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CONTENTS

Biodiversity Conservation and Its Social Implications:
The Case of Indigenous and Community Conserved Areas in Sabah, Malaysia

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[*Abstract*]

With natural resources—terrestrial or coastal—fastly diminishing, governments are now resorting to biodiversity conservation, fast-tracking the introduction of new legislations, as well as the amendment of existing ones, and laying out programs that interpret existing practices and research agendas. This paper examines how biodiversity conservation—in addition to eco-tourism—has become an important symbol of the modernizing state of Sabah, Malaysia. It further examines the effects of biodiversity conservation on state and community management of natural resources, with particular reference to the management of natural resources by the indigenous peoples of Sabah. Citing case studies and focusing on a forest community at Kiau Nuluh, in the district of Kota Belud,

Sabah, this paper evaluates strategies used by indigenous groups to maintain access and control over the management of natural resources—and by implication to livelihoods—via ecotourism, making creative alliances with non-government organisations as well as forging cooperation with government agencies which act as custodians of these resources. For a majority of indigenous groups however, the practice of biodiversity conservation has meant reduced and controlled access to natural resources, considering the fundamental issue of the lack of security of tenure to the land claimed under customary rights. New initiatives at recognizing Indigenous and Community Conserved Areas (ICCAs) by international conservation groups provide a means for tenure recognition, for a price, of course. The recognition of ICCAs also faces obstacles arising from developmentalist ideology which upholds that forests are valuable only when converted to other land use, and not left to stand for their intrinsic value.

Keywords: Community Conserved Areas, Customary Rights, Land Tenure, REDD+

I. Introduction

Biodiversity conservation is a phenomenon that has found its place in policy making, implementation, and social advocacies. In many developing countries, "fortress conservation", the preservation of pristine forests—and by extension, "keeping people out"— had been in place from colonial times. Nevertheless, "fortress conservation" is said to be changing as it is becoming more inclusive, a) recognizing the needs of local communities living in protected areas; and b) acknowledging the role of indigenous peoples in managing their own territory, as well as their rights. In 2003, the International Union for the Conservation of Nature (IUCN) acknowledged the role of indigenous peoples in managing natural resources in their own territories. It declared such territories as indigenous and community conserved areas (ICCAs), adding that ICCAs thrive in community governance, a category of "governance types", which include state, private, and shared governance (Dudley 2008). Community

governance, or Type D in the IUCN Protected Area matrix, achieves long-term conservation objectives with associated ecosystem services and cultural values (Dudley 2008), and is largely in place in some communities in Sabah.

A recent but limited review of ICCAs in Sabah (Majid Cooke and Vaz 2011) shows that at the community level, biodiversity conservation is driven by a desire to preserve not only livelihood, but also community well-being and territory. Well-being, according to Holmes and Brockington (2013), is a measure of development beyond economics, which include matters of culture, community, and identity—all embedded in landscapes and territory. In short, nature and culture are connected. Specifically, indigenous groups see and understand nature in particular ways and produce culture in context with shaping the relationship of nature and culture from within the community and external to the community (West, et. al. 2006). Areas protected and used by local communities are not preserved landscapes, or living spaces for unchanging societies and economies, but are dynamic spaces as new regulations affect how people utilize natural resources. Such areas also experience unforseen long term effects, as in eco-tourism.

The ICCA review in Sabah contained a range of case studies of effective community governance, but this paper will only examine one. The case study of the village of Kiau Nuluh is chosen for the characteristics the area holds in terms of community livelihood and well-being, as well as for the dynamic changes in nature and culture in an economic and political context. However, within the context of political economy, most ICCAs in Sabah are affected by market and state factors, and suffer from the lack of security of tenure (Majid Cooke and Vaz 2011; Majid Cooke and Toh 2012).

The insecurity of tenure, this paper argues, is further driven by a particular ideological position. This ideological position states that only when forests are 'improved' (for example through timber production or commercial agriculture production or eco-tourism) are they considered developed. This paper uses as an example of such an ideological position, the amendments made to Section 76 of the Sabah Land Ordinace 1930. By contrast, IUCN highlights

that regardless of tenure arrangements—that is with or without legal titles—as long as the area is managed by a community or communities, such an area could be designated as an ICCA.

Ⅱ. Contextualising Biodiversity Conservation And Community Well Being In Sabah[1])

Biodiversity conservation and community well-being started early on in Sabah. They are embedded in legislations guiding state management of natural resources, as well as in natural resource policy guidelines. The selection presented below shows achievements as well as challenges.

The Fisheries Department in Sabah has played a role in strengthening the indigenous practice of *tagal* (fisheries conservation) in inland waters. The Department's activities are prescribed in the Fisheries Act of 1985, and more recently, in the Inland Fisheries and Aquaculture Enactment of 2003. Section 35 of the latter legislation specifically mentions recognition of the indigenous system of resource management.

The Sabah Forestry Department (SFD) has found a way to use provisions in its Forest Enactment of 1968 to engage the Orang Sungei community of Batu Puteh in the lower part of the Kinabatangan River to participate in the rehabilitation of degraded alluvial forest and to manage an eco-lodge within the Pin Supu Forest Reserve. However, the 1984 Amendment to the 1968 Forest Enactment, which enabled the consolidation and establishment of new forest reserves, consequently left some ambiguities for those already living in the newly created forest reserves in other parts of Sabah. In these localities, they are now viewed as "illegal settlers" in the newly created forest reserves. Such a confusion in terms of status was similarly shared by communities in other

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1) This section of the paper draws largely from an unpublished report: Fadzilah Majid Cooke and Justine Vaz (2011) A review of Indigenous and community conserved areas in Sabah, Global Diversity Foundation for the Sabah Biodiversity Centre, Bornean Biodiversity and Ecosystem Conservation Project II, Kota Kinabalu.

Southeast Asia countries like Thailand and Indonesia (Peluso and Vandergest 2001). Despite this, most provisions from the 1968 Sabah Forest Enactment, as expounded in the Forestry Rules of 1969, emphasize the joint management of the SFD and the community forestry projects. Moreover, SFD's interest in acknowledging community use by way of setting aside compartments within areas licensed for timber production—known in the industry as Forest Management Units or FMUs—has recently been strengthened by official directives for FMU license holders to prepare for obtaining timber certification by the year 2014. The certification is expected to uphold the equity and welfare issues of forest dependent communities, especially since timber certification processes, require among others, the acknowledgement of the rights and needs of communities living within the timber licensed areas.

Away from the SFD, Sabah Parks was able to amend its Enactment to enable the creation of a community use zone (CUZ) in the Crocker Range Park (CRP) at Ulu Papar. Sabah Parks is the state statutory body responsible for the management of all State as well as national parks located in the state. An exercise to demarcate the CRP's boundary on the ground which began in 1984 was completed by 2000. The boundary stretches from the northeast to southeast axis around the Crocker Range, a mountainous range that stretches along the West coast of Sabah. The CRP incorporates eight Districts (Sabah Parks 2006). This mountain range is rich in biological diversity and endemic plant species, among them the *Rafflesia*. It is also home to numerous Kadazan-Dusun-Murut communities, many of which have inhabited the area long before the formation of the Park.

Initial guidelines in the Zoning Plan for the CRP indicate that CUZs should take up no more than 3% of the total Park area (Sabah Parks, 2006). More important is the serious attempt made by Sabah Parks at involving the communities in the lengthy practical and administrative process of establishing the CUZ. Realizing the important relationship between villagers and their environment, Sabah Parks has generally adopted a soft approach where some amount of subsistence activities inside the Park is tolerated. Tolerance is shown through peaceful means and respect, and not

making evictions nor burning dwellings or crops (A. Agama, interview, September 1, 2011). Though benevolent, the tolerant approach is a far cry however from the villagers' wish for security of tenure.

The interest in indigenous or traditional management systems is driven in Sabah by an active, albeit small, civil society presence. The interest of indigenous communities in making a claim to natural resources or in maintaining access to them finds affinity in environmental NGOs who want to promote conservation. Thus through this partnership, NGOs produced useful assessments about Sabah's environmental conditions in the Sabah Biodiversity Conservation Project (SBCP) in the 1990s. The identification of the protected area component of the SBCP dealt with advancing proposals for new protected areas based on recommendations in the Sabah Conservation Strategy of 1992. As all these areas were occupied or used by local communities, socio-economic assessments were made to ascertain their position on conservation.

The message from the assessments is clear. Firstly, social institutions are already in place to facilitate the distribution of community access to land, forest food, medicinal plants, wild meat, river and streams. Secondly, communities consider the lack of security of tenure as an important factor preventing them from participating in conservation. The phenomenon of the lack of tenure is explained in the next section. However, as long as their livelihoods are not threatened and they retain rights to land and resources, local communities are generally welcoming of proposals to conserve natural resources (Towell 1997; Wong, G. 1998; Lye 1998 cited in Majid Cooke and Vaz 2011: 29). Support for ICCAs is also seen in the recently completed drafting of an updated *Sabah Biodiversity Strategy 2012–2022* (Vaz and Agama 2013).

The role of leadership at the local community level in advocating for indigenous rights is well articulated by Vaz and Agama (2013: 154):

"Sabah has a fairly mature network of community-based organisations that have been influential in articulating the needs of communities

to government authorities, and educating and empowering local people with knowledge of their rights under the Federal Constitution, state laws and ordinances, and also international laws. In recent years, the state government, recognising the skills and resources present within such organisations, has begun working closely with them to connect with grassroots concerns. This has also been influenced by the progressive leadership of members of the civil service, many of whom have traditional roots themselves. The pull factor has come from high-profile international initiatives such as BBEC [Bornean Biodiversity and Ecosystem Conservation Project] which has insistently nudged the government towards working more closely with local communities in alignment with landscape and ecosystem approaches to conservation."

Nevertheless, complications arise when resource governance remains dependent on the need to generate state revenue, and by the ideology that natural resources are only of value when converted into commodities such as timber, or as income generating eco-tourism products. The contour of that ideology is evident in the amendment made in 2009 to Section 76 of the SLO 1930 (henceforth, the Amendment). The Amendment was ostensibly introduced to solve backlog problems experienced by the Department of Land Survey in processing applications for individual land titles, amounting to an excess of 30,000 per year. In this regard, Section 76 of the SLO 1930 allowed for communal titles to be awarded to local communities on land claimed under customary rights, for their own needs. Subsequent analysis concerning the Amendment, however, shows that there are other reasons for the "fast tracking" of the land application process. Such reasons include, among others, the opening of lands under communal title—originally meant for community use—to commercial agriculture since the approval of communal title application is conditioned on the use of such lands for commercial purposes. In Sabah, commercial use means large-scale plantations of oil palm, and to a lesser extent, rubber, depending on the location and available local infrastructure. The issue regarding the "fast-tracking" process is that lands under customary tenure—and by extension ICCAs—are not covered by security of tenure unless they are titled. From the perspective of the State such lands are 'unowned' and it has

authority to make decisions about land use change. There are other forces at play that contribute to lack of tenure security but there is no room to explore this issue futher (see Majid Cooke and Toh 2012).

Ⅲ. Kiau Nuluh Village, Kota Belud, Sabah: Seeking State Recognition[2]

Kiau Nuluh is a village bordering Kinabalu Park in the District of Kota Belud. This is a Dusun community with a population of 740. Close links are continually maintained with family members working in nearby towns. Agriculture remains an important activity, although hill rice is now mainly grown only for family consumption. Pineapple is cultivated on a commercial basis and rubber trees are grown on the hill slopes. Because of the proximity of the village to Kinabalu Park, many among the community work in the Park or are linked to Park activities in some way. The village voluntarily maintains and manages a village forest reserve which they refer to as "*hutan simpan komuniti Kiau Nuluh*" (HSKKN), or the community forest area of Kiau Nuluh. The HSKKN borders Kinabalu Park at the north. Within HSKKN is a network of trails and five designated camping spots. Ecotourism activities in the community forest provide supplementary income for part-time forest guides from the community. The community homestay programme is also a source of income to those who are equipped to share their homes to visitors. This community forest managed area is potentially being considered as an ICCA.

3.1. The Kiau Nuluh Community Conserved Forest (HSKKN)

The Kiau Nuluh Community Forest (HSKKN) occupies an area of 801 hectares stretching to the east of the village centre, running north to the Park border. Two main rivers, Sungai Tahubang and Sungai Tinokok, traverse the community forest area. Together with a network of tributaries, these rivers form the headwaters of

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2) Parts of this section has been adapted from Majid Cooke and Vaz (2011)

the Kadamaian River, the primary water system for the Kota Belud District, Sabah's main rice growing region.

MAP 1: Kiau Nuluh Community Forest and Water Catchment Areas
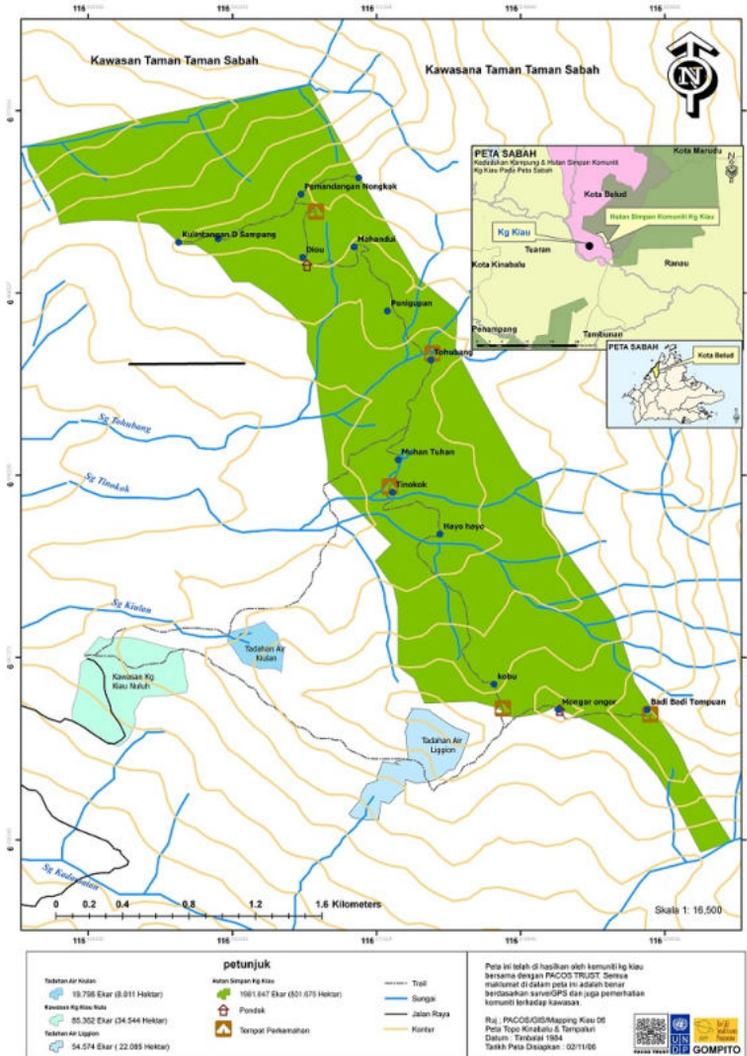
Source: PACOS – GOMPITO mapping, with permission from GOMPITO

The HSKKN comprises a combination of lower and higher montane forest types featuring both oak and pine trees. It is significant for conservation as it provides a valuable extension to Kinabalu Park and an important reserve for biodiversity. The community manages the forest for a variety of purposes, including water catchment protection and the cultivation of forest products like medicinal plants. The forest also houses gravesites, historical footpaths, and rest stops. Farming is not allowed within the community forest area. Given that they are not allowed to use the HSKKN for agriculture, villagers cultivate fruits, especially pineapples, which are sold commercially, as well as rubber.

3.2. Community Organization

Kiau Nuluh vilage has a well-established village organization—Gugumpi Sinakagan Tokou (GOMPITO). The organization was registered with the Registrar of Societies in 2001 and has a committee in charge of the HSKKN. The village has a history of interaction with the tourism industry: a village leader who has links with a local tour agency and influential players in the nascent ecotourism sector such as TYK Tours, played a role in raising community awareness on the value of retaining forest cover for tourism.

The local community is also educated about the importance of retaining ownership and access to their customary lands. The village organization has earned assistance from linking itself with a local non-government organization - the Partners for Community Organizations (PACOS) in developing its management and planning capabilities. In view of the community's commitment and interest in conserving forest and sustainably managing its resources, GOMPITO has received three successive grants from the GEF Small Grants Programme—the first in 2004-2005, the second in 2009-2010. It yielded a third for 2013-2014. The grants generally support project activities in the following areas:

ⅰ) land use management and zoning;
ⅱ) sustainable management of the watershed catchment and

its forests;

iii) capacity building and training for efficient natural resources management and sustainability;

iv) revival and strengthening of traditional knowledge on natural resource management and biodiversity; and

v) joint initiatives to further increase community participation, cooperation and solidarity for better conservation of biodiversity and natural resources.

As outputs from these grants, the community has worked with PACOS on community mapping to draw up the village boundaries and forest areas, as well, desigining a three-dimensional models of the village land use. In addition, GOMPITO has developed a more explicit framework for natural resource management now beng implemented by two village conservation committees: one for forests (*tagal hutan*) and another for river conservation *(tagal sungai)*. Consequently, local management of community-conserved areas is getting the recognition and support that the community is seeking.

3.3. Tenurial Status of HSKKN

Ensuring recognition (*pengiktirafan*) of HSKKN is something that has long preoccupied the local community. The institutionalization of legal pluralism in Sabah has been evident since the 1930s with the adoption of the SLO. The first and by far the most inclusionary aspect of the SLO 1930 is the recognition of access for use and ownership of natural resources under *adat* (customary system). The second is the imposition of rules of access and ownership through *adat* via various sections of the SLO 1930. Nevertheless, while recognizing some aspects of *adat*, the SLO 1930 was initially introduced with the underlying aim of opening up the state to commercial agriculture (Cleary 1992). For this major activity, customary rights need to be confined to specific areas, so that the rest of the areas could be freed up for commercial use. Territorialization—which subsequently followed the introduction of the SLO 1930—meant that only lands awarded titles are recognized as being owned. The process of applying for

land titles and consequently earning them can take long, and in some extreme cases may take two generations to accomplish (Majid Cooke and Toh 2012). Without titles, there is a risk of these areas being lost to external interests at the discretion of the state.

Consequently, there is an active, ongoing dialogue within GOMPITO concerning how best to achieve the goals of getting title and general state acknowledgement of community role in natural resource management. GOMPITO has been fairly proactive in this regard and has held discussions with the Department of Land and Survey, Kota Belud, the District Office and their elected representative (*Wakil Rakyat*), on how to best proceed in obtaining security of tenure for the community forest (interviews at Kiau Nuluh village, January 2012 and May 2014).

