproduction is intrinsically constrained by its dependence on elite interests. It also suggests the impediments that stand in the way of neoliberalization. Hence, the process is to be understood vis-à-vis the social and material conditions in which it is deployed.

## **AUTHORITARIAN LIBERALISM<sup>5</sup>**

A particular social regime in the Philippines and Malaysia is emerging as a consequence of contemporary dynamics of capitalism in Southeast Asia. The *process* of neoliberal reproduction comes into conflict with vested *interests* of political-economic elites and what comes out amidst this conflict is another seemingly contradictory *form*, a social regime of ‘authoritarian liberalism’.

This is manifested in the political projects and attempts at embedding authoritarian liberalism in Southeast Asia—in particular, its institutionalization in the Philippines and its deepening in Malaysia. In the case of the Philippines, the focus is on the project of the Arroyo administration (2001-2010) to configure new institutions that are more likely to secure the conditions for elite and capitalist reproduction in the country within the framework of a neoliberal ‘strong republic’. And in the case of Malaysia, it is suggested that the respective visions and strategies of succeeding governments—namely, ‘Vision 2020’ of Mahathir, ‘Islam Hadhari’ of Abdullah, and ‘1Malaysia’ of Najib—are all oriented towards the deepening of a neoliberal economy within the discipline of political authoritarianism (see Figure 5).

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<sup>5</sup> The empirical discussion of this section is in Chapter IV of my PhD thesis (see Juego forthcoming).

<i>Figure 5: Forging ‘Authoritarian Liberalism’ in the Philippines and Malaysia</i>		
<b>Forging ‘Authoritarian Liberalism’</b>	<b>Administration</b>	<b>Projects</b>
<b>Philippines</b>	Arroyo (2001-2010)	Charter Change Agenda <i>(a neoliberal ‘strong republic’)</i>
<b>Malaysia</b>	<ul style="list-style-type: none"> <li>• Mahathir (1981-2003)</li> <li>• Abdullah (2003-2009)</li> <li>• Najib (2009-2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Mahathir’s ‘Vision 2020’</li> <li>• Abdullah’s ‘Islam Hadhari’</li> <li>• Najib’s ‘1Malaysia’</li> </ul> <i>(strong state for a globally competitive economy)</i>

The concept of ‘authoritarian liberalism’ is not new; it has had its long established philosophical influences and theoretical underpinnings. Its idea and philosophy has been well-articulated in the ‘strong state, free economy’ formulation of the German jurist Carl Schmitt during the Second World War; the ‘Kirkpatrick Doctrine’ during the Cold War and the Vietnam War; and the World Bank’s neoliberal idea of an ‘effective state’ for the capitalist market in the mid-1990s.

As a consequence of the conflicting tendencies between the process of neoliberal reproduction and the realpolitik of elite interests, a seemingly contradictory social regime called ‘authoritarian liberalism’ is emerging in Southeast Asia. This social regime constitutes a neoliberal economy embedded in an authoritarian polity. The state form in this regime may be called an ‘authoritarian-liberal state’, whose political orientation is authoritarian and whose economic philosophy is liberal.

The idea of authoritarian liberalism in the current formulation is conceptually different—chiefly in terms of analytical orientation—from the one earlier introduced and developed by Kanishka Jayasuriya (2000, 2001, 2005) in the literature on Asian political economy. For Jayasuriya, authoritarian liberalism is the emergent ‘authoritarian mode of liberalism’ that has replaced the postwar mode of international governance, which John Ruggie (1982) then called as ‘embedded liberalism’.<sup>6</sup>

<sup>6</sup> For Ruggie (1982: 393), ‘the essence of the embedded liberalism compromise’ was that ‘unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism.’ Hence, central to embedded liberalism was the institutional nexus between multilateralism and domestic stability (i.e., greater openness to international economy is supported by cushioning the domestic economy from external disruptions) and within this framework the state plays a mediating role between market and society.

Jayasuriya (2000, 2001, 2005) argues that the authoritarian liberal order embodies a new form of 'anti politics' that has enabled the formation of a strong 'regulatory state' whose main purpose is to regulate and insulate the liberal market economy from politics. Like the normative framework of Ruggie's concept of embedded liberalism, Jayasuriya's take on authoritarian liberalism is built on a 'normative foundation'. In contrast to Jayasuriya's normative orientation, the concept of authoritarian liberalism in this paper is a structural reading of the reality of political-economic relations in contemporary Southeast Asia.

Capitalism can function even without political democracy. Since every capitalist firm is unique (Penrose 1995 [1959]), the choice of investment site depends on a particular firm's business calculations. From the perspective of capital, big investment decisions are based on rational analyses of risks, possibilities, opportunities, costs and benefits. A regime of authoritarian liberalism does not guarantee profitability. Capital may opt to settle in an economy with more open political system and a more liberal labour regime.

However, the interests of elites in the process of neoliberalization are not antithetical to authoritarian liberalism. In fact, these tendencies can be mutually reinforcing. Neoliberalism, after all, was an elite project launched in the 1980s to restore economic and political power of the elites and capitalists and whose unequal disposition of power has profound effects on the enjoyment of civil and political liberties and social and economic rights (Harvey 2005).

Authoritarian liberalism as a social regime is a manifestation of a structural contradiction in neoliberalization. Authoritarianism is contrary to the proclaimed ideals of capitalism for individual freedoms. But, at the same time, authoritarianism is embedded in an elitist class relations whose reproduction is fundamental to capitalism.