The community forest area is presently a combination of lands claimed under customary rights, but as yet untitled. Included as well are lands under Native Title that are owned by several households or individuals. GOMPITO has evaluated the provisions in the SLO 1930 and has generally surmised that applying for a Native Reserve under Section 78 is the preferred option as it represents the best intentions for the communally managed area in conservation and sustainable use (interview GOMPITO facilitator, Encik Justin Dalansu, 16 May 2014). To date, technical issues delay the process of making the application. Internally, compensation for villagers who hold Native Titles and have been consequently affected by conservation efforts (e.g. zoning for watershed), needs to be addressed. In addition there was an issue regarding overlapping claims of land with a neighboring village, which has reportedly been resolved.

Village leaders view the ICCA concept and practice as a possible opportunity for getting some form of official endorsement and support for their conservation efforts. Support for the HSKKN has also been expressed in the 2007 Study on the Sabah Highlands undertaken by the Economic Planning Unit. Yet, ICCA although acknowledged by some state government departments as a viable category for promoting inclusive conservation, is not a category

legally recognized in the several State natural resource Enactments and Ordinances mentioned earlier.

A new, internationally initiated conservation process has also presented itself. GOMPITO could see an avenue of opportunity for seeking recognition through a new initiative supported by Sabah Parks known as the Eco-Link initiative. The initiative is part of Sabah's effort for participation in REDD+ (Reduceing Emission from Environmental Degradation and Deforestation), an international program which allows developing countries access to funds provided by developed countries for reducing deforestation in their own countries. Efforts at reducing deforestation are bound to affect the livelihoods of those most reliant on natural resources, in this case, indigenous peoples. REDD+ stipulates that such efforts must be established based on the inclusive principle of free and consensual relationship. Enforcement duties associated with REDD + on the ground imply the need for a "local welfare" approach that ensures a win-win solution where local communities and other local stakeholders are fully informed and appropriately involved in the protection of the targeted areas (Yani Saloh 2013).

In Sabah, HSKKN is part of a string of 10 villages under Sabah Parks' Eco-link project covering a stretch of forests containing a number of community-managed areas to form an ecological corridor containing important ecological and cultural landscapes deserving special attention (Alim Buin , n.d.). GOMPITO and Kiau Nuluh village leaders are quick to see that if successful, Eco-Link could provide another avenue for the recognition of their role in protecting natural resources and for maintaining control over Kiau Nuluh's cultural landscape (Kiau Nuluh, interview, May 17, 2014).

Ⅳ. Conclusion

The case of Kiau Nuluh is a success story of the local governance of community-conserved areas. Although it appears that there is still a need for some internal village level discussions to satisfactorily

build consensus, it is most likely that efforts would lead to the awarding of Native Reserve status to the community under Section 78 of the SLO. Such awards carry benefits (like security of tenure) as well as restrictions (such as land use decisions to be guided by the appointed trustees usually State-appointed officials). In principle, the presence of a self-identified community conserved area, the existence of a community management plan, and management framework, clearly demonstrate that the Kiau Nuluh community forest is a good candidate for recognition under the ICCA category. However, ICCA as a conservation area has not been acknowledged as a legal category by state government enactments or ordinances covering natural resource use. Leadership strength at the community level needs to be maintained and further enhanced if it were to continue negotiations for recognition under existing legislations such as Section 78 of the SLO 1930. Leadership strength is also needed for monitoring new opportunities, like Eco-Link or REDD+ programmes.

An external threat at Kiau Nuluh was encroachment by a neighbouring village. An equally serious threat to community conserved areas are overlapping claims by state agencies (e.g. for forestry development in the creation of forest reserves with prior claims to land under customary rights)[3] or commercial or state-linked interests (e.g. for oil palm development). In a report for the Malaysian Human Rights Commission of Malaysia (*Suruhanjaya Hak Asasi Manusia* or SUHAKAM) as part of the National Inquiry into the Rights of Indigenous Peoples (Majid Cooke and Toh 2012), a total of 779 complaints was recorded from 2001 to 2010, a majority (70%) involving complaints over land. The lack of security of tenure due to the marginalization of indigenous peoples in natural resources management and customary claims brought about such encroachments.

Under such circumstances, initiatives such as Eco-Link, the recognition of community use zones, or community managed forests within forest reserves, would first and foremost have to

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3) Overlapping claims of a portion of land under Native Reserve at Bundu Tuhan village in Ranau District with the Tenompok Forest Reserve, has remained unresolved despite negotiations since 1984.

address the fundamental issue of the lack of tenure security.

A key element that Kiau Nuluh shares with other "successful" ICCAs in Sabah is strong organizational capacity at the community level (Majid Cooke and Vaz 2011). The role of civil society organizations and visionary leadership has been essential in this regard. However, many ICCAs which do not benefit from the presence of strong community leadership and supportive NGO networks, continue to suffer from developmental pressure and insecurity of tenure.

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Implications of Islam and Pluralism in Post-Suharto Indonesia

Shi Xueqin

[*Abstract*]

This paper attempts to explore the multifaceted Islamic culture and ideology was shaped in different historical periods in Indonesia, particularly focusing on the revival of Islamic extremism and liberalism as well as the surging conflict among Islamic communities in the post-Suharto era. The paper asserts that in the post-Suharto era, progressive Muslim/Islamic liberalist is upholding pluralism, and *pancasila* is emerging as a positive force for Indonesia's peaceful transition to democracy, solidly defending national unity.

Keywords: Indonesia, Islam, Pluralism, *pancasila*, democratization

I. Introduction

In the Southeast Asian region, Islam figures as an important religion. However, Islam has been controversial in the area, particularly after 9/11 attacks, as a growing radical Islamism is perceived to threaten regional stability and security. On the other hand, Islamic thought and social forces advocating democracy, liberalism, secularism, and tolerance is also mounting, playing an important

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role in dispelling Islamophobia and shaping the new image of Islam in the region. This is precisely what is happening in Islam in Indonesia. As a home to more than 180 million Muslims, Indonesia is the largest Muslim-majority country in the world. However, the identity of the Indonesian state has never been defined in terms of Islam in this multi-ethnic and multi-religious society. In fact, since the establishment of the Republic of Indonesia in 1945, *pancasila* has been enshrined in the Constitution and upheld as state identity by government and society—which enshrines Indonesia not as a theocratic but a secular state. However, with the downfall of the Suharto authoritarian regime, the post-Suharto era is witnessing the change of democracy and Islam. However, with the deepening democratization in Indonesia, Islamic radicalism, marginalized in the Sukarno and Suharto era, is resurfacing and voicing the Islamization of Indonesia and opposing secularism and pluralism. Meanwhile, Islamic liberalism, which advocates democracy, tolerance, and pluralism, is also surging as an important force in Muslim civil society, unavoidably leading to serious conflict among Muslim community. The case of fatwas issued by Islamic hard line groups in 2005 to ban religious minority (*Ahmadiyah* sect) and pluralism, followed by demonstrations opposing ban on religious freedom and defending cultural pluralism and *pancasila* in 2008, obviously indicated the dispute and conflict between Islamic radicalism and Islamic liberalism. The paper surmises that the current context of multi-ethnic and multi-religious Indonesia—where Islamic cultural diversity also thrives—is incompatible with Islamic radicalism. The Islamic hardliners' ban on *Ahmediyah* and violence against Islamic liberal practices reveal not only prejudice and discrimination against religious minority, but also presented rising intolerance and hatred to pluralism, which is not only a serious threat to *pancasila*, the basis of the Republic, but also a challenge to the security of multicultural society of ASEAN.

Ⅱ. Indonesia Islam: Cultural Pluralism and *Pancasila*[1]

Its geographical location made Indonesia a melting pot of multicultural and multi-religious influences. Hinduism, Buddhism, Islam, Christianity, and even Confucianism have taken root in various places.[2]

Indonesia is a populous country of around 235 million, 85% of which are Muslim. Islamic culture is basically hybrid and has gone through different phases of evolution. The first phase is between the 14th century to 1650, when Islam was first introduced in Indonesia by trading merchants from Persia and India, as well as *Sufi* priests from the South Asia Subcontinent. The second phase may be pegged between 1650-1868, when the country was under Dutch repression, and its isolation from the larger Islamic world led to the absorption of Javanese tradition, thoughts and rituals. It was also during this period when Arabic traders and migrants from Hadraumaut also consolidated Arabic values and traditions, which gradually became important with the increasing role of Arabic traders and priests in Indonesia Islands. The third phase is between 1868-1900, the period of the opening of the Suez Canal, and the consequent opening of free trade as well as the lifting of Dutch religious containment on Muslim pilgrimages. This greatly promoted pilgrimage to Mecca, and further enforced

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1) Pancasila is the philosophical basis of the Indonesia State. It is composed of five inseparable and interrelated principles, including: Belief in one and only God; just and civilized humanity; the unity of Indonesia; democracy guided by the inner wisdom in the unanimity arising out of deliberations amongst representatives; and social justice for the whole of the people of Indonesia. More details of *pancasila* and its original formation from Kahin (1952).

2) Scholars emphasize the reality of multi-ethnic society in Indonesia. Wertheim (1959) listed fourteen major groups: Atjehness, Batak, Minangkabau, Coastal Malay, Sundanese, Javanese, Madurese, Balinese, Dyaks, Makassarese, Buginese, Torajas, Menadonese, and Ambonese. It must be pointed out that foreign immigrants brought different culture and religions to the archipelago. Legge (1965), in his book *Indonesia*, examined the country's diverse heritage, which include, among others Hindu and Islamic cultural influences, apart from European and Dutch influences. In addition, Chinese culture is also an important element in Indonesian diversity. Charles A. Coppel, Claudine Salmon, and Leo Suryadinata have made various commentaries on Indonesian Chinese culture. On the influence of Confucianism in Indonesia, see Coppel (2002).

Arabic religious and cultural clout in the islands. The fourth phase may be situated in the first half of 20th century, during the rise of Islamic modernism in Egypt which attracted many Indonesian Muslims to study in Al Azhar Islamic college, a paramount Islamic learning institution. This greatly expanded Indonesia cultural link with Egypt, a Islamic *Sunni* center. After independence, Indonesian Muslim communities continued to maintain and consolidate links with centers of Islamic learning, while deepening relations with western countries where numerous Indonesian Muslim intellectuals went to universities since the 1970s. They came back with liberal ideas, which undoubtedly had significant impact to local communities. The evolution of Islam show Islamic culture has been hybridized and diversified in Indonesia. Clifford Geertz, the well-known American anthropologist, observed and conducted field research in a town of Java Island in 1950s. He roughly divided Muslims in Java into two categories —the *Santri,* or the orthodox Muslim, strictly observing Islamic faith and rituals, and the *Abangan*, the nominal Muslim combined their faith with local Javanese customs, mysticism and animism (Geertz 1960: 121-30)[3]. In addition, he further differentiates the Javanese S*antri* by their traditionalist or modernist outlooks. The latter identifies with a syncretistic Javanese Islam while the former commit to more "puritan" Islamic modernism (much closer in expression with Arabian tradition). Outside of Java, there is also strong Islamic identification in places like Aceh in Northern Sumatra and parts of Sulawesi. The evolution of Islam in Indonesia is conducive to hybridity, though Islam remained to be very much entrenched in the culture. The country is rootedness in, and widely associates itself to *Sunni* Islam, as well as the practices of the *Shafi'I fiqh* school, while generations of Indonesians subscribe to albeit less influential sects like the *Shiite*, *Ahmadiyah,* and the *Sufi*.

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3) Here, nomial Muslims refer to those Javanese Muslims whose cultural and religious outlooks vary to great extents. Their faith is a syncretic amalgam of indigenous and animist beliefs, as well as Hindu-Buddist and Islamic elements as practiced in rural areas of Central and East Java. A large proportion of the broader Islamic population is *abangan*.

It must be noted however that the Indonesian Muslim community is neither culturally or ideologically unitary. Besides a number of fringe Muslim-based organizations based on various ideologies and thoughts, there are two established Muslim organizations. The first one is Nahdlatul Ulama (NU), formed in Surabaya in 1926, which represents traditional Muslims and aims to strengthen traditional Islam by unifying Indonesians Muslims against secular national ideologies and Islamic modernism. The NU was very influential, with membership base of 30-35 million. Another organization is the Muhammadiyah, set up in Yogyakarta in 1912, and inspired by Islamic reform movements from Egypt at the end of 19th century. As an Islamic reformist, Muhammadiyah aimed to correct the perceived backwardness and syncretistic nature of Indonesia Islam. Muhammadiyah has been popular in *Santri* modernist communities, enjoying about 29 million members, and runs a large number of self-supported institutions including modern educational institution, mosques and orphanages.

Since the founding of the Republic of Indonesia, the *Pancasila*—the basis of Indonesian state philosophy formulated by Sukarno—upheld the civil values of the newly formed modern nation-state and recognized the ethnic/religious diversity of the Indonesia archipelago. Belief in the one and only God, its most important principle, was not only formulated to appease those Muslims who wanted to establish an Islamic state; it was introduced to eradicate ethnic/religious conflicts by forming a consolidated nation in the multiethnic society.[4] Generally, the principle enshrined religious tolerance and recognized all religious practices, which helped shape identity in Indonesian social and political life.

Ⅲ. Democratization and Rising Religious Intolerance

Indonesia is widely described as a moderate Islamic nation. In many ways, this has been true. However, occasional conflicts

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4) Since Indonesia attained its independence in 1945, the republic expressed its aspiration to establish a consolidated nation in a motto *Bhinneka Tunggal Ika*, unity in diversity.

among ethnic and religious groups surfaced since its independence. Furthermore, the democratization process after the collapse of Suharto regime was accompanied by intensified religious/communal conflicts.[5]

The Indonesian democratic transition began in May 1998. The 1997 Asian Financial Crisis triggered intense rioting and popular movements which finally led to the fall of the Suharto regime.

The transition paved the way for democratization. Under intense domestic and international pressure, B. J. Habbie, Suharto's successor, reformed the political system by starting calling for legislative and presidential elections in 1999, where the opposition was victorious. Moderate Muslim scholar and leader Abdurrahman Wahid, who won the presidency in 1999, has been revered as the father of multiculturalism and pluralism, for his staunch defense of the country's pluralist traditions and commitment to human rights protection and ethnic/ religious/communal equality.[6]

Consequently, the issue of the establishment of an Islamic State was revived. In the latter years of the New Order regime, Suharto had manipulated Islamic groups and opened up more spaces for Islamists in the regime. This had led to speculation that there was an agenda for the revival of this movement.

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5) For instance, in the closing months of 1996 and at the beginning of 1997, Java was once again became the stage for violent protests. Movements erupted in Surabaya, Situbondo, Tasikmalaya, the Tanah Abang, Pekalongan, Rembang, Temanggung, Wonosobo, and Banjarnegara (Hüsken and Jonge 2002: 89). After the end of New Order, serious communal conflicts broke out in towns such as Palangkaraya in Central Kalimantan Province, Sampit and Poso in Central Sulawesi Province, Ambon in Maluku Province, Ternate and Tobelo in North Maluku Province, and Pemangkat in West Kalimantan Province (Klinke 2007).

6) Abdurrahman Wahid, well-known as Gus Dur, was the fourth president of Indonesia, and Indonesia's first democratically-elected president and past chairperson of *Nahdlatul Ulama* (NU), one of the largest independent Islamic organizations in the world. Gus Dur served as chairperson of NU from 1984-1999. Gus Dur is one of the greatest Muslim intellectuals in Indonesia, bridging between the world of traditional Islam and modernity. Gus Dur is respected by the ethnic Chinese community in Indonesia, especially after he lifted all bans on Chinese tradition and cultural practices issued by Suharto regime. He passed away on December 30, 2009. For further reading, see Barton (2002).

Democratization promoted some Islamic groups to openly suggest a more Islamic dimension to the Indonesia nation (Henders 2007: 177-200). The practice *Shariah,* for instance, earned positive response from the Muslim community. The questionnaire survey on practice of *Shariah* conducted by Indonesia Survey Institute in 2001 showed an increasing trend of bringing back *Shariah* in Indonesia.[7] Meanwhile, the survey also showed that Islam extremist groups expanded influence nationwide and gradually garnered increasing recognition from Muslim community.[8]

Religious/ethnic/communal conflicts also intensified, especially during the surge of Islamic radicalism that worsened Muslim-Christian relations. It also brought about attacks on some Muslim minority groups. The case of anti-*Ahmadiyah* represents the revival of Islamic monocultualism and surging religious intolerance.

Ahemadiyah is an Islamic reformist movement founded by *Mizra Ghulam Ahmad* in India at the end of 19th century. The Ahmadis consider themselves Muslims and claim to practice Islam in its pristine form. However, some of the views of *Ahmadiyah* have been contentious to mainstream Muslims since the movement's inception. As *Ahmadiyah* deny Muhammad's being not the last Prophet, many mainstream Muslims exclude Ahmadis, leading to the group's marginalization, persecution, and systematic oppression. This led many Ahmadis to emigrate and settle elsewhere. *Ahmadiyah* was introduced into Indonesia in the beginning of 1920s, and people were attracted by its vigorous advocacy for religious freedom and reform (Wertheim 1979: 213). Since the 1980's, the number of Ahmadis has been increasing greatly (Asia Briefing 2008).[9] In the Suharto era, the *Majiles*

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7) *Indonesia Matters*, March 17, 2006, http://www.indonesiamatters.com/ (Accessed March 09, 2010).

8) For example, 59% of the respondents show support Majiles Ulama Indonesia, while 11% supported Majelis Mujahadin Indonesia. 17% meanwhile favored Front Pembela Islam. *Indonesia Matters*, March 17, 2006, http://www.indonesiamatters.com/ (Accessed March 09, 2010).

9) There is no accurate data on Ahemadis. In fact, there exists a big gap of Ahemadis in official statistics and the estimation of media. See Indonesia: Implication of the Ahmadiyah Decree, *Asia Briefing*, No.78, Crisis Group Report, Jakarta/ Brussels, 7 July 2008.

Ulama Indonesia (MUI), a semi-official Islamic institute was formed in 1975 with support from government in order to eradicate the impact of communist ideology and religious liberalism. In 1981, shortly after it founded, MUI issued a *fatwa* to ban *Ahmadiyah* in Indonesia and pronounced *Ahmadiyah* as a heretic sect. Thanks to the revival of Islamic extremism in the post-Suharto era, 11 fatwas against liberal Islam have been announced on July 27, 2005. MUI reissued a fatwa to ban *Ahmadiyah* on July 28, 2005, and re-proclaimed *Ahmadiyah* a heresy, aiming to oppose surging Islam liberalism and reformation as well as the infiltration of Christian culture.

The 2005 fatwas issued by MUI triggered a new wave of persecution against *Ahmadiyah* and liberal Islam. Islamic radical organizations spearheaded attacks on freedom of religion and pluralism in the post-Suharto era, joining the movement against *Ahmadiyah.* *Forum Umat Islam (FUI),* an Islamic hard-line organization set up in August 2005, upheld the MUI fatwa against pluralism and *Ahmadiyah.* Since its founding, FUI launched a cluster of nationwide actions to defend Islam fundamental values and to resist gradual infiltration of secularism, multiculturalism, capitalism as well as Western hegemony (Asia Briefing 2008).[10] The FUI has a broad national influence, stirring massive action and recruiting more people to subscibe to full Islamic governance.

Another anti-*Ahmadiyah* movement is the *Front Pembela Islam* (Islamic Defenders Front), set up in August 1998. Its goal is the implementation of Islamic law in Indonesia. One part of FPI focuses on religious outreach to the Muslim community, urging stricter adherence to Islamic tenets, favoring Arabic values and religious fundamentalism. FPI played a very important role in recent anti-*Ahmadiyah* riots and violations of civil rights.

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10) Some of FUI's actions in 2006-2007 include: the "Million Muslim March" in support of the anti-pornography bill (May 2006); calling on the government to ban all deviant sects (Oct. 2007); issue statement rejecting a return to Pancasila (Dec. 2007); issuance of statements to support banning Ahmadiyah and rejecting the construction of churches (Feb. 2008); rallying a million faithful to support the dissolution of Ahmadiyah in Jakarta (April 2008); and the anti-Ahmadiyah action by MUI branches in North Sumatra and West Kalimantan (June 2008).

In addition, other Islamic hard line organizations including Hizb ut-Tahrir Indonesia,[11] Forum Umat Ulama Islam,[12] Dewan Dakwah Islamiyah Indonesia,[13] Indonesia Committee for Islamic World Solidarity[14] and Majelis Mujahidin Indonesia[15] actively participated in a boycott of freedom of religion and multiculturalism, and joined the persecution of *Ahmadiyah* (Bruinessen 2002).

Anti-*Ahmadiyah* movement not only earned active response from Islamic hard line organizations, but also garnered resonance from government officials. Under the MUI's auspices, some provincial governments in Java, Sumatra and Sulawesi actively observed fatwa and took action to ban *Ahmadiyah* activity in their regions, frequently creating persecution and oppression against *Ahmadiyah* followers.

Worse still, the Department of Religion in Indonesia also endorsed MUI's fatwas. Maftuh Basyuni, the minister of Department of Religion even proclaimed to ban *Ahmadiyah* legally in Indonesia. Some senior congressmen stood for banning the movement, believing it to be a war against heresy and a way to purify Islam. With the promotion of MUL, some influential politicians actively lobbied the central government to outlaw *Ahmadiyah*. Finally, on June 9, 2008, President Susilo issued the

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11) Hizb ut-Tahrir Indonesia is an Islamic organization which aims to bring back the Islamic way of life and convey Islamic mission to the world. Hizb ut-Tahrir first emerged among Palestinians in Jordan in the early 1950s. It started its underground activities in Indonesia in the 1980's, and became popular after Suharto regime.

12) Forum Umat Ulama Islam is an Islamic organization, set up by a group of conservative Ulamas in the 1980's. The organization's aim was to apply Sharia in Indonesia.

13) Dewan Dakwah Islamiyah Indonesia is an Islamic missionary organization founded by Muslim political figure Mohammed Natsir in 1966, aiming to perpetrate Islamic culture and way of life.

14) The Indonesia Committee for Islamic World Solidarity (KISDI), an Islamic organization founded in the early of 1990's, is associated with the Dewan Dakwah missionary organization. KISDI organized demonstrations on issues such as Western pornography and gambling, as well as anti-Semitic and anti-Chinese causes, and intolerance of other religions and non-Muslim group.

15) Majelis Mujahidin Indonesia is an Islamic organization founded by Abu Bakar Ba'asir, the suspected mastermind of Bali explosions in 2002. MMI aimed at implementation of Sharia in Indonesia.

ban on *Ahmadiyah*, which triggered massive controversy and protest among civil organizations.

Ⅳ. Liberal Islam: Defending Pluralism and *Pancasila*

Escalating anti-*Ahmadiyah* movement and the violation on religious freedom and religious pluralism triggered civil war in Muslim communities (Morgan 2008). Progressive Liberal Islam activists protested MUI's ban on *Ahmadiyah* and the massive violence against the group. Liberal Muslim intellectuals criticized MUI's fatwa, and considered it a threat to the country's reputation as a tolerant nation that respects diversity, and strongly denounced the ban on *Ahmadiyah* as a violation of freedom of religion and pluralism enshrined in the Constitution of 1945. Azyumardi Azra, a prominent Muslim scholar and rector of the Syarif Hidayatullah State Islamic University argued that the MUI cannot ban Muslims from thinking, because pluralism, liberalism, and secularism are not only ideologies but also ways of thinking. MUI's fatwas were against freedom of expression and human rights in general (The Jakarta Post, 01/08/2005). Civil liberal organizations actively supporting religious tolerance staged massive protests against the fatwa on *Ahmadiyah*. On June 3, 2008, the National Alliance for Freedom of Religion and Faith, a human rights organization supporting interfaith unity, which included Islamic moderates like former Indonesian President Abdurrahman Wahid, organized a march to celebrate the anniversary of the *Pancasila* and support the rights of *Ahmadiyah*. Muhamm ad Syafi'i Anwar, executive director of the International Centre for Islam and Pluralism, led the peaceful interfaith demonstration. Muslim hardliners led by Islamic Defend Front violently attacked *Ahmadiyah* supporters in the march. Escalating conflict between Islamic hard line and liberal Islam caused mounting concern for social stability. Under the threat and pressure of Islamic hard line groups, President Susilo had to issue a ban on *Ahmadiyah* to appease surging radicalism.

The demonstration led by liberal Muslim intellectuals revealed the rise of liberal Islam in Indonesia and its commitment to defend pluralism and *Pancasila*. Although the liberal tradition in Islam has surfaced in the era of Islamic reformist liberalism in the 19th century, the term of Liberal Islam was first coined in *A Modern Approach to Islam* by Asaf Ali Asghar Fyzee (1899-1981), a Muslim intellectual from India in the 1950s. In his book, Fyzee strongly advocates a critical reinterpretation and reexamination of *Shariah* and *fiqh* (Islamic Jurisprudence) to make them relevant to contemporary modern life. Liberal Islam emphasized the idea of freedom from *taqlid* (Islamic tradition) and every rational Muslim is endowed with the right to practice *ijtihad* (interpretation of Quran and Hadith). These ideas gradually gained popularity in Indonesia in 1970′s, during the emergence of Islamic new-modernists who were mostly further influenced by liberalism in western universities after educated in Indonesian Islamic college. Under the leadership of Mukti Ali, the Minister of Religion Department between 1971-1978, a "Look West" policy and modernization was undertaken and the state Islamic colleges established links with centers of Islamic learning in the West, like in Chicago and McGill Universities (Porter 2002: 56). The Muslim, middle-class intellectuals who went to study abroad came back with liberal ideas, which gave rise to Islamic liberalism and supported moderate Islamic thought, democratic reform, and pluralism. Notable Islamic liberals include Nurcholish Madjid, Azyumardi Azra, Amien Rais, Mohammad Shafi′i Anwar, and Din Syamsuddinare, among others. Among the group of the Muslim intellectual elite, it was Nurcholish Madjid (1939-2005) who became best known as a neo-modernist, favoring ideas of a modern secular democracy where there is a separation of church and state. He also opposed Islam as a political movement.

As a progressive Muslim intellectual and a pioneer of the Islamic reformation movement in contemporary Indonesia, Madjid was the president of the Islamic Students′ Association (HMI) from 1966-1971, and gained prominence as a national student leader opposing the authoritarian governments of Sukarno and Suharto. From 1978-1984, Madjid undertook Islamic Studies in the University

of Chicago under Pakistan's Fazlur Rahman, an eminent Muslim philosopher and reformist who strongly advocated the contextualization of Islam and making it responsive to modern life and the changing world. After earning his doctorate from Chicago, Madjid became a recognized authority on Islam and Indonesian politics, and began serving the state's Islamic University of Jakarta as a professor since 1998. While heavily influenced by Rahman's Islamic liberalism, Madjid championed *masyarakat madani*—a concept which encompasses pluralism, tolerance, and democracy—which enjoyed a large following among educated Muslims. As a Muslim public intellectual of Indonesia, Madjid believed Islam's future will depend not on politics, but on cultural, intellectual and educational activities. His sums up his position with the catch phrase: "Islam yes, Islamic party no!" With the support of other Muslim intellectuals, Madjid set up in 1984 the *Paramadina* Foundation, which aimed to develop Islam culture, and promote Islamic ethics (Bruinessen 2006; Bakti 2004). As Greg Fealy concluded, the *paramadina* became the main organizational vehicle for his activities. Thereafter, it soon gained a reputation as the leading liberal Islamic NGO in Indonesia. In many ways, the *paramadina* established a new paradigm for Islamic organizations. Most existing Muslim organizations until this time are mass-based and usually aimed at grassroots constituencies. In contrast, the *paramadina* targeted urban middle-class Muslims and members of the elite, including entrepreneurs, senior bureaucrats, military officers, politicians, and intellectuals. It organized seminars, study groups, and workshops in luxury city hotels, had high-quality and expensive publications, and developed well-equipped religious schools and a university catering to well-to-do Muslim children. The main focus of the group's activities was religious thought and action; political and social commentary was also often expressed, but were rarely and directly critical of the regime (Fealy 2007). With the expanding influence, the cultural Islamic movement advocated by the *paramadina* proved to be highly effective. Madjid, not only advocated on cultural Islam, but also theologized and developed an Islamic "inclusive theory", contextualizing Islam in Indonesia by enforcing inclusive tradition and disseminating inclusive plural thought. Madjid's endeavors fostering Islamic pluralism, religious

tolerance and interfaith dialogue earned him reverence as the father of pluralism and tolerance in his homeland, aptly characterized by his known monicker *Cak Nur*.

Under the promotion of progressive Muslim neo-modernists, liberal Islam quickly stepped up organization in Indonesia. The establishment of the Liberal Islam Network (Jaringan Islam Liberal, JIL) characterizes modern Islamic orientation/values in contemporary Indonesia in post-Suharto era. Liberal Islam Network is a network of young Muslim intellectuals, staunchly upholding the idea of separation between Islam and state, preferring to disseminate ideas of tolerance, pluralism, secularization, equality, individual and women's rights, among others, which are very significant to the development of liberal Islamic ideas and the future of moderate Islam in Indonesia (Widiyanto 2013).

Meanwhile, to face the challenge of changing the social and political environment, Muslim organizations deeply rooted in tradition are also changing in the post-Suharto era. For example, the Nahdhatual Ulama (NU), the largest Muslim organization in Indonesia, under the leadership of the former chairman Abdurrahman Gus Dur Wahid, is tending towards a more moderate and accommodating stance to universal values such as democracy, pluralism, and tolerance. As to Islam and democracy, Gus Dur emphasized that democracy is a compulsory element of Islam and upholding it is one of its principles. More importantly, as an advocate of tolerance and pluralism, during his presidency, he lifted Suharto's ban on all forms of Chinese culture, as well as and the other bans on Marxism and Leninism following the purge of communism in the wake of 1965 coup d'état. He also came to the defense of Salman Rushdie for his controversial 1988 novel *The Satanic Verses*. This gestures demonstrate Gus Dur's inclusive, moderate and tolerant interpretation of Islamic ideas, being revered as Southeast Asia's prominent spokesman for pluralism in Muslim politics. Heavily influenced by Wahid and liberal Islamism, NU no longer shares the agenda of formally adopting the *shariah* into Indonesia Constitution.

In a magazine interview, Wahid's successor, Hasyim Muzadi,

currently chairman of NU, argued that the struggle for the *Shariah* is not realistic. For him, the application of *shariah* can be done in civil society in contextual way but not within the structures of the nation- state. For the NU, contextual application of consists of being faithful and and accepting of universal interests. At the level of the nation state, religion may contribute ideals, otherwise, it will cause the disintegration. Only the spirit of *shariah* can be included. This was one way of harmonizing the country, where there is "Unity in Diversity" (Hasyim Muzadi Interview 2006). Meanwhile Muhammadiyah, the second largest Muslim organization in Indonesia, is also on a shift towards tolerance for pluralism under the leadership of its chairman Din Syamsuddin, who also advocates on contextual *shariah* and Islamic teaching in a pluralistic society. He launched the Center for Dialogue and Cooperation among Civilizations, aiming to eradicate prejudice and misconceptions among peoples of different faiths by persistent dialogue and cooperation (Barrie 2007).

Ⅴ. Conclusion

The democratization process stimulated Islamic activism in the political arena and led to a flurry of Islamic and Muslim-based political parties particularly after years of political marginalization under Suharto's rule. Accompanied by cultural/religious revival and Islamic political activism, Islamic politics became a divisive issue drawing national concern. But the poor performance of Islamic political parties in three democratic elections after the downfall of President Suharto showed that political Islam is still in the margins, reflecting popular attitude towards religion in politics. Majority of Muslim voters do not regard Islam as critical to their electoral decisions, even though it may be important in their personal lives. It seems that Islamic and Muslim- based parties lack credibility in dealing with economic development and welfare programs, discouraging constituents from subscribing to their principles. Despite the evidence of growing radicalism and Islamic influence as seen in anti-*Ahmadiyah* movements, and the

increasing numbers of *Shariah* provincial by laws in recent years, low-level support for Islamic and Muslim parties in the 2009 general election can be viewed as the denial of political Islam in Post-Suharto Indonesia.

In contrast, the voice of liberal Islam upholding principles of the separation of church and state, democracy, tolerance and pluralism, is becoming a major player in the post-Suharto era. The rise of liberal Islam can be viewed as a means to reform Islamic thought, where the revival of cultural or secular Islam bridges the separation of religion and state, through programs geared towards the promotion of Islamic culture, intellectual thought, and education, as in Madjid's *paramadina* movement.

In conclusion, it must be remembered that Islam in Indonesia was a first a cultural encounter with traders, Sufi mystics, and Muslim priests, rather than a political or military expansion of the Caliphate. Although there have been several powerful Sultanates established in ancient Indonesia, there never was an intent to set up a unitary Islamic state in archipelago. Under the Dutch colonial regime, Islam was isolated from outside Islamic world by cultivated by local culture. It was only during the latter period of colonial rule, when the Dutch colonial government—through the advice of Christiaan Snouck Hurgronje (1857-1936), a prominent orientalist and a senior advisor of East Indian Affairs (1890-1906) —repressed political Islam and tolerated cultural Islam (Benda 1972: 83-92). The Islamic policy founded by Hurgronje was not only significant for Indonesia's Islamic evolution and socio- cultural reformation; it also became the basis for Indonesia's Islamic policy after it gained independence. The government to some extent adopted the idea of Dutch Islamic policy separating Islam from the state, and strictly contained Islam within the arena of personal, religious, and cultural life of individuals.

The idea of cultural Islam has been further developed by contemporary Muslim intellectuals by way of liberal or secular Islam, emphasizing the spiritual and cultural nature of Islam. In the context of a multi-cultural society, cultural Islam is in line with Indonesia's pluralistic "Unity in Diversity". In the context of

globalization, cultural Islam─forged on strong Islamic cultural influence, *pancasila,* and pluralist tradition─is an ideal way to counter malaise against Islam, making Indonesia a dynamic regional and global force to reckon with.

Lastly, let us return to pluralism as embraced in Indonesia. Religious pluralism or multiculturalism is rooted deeply in Indonesian culture, revered and embodied in *pancasila*, the nation's political philosophy. Recently, there are mounting calls for the government to award the title of national hero to the Abdurrahman "Gus Dur" Wahid, the father of multiculturalism and pluralism in Indonesia, who died on 30, Dec, 2009. The proposal is supported by all communities, and even Christians. This move only reflects the reverence for Gus Dur, his status revealing the popularity of the concept and principle of pluralism in Indonesia. Obviously, there is a growing consensus that multiculturalism and pluralism necessarily guarantee national unity, stability, and prosperity in Indonesia context, despite being challenged by conservative Islamic groups. Meanwhile, the *pancasila*, as an enshrined state ideology in the Constitution of 1945 will undoubtedly be an unshakable belief and basis for multiculturalism and pluralism, which can be further developed as a norm and identity for the ASEAN Socio- Cultural Community.

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The State-Owned Enterprises Reform in Vietnam

Tran Dinh Lam

[*Abstract*]

The economic renovation in Vietnam has shown promising achievements. The process of reforming and equitizing state-owned enterprises, and reducing subsidies from the government have made significant progress since 1986. However, this policy has not received the adequate valuation from leaders. Big companies have not been equitized, and are still managed and subsidized by the government, resulted in budget losses. Corporations have been dominated by political interests. This has led to arguments for better and more feasible measures which could save national budget. Corruption in Vietnam mostly originates from state-owned enterprises, for the monopoly was given by government to those enterprises as foreign partners continue to compete under market-oriented mechanism and transparent supervision. Therefore, renovation of the business mechanism, as well as speeding up equitization and minimizing people's properties, have become crucial in the regional integration trend. This is entirely a vital factor in the renovation process. This study

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explores plans, as well as the merits of the renovation process in Vietnam, ultimately envisioning to overcome current consequences and motivate Vietnam's economy.

Keywords: State-owned enterprises, government, corruption, equitization, interest groups

I. State Owned Enterprises in Vietnam

Before the Doi Moi (reforms) in 1986, central planning was the basic organizational form in Vietnamese society. The principles of central planning are: to identify needs, to distribute production resources, and to determine output targets and performance indicators relying on bureaucracies to administer and to decide (Vasavakul 1996). Managers of production units were usually involved in the negotiations of the plans and implementation. Such shortages, according to Kornai, were the consequence of reduced supply and excessive demands due to unrealistically low prices enforced by the Government and this type of administrative system. This is said to be the underlying cause of eastern European shortages during the 1980's (Kornai 1980). A systemic culture of murky dealings, misinformation, and corruption is further compounded by wasted labor resources, substitute products, and biased data in order to fill the central planning quotas.