The 'authoritarian-liberal state' is a particular articulation of the prevailing orientation of the government on the polity and the economy. As such, it does not deny the fact that states are sites of contestation and coalition; in particular, they are arenas for social struggle and alliance formation among factions of the capitalist class themselves and between political-economic elites and other social groups and actors who seek to advance their respective interests.

The fundamental mission of an authoritarian-liberal state is twofold: create an 'attractive business climate' through market-oriented institutions and ensure elite dominance through market-driven class relations. For the liberal economy, the idea is to optimize conditions for capital accumulation; and for the authoritarian polity, the goal is to maintain the hegemony of elites at all means.

The 'authoritarian-liberal state' promotes economic neoliberalism by making all state resources oriented towards the protection of business interests through institutions, tax breaks, concessions, and other guarantee provisions. It is obsessed with growth and sees the private sector as the foremost engine of development. It is for the privatization of assets to enlarge the space for capital accumulation. It is for deregulation or re-regulation not so much for the common good but to ensure market sovereignty. It is for liberalization for the free mobility of capital that can easily enter and exit the country. It is for 'flexibility' in labour markets in which rules are flexible

for the market but a source of insecurity for labour. It proclaims competition while tolerant of oligopoly and monopoly power. It regards competitiveness as race-to-the-bottom as a competitive advantage through low wages and poor labour conditions. In times of crises, the facilitative role of states has been complemented with interventionist actions in mediating or resolving crises and its tendencies through fiscal and monetary policies as well as social policies geared at maintaining stability and the need for political legitimacy.

At the same time, the ‘authoritarian-liberal state’ is essentially anti-democratic as its governance system is more responsive to elites and market forces than to popular-democratic forces. It is characterized by the dominance of the executive whose preferred legislation is the issuance of executive orders that bypasses the democratic requirements for parliamentary or congressional decision-making. It is the most potent coercive apparatus for the perpetuation of the strategy of accumulation by dispossession.

In the final analysis, Malaysia is best understood as an authoritarian-liberal state, not a ‘developmental state’; and that the Philippines has growing features of authoritarian liberalism, rather than simply a ‘predatory regime’. It is the emergence of the social regime of authoritarian liberalism that has been one of the most distinctive characteristics of the political economy of Southeast Asia.

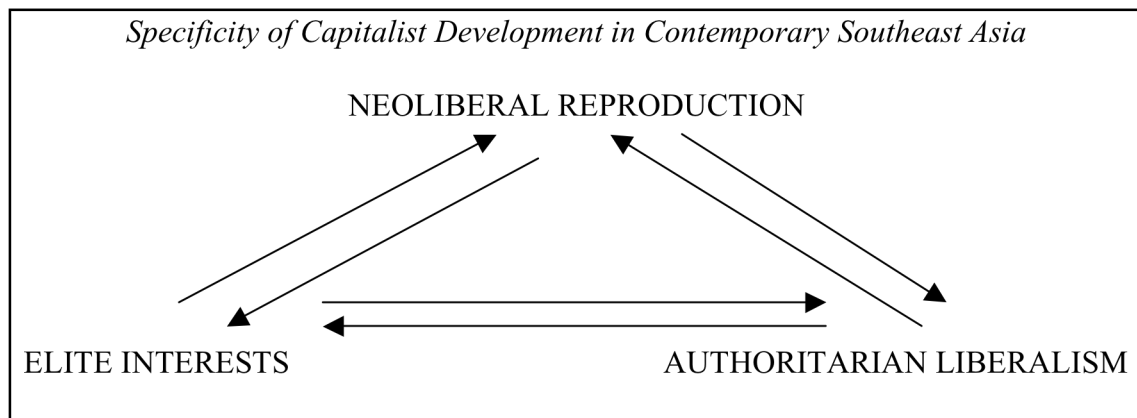
## CONCLUDING REMARKS<sup>7</sup>

Southeast Asian regional dynamic suggests that the region is constantly engaged in the process of change, which is largely determined by the enduring tension between structure and agency. Contemporary specificities of capitalism in the region is characterized by the contradictory processes of neoliberalization (i.e., the reproduction of market-oriented social institutions and the strategy of accumulation by dispossession) that are carved out by political-economic contestations of transnational and local elites and their scramble for capital accumulation. What is emergent in this prevailing structural-agential interactions is a conflictive authoritarian-liberal social regime in which a liberal market economy is embedded in a political framework of authoritarianism. Thus, a dynamic analysis of processes, interests, and transformations is needed in order to grasp the complexity of the evolving capitalist structural relations in the first decade of 21<sup>st</sup> century Southeast Asia.

The paper has attempted to outline a contribution to a critical appraisal of the contemporary political economy of Southeast Asia—based upon comparison of two diverse societies between the Philippines and Malaysia, and rooted in a dialectical relationship between the three concepts: neoliberal reproduction, elite interests, and authoritarian liberalism. It has provided an analytical and conceptual framework as well as an interpretation of the historical specificities of capitalist development through a systematic analysis of a **conflictual process** (*neoliberal reproduction*) mediated by **conflicting interests** (*elite interests*) and producing a **conflict-ridden form** (*authoritarian liberalism*).

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<sup>7</sup> A more elaborate synthesis of the findings and key arguments is in the Concluding Chapter of my PhD thesis (see Juego forthcoming).



The paper may have fallen short of spelling out the modalities or strategies of opposition to the hegemonic capitalist structure. But with the analysis offered here of the contemporary shape of capitalism and its tendencies points the way to which struggle for alternative futures may be mounted.

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*(To request a comprehensive list of references cited in this paper and used in the PhD thesis, please email me at [bonn@cgs.aau.dk](mailto:bonn@cgs.aau.dk).)*