Under central planning, other remarks are in order. Firstly, it was not the goal of enterprises under the planned system to make profits but rather to produce according to the "planned needs", to protect employment and thus social security for the workers. The enterprises received production targets and raw materials necessary for the production from the state planning committee. If the enterprises make losses, they would be expected to be subsidized with credits doled out from state banks—an effect of the monopoly—while commercial and private banks are marginalized. State banks play a secondary part in the budgeting process of the government. Enterprises had tight relationships with each other and were under supervision of the ministries in charge of setting production plans and raw materials delivery as

well as output distribution. The directors of the enterprises were considered "duty achieved" when they met the requirements of the state planning committees. Secondly, the bargaining process for plans took place in a stable system—compared to a market environment—where managers could expect to negotiate with the same persons starting with the old plans as the initial situation for a new round of bargaining. Thirdly, prices of goods and services were more or less only of an accounting requirement rather than based on the system of market mechanism. Additionally, because of the centralized and ineffective system, local actors at the firm level were able to elaborate a lot of non-planned products in order to exchange them with other enterprises, in exchange of missing inputs. Therefore, alongside the centralized system another one existed, consisting of local initiatives, informal relations, and alternative products.

Evidently, the centralized administrative system, notwithstanding its flaws, has left some legacies into the market mechanism: state owned companies are coordinated and supervised by the government's plans; and social welfares are assured with infrastructures being built to improve local residence.

A different situation exists for an SOE if it is allowed operational liberty while the budget constraints are still soft i.e. losses and credits are accepted and guaranteed by the state while profits can be used either for reinvestment or have to be transferred to the owner state. This started before 1986 and has remained unchanged until now. In Eastern Europe such a policy occurred at the end of the 70's when the Soviet type system met huge economic difficulties. Hungarian authorities were the first in the Soviet bloc to allow the managers to manage their production by "privatizing" some parts of the firm in order to extract some profits they could use for their own interests once the planned duties where fulfilled. In Bulgarian state farms, it was possible for some peasants to use collective inputs for their own private plot. In Poland the reform of 1983 pursued the same goal. All of these "reforms" aimed at strengthening local initiative, upgrading productivity. In this case because of agency problems, the incentives for managers and workers are not the same as in a

market environment. As in the case of a government property economy, there is no incentive to report profits; rather, managers and workers would have to cooperate to draw out resources (e.g. to pay too high salaries or bonuses) for their benefit while letting the state pay for their apparent or real losses. Moreover this behavior may be justified against supervising authorities by goals different from profit maximization i.e. by preventing unemployment or by avoiding bankruptcy. This is especially true for large companies, for those directly financed by the central authorities or for strategic sectors. However, if there is enough freedom to organize the economic activities of the firms, as well as the technical possibilities, there may be incentives for managers to organize production more efficiently. If the increase in production can be distributed among the insiders of the firm it is in their interest to follow such a strategy. Another strategy, however, is to cooperate with other companies in order to create book losses which are then paid by the government or by state-owned banks.

Even if state-owned companies are reformed in order to guarantee hard budget constraints, there may still be space for rent- seeking if the former state-owned enterprises are officially (as was the case in Vietnam for FDI or import-export licenses) or unofficially (because of "connections") preferred by the authorities. In addition, there may also be constraints such as limits on the salary of executives, and limits on laying off lower-skilled or inefficient workers that "seriously get in the way of real cost minimization in a comparative- static sense and of real cost reduction in a dynamic sense" (Harberger 1998). This means that regular incentives to be innovative will not be present for state-owned companies. The cases discussed in this section are relevant for development in Vietnam.

Vietnam experienced economic difficulties in 1980, with its declining growth and huge inflation. Starvation occurred in many regions of Vietnam, a result of the failure in transitioning into the Soviet type model in Southern Vietnam. Moreover, the northern border of Vietnam was invaded by China. Through these incidents, flaws of previous economic models manifested. Thus, the imperative for renovation. An existing challenge however is the continued

presence of state-owned companies. The lack of conviction of officials has become a hindrance to the renovation process.

Ⅱ. The reform: The Doi Moi

2.1. Reform Measures

While reforms concerning the state sector were transpiring, corresponding measures were being undertakein in the private sector. Before 1988, the SOEs were subject to direct plans and directives issued by the government. While in theory the SOEs were under the supervision of "functional" government authorities like the Ministry of Finance, the administration was carried out by "line" ministries (Vasavakul 1996). During the 1980's, these line ministries gained importance and power. These middle-level government agencies were the driving force behind the change at the end of the 1980s, when they formed informal networks which pushed reforms, and at the same time exploited the opportunities of their positions and relations.

While SOEs were allowed to operate in part for their own account since 1986, it was in 1988 that SOE managers were granted more autonomy over the operation of their enterprises. Decisions on inputs, investment, production, and labor force, were no longer determined by centrally issued plans but by the directors of the SOEs. However, they were still obliged to pay their profits to the state budget in exchange for receiving investment funds. SOEs faced soft budget constraints throughout the pre-reform period and into the early 1990's, but by 1993, the government changed the policy, and there was no longer a case for subsidizing these state enterprises (Perkins 1994). At the same time private enterprises were allowed—at least in principle—for the first time. Together with price liberalization, the budget subsidy was cut. It remains, however, unclear to what extent the investment decisions of the SOEs depended on the government.

Several changes took place in 1991. The imports of inputs

at prices below world market prices ended as a result of the end of USSR aid. According to government decree, beginning November 1991, all state-owned enterprises (about 12,000) had to apply for new-registration until September 1994. At about the same time, a special Debt Resolution Committee was set up to clear inter-firm arrears and to settle the debts of liquidated firms with the banks. According to the World Bank (1994) approximately 1.7 trillion Dong of unrecoverable debt (approximately 5% of Vietnam's GDP at that time) were handled by the committee. Remaining debts though, are estimated to have been much higher.

In 1992 the privileged treatment of SOEs in the bank credit system was stopped due to inflation. In the same year, the government started unsuccessful attempts to privatize state enterprises. At the same time, the autonomy of SOEs was further strengthened by attempts to separate them from the influence of the line ministries, as an attempt to respond to criticism on conflicting local, provincial, or central authorities, corruption, and rent seeking. There was, for example, a law promulgated on the management of state-funded construction projects which required bidding for projects. In practice, there was little competition created by this law. "While sometimes the government agency selected the cheapest bid, there was usually much informal intervention from networks backing the bidders often producing no clear winners" (Vasavakul 1996).

As a result of the need for re-registration, thousands of small enterprises have been dissolved or transformed into private operations. At the end of 1993, about 7,000 enterprises had been approved for re-registration by the State Planning Committee, while 2,000 had been liquidated, and 3,000 had merged with other enterprises. In the manufacturing sector, 2,200 of the 3,000 firms remained. During the last years, the process of restructuring the SOEs has continued while at the same time, many measures were undertaken to end the discrimination of private enterprises, e.g. with respect to foreign trade or FDI. In addition, several laws concerning the business framework have been promulgated and there were attempts to simplify the administration procedures of business operations, e.g. by a "One Door" policy of creating

one-stop offices for FDI. One important move of the government —apart from continuing attempts to privatize SOEs—was the setting up of "economic conglomerates" after the model of South Korean chaebols. The first sectors to be organized in this way were the state-owned Union of Electric Enterprises of Vietnam and the Union of Coal Enterprises of Vietnam, early in 1995. Several other sectors were organized in a similar form afterwards. Although state-owned, the conglomerates obtained more operational and strategic independence. The ownership rights of the state are exercised through a "Management Council" and a Board of Inspection, while a general director, assisted by vice-directors, is responsible for running the business. Notably, the financial section of each conglomerate is organized by a bank under the supervision of the State Bank.

The draft political report "Privatization of Small and Medium Enterprises" offered a non-strategic range of activities with regards to the economy and the building of Economic Conglomerates". Presented at the Party's 1996 National Congress, it currently remains to be the basic strategy of the Vietnamese government.

2.2. Changes in the Behavior of the State-owned Enterprises

Although the Vietnamese government conducted several surveys of the industrial sector, only a little data has been published. Among them are studies by McCarty (1993), Beresford (1989), Ronnas (1992), Diehl (1995), considered most important.

McCarty and Beresford interviewed managers, government officials, and academic researchers in 1991 and 1992. McCarty found that soft budget constraints remained for the SOEs and that rent- seeking activity and production monopolies would tend to become more important.[1] Beresford tried to explain the slow adjustment of the SOE by way of the "passivity of managers", for example, as well as their unwillingness to change output or suppliers which was explained by the attitudes of managers still benefiting from the planned economy system. In 1991, Ronnas

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1) This result has been proven by the further development in Vietnam.

conducted a survey for the International Labour Organization (ILO) in order to analyze small and medium enterprises with less than 50 workers. He study revealed that local authorities did not actively support the establishment of new enterprises. The enterprises complained mostly about shortage of capital and too much competition.

The study by Diehl (1995) is more interesting because it was conducted in 1994, i.e. after a sufficient period of gaining experience with the reforms and allowing for changes in behavior. Together with two other German scientists, Diehl conducted interviews with managers of enterprises, officials, and banks in order to get information on obstacles to real adjustment of enterprises, government interventions and business know-how of the managers. Diehl points out the following stylized facts:

First, the managers of the enterprises had very different entrepreneurial capabilities, and are often qualified technicians. Some firms—majority of which are locally managed SOEs—were hit hard in 1989 (some produced virtually nothing) but since then many were able to optimize production capacity or marketing strategies. Second, licensing requirements, taxation, and local factors were not regarded as major obstacles although for example, temporary blackouts in electricity were mentioned. Third, some SOEs still received investment funds directly from the budget or from the state-owned Industrial Development Bank at reduced interest rates. On the other hand, most private small firms had to rely on informal and expensive credits from friends or private money lenders. Fourth, land use rights were seen as a problem by private firms which often depended on SOEs charging excessive rates. Hence, one of the most important assets of SOEs is their real estate, often in attractive city locations. Sixth, Vietnamese entrepreneurs often felt discriminated against by the SOEs with respect to import-export licenses and FDI.

Diehl (1995) concludes that lack of capital and direct access to world markets were the main impediments for the private sector. He also thinks that the interviews provided anecdotal evidence for a continuing protection of the SOEs by the government.

He also finds, however, that some managers of the SOEs have adjusted to the reforms often in connection with joint ventures with foreign partners. Obviously, the state enterprises chosen by foreign investors are a positive selection from among the state sector with FDI usually enforcing this lead, e.g. by process innovations introduced by the foreign partners.

The World Bank (1997) reports the typical example of the inefficient rice trading of SOEs although they were receiving preferential treatment (e.g. Vinafood still holds the monopoly of selling rice to a number of markets such as Iran, Malaysia, and the Philippines). Expenses per unit of marketing activities of SOEs are 5 times higher than the private sector in terms of expenses. According to data published by the Ministry of Finance (Nguyen Sinh Hung 1998), debts contracted by SOEs have been deemed more important and raised to 13% in 1996. As a consequence, overdue debts of banks rapidly increased and many SOEs had to receive subsidies from the budget. This shows that budget constraints are still soft for many SOEs, especially if the managers have good relations with the government. Since Vinafood 2 won its export bid of 600,000 tons of rice to Philippines at a low cost, it has reinstituted monopoly and regulations, squeezing rice farmer earning for an unprecedented low price. Some rice producers in the Mekong delta has rejected to supply Vinafood 2 due to the exceptionally rate of only 370.05 USD/ton (FOB HCMC), while the same type of rice is exported to other markets at 385-390 USD/ton, in the absence of the same restrictions rendered by the Philipines. The total quantity rejected by local enterprises amounts to 100.000 tons (Son Nhung-Ngoc Anh 2014).

Also, the incentives to abuse this situation are strong. A typical case is that of the General Electricity Corporation which reported wrong business results and efficiency to the government in order to request the government to allow them to raise their prices. According to the report, if prices were not increased, the company would lose VND 298 billion. Actually, the company was making a profit of VND 1,445 billion, using higher prices to increase the turnover and the salary fund of their branch. According to data from the State Inspection Commission, the

discrepancy amounted to VND 743 billion in 1995 and 1996. Against regulations, salaries paid by the company increased by 150% which in total amounted to over VND 96 billion and which resulted in low tax collection or VND 24 billion (Le & Ha 1998).

These shortcomings of the State administrative system might result in: the government's lack of knowledge on the actual financial situation of SOEs; increased heavy budget loss in the expenses of SOEs, which leads to a draw on the GDP of approximately 30-35%; corruption within the state apparatus; and unfair treatment to investors, business people, and even citizens. Any enterprise having "connections" with government officials can evade tax and get away with it. This does not encourage people to engage in business.

Ⅲ. Investment in SOEs: Inflation and Incremental Capital Output Ratio (ICOR)

With better achievement of economic development over a long time, Vietnam considered continuing to promote growth with investments in economic corporations to create resilience for catching up with regional countries. However, issues of money and overcapacity, credit growth, and the provision of financial resources for state enterprises and other economic groups in the absence of control—with expectations of high growth—hounded the economy and consequently increased dramatically the international balance of trade deficit. Vietnam faced inflation of up to 18% in 2011 as shown in <Figure 1>. The expansion of corporations' influence can be said to be an important cause of high inflation in Vietnam (Vu V. Q. 2013).
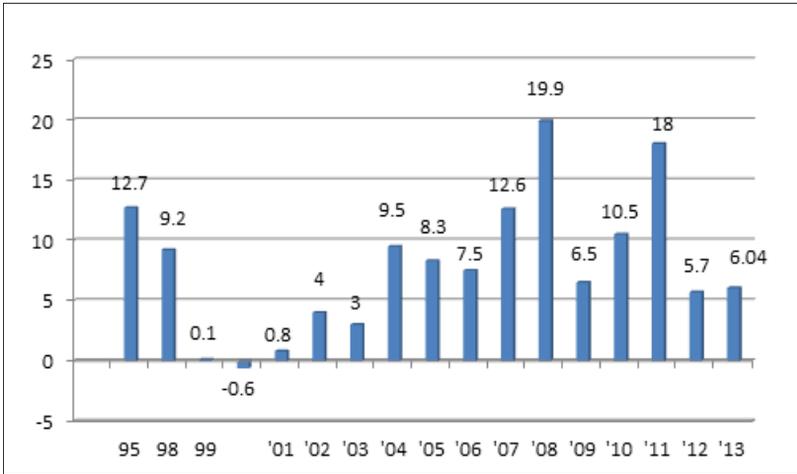
Figure 1. Inflation Rate 1995-3013
Source: General Statistics Office of Vietnam

On the issue of anti-inflation, the Politburo of the Communist Party of Vietnam had specific measures in "The conclusion on a number of socio-economic problems," published on April 4, 2008 (22/KL/TW) (SGGP 2008).

The document presents the following causes of inflation:

The rate of investment spending from the public sector (the state budget for SOEs) was large but inefficient. Egregious investment resulted in the tardiness of many incomplete projects, Loss through ineffective investment has existed for many years at both governmental and local levels. This has been slowly resolved; the ICOR of the economy is increased more and more.

Meanwhile, at the official levels of the state, "... the current priority is to control inflation, maintain macroeconomic stability, while maintaining economic growth at a reasonable level, especially focusing on social welfare support to help the poor employees who are influenced by the inflation."

According to the Politburo, the economy still presents uncertainties. In fact, the higher the ICOR, the lower the productivity of capital. The ICOR can be thought of as a measure

of the inefficiency with which capital is used.

Table 1. Comparisons on ICOR and GDP

	ICOR	GDP
Vietnam (2000-2007)	5.2%,	7.7%.
China (2001-2006)	3.9%,	9.7%.
Korea (1961-1980)	3.0%,	7.9%.
Thailand (1981-1995)	4.1%,	8.1%.
Malaysia (1981-1995)	4.6%,	7.1%.

Source: Vu V. Q. (2009).
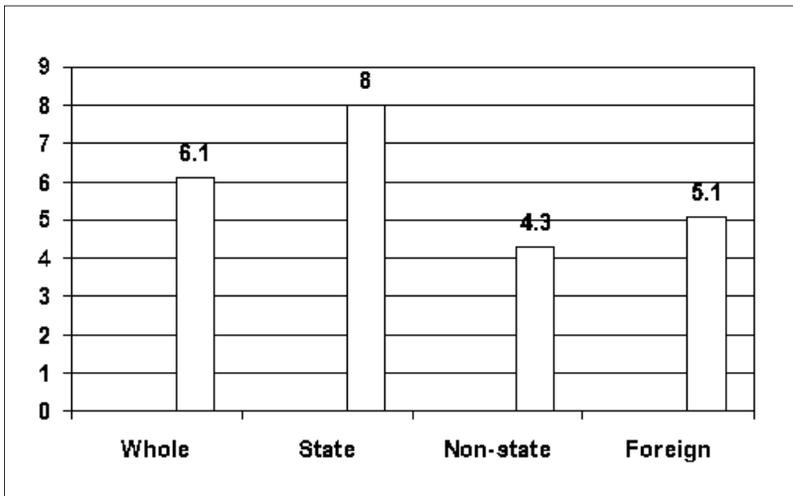
In comparison with other countries, Vietnam's ICOR is the highest; it indicates that the economy is less efficient in its use of capital. In the investment sector, the public sector ICOR coefficient outnumbered all, at 8 % compared to the FDI sector and private sector, in the 2006-2008 period as shown in <Table 1>. Furthermore, the ICOR of the economy based on capital investment had increased to 6.8% in 2006-2010, according to Bui Trinh (2011).


Figure 2. ICOR by Sectors, 2006-2008.
Source: General Statistics Office of Vietnam.

The restructuring of businesses in order to promote sustainable growth and healthy economic environment was also planned by the government.

Table 2. ICOR in Vietname, 2001-2007.

	2001	2002	2003	2004	2005	2006	2007
ICOR	5.14	5.28	5.31	5.22	4.85	5.04	5.38

Source: Calculated from data of the General Statistics Office of Vietnam
        (Vu V. Q. 2013).

Nowadays, the problem of state enterprises, particularly corporations, was raised as a socially imperative one, as more and more defects manifest through the ineffective use of capital. People have lost faith in groups due to their poor management of capital, which has resulted in huge losses nationwide. The Party Central Committee has issued a resolution on reform and the Prime Minister has outlined an implementation program. According to the report by the Committee of Business Reform and Development-Central Research Institute for Economic Management, by the end of 2010, there were 1,207 State Enterprises which are one-member limited companies and 1,900 state enterprises controlling shares. SOEs now receive 70% of Vietnam's total investment, 50% of state capital investment, 60% of commercial bank credit, and 70% of ODA, though the SOEs contribute only about 37-38% to GDP of Vietnam.

Since 2000, the state sector has created 4 million new jobs, which is only about 9 to 10% of the total employment. The number of employees in state enterprises has been reduced enormously. To create additional employment, the public sector was prioritized with a huge investment. The public sector accounted for more than 45% investment of the entire economy. In 2007, the private sector created 80% of the new jobs in the entire labor force.

Although the reform process has presented many impressive achievements, its practical consequences have revealed that the current model of the Vietnamese economy is no longer suitable, resulting in many implications for society and the economy. In

fact, many enterprises—including state corporations—have poor production activities. Trading with less efficiency, labor productivity is not high and competition is limited, wasting industry investment. Besides, the current model of state management of SOEs and the business administration model are conflicting and overlapping; many enterprises lack transparency in their business affairs, failing to record losses and profits of the business (Kim 2011).

State restructuring of enterprises sought to break monopolies and influence peddling to create equal opportunities among other sectors and international businesses, achieving financial transparency that does away with give-and-take mechanisms and state subsidies (Pham D. V. 2012). Unfortunately, as larger state-owned enterprises expanded their scope, the less effective their operations became. So far, none of the big state-owed enterprises shown success. Their expansion into state-owned corporations proved to be nothing but utter failure.

An economic reengineering that meets the demands of modern society in growth and sustainable development is urgently required. Recently, the Central Conference 3 term XI of the Communist Party of Vietnam has affirmed the implementation strategy of economic restructuring on three key points as: the monetary system, public investment, and state enterprises. On October 10, 2011, at the closing session, the General Secretary of the Communist Party of Vietnam Nguyen Phu Trong stressed that what is currently needed are the following:

> "Strict control of public debt, bad debt of state enterprises, repayment of foreign loans, foreign investment, especially investment in real estate, the stock market and the other hot capital; gradual reduction of the rate of supply of capital for development investment from the commercial banking system and promoting the quality of banking activities."

In the process of restructuring SOEs—the focus of which is interest groups and state corporations—it is important to reflect the implementation of views, goals, tasks, and innovative solutions to improve efficiency of State enterprises. This has all have been

identified in the resolutions of the Party.

It is vital to halt the economic sector and the state owned general company which have investment spread outside of their sectors of production, main business in 2010″ (Nguyen T. P. 2011).

Prior to July 16, 2010, Tuoi Tre Daily also published an article by Prime Minister Nguyen Tan Dung, who emphasized that effective measures must be put in place, "to implement multi-ownership, transparency and improve corporate governance." He also reiterated the importance of putting "state enterprises on an equal competitive environment amongst all economic sectors in the market mechanism. Only that can improve the efficiency of state enterprises and the development of the new state which will not dominate resources used for developing the private sector—a major driving force of growth" (Nguyen D. T. 2010).

Thus, restructuring of state enterprises must be a consistent, determined command in the overall restructuring solution, improving operational efficiency of SOEs, especially that of groups and general companies.

Ⅳ. Restructuring SOEs: an economic and social imperative

4.1. Restructuring SOEs:

In the process of market-oriented reforms, the Vietnamese government has seen the shortcomings of the economic model of state enterprises. Since 1990, the Council of Ministers issued 143 decisions on reorganizing the state-owned sector, which will be dissolved—a model transformation and reducing inefficient loss. However, in 2002, the new clear separation of state and private sectors was made. The list of criteria and classification of SOEs and corporations was enacted. This reform process was slow and failed to meet the deadlines set. The state had 46 business sectors and dominated 47 sectors. In 2004, SOEs owning 100% of capital had fallen to 29 sectors in which 8 SOEs withdrew

completely. Then, in 2007, the State continued to reduce its market share to 100% equity in 19 sectors. In the spirit of greater changes in corporate law promulgated in 2005, the state enterprise model was dismantled, ushering in the model of limited liability companies and shareholding companies with a July 1, 2010 deadline. However, the law did not reflect reality.

Pham Duc Trung, Deputy Director of Enterprise Reform-Central Institute for Economic Management (CIEM), stated that "the restructuring of SOEs specifically by selecting target units is only short term. The key point must lie in the strategic direction of SOEs. For years, the budget was too large for SOEs investment because we had given to this group an impossible mission, which was to lead the economy. But until now, the position of SOEs and the role of SOEs in the economy to some extent needed to be reset more appropriately" (Pham H. 2011).

Numerous subsidiaries were established after the Vietnamese government introduced an experimental model of parent companies and subsidiaries. Although the rate of profit has not been published, a congressman once expressed his opinion: "It is essential to evaluate the effective use of over 23 billion USD that the Prime Minister said had been distributed to businesses, as some voters said that the capital or property of the State may have brought more savings than profit derived from SOEs" (Xuan 2008).

The impact to the industry sector has also been shown in the report of the Committee of Innovation and Enterprise Development on February 15, 2011. By the end of 2010, the scale of equity corporations and state-owned companies was 540,701 billion VND (up by 11.75%, compared to 2009) with total earnings before tax of 70,778 billion VND; earnings before tax on equity reached only about 13.1%, lower than the interest rates of commercial banks in 2010. In particular, up to 80% of the total pre-tax profit came from four groups: Petroleum, Military Telecommunications, Telecommunications, and Rubber. For state owned corporations and other corporations, the rate of capital-based profit ownership was even lower (Kim 2011).

However, the potential risks of state owned corporations

have also been resolutely mentioned in the Conference on SOEs' Reorganization and Renovation on April. 23, 2008. At that time, as reported by the Ministry of Finance, these groups had invested about 7.3 billion USD or 117 trillion VND (about 10% of GDP and 26% of the capital raised by the 70 corporations and the general companies) outside the enterprise, where 1.4 billion USD or 23 trillion VND were invested into the finance, banking, and real estate sectors. Moreover, during that time, the state banks pumped more credit for these "investors" into these areas. With such numbers, it has formed a bubble of housing and stock. When the stock market and real estate are "exaggerated" by speculation, shares of companies in the finance, banking and real estate sectors became very popular. A few hundred billion VND invested by these company in these areas can return as much as a thousand billion VND. The group found easy and fast money in these risky areas. Now the stock bubble has deflated, and the real estate bubble has burst (Nguyen T. 2008).

The State knew the causes of inflation, and proposed several measures to restore macroeconomic stability, calling once again for resolute reform of state enterprises. On January 28, 2008, during the first live broadcast of the National Assembly debate on the evaluation and review of economic tasks in 2008 and development plans for 2009, Congressman Trieu Si Lau (Cao Bang) said: "Inflation is not just from banks but also from the widespread investment by corporations and the State Corporation⋯ it is necessary to immediately review and correct the operations of corporations and state companies; otherwise our efforts to fight inflation in the past time are meaningless" (National Assembly 2008).

4.2 Vinashin case study

Until 2009, the Vinashin ship building corporation was composed of one mother company and 200 subsidiaries, embracing a variety of industries beyond its major activities aside from ship building and related fields. However, this corporation has encountered several failures. Its total debt was equal to 89% of its general value (80 thousand billion VND out of 90 thousand

billion).

According to the supervising report of the Parliament, "the total overdue debt of Vinashin since 2008 has amounted to 3,812 billion VND, which accounted for 91% of the total overdue debt generated by all corporations." In other words, in 2008 Vinashin has failed to pay its debt, or gone informally bankrupt, despite the fact that creditors did not push Vinashin to declare its bankruptcy as mentioned in the Law. Vinashin also earned its debt of 1,835 billion VND to PetroVietnam Finance Fund Management Inc., with an overdue debt amounting to 1.300 billion VND.

From the two figures mentioned above, it is evident that Vinashin became bankrupt two years after its establishment. The Government did interrupt in restructuring this corporation.

Undoubtedly, the Government has favored Vinashin and it was due to this favoritism that it loosened budget requirements. Obviously, ineffective management resulted in the collapse of Vinashin.

Vinashin is among the top state-owned enterprises engaging in various fields aside from ship building and sea ports. It also had interests steel manufacturing, cement, beer, aviation services, insurance, banking, and even motor imports. The enormity of its interests lead to its failure in utilizing capital. Its projects were not completed due to lack of capital and escalating debts. Also, it was notorious for abusing loan stock, which consequently lead to a fiasco that exposed its lavish investments in the public sphere, among them, an unused Lotus Ship costing 60 million Euros, and an international loan that purchased 9 used ships amounting to 200 million USD.

It also lost in its stock investments. The mother company became a share holder of Bao Viet Corporation, with the total investment of 1,462 billion VND. In this transaction, one stock costs 71,918 VND, making them control 3.56% of the charter capital of Bao Viet. However, the stock price of Bao Viet declined to 37.100 VND. Vinashin lost 700 billion VND and withdrew its

share from the executive board. The government directed Vinashin to transfer its projects to other two corporations, Petro Vietnam and Vietnam Airlines.

Pham Viet Muon, Head of Innovation of state enterprises noted the level of risk of this kind of set up, during a conference on renewing state-owned enterprises on July 10, 2006. According to him, "debt- capital ratio of SOEs is too high. Many companies have debts to pay five times higher than the state capital in the company. Some companies have loans of 20 times higher than their capital, putting the company at great risk with low debt solvency."

A report by the Ministry of Finance dated November 20, 2011 and submitted to Congress indicated that state corporations investment beyond given sectors reached nearly 22,000 billion VND. Of the amount, 3,576 billion was in securities, 2,236 billion in the insurance sector, 5,379 billion in real estate, 495 billion in investment funds, and 10,128 billion in private banking. Among the investment groups outside the industry, Petrolimex leads with 6,708 billion VND, followed by the rubber industry with 3,848 billion VND.

In retrospect, this case is best examined by way of an opinion from Deputy Minister of Planning and Investment Dang Huy Dong. According to him, in looking at the investment field and absolute numbers, great value and investment should be reconsidered. For him, investment areas are mainly situated in finance, banking, securities, real estate, and insurance. These are consequently sensitive and high risk areas. For example, the electricity sector of Vietnam invests only 5 billion in power plants, and 2,100 billion such other areas as insurance, securities, banks and investment funds, which accounts for 99.8%. PetroVietnam has a 6,708 billion VND of beyond-sector investment and the figure for the main sector was 5,636 billion (over 84%) (Vu and Dang 2011).

Despite being held largely by the state, economic corporations until now work without a proper legal framework for its specific operations, resulting in poor protection of ownership rights, and

little accountability to owners of state capital. This is a serious loophole.

The establishment of a interest group will bring about extensive benefits to its members. Subsidiaries under the control of corporations will benefit in having loans from the state bank. Being the backbone of the economy, subsidiaries may easily be given the state public land. Under the law of land ownership, the state can take over farmers' land; they are usually given a low-value price as compensation. The subsidiaries may use this land for equitization then sell stocks in the stock market. Usually, companies holding shares of equitized subsidiaries usually have crony relationships with managers of corporations. This brings about mutual benefits; the bank officials facilitate loan capital. As a result, it is easier to legalize assets from public ownership, turning them into private ownership. Moreover, the establishment of subsidiaries encompasses many construction projects, procurement of equipment... it is an opportunity for managers to receive a commission of the sale. The salary received by administrators when setting up new subsidiaries also provided significant resources for these members. Although suffering from loss, some CEO board chairmen received payments of up to 3,500 USD to 4,000 USD per month (Thu Hang 2011).

Since December 2007, the Treasury had been warning the public of the debt/equity ratio of Vinashin reaching too high at 21.8 times. Finally the Government Inspectorate intervened in 2009. Vinashin had a deficit of nearly 5,000 billion VND of state capital, facing the risk of losing around 8,500 billion VND. Upon inspection, must-be paid debt amounted to over 86,000 billion VND (4.2 USD billion). At the end of the investigation, Vinashin was found as "deliberately violating State's regulations on economic management causing serious consequences". The Security and Investigation Agency of the Police Ministry recommended the prosecution of nine defendants and pegged the financial losses to nearly 907 billion VND (Minh Quang 2011). The Office of the Government Inspector General released a post-collapse report outlining its findings of various violations and recommendations never heeded. Financial reports were apparently inaccurate to

camouflage their activities.

For Ha Van Hien, chairman of the National Assembly's Economic Committee, decentralization caused the collapse of Vinashin. He also pointed out the ineffective management of Vinashin and corporations. In the enterprise reform, it is important to clarify the functions of state management and ownership; he says there must be agencies that are to be made accountable (Lam Son 2010). Euro Charm CEO Dr. Mathis Duhn agrees and says that "promoting equitization of state businesses will also be the vital factor for further developing of Vietnam's economy" (Khanh Linh 2011).

In the Central Conference 3, term XI, of the Communist Party of Vietnam, the restructuring of state enterprises is to be done to avert the following: irrational investment; lack of concentration and determination for massive key projects; mismanagement; lack of transparency; closure; corruption; local interests; factionalism; localization; short-term thinking; lack of control and timely remedies; unclear strict liabilities and consistent policies at all levels, considering the absence of an Investment Law in the country. Economic restructuring of state enterprises demands clear objectives for businesses to overcome the pressure of crisis, high interest rates, and changes in input costs (Kim 2011).

For Le Doan Hop, former Minister of Information Resources and Communications, in a *Tien Phong* article of Jan. 26, 2012, the Central Conference 3, term XI, sets the directions by identifying the three biggest obstacles to restructuring the economy—interest groups, and short term, and local thinking. But this campaign is not simple. A state-owned enterprise today has too many top managers. When problems arise, they have to mobilize their capital for maintaining their major company. Additionally, businesses should be given full market freedom, and should not managed by the state. Restructing is authentic when it transcends being just lip service (Nhat Anh-Pham Tuyen 2012).

Regrettably while the reconstruction process of SOEs is delayed, there remains the continuing prospect for interest groups to mushroom and become once again a burden to the economy.

Such interest groups have flourished while becoming more powerful within SOEs, hindering tremendously the restructuring process (Nguyen T. 2013). Those who work in SOEs traditionally carry out their jobs only to satisfy their higher ups.

Jonathan Pincus of the Vietnam Program, Harvard Kennedy School, once complained to the *Financial Times* that, " Vietnam has routinely invested more than 40 per cent of GDP largely a product of the easy access to state land and credit afforded to state companies and local authorities. He observed that not only is it easy to turn a profit when land and capital is cheap or free, but earning profits may not even be the main aim. When public officials have a term of five years or less, and can potentially earn much money in signing contracts, investment becomes a more lucrative transaction than a long-term procedure" (Pincus 2011).

An effective mechanism should be set up to monitor financial affairs of businesses. Financial reports should be posted in websites and public communication channels for a healthier trading environment. These measures will prevent distorted and veiled information from thriving in businesses. The equitization of remaining business requires the determination of all business leaders, including administrative and party members, in order to halt lost compensation from the state. It is necessary to seek strategic investors from inside and outside the country to participate in management. In this set-up, shares would be sold rather to major shareholders than to many minor shareholders. In particular, the requirement to keep the state capital ratio of over 51% should be eliminated as it is actually a trick of business leaders and local authorities to avoid equity.

Ⅴ. Conclusion

The renovation of state-owned enterprises of Vietnam is now at the period of resolutely winning back equity. After more than 25 years of economic reform, the achievements of the country are

encouraging, although the rich-poor gap has become bigger and bigger each day, and the impact of interest group benefits has aggravated the plague of corruption. More than ever, the state has increasingly shown its determination to maintain sustainable economic development to benefit all citizens.

The role of the state and the policy-makers has an important significance. Stricter laws of land ownerships should be launched, which limit the rights of state-owned enterprises in using lands of local people for their own purposes. Farmers should be entitled to the ownership of their lands. Additionally, the state should create a healthy and open environment to all economic sectors; this will facilitate business activities and raise state taxes. It is necessary to avoid bias in favor of state enterprises, which may deviate from the competitive environment, causing disadvantage for private enterprises as well as farmers engaged in production.

To protect the assets of the state, the state needs to recruit people with business ability, legal knowledge, and market wisdom for corporate management. State contracts must be signed only if the business leaders can complete their responsibilities. If incompetent candidates are selected, their relationship with interest groups will sow the seeds of corruption. When these interest groups collude with each other, there will surely be more Vinashin‒like cases in the future.

The big contradiction in Vietnam's economy is in the mentality of integrating with the remaining models of the SOEs-dominated mechanism. In a social perspective, it is difficult to attain a sustainable economy under the supervision and direction of SOEs and the state. The collapse of Vinashin and Vinalines, among others, are illustrative failures in the fiercely competitive market. Giant corporations may experience financial disasters if they continue to be subjective and hasty in their expansion, especially in the absence of clear guidelines.

The ultimate thing is that the state has to change its thinking in the renovation process and restructuring of state enterprises.

Who will benefit the changes? Why do we need changes? Only when people sincerely welcome the new changes the restructuring could succeed. The State should disseminate the idealism and impose discipline on state enterprises and local authorities for the effective application of state policies. To achieve this goal, collaboration among related agencies and bodies is needed along with serious punishment for those who fail to meet the required process of equitization.

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Can Vietnam Become The Next Tiger?
Confucianism and Economic Development in the Southeast Asian Context

Fei Huang

[*Abstract*]

Asia-Pacific Confucian Capitalism is comparable to Atlantic Protestant Capitalism in terms of economic success, as most economies influenced by Confucian culture in East Asia and Southeast Asia are economically well-off in the past 50 years, save for Vietnam. This paper seeks to determine whether Vietnam can follow the path of development of the other Confucian economies, especially in the context of globalization and upcoming regional integration.

In the paper, I will use an analytic framework derived from Weber and Huntington to examine the cultural dimension of Vietnam's economic development. In the domestic field, I argue that the core values of Confucianism continue to contribute to the development in Vietnam in many ways; yet one critical element needs to be tapped: the political culture of strong leadership and efficient bureaucracy. Confucian values for development may be compromised by pushing for democratization too early in Vietnam. On a positive note, Confucianism for Vietnam is instrumental in its regional integration into Southeast Asia since it is integrative rather

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than exclusive. Vietnam's cultural similarity with China may however lead to too much passive learning and conflicts. In conclusion, Confucianism is a valuable asset for Vietnam's economic development, but challenges have to be addressed in order for Vietnam to become the next tiger.

Keywords: Confucianism, Culture, economic development, Vietnam, developmental state

Ⅰ. Introduction

Whenever I meet scholars of Southeast Asian studies, I always ask them a question: *In your opinion, which country in Southeast Asia is most promising in terms of economic development?* To my surprise, most of them have the same answer: Vietnam. When asked why, one scholar simply put it this way: *Vietnam has the guts.*

The Vietnamese people had fought four major powers (China, France, Japan and the U.S.) until it gained independence in 1975. It is a country seasoned by war. Vietnam has benefited from a program of internal restructuring, a transition from the agriculture to manufacturing and services, and a demographic dividend powered by a young population. The country also prospered since it joined the World Trade Organization in 2007, normalizing trade relations with the United States and ensuring that the economy is consistently ranked as one of Asia's most attractive for foreign investors.

However, since 2008, the national economy has been experiencing a prolonged slowdown. According to official statistics, the average annual growth rate for the period of 2008-2013 was 5.8 %, compared to the 7.6 % for the period of 2000-2007. In 2012, the economy grew only 5.03 %, the slowest in 13 years[1]. This growth rate is not ideal for a developing country in a takeoff stage, and the Vietnamese nation remains to be an agricultural

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1) Data from the website of Trading Economics (2014). GDP Annual Growth Rate in Vietnam is reported by the General Statistics Office of Vietnam.

and a lower-middle-income economy by World Bank standards.[2]

Now, there are two competing views about Vietnam's future. Some predict that the country would follow countries such as South Korea and Singapore in leaping onto development within a generation; some others however are pessimistic, and Japanese economist Kenishi Ohno even says that Vietnam has fallen into the middle income trap, where it will experience perpetual stagnation.[3]

The guts—or national spirit—is important for economic development. Broadly speaking, we need to understand the cultural factors underpinning economic development. This paper aims to discuss the future of Vietnam from a cultural perspective. With a similar Confucian culture as dominant social ideology, can Vietnam follow the developmental path of other successful Confucian economies in Asia? What are the prospects and the challenges?

The paper will be organized as following: I. Introduction; II. Literature Review; III. The politico-cultural dimension of the East Asian development state model and its significance to Vietnam; IV. The role of Confucian culture in Vietnam's integration into Southeast Asia and in its relation with China; and V. Concluding Remarks. In Part I, the research question and content of different parts are outlined. In Part II, two bodies of literature are reviewed, and a revised approach to economic development study derived from Weber and Huntington is proposed. In Part III, the notable differences between Vietnam's political culture and other East Asian developmental states are discussed. In Part IV, the role of Confucian culture in Vietnam's integration in Southeast Asia and in its relations with China will be discussed. Part V is a summary of all major points, with some concluding remarks.

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2) World Bank (2014) sepreates Lower-middle-income from upper-middle-income economies at a GNI per capita of $4125.

3) Ohno says the country faces a social crisis because it failed to heed warnings six years ago. Vietnam now faces: Slowing economic growth ,Low investment efficiency, Rising production costs, Little improvement in competitiveness. Ohno says productivity has grown 3% annually while wages rose 26%. Competitiveness has dropped at an annual rate of 23%.: Ohno (2009).

Ⅱ. Literature Review

Max Weber and Samuel Huntington have posited that cultural values have enduring and autonomous influence on society. In this section, I will review two bodies of literature with regard to the role of culture.

The first body of literature focuses on the domestic influence of culture, the second on the role of culture in shaping a country's external relations. These two bodies of literature are often treated separately. However, economic development is no longer a purely domestic issue, considering the challenges of globalization and regionalization. The first body of literature is no more adequate in explaining the role of culture in the success and failure of economic development; it needs to be complemented by the second body of literature to become a more powerful approach. The aim of the literature review is to provide a unified theoretical framework for the study of economic development from a culture perspective.

2.1. Confucianism and modernity: evaluating the Weberian approach

The cultural approach to economic development studies started from Max Weber, who tried to understand the connection between fundamental religious ideals of ascetic Protestantism and its maxims for everyday economic conduct.

Max Weber's *The Protestant Ethic and the Spirit of Capitalism* examines how the religious ideas of American Protestants greatly contributed to a rational work ethic that helped establish modern capitalism. Weber notes that in modern times, though hard to substantiate, it was preaching and religious writings that were "the decisive influences in the formation of national character." For instance, in order to prove to their being chosen by God, Calvinists responded to their "calling" by intense, unabated labour. In this way, they hoped to allay their fear of being condemned. Additionally, their frugal, ascetic lifestyle was directly oppositional to the spontaneous enjoyment of life that distracts them from the all-important calling. Thrift, organization, hard work, and energy

foundational values that animated the spirit of modern capitalism as driven by religion.

Through Weber, we may argue that Confucian value-concepts makes modernization untenable. This explains why Chinese society could not have produced modernization on its own, and to this day, those who adhere to traditional Chinese values remain wary of modernization. In Weber, Confucianism may be seen as the very thing serving as the innate force of pre-modern Chinese history.

Weber's thesis of the incompatibility extended to Confucianism and rational entrepreneurial capitalism may be seen as being challenged by the economic miracles of many East Asian countries. Some scholars (Chung, Shepard and Dollinger 1989) argue that Confucianism is compatible with and has facilitated Asian capitalism by its influence on managerial values and practices. According to Weber, the release of tensions created by Calvinism was important motivating force in the development of capitalism in the Occident. It is arguable that Confucianism offers a parallel mechanism to the profit-seeking drive in Western capitalism. In Confucian societies, there also exists tensions between ideals and reality, a motivational mechanism for the development of capitalism in East Asian societies that parallels the West.

Weber posited that the classic model of bureaucracy—with impersonality at its core—is essential to the development and perpetuation of capitalism. The second critique to Weber's position extended in our case is that humanism is an important element in Confucian bureaucracy, and that humanistic bureaucracy can be both effective and efficient for the development of capitalism. Woodside (2012) argues that East Asian bureaucracy became modern much earlier than that of Western countries.

2.2. Clashes within Civilization?: Evaluating the Huntington's Approach

Huntington (2011) believed deeply in the durability of cultural values and the primacy of religion as a shaper of both national political development and international relations. The great divisions

among humankind and the dominating source of conflict tend to be cultural. Nation states will remain the most powerful actors in world affairs, but the principal conflicts of global politics will occur among nations and groups of different civilizations. The clash of civilizations will dominate global politics. The fault lines between civilizations will be the battle lines of the future.

According to Huntington, common culture, in contrast, is clearly facilitating the rapid expansion of the economic relations between the People's Republic of China and Hong Kong, Taiwan, Singapore and the overseas Chinese communities in other Asian countries. With the Cold War over, cultural commonalities increasingly overcome ideological differences, with mainland China and Taiwan moving closer together. If cultural commonality is a prerequisite for economic integration, the principal East Asian economic bloc of the future is likely to be centered on China.

Tu Wei-ming criticized Huntington's understanding of civilizations as rather one-sided and merely representing a fashionable but unhealthy current that has persisted in American society since the end of the Cold War. Although the "clash of civilizations" theory continues to be widely popular, Tu predicted that its influence will decline, because its very foundation is problematic. First of all, it does not correctly represent the mainstream currents in modern civilizations. Tu emphasized that it is more of a dialogue of civilizations, not a clash, that appropriately characterizes this mainstream.[4] Moreover, conflict exists not just between civilizations; it arises internally, within each civilization system as well. It is arguable that in some cases, cultural similarity may be directly associated with war, whereas religious dissimilarity is inversely correlated with war (Henderson 1997).

Confucianism is integrative and inclusive in nature when it interacts with the other religions, as may be observed with its long historical process of integrating with Taoism and Buddhism. It is not impossible for Confucianism to constructively interplay with Christian and Islamic cultures, as has been indicated by the ASEAN

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4) Confucianism and Modernity, Insights from an Interview with Tu Wei-ming by Bingyi Yu, Zhaolu Lu (2000).

integration process. But on the other hand, clashes and conflicts are not rare within Confucian cultures. The Confucian world order is a tributary system centered around China, and in history, this world order was only accepted by China's neighboring countries cursorily. At the deep cultural and psychological level, Vietnam, for instance, views itself as the center of Confucian world order, and this will potentially lead to conflicts with China.

Ⅲ. Revising the Approaches of Weber and Huntington: Explaining the role of Confucianism in economic development and modernization

By revising and integrating Weber's approach with Huntington's, I believe that the role of Confucianism in the economic development and modernization can be better understood. I summarize it in the following <Table 1>.

Table 1. A revised approach by Weber and Huntington: the role of Confucianism in Economic Development

	Potential Positive influence	Potential Negative influence
Internally	1. Emphasis on education as contributing to a country's rapid accumulation of human capital. 2. Thriftiness as useful for capital accumulation. 3. A culture of hierarchy and obedience help maintain stable political order, lower cost of social management, and strengthen government in functioning properly in the early stage of development.	1. A culture of hierarchy and obedience may limit creativity.

	Potential Positive influence	Potential Negative influence
Externally	1. Confucianism as integrative rather than exclusive to other religion. 2. Dialogue of civilizations.	1. Cultural similarity may lead to too much passive learning from other Confucian states. 2. Cultural similarity may lead to conflicts and clashes within the civilization.

In the following scheme, the relationship between Confucianism and economic development in Vietnam will be analyzed within this theoretical framework.

IV. The Politico-cultural dimension of East Asian developmental state model and its significance for Vietnam

A strong authoritarian state and efficient bureaucracy are important institutional factors that contributed to the miracles of East Asian developmental states. These institutional factors are well supported by Confucian values such as loyalty, hierarchy, and obedience. These societies did not embark on democracy until they reached a certain level of economic development.

Vietnam differs from other East Asian developmental states and China as it introduced democratic reform at an early stage of development. Though democracy in Vietnam is still limited, it has weakened the capability of the leadership. Because democracy is a political system alien to Confucian tradition and culture, it is slow to change, pushing democracy too fast or too early in a Confucian society and causing social instability and chaos. Without tapping into the underpinning culture of a society, democracy will not function properly, and the economic development will be compromised.

It is true that Vietnam is developing in an age of globalization, and the international environment is quite different

from that of the development states in their developing stage. However, this does not mean the experiences of East Asian developmental states are invalid, as strong states are even more important in resisting the turbulence of globalization. Technology and information do not necessarily diminish the potential of developmental states in East Asia. With the states' vision of progress and rapid digitalization, high technology and information may serve as catalysts of state formation and agency in creating rational consciousness that could be not be subverted by day to day political conflicts.

3.1. Cultural Dimension of East Asian Developmental State Model

In his study of industrialization in East Asia, Vogel (1991) summarized the important factors that led to the rise of Confucian economies: U.S. aid, destruction of the old order, urgency of a political and economic crisis, eager and plentiful labor force, and Confucian ethics.

Confucian values are culturally important in the developmental state model. Confucianism is a Chinese philosophical system that concentrates on human morality and behavior in a hierarchical society, and its cultural values have been institutionalized in many East Asian countries, such as China, Japan, Korea, and Vietnam, for more than 2,000 years.

Chalmers Johnson (1982) started the study of developmental states when he accounted for Japan's ideal type of an interventionist state, typically discoursed by Weber. The Japanese developmental state has been successfully emulated in South Korea, Taiwan, Singapore, and Hong Kong. A comparative analysis of the state of Newly Industrialized Countries (NICs) allows variations of the developmental state to emerge from the background, illustrating the astonishing economic growth in East Asia. The East Asian development states share two important features:

First, their political system is characterized by centralized power structures and a strong drive to eliminate or subordinate

all potential centers of countervailing power, a necessary condition for economic development, at least at a relatively early stage.

Second, they possess an efficient bureaucracy. In his book *Embedded Autonomy*, Peter Evans (1995) combines Weber's bureaucratic insulation with tight connection to surrounding social structures. The state's autonomy is embedded in a concrete set of social ties that bind the state intimately to society and to particular social groups, providing institutionalized channels for the continuing joint adjustment and transformation of goals and policies. The developmental state's informal networks, both internal and external, further enhance coherence of the bureaucracy. Internal networks are fundamentally dependent on a strict selection process, and refer to ties among classmates at elite universities from which officials are recruited. In this system, competence— and not clientelistic ties or loyalties—is the chief requirement for entry into the network, making it valuable among loyal members.

In Japan, the highly selective recruitment of civil servants and long-term meritocratic rewards create commitment and a sense of corporate coherence. As such, the behavior of bureaucrats is bound to pursue collective goals rather than individual opportunities presented by the market, allowing the state to act with autonomy from certain societal pressures.

Singapore's development has depended on a network of well-coordinated agencies led by the Economic Development Board (EBD). These agencies enjoy significant political backing, independence, and control over substantial economic resource. Moreover, they are largely shielded from the normal constraints of democratic politics by Singapore's dominant party system. The Ministry of Trade and Industry (MTI) is responsible for soliciting foreign investment, directing investments into strategic sectors, and maintaining ties with international business clientele (Chu 1999). State enterprises are required by law to break even and are subject to fiscal and monetary restraints. The incumbent government elite has had a successful track record in dealing with external economic fluctuations and possesses an institutional capacity for long-term bargaining with all the major sectors of

society (Mckendick 2000). In instances of economic downturn, economic officials can obtain the cooperation of these sectors with tightened policies, allowing Singapore to manage its national economy effectively in light of global economic changes.

Authoritarian modernization in East Asian developmental states is well connected with and supported by Confucian values. Confucianism encourage both impressive economic performance and the maintenance of authoritarian rule. Confucianism values family, groups, norms, and social harmony, as well as moral, political, and economic order over the individual and personal freedom. Good governance is to be popularly perceived not by its impersonal enforcement but by its embodiment of virtuous leadership. These norms give governments more authority to regulate personal conduct and morality. Hierarchy is the core notion in human relationships, and because of this, centralized state power is expected to improve administrative efficiency and play a leading role in mobilizing human and material resources necessary for rapid industrialization.

By justifying the existence of hierarchical political systems and the need for the centralization, meritocratic bureaucracy operates within an authoritarian political tradition, with the Confucian value system generating particular institutional outcomes manifesting in the political system and in industrial organizations.

3.2. Vietnam's weakness in government capability and bureaucratic efficiency

Located in the center of Southeast Asia, Vietnam has deep Chinese cultural roots being under Chinese rule for over a thousand years. Confucianism shaped its strong economic and cultural dominance until the French colonization in the 1800's. Despite the weakened Confucianism in Vietnam after the French colonization, Confucian values still persistented in the country's domestic, social, commercial, and educational systems.

Although feudalism found itself being phased out in the early 20th century, Confucian values still animate Vietnamese

consciousness. The Confucian legacy still pervades in Vietnamese contemporary society as can be seen in the subscription to hierarchical relationships, as well as the emphasis on education, family, and community (Jamieson 1979).

Confucian values also provide some important conditions for economic development in Vietnam, especially in human capital and social stability. Confucianism places emphasis on hard work, diligence, and the valuing of education, given that such traits are widely perceived to be the most acceptable means of career mobility in a hierarchical system. Considering this, Confucianism may be perceived as encouraging rapid human capital formation. According to Vu (2013),Vietnam's human capital—measured by life expectancy, internet access, and number of students studying in the United States per 1,000 population—is already comparable to China's. For instance, the results achieved by Vietnam in the recent OECD's Programme for International Student Assessment (PISA) test—which rated higher than the OECD average on all the three test subjects: Mathematics, Science, and Reading— indicate the strength of Vietnam's human capital.

Starting with economic reforms in 1987, Vietnam has pursued an export-led growth strategy based on more open markets and increased foreign direct investment. Despite marked economic progress, Vietnam remains to be a low-income developing country, ranked lower on competitiveness indices than most of its neighbors in the Southeast Asian region. Vietnam remains the second largest exporter of rice and coffee in the world, and its agricultural sector employs 52% of workers. However, technology-based exports constitute a small share of total exports. Continued economic growth in Vietnam, and its ability to compete in global markets depend on increasing investments in education and technology-based production. The national innovation system needs to be strengthened in terms of public research, incentives to research and development, and technology transfer and linkages between the public and private sectors, particularly with foreign firms.

It is arguable that Vietnam's underperformance has been

driven by leadership-related factors. Developments at the 6th Party Plenum highlighted a significant aspect of the leadership crisis.[5] The power structure is highly diffused rather than concentrated. The Central Committee has become more powerful and independent vis-à-vis the Politburo. This has made it harder for the Party to forge consensus at the top. The leadership of the Communist Party of Vietnam (CPV) is also shared among the CPV general secretary, the state president, the prime minister, and the chairperson of the National Assembly. Compared with Chinese Communist Party (CCP), the CPV general secretary, does not have enough authority. Such a power structure of CPV means weakened leadership.

The party's leading Politburo already ordered a preparation plan for the direct election of the general secretary of the National Congress, though such a reform could also determine the election of the state president by the National Assembly. Vietnamese leadership initiated a host of reform proposals in an effort to reinvigorate the stagnating economy and restore public confidence in the Party and the government. For example, Vietnamese Prime Minister Nguyen Tan Dung approved a new master plan on economic restructuring for the 2013-2020 period. The plan prioritized reorganizing public investment by allowing private investment in state banks and enterprises, increasing transparency and oversight in the financial sector, restructuring and reducing the number of state-owned enterprises, and redefining the state's control. The Party has also initiated a broad anti-corruption campaign. The National Assembly publicly approved amendments to the 2005 anti-corruption law, giving the Politburo control of the Anti-Corruption Steering Committee and shifting power from Dung—widely perceived to be involved in corrupt practices—to the Party General Secretary. However, Due to the resulting political paralysis, these policies in Vietnam have not been as effective as the anti-corruption movement lauched by President Xi Jinping in China.[6]

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5) See the report "Leader opens Sixth Party Central Committee plenum in capital" in *Vietnam News (VNS)*, October 22, 2012.

6) Fforde (2013) found that foreign governments and businesses no longer expect that

In comparison to Vietnam, China was inspired by the East Asian miracle right from the early years of reform. The Chinese Communist Party has made an effort to ensure the strength of its leadership, boldly launching experiments in economic reform while keeping conservative political reforms. Apart from the central government, local government also played very important roles in developing the economy, leading to localized developments. Vietnam has tended to passively follow the Chinese experience in economic reform, neglecting fact that the Chinese model is an indigenous economic model tempered by the Chinese political and cultural system. Vietnam is more liberal in political reform, which may be the reason for its weakened leadership. In terms of promoting good governance, the Party has been intensifying its fight against corruption. However, as noted above, these efforts have proven to be ineffective due to the pervasive culture of corruption in the Party and the business sector.

Table 2. 2013 Corruption index of Confucian economies[7]

	Name	World ranking	Score
1	Singapore	5	86
2	Hong Kong	15	75
3	Japan	18	74
4	Taiwan	36	61
5	South Korea	46	55
6	China	80	40
7	Vietnam	116	31

decisions backed by the Politburo of the CPV are enforceable, whether it has to do with the South China Sea, relations with the U.S. or international institutions such as the World Bank and the International Monetary Fund. Economic growth has slowed, and a wide range of economic policies remained unused, especially measures to control corruption and regain macroeconomic stability.

7) The table is made by the author based on 2013 corruption Index of Transparency International.

Ⅴ. The role of culture in adapting to Southeast Asian integration and in its relation with China

Vietnam's membership in the ASEAN and its relationship with China are vital to the its development. Vietnam's future relies on its maintaining a close friendship with China and collaboration in the ASEAN. These relationships will certainly provide prosperity, stability, and security to the South East Asian. Confucianism as a cultural factor can influence the process of regional economic development.

4.1. The role of Confucianism in Vietnam's partnership with ASEAN

The major religious inheritance from China—Confucianism, Taoism, and ancestor worship—have coalesced with ancient Vietnamese animism to form a single entity: "tam giao", meaning, "triple religion".

Diverse thoughts and social movements emerged and happened in Vietnam, and Confucianism has integrated with different religions and culture. During this process, Confucianism has adapted to these differing social thoughts and integrated with them in Vietnam.

Table 3. Culture and social movements in Vietnamese history

Confucianism	Colonialism	Nationalism	Socialism	Capitalism	Informationalism
Buddism, Taoism	French culture	National identity	Marxism, materialism	Liberalism, Global consumerism	Technology

Vietnam became a full member of ASEAN in July 28, 1995. With Vietnam's Membership, ASEAN now represents a market of about 420 million people and a regional Gross Domestic Product (GDP) of over US $ 500 billion. ASEAN is also now a step closer in integrating all ten Southeast Asian Countries. Vietnam's accession to the various ASEAN agreements demonstrates its commitment to economic cooperation in the region, to the opening up the economy, and to trade liberalization.

Confucianism may be potentially useful in furthering Vietnam's integration into the ASEAN economy. Confucianism is a worldly and pragmatic philosophy, and it is also against religious fundamentalism since it can accommodate different thoughts. In history, it has successfully integrated with Taoism and Buddhism. As there are several Buddhist countries in ASEAN, the mutual understanding through culture will be instrumental for deepening ASEAN's economic integration.

Vietnam's unique Cao Dai religion combines Confucianism with Christianity, Taoism, and Islam. Cao Dai is a syncretistic, monotheistic religion officially established in the city of Tay Ninh, southern Vietnam in 1926. It is a bold attempt of Vietnamese people to bridge cultural and religious differences, which may become useful in facilitating integration in ASEAN community.

4.2. Vietnam's relationship with China: A clash within a civilization?

No country in Southeast Asia is culturally closer to China than Vietnam. Confucianism was introduced into Vietnam during the Chinese colonial periods as a system for guiding moral and social values for setting up the structure of society and government.

The two countries also share the Communist ideology, but they still have significant points of divergence. In recent years, regular confrontations in the South China Seas resulted in tension. The most recent protests in Binh Duong suggest that nationalism could easily get out of hand, posing a great risk not only to the business environment and economic development in Vietnam.[8]

From a cultural perspective, these conflicts are rooted in the Confucian view of world order—the *Tianxia*, which corresponds with China's history of sinocentric tradition, where the middle kingdom is viewed as the de facto centre of world power, and all foreign states mere tributaries. The concept of *Tianxia* is closely associated with civilization and order in classical Chinese philosophy, and has formed the basis for the world view of the

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8) More information about the riot in a report by Markinen (2014) in the *Los Angeles Times*.

Chinese people and nations influenced by Chinese culture.

Tianxia has been independently applied by other countries in the East Asia, including Japan, Korea, and Vietnam. The Vietnamese concept of *Tianxia,* along with cultural identity, may be traced to the Yuan Dynasty's invasion in the 13th century. The Tran Dynasty defeated the Mongol-Chinese armies and the Vietnamese adopted their own view of *Tianxia* (Tarling 1999: 149-50).

China's re-emergence as the central power in Asia has raised the question of the possible relevance of its pre-modern patterns of external. Callahan (2008) argues that *Tianxia* presents a new hegemony where imperial China's hierarchical comes to us in the 21st century. As Vietnam had a similar but independent view of *Tianxia*, this cultural similarity could be a cause of conflict. However, the contemporary world thrives in difference, and it is not impossible to manage the tension between China and Vietnam.

Ⅵ. Conclusion

Economic development may be associated with shifts away from absolute norms and values, and movements toward values that are increasingly rational, tolerant, trusting and participatory. However, cultural change is path-dependent and slow. From a cultural perspective, Vietnam should have a lot of potential for economic development if it elects to follow the experience of East Asian Developmental states in improving government capability and bureaucratic efficiency. The East Asian developmental state model is still an effective pattern for Vietnam, at least in its early and current development stage.

Confucian capitalism has its variant forms in East Asia and Southeast Asia. Except for the core values, the Confucian developmental states vary to a great extent in many features such as social behavior and business organization. Vietnam resembles China and it is natural for Vietnam to look up on China as

model for economic development and reform. However, Vietnam should be conscious of not learning too passively from China. The traditional cultural notion of *Tianxia* should also be reconsidered for successful management of conflicts between the two countries.

Confucianism can potentially play a positive role in Vietnam's integration into the ASEAN. Dialogue may take place among modern Confucian, Buddhist, Islamic, and Western cultures. ASEAN has set up an institutional and normative framework within which Confucianism can have a constructive interplay with the other social thoughts.

In the end, as this paper is exploratory, some arguments may still need to be sufficiently substantiated. In the future, more effort will be made to validate these hypotheses.

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Electoral Reform Movement in Malaysia
: Emergence, Protest, and Reform

Khoo Ying Hooi

[*Abstract*]

Protests are not new in Malaysia, though it is restricted by the ruling government. The trend of street protests and demonstrations since the emergence of Coalition for Clean and Fair Elections (Bersih), Malaysia's first people movement on electoral reform, has triggered a sentiment of people power among Malaysian citizens. With protests and popular mobilization becoming pronounced in Malaysian politics, political activism becomes for Malaysians a channel of discontent and expression of political preferences. Using information obtained from interviews with individuals linked to the movement, this paper articulates that protests are no longer exclusive to Malaysians. This paper illustrates the emergence of the Bersih movement and explores the three Bersih mass rallies that took place in 2007, 2011, and 2012. This paper further links the protests with the electoral reform initiatives. It argues that the Bersih movement has managed to lobby fundamental changes in the Malaysian political culture.

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Keywords: people power, Bersih movement, electoral reform, protests, *Pakatan Rakyat* (PR)

Ⅰ. Introduction

Historically, political protests are not new in Malaysia. However, the emergence of the Bersih movement in 2005 and its mass rallies in 2007, 2011 and 2012 could be seen as a catalyst in reviving protest actions in Malaysia. Since then, social movements and protests have become a defining aspect of Malaysian politics, and to an extent instigating intense political reactions and consequences in several recent cases. The Bersih movement is arguably an influential symbol of electoral reform and is iconic as a pro-democracy movement. A number of factors contributed to the explosion of political dissatisfaction and discontent in Malaysia, ranging from various levels including blatant corruption, cronyism, unfairlegislation, institutional mismanagement, and public frustration with the ruling administration, among others.[1] Public discontent with unpopular government actions escalate the frequency of street demonstrations.

Also called as the "Yellow Wave" (Mustaffa 2008), mass actions and street demonstrations not only occurred in the city centre of Kuala Lumpur, but also in many other cities around the world. Organized by overseas Malaysians whom called themselves as the Global Bersih, these overseas Malaysians have taken the rallies to a global stage. With such developments, this has also brought a new dimension in our quest of looking at the pattern of social movements in Malaysia. These changes signify the crucial role of social movements as potential triggers to the growing number of popular mobilizations in Malaysia, as the Bersih movement presses on for change.

With the eruption of the *Reformasi* movement[2] in 1998 and the Bersih protests, Ufen (2012: 17-18) proposes that mass mobilization

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1) A. F. Musa, interview, April 2, 2013.
2) The *Reformasi* movement was ignited by the dismissal of former Deputy Prime Minister Datuk Seri Anwar Ibrahim.

has the potential of being a catalyst of the democratization process in the country. This paper considers the *Reformasi* movement as the turning point of a new era of Malaysian politics in term of street protests, despite the fact that the *Reformasi* movement has not produced results—or rather for some scholars—has failed to create changes in the social and political structures (Nair 2007) of the country. Since the emergence of the movement, the elements of "pro-reform" emerged. *Reformasi* pushed the boundaries[3] and brought a significant change to the Malaysian political landscape.

Apart from using the approach of face-to-face and email interviews with key players in the Bersih movement, this paper utilizes data from social media, press statements, and newspaper reports. This paper argues that the various protests that eventually commenced with the Bersih movement since its first major rally in 2007 resulted in such fundamental changes in the Malaysian political culture to some extent.

II. Overview on the Coalition for Clean and Fair Election (Bersih)

There are several versions narrating the emergence and formation of Bersih movement from the data collected. Most of the formal records show that it emerged as a coalition consisting of five political parties and 26 civil society groups campaigning for electoral reforms. The five political parties were Democratic Action Party (DAP), Parti Keadilan Rakyat (PKR), Pan Malaysian Islamic Party (PAS), *Parti Sosialis Malaysia* (PSM), and Sarawak National Party (SNAP). The parties decided collaborate after their respective losses in the 2004 general election.

The Bersih movement may be further understood in two levels. The movement was originally introduced by the opposition, which the civil society subsequently supported. This shows how much political clouts and influences shape the Bersih movement in its formation. The movement was initially known as Joint

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3) Yap S. S., interview, April 2, 2013.

Action Committee for Electoral Reform (JACER).[4] Since its first rally, the springboard for popular discontent that lead to the ruling coalition's poor performance in the 2008 general elections, Bersih has become a household name in grassroots advocacies for electoral and political reforms in Malaysia. The rally was in fact the last resort.[5]

With all these developments, civil society matured with the formation of new groups and growing public awareness. Several figures associated with Bersih 1.0 like Sivarasa Rasiah, Liew Chin Tong, Elizabeth Wong and Chua Tian Chang won the 2008 general elections, their successes popularly termed in the media as a "political tsunami" (*Sunday Star,* March 9, 2008; *The Economist,* March 10, 2008). In some ways, the key players had to rethink about the Bersih 1.0 advocacies. There was a consensus however that electoral reform must be upheld[6]. The opposition political parties forged a "compromise pact" between participating NGOs, paving the way for formation of Bersih 2.0 in 2010. The new collaborative approach was envisioned to be non-partisan.

Similar as Bersih 1.0, Bersih 2.0 also aimed to create an environment of fairness in the elections. Under the "new" umbrella, the women's group Empower has taken over the secretariat for Bersih 2.0.[7] From the initial four, Bersih 2.0 expanded its demands to eight: to clean the electoral roll, to reform postal ballot, to use indelible ink, to limit campaign period to a minimum of 21 days, to freely and failrly access media, to strengthen public institutions, to end all forms of corruption, and to stop dirty politics.

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4) F. Mustaffa, interview, April 3, 2013; M. Chang, interview, April 8, 2013.

5) F. Mustaffa, interview, April 3, 2013; D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.

6) A. Khoo, interview, March 19, 2013; M. C. Abdullah, interview, March 26, 2013; F. Mustaffa, interview, April 3, 2013; M. Chang, interview, April 8, 2013; D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.

7) M. Singh, interview, August 1, 2013.

Ⅲ. Factors of Emergence

Many observers are convinced that the episode of Bersih protests is the second wave of movements that clamored for political change but failed to capitalize on the original democratic breakthroughs of 1998 of the *Reformasi* period. Interviewee Liew Chin Tong[8] described the formation of Bersih as a long "painful" process. Historically, the Bersih movement has been demanding not only for electoral reform, but also for better governance, inclusivity, and more accountability. Today, it has perpetrated itself in social media, widening the participation of civil society and imbibing people empowerment considering its multi-ethnic composition.

Tilly and Tarrow (2007) define social movement as,

"*A sustained campaign of claim making, using repeated performances that advertise the claim, based on organizations, networks, traditions, and solidarities that sustain these activities.*"

This definition accentuated the importance of persistent public displays. These actions are crucial since in repeated public displays, the movement is able to show unity and numbers, as well as the commitment of the populace to further the cause. Repeated actions such as this led to the "Yellow Wave", sporting the organizational color of the Bersih. Movements like Bersih do not emerge from a vacuum[9]; instead they build on elements of previous initiatives and carry on with the cause.

According to political process theory, in order for a social movement to come into its own, the system must be first vulnerable, or at least appear to be vulnerable. This vulnerability in the system could trigger opposition and can be traced to a variety of reasons. One of the primary factors mentioned by political process theory is the surrounding area and political governance that create the political gap which allows the people to emerge

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8) interview, August 5, 2013.
9) Liew C. T., interview, August 5, 2013.

as a force (Meyer 2004). Using political process theory, the study of the Bersih movement must take into account the the political climate of the country. This section attempts to show that there is a discernible political context that opens the gate for movements like Bersih.

There are arguably many factors triggering the emergence of Bersih 1.0. When Anwar Ibrahim was released from prison in 2004, he still held significant influence. Grievances against the administration quickly mounted, ranging from Islamisation to the rampant of corruption cases (Asia Report 2012: 7). It was within this context that civil society and opposition politicians began organizing Bersih 1.0, with the goal of changing the game in the 12th General Election.[10] This section lists four main factors of emergence of Bersih 1.0, namely: the irregularities of electoral process, Tun Abdullah Ahmad Badawi's premiership, public discontent, and alternative media.

3.1. Irregularities in Electoral Process

Bersih was basically formed to air concerns regarding the irregularities in the electoral process in Malaysia. Elections in Malaysia are historically contested since ruling regimes utilized their machineries to their advantage (Lee 2008: 197). Unfair electoral practices were most evident since the 1999 general elections.[11] The 1999 general elections is a turning point that led to movements clamoring for clean elections.

Frustration over irregularities during the 2004 general elections and the opposition debacle, among others, led to the establishment of JACER in July 2005.[12] After then Prime Minister Tun Abdullah Ahmad Badawi, successor to Tun Dr. Mahathir Mohamad, won a landslide victory in the general election of 2004, the country's opposition parties were discouraged. The result of 2004 general election triggered a substantial policy response.

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10) D. Ahmad, interview, June 25, 2013.
11) Malaysia's 10th General Election was held on 29 November 1999. The ruling coalition BN won 148 of the 193 parliamentary seats.
12) D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.

Finally, DAP, PAS, and PKR set aside their differences to work out strategies for a united front advocating electoral reform in July 2005.[13] Bersih was consequently born. Interestingly, this accord was reached in the midst of the great victory of the BN. The opposition parties have managed to take the opportunity to help escalate discontent on the ground, reminiscent of the *Reformasi* period. Electoral reforms then became naturally embedded in social activism (Ooi 2012: 5).

The Selangor fiasco during the 2004 general election[14] is one of the key triggers for electoral reform initiatives. This incident of misplaced electoral lists resulted in confusion and widespread disenfranchisement. Before the closing of the voting time, the Election Commision (EC) under Selangor Head Datuk Wira Wan Ahmad Wan Omar, decided to extend voting hours.

The political atmosphere of 2007 was particularly intense because of the frequency of by-elections. Shortly after the founding of Bersih in November 23, 2006, the state seat of Batu Talam, Pahang was declared vacant and a by-election consequently set for January 28, 2007. Opposition parties however aired their discontent and boycotted the by-election. Subsequently, a second by-election for the Machap state seat was called on April 3, 2007. Similarly, the by-election was tainted with electoral irregularities, with the *Barisan Nasional* (BN) winning it. In the same month, another by-election in the Ijok state seat in Selangor was held on April 28, 2007. This time around, PKR nominated Tan Sri Khalid Ibrahim, deemed a strong candidate to MIC's K. Parthiban, his former teacher.[15] The by-election was again hotly contested and a clash between the supporters of the political parties took place. K. Parthiban however won the by-election with a small margin. Allegations of phantom voters and vote buying were hurled against BN (Lee 2008: 197-198). These issues compelled people to support clamors that led to the organization of Bersih 1.0.

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13) D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.
14) interview, August 5, 2013.
15) He is the former Chief Minister of the state of Selangor.

3.2. Tun Abdullah Ahmad Badawi's Premiership

Tun Abdullah Ahmad Badawi replaced Tun Dr. Mahathir Mohamad as the Prime Minister on October 31, 2003, after 22 years in power. This was a momentous time in the Malaysia history. Filling in very big shoes, Abdullah faced a lot of challenges in maintaining balance and steadiness. Increasing demands for change from the middle-class shaped his leadership. During the 2004 general election, Abdullah led the BN in an extraordinary electoral victory, and the ruling coalition secured more than 90% of parliament seats, severely undermining the opposition and closing a long chapter in Malaysian political discourse on reformation agenda. At that time, Abdullah has clearly won an overwhelming mandate from the Malaysian voters with his soaring popularity because of his clean image and promising slogan; "Work with me, not for me." Abdullah's most important contribution to Malaysian politics was his own brand of Islam acceptable to all Malaysians. He introduced the concept of *Islam Hadhari*, or Civilizational Islam, disassociating himself from the type of Islam promoted by his predecessor. The concept of *Islam Hadhari* was also included in the BN manifesto for the 2004 general election. In his election campaigns, Abdullah stressed that while his *Islam Hadhari* was progressive and inclusive, the Islamic interpretation of PAS was reactionary and exclusive.

For Abdullah, *Islam Hadhari* was suitable and relevant in the context of Malaysia's multi-ethnic and multi-religious society. Scholars such as Associate Professor Dr. Thomas Pepinsky agreed that Abdullah's relatively moderate leadership and apparent unwillingness to press the BN's advantage might have resulted in some degrees of complacency.[16] The changing of leaders and players was a factor to consider in the emergence of the Bersi h.[17] Opposition leaders considered Pak Lah—Abdullah's popular monicker—as a more open-minded leader who allows friendly and genuine reforms. With his clean image, Pak Lah was once described as the "Gorbachev" of Malaysia, open to hearing the

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16) interview, March 26, 2013.
17) D. Ahmad, interview, June 25, 2013.

discontents of people.[18]

In many occasions, Mahathir criticized Abdullah, the successor he himself had handpicked, accusing him of damaging the country. The political tussle between Mahathir and Abdullah climaxed in 2007, and the following year, Mahathir resigned from UMNO to lead an "anti-Pak Lah campaign" across Malaysia[19]. According to a survey by the Merdeka Centre in December 2007 in Peninsula Malaysia, Abdullah's approval rating dropped significantly from 71% to 61%, after both the Bersih and Hindu Rights Action Force (Hindraf) demonstrations.

3.3. Public Grievances

During his administration, Abdullah pledged to deal with several pressing issues like the increasing crime rates, police and judiciary refom, and corruption. The political space opened up with general atmosphere of liberalism. The Malaysian public was generally hopeful and confident with Abdullah's determination to eliminate corruption, going as far as filing two high-profile corruption cases involving the late Tan Sri Eric Chia Eng Hock and former Minister of Land and Cooperative Development Tan Sri Kasitah Gaddam. Also, a Royal Police Commission (RPC) on police reform was also established, while at the Supreme Court, Anwar Ibrahim's conviction was overturned (Lee 2008: 187).

However, reforms started to slow down and public confidence tapered off as promises regarding peace and order, corruption, police and judicial reform, and to budget deficit reduction were not kept (Lee 2008: 187). 2007 was marred with scandals, foremost of which was that involving Mongolian Altantuya Shaariibuu. On September 19, 2007, Anwar Ibrahim released a controversial short video clip that showing lawyer V. K. Lingam in an alleged phone conversation over judicial appointment and promotion fixing. Despite of the gravity of the issue, Abdullah only formed a committee to determine the authenticity of the video, much to

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18) D. Ahmad, interview, June 25, 2013; H. Rais, interview, July 30, 2013.
19) R. P. Kamarudin, interview, September 16, 2013.

the dismay of the public. Abdullah's approach to reform infuriated citizens (James & Wong 2009: 78) which led to two huge public street protests by Bersih and Hindraf.

3.4. Alternative Media

Media is key in discoursing social movements, particularly in understanding common protest mobilization patterns. In the context of Malaysia, the role of alternative media is crucial because government controls many traditional media such as TV stations and print media. Alternative media, especially the Internet, is the main channel for the opposition and civil society where perspectives, commentary and criticism are aired.

Technology is an important tool for the Bersih's mobilization.[20] Several parliamentarians like Lim Kit Siang and Anwar Ibrahim run blogs, Facebook pages and Twitter accounts to reach the public (Lee 2008: 195-196). Alternative media provides social movements wider reach as they advocate on certain issues such as electoral reform.

IV. The Electoral Protests

Although Malaysia's mixed model of authoritarianism and democracy Malaysia (Ufen 2008; Weiss 2005; Case 1993) provides a challenging environment for the development of social movements, the presence of values supportive of democracy in the country is an important preconditions for democratization. The conditions of the aggrieved population allow social movements to exploit opportunities available to them. The increasing frequency of protests and rallies reflect Malaysia's gradual transition to democratic maturity. Although the ruling BN faced systematic challenges, it was able to repress protestors and for a moment, witholding political changes. Though constant demonstrations were covered extensively, its long-term impact remains uncertain.

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20) H. Rais, interview, July 30, 2013.

Malaysia is a significant testing ground for studies on protests in light with the on-going process of democratization. Protests are generally considered as "illegal" in Malaysia. Article 10(1)(b) of the Federal Constitution stipulates that "all citizens have the right to assemble peacefully and without arms"; however the right to assemble is not absolute in the country. Meanwhile, the Peaceful Assembly Act 2012 (PAA) defines street protest as

> "*(a)n open air assembly which begins with a meeting at a specified place and consists of walking in a mass march or rally for the purpose of objecting to or advancing a particular cause or causes.*"[21]

As pointed out by Derichs (2002), the ethnically heterogeneous composition of Malaysians signifies political change. She highlighted the power struggles of old and new political parties and movements as a direct reflection of the emerging sphere of civil society and social movements in Malaysia. McAdam, McCarthy, and Zald (1988: 69) posit that political movements mobilize citizens to alter either the power relations or make social change. In the case of the Bersih movement, fraudulent elections served as catalyst for electoral protests.

When the idea of Bersih was first floated, the aim was to advocate for electoral reform through education and public awareness.[22] The strategy of street demonstration however came later after the Bersih 1.0 Steering Committee exhausted all means in engaging with the EC[23]. For Bersih 1.0 Steering Committee, EC was a difficult challenge. The decision to organize street protests was not easy within the Committee itself. Despite the fact that many were not supportive, all members of the Committee finally supported the decision, in view of the situation and public pressure.[24] The case of the Bersih protests perfectly illustrate the

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21) Four months after the Bersih 2.0 rally in 2011, the PAA was drafted. Strongly criticized by the opposition and civil society, the PAA regulates the public protests in Malaysia. Under the PAA, street protest is banned. It was discussed in the Parliament on 22 November 2011, passed in the Lower House on 29 November, and approved by the Senate on 20 December.

22) D. Ahmad, interview, June 25, 2013.

23) D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.

research findings of McAdam, Tarrow and Tilly (2001: 72).

4.1. First Bersih Rally: 10 November 2007

Rumors went on about regarding the exact date of the 12th General Election. The Bersih 1.0 Committee held numerous meetings with the EC, but with no concrete outcomes. This finally led to the mobilization of a mass rally in time for the upcoming election.[25]

Hence, Bersih 1.0 applied for a police permit to demonstrate on 10 November 2007 in Kuala Lumpur, and putting out a memorandum calling for electoral reform in the *Yang di-Pertuan Agong.*[26] The application was denied but Bersih 1.0 was determined to go ahead with the demonstration. To drum up mobilization, a 10-day campaign dubbed "Yellow Wave" was launched at the Annex of Central Market on 1 November 2007. Yellow was chosen to signify democracy. Guided by its battlecry, "Save Malaysia: Restore Our Rights", Bersih 1.0 criticized the ruling regime BN as the main "culprit" for electoral problems (Lee 2008).

Despite the warnings issued by the police, Bersih 1.0 went on with the protests with the support of various groups. Before 2007, the government dismissed the planned demonstrations and deemed them "illegal". Government and police issued warnings prohibiting the public from participating in the demonstration. Roadblocks were put up on all major highways and roads leading to downtown Kuala Lumpur. Buses from other states were asked to turn back, with some "escorted" to police stations where passengers filed statements. Yellow t-shirts, banners, and Bersih paraphernalia were confiscated by police, Bersih's website was also hacked several times prior to and during the demonstration. Bersih 1.0 organizers identified four meeting points—Masjid Jamek, National Mosque, Sogo Shopping Centre, and Central Market,

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24) Liew C. T., interview, August 5, 2013.

25) Liew C. T., interview, August 5, 2013; D. Ahmad, interview, June 25, 2013; M. Sabu, interview, May 26, 2013.

26) It refers to the head of state of Malaysia.

with the Merdeka Square as the gathering point.[27)] Merdeka Square was sealed off the night before, with hundreds of police officers stationed around the field (Mustaffa 2008).

On the day of the protest, trains did not stop at stations near the Merdeka Square. Participants were dispersed by way of teargas and water cannons in Jalan Tun Perak, near the Masjid Jamek station. Since Merdeka Square was cordoned off early on, Bersih leaders stationed at the four meeting points collectively decided to march to the National Palace. In spite of the downpour, crowd estimates were pegged around 30,000. The protesters reached the palace, coordinated by the hundreds of *Unit Amal* marshalls. Bersih's memorandum was delivered to palace officials (Mustaffa 2008).

To demonstrate solidarity with the Bersih 1.0 campaign for electoral reform, Malaysians overseas and pressure groups from around the world submitted protest notes to Malaysian high commissions and consulates in Seoul, Bangkok, Jakarta, London, and Ulaanbaatar. Foreign and local media also covered the demonstrations.

The organizers of the Bersih People's Gathering were subjected to various forms of police intimidation in the days following the rally. On 15 November 2007, Steering Committee members Sivarasa Rasiah, Dr. Syed Azman Syed Nawawi, and Ronnie Liu were summoned to the Commercial Crimes Unit for their statements. Police reasoned that the Bersih was an "illegal" organization and not registered with the Registrar of Societies (ROS). Mohammad Sabu was also arrested and charged in court. Official records show a total of 245 arrests. Popular opinion considers Bersih 1.0 as causing the loss of two-thirds majority of BN in the 2008 general election. Weiss (2009) attributed the role of civil society players as a major contributor in floating political alternatives and showing the capacity of mobilization. After the results were canvassed, then Prime Minister Tun Abdullah Badawi expressed his great sorrow, "We've lost, we've lost" (*The Economist*, March 10, 2008).

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27) M. Sabu, interview, May 26, 2013; Mustaffa 2008.

4.2. Second Bersih Rally: 9 July 2011

Opposition political parties were credited for initiating demands for electoral reform and the conduct of the mass public protest by the Bersih 1.0. However, little credit has been given to civil society. In the wake of the November 2007 demonstrations, party politics pattern of Malaysia somehow shifted. PR after the "political tsunami" to some extent managed to capture the public imagination. This time around, three opposition parties united and won 82 seats in the Parliament, a result that surprised the nation. Although BN won the 2008 general elections, it had a much-reduced majority. It was a big blow compared to the major victory during the 2004 general election. Many people started to raise doubts with the continuing viability of a BN coalition rule in light with the socio-political direction of the country after the 2008 general election. No one predicted that BN would suffer the worst loss since its establishment in 1974. In his analysis, Moten (2009) marked 2008 as a time when the opposition front augured well in campaigning for democracy in Malaysia

On 9 July 2011, the Bersih held its second rally to pressure the ruling regime to carry out electoral and political reforms before the next general election. In this rally, Bersih 2.0 was led by former Bersih 2.0 Chair Dato' Ambiga Sreenevasan. Several interviewees[28] noted the essential difference of Bersih 2.0 in the second rally which attracted a larger crowd since it was perceived as not politically motivated. Also notable is the diversity of races and religions participating in the protests.[29]

The run-up to Bersih 2.0 was tense. The police issued a long list of restrictions, like the wearing of yellow t-shirts. People were barred from entering certain places, and because of this, some 91 individuals[30] were barred from entering Kuala Lumpur. The unexpected huge turnout and stories from Bersih 2.0

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28) M. C. Abdullah, interview, March 26, 2013; A. Khoo, interview, March 19, 2013.
29) M. Hamzah, interview, June 13, 2013.
30) The police acquired a restriction order under Section 98 of the Criminal Procedure Code to bar 91 individuals from entering Kuala Lumpur on 9 July 2011.

inspired many. Many saw how Malaysians struggled to march peacefully for clean and fair elections, only to be tear-gassed. The episode of Bersih 2.0 rally showcased the cooperation among the demonstrators.

4.3. Third Bersih Rally: 28 April 2012

Less than a year after, Bersih 2.0 decided to organize a third rally. This decision was made after the Parliamentary Selection Committee on Electoral Reform (PSC) failed to address fundamental electoral issues in their 22-point electoral reforms report. Due to the high restrictions imposed by the police—including a court ban on people entering Merdeka Square—the rally turned ugly. There was a sense of euphoria among the protestors and the sentiment to topple the government seemed compelling. Protestors felt that reform was not only possible, but also practically inevitable. Their spirits were high. According to several reports (Fisher, May 15, 2012), Bersih's third rally was said to be the largest in the history of Malaysia.

Ⅴ. Electoral Reforms

Some observers conclude that the Malaysian election system is free but not fair. Rasah Member of Parliament Anthony Loke, a member of the PSC, commented on such conditions:

> "*[The elections are] free because anyone can contest, and there are procedures to follow. But the [electoral] system is not fair, and the unfairness not only happens during the polling day but is entrenched in the [electoral] system all this while.*"

Elections do not inevitably contribute to regime stability. Indeed, as many scholars have noted, elections can become moments of real contestation, with the regime's survival at stake, and when the incumbent's inability to stand for re-election is inevitable (Baturo 2007). Malaysia has not witnessed the emergence

of color revolutions around electoral moments, but in the past decade, two main factors came together that resulted in the deterioration of elections. Firstly, the passage of time led to increased frustration, as promises of democratization became stale, leaving Malaysia behind regionally and globally. Secondly, the secularist-Islamist divide narrowed through cooperation from both inside and outside the electoral sphere. Across Malaysia, the heightened discontent and limitations in the electorate undermined regime stability.

During the initial stage of JACER, before evolved into Bersih in June 2006, the EC and Bersih have had continuous engagements, mainly through meetings and dialogues.[31] The engagement continued due to the fact that the EC considered the opposition political parties as clients[32], direct stakeholders and "critical" players.[33] The meetings however did not go very well, since there was little confidence on the capacity of the EC to introduce any substantial reforms.[34]

However, Serdang Member of Parliament Dr. Ong Kian Ming[35] expressed a slightly different opinion when he held two separate meetings under his own project, the Malaysian Electoral Roll Analysis Project (Merap) with the EC. The interviewee commented that half of the issues brought up with the EC were satisfactory addressed; the other half went unresolved. For the interviewee, the EC improved in some areas but left others without much attention. There are two reasons for this. First is the lack of manpower. He deemed the EC more knowledgeable of the problem than anyone else. Second is the long-standing presence of the problems, a result of the shortcomings and political manipulations perpetrated by past administrations. These placed EC in an awkward situation.

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31) F. Mustaffa, interview, April 3, 2013; M. Chang, interview, April 8, 2013; D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.

32) Liew C. T., interview, August 5, 2013.

33) D. Ahmad, interview, June 25, 2013

34) F. Mustaffa, interview, April 3, 2013; M. Chang, interview, April 8, 2013; D. Ahmad, interview, June 25, 2013; Liew C. T., interview, August 5, 2013.

35) interview, March 26, 2013.

Meanwhile, the dynamics changed by 2010 when Bersih became a fully non-partisan movement. The Bersih 2.0 and the EC have not been in good terms since then.[36] Eventually, there was zero-engagement,[37] as trust dissipated between the two.[38] For instance, the EC did not allow Bersih to be part of the *Pemerhati* initiative for the 13th General Elections. EC Deputy Chairman Datuk Wan Ahmad accused Bersih 2.0 co-chair Ambiga of "poisoning the (minds of the) people with things that are not true", labeling their efforts as only perpetrating a "mistrust doctrine". Reports also chronicled Wan Ahmad's accusations regarding Ambiga's sowing seeds of confusion by urging overseas Malaysians to return home to cast their vote in the 2013 election, instead of using the postal voting option (*The Malaysian Insider*, February 14, 2013).

Several changes were however made by the EC since the eruption of Bersih protests. Among the changes were the use of transparent ballot boxes; the availability of full electoral rolls for checking and verification purposes; the exclusion of serial numbers on ballot papers; the employment of polling agents during the casting of postal ballots; and the continuation of the system of counting ballots at the polling centers (Moten 2009: 23). Also in the same year, the use of indelible ink was approved. On August 9, 2007, the Fatwa Council directed the EC to implement the use of indelible ink in the 12th General Elections (Mustaffa 2008: 17). The decision was however withdrawn, and the use of indelible ink was only done during the 13th General Elections in 2013.

In Malaysia, there is a lack of discourse around its electoral system. A serious review is needed and long overdue. Moreso, what caught the attention of international media also was not really the rallies, but the government's indiscriminate use force by way of teargas, as well as the arrest of nearly 2, 000 people before and during the rally of July 9, 2011 (Welsh 2011). Street protests by Bersih however have managed to generate public

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36) M. C. Abdullah, interview, March 26, 2013; A. F. Musa, interview, April 2, 2013; A. S. Said, interview, June 18, 2013.
37) M. Singh, interview, August 1, 2013.
38) M. C. Abdullah, interview, March 26, 2013.

awareness that finally pressured the government to respond. One of the direct responses was the formation on July 2011 of the Parliamentary Select Committee on Electoral Reform (PSC), a bipartisan panel that consults civil society and the general public about the Malaysian electoral system in aid of Parliamentary reform legislations.[39]

Responding to the demands of Bersih's second rally, the nine- member PSC─consisting of five member from BN, three from the PR, and one independent Member of Parliament─ started work on the report on October 2, 2011. Recommendations and suggestions were obtained from public hearings, as well as committee member feedback, sub-committee reports, and observations from on-site visits. There were a total of six public hearings in six different cities, including Sabah and Sarawak. Government departments were called to testify, as well as officials like the Attorney General and the EC Chairman. The EC also appointed its own permanent representative in all public hearings.[40]

The interim report containing 10 recommendations was tabled in the Parliament in December 2011.[41] The PSC Chairman Datuk Seri Dr. Maximus Ongkili later on presented the final report of 22 recommendations to Parliament on April 3, 2012 (*The Star*, April 3, 2012). However, the opposition coalition did not agree to several recommendations. Nevertheless, Parliament passed the report by way of simple majority. BN and PR differed in their respectuve electoral reform approaches; BN wanted to improve the system, but PR clamored reform. It is this fundamental difference that distinguished the two major coalitions in Malaysia. The Parliament committee may also be faulted for its lack of mechanism to follow-up with the recommendations. The terms of reference for the PSC was only for six months, from October 2011 to April 2012, and its dissolution ended the reform process.[42]

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39) M. C. Abdullah, interview, March 26, 2013; A. Loke, interview, June 3, 2013.

40) A. Loke, interview, June 3, 2013.

41) A. Loke, interview, June 3, 2013.

42) A. Loke, interview, June 3, 2013.

Ⅵ. Conclusion

This paper highlights four key factors of Bersih emergence, while at the same time also exploring the evolution of the first electoral reform movement in the country from being an initiative by political parties to a non-partisan advocacy. The Bersih 1.0 rally in 2007 was a defining moment in Malaysia's electoral journey, reinvigorating the *Reformasi* in 1998. Today, 89 NGOs are part of Bersih 2.0 coalition. The role of Bersih also has expanded beyond voter education and electoral reform. It continued to fight against irregularities in the electoral process and campain for clean elections.

The three major protests in 2007, 2011, and 2012 attracted thousands of people. The crowd was diverse. The unnecessary dispersal of protesters backfired to authorities. The movement showcases the insecurities of BN, which adopted an over-the-top response to the rally from the start, outlawing the Bersih movement and even arresting those who had worn yellow, the color of the movement. State vacillation and inconsistency hounded the handling of protests. Such intimidation intensified the overwhelming unity of the opposition and protestors. As such, the Bersih became much more than just a call for changes in elections; it has become the symbol for change.[43] The electoral protests in Malaysia not only attracted international attention, but has also gifted Malaysians with confidence and hope in their ability to change the current administration.

Looking at it long term,   the Bersih has to fine-tune the eight demands that appeared to be broad, sounding more like principles. As highlighted, several revolved around on pro-democracy values. Some were aspirations and not demands, only that they are all about electoral reform. Hence, strategic campaigning is needed to deal with the pressing key issues. There have also been questions on the Bersih's direction especially after the 13th General Elections. Hence, despite the suggestion to transform Bersih into a political party or an organization, its best form

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43) M. C. Abdullah, interview, March 26, 2013.

remains to be its being a movement.

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List of Interviewees

Dr. Ahmad Farouk Musa, Andrew Khoo, YB Anthony Loke Siew Fook, Datuk A. Samad Said, Dr. Dzulkefly Ahmad, Faisal Mustaffa, Hishamuddin Rais, YB Liew Chin Tong, Mandeep Singh, Maria Chin Abdullah, Masjaliza Hamzah, Medaline Chang, Mohamad Sabu, YB Dr. Ong Kian Ming, Raja Petra Kamaruddin, Associate Professor Dr. Thomas Pepinsky, and Yap Swee Seng.

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