

Draft

DEMOCRACY, FREE MARKETS AND ETHNIC CONFLICT

IN EAST ASIA

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Introduction

The nexus between democracy, free markets and ethnic or sectarian conflict has always been a source of much scrutiny and academic debate for a long time. There are those who see a virtuous link between the three, each complementing the others to foster peace, stability and prosperity. Others see a disruptive and even violent linkage, which makes multiethnic societies, especially those that are at a developing stage and subjected to rapid democratisation and marketisation, vulnerable to extreme instability and conflict.

The issue has been brought into higher prominence by the end of the Cold War and the impetus it gave to a triumphant West led by the United States to consider democracy and free markets as a panacea for all evils, thus launching a proselytisation wave in the developing world to transform laggards into democratic, market societies that resulted in some states descending into extended instability and chaos. The situation has sparked enquiry into the real benefits and costs of such change, and a discussion of ways in which political and economic transformation can be induced with less traumatic impact. In the process the moral and ideological fervor with which precipitate change is sometimes advocated with scant regard for the likely painful consequences has also become questioned.

Yale Professor Amy Chua has been instrumental, especially through her books “World on Fire” and “Day of Empire”, to focus attention on this phenomenon. But others too have joined the fray, some commenting directly on the Amy Chua thesis and others treating the subject independently. Her thesis is that in plural developing countries where there is extensive poverty and at the same time an ethnic minority that dominates

the economy (what she calls “market-dominant minorities” (MDM), such as the Chinese in most Southeast Asian countries) the rapid introduction of democracy and free market reform has often led to ethnic conflict. Democracy empowers the majority who are relatively poor, while the market economy empowers the already well-placed ethnic minority that is relatively rich. This leads to serious tensions between the two that result in social cleavages that breed hostility and sometimes violent conflict, taking the form of ethnic or religious strife including insurgency in extreme cases unless effective policies are in place to mitigate this.

My presentation will look at the phenomenon in the multiethnic countries of Southeast Asia generally and in Malaysia particularly. It sees general vindication for the Amy Chua thesis in the region, but sees the situation as much more complex and intimately tied with nation-building in post-colonial societies. Instability where it occurs has not been due primarily to a neat positive correlation between democracy and free markets on the one hand and ethnic conflict on the other, but to other factors as well, such as the particular historical, demographic, political and economic environment of the country in question. There is no denying however that liberalising the political and economic systems in the multiethnic developing societies of the region has generally created tensions and fissures of varying degrees in the relevant countries, requiring skilful leadership and adroit governance to successfully pacify the situation and move nation-building along a constructive and progressive trajectory.

My presentation will end with some general observations on how the potentially combustible mix of democracy, free markets and ethnic diversity with a MDM can be mitigated and rendered benign by an appropriate mix of policies pertinent to particular national environments.

The East Asian context

Significant ethnic diversity is absent in Northeast Asia. Largely homogeneous societies prevail in Japan and the two Koreas. In China no ethnic minority is economically dominant. In contrast in Southeast Asia almost all countries have significant ethnic or sectarian minorities and an

economically dominant minority that is composed of Chinese or, in the case of Thailand and the Philippines, of mixed Chinese blood. In Singapore the Chinese are an economically dominant majority.

In East Asia too several countries are not democracies. Myanmar was a democracy but has regressed since. Various types and degrees of democracy exist in Indonesia, Philippines, Malaysia, Thailand and Singapore, and all are of post-World War II vintage. Non-democracies are under heavy pressure from the West to democratize, and democracies with limitations on civil and political rights are also subject to external (as well as domestic) pressure to expand their civil and political space.

Market economies are now found everywhere in the region except in North Korea. The markets however are at various degrees of liberalisation, state intervention and central planning.

However, the countries in Southeast Asia which have a market-dominant minority and where forces of both democracy and markets are simultaneously at work are only Thailand, Malaysia, Philippines and Indonesia. If Myanmar democratizes in response to both domestic and foreign pressure as is now the case, then it would become another country subject to the Chua thesis.

The nexus between democracy, free markets and sectarian conflict in Southeast Asia

The Chinese were already market-dominant in many Southeast Asian countries relative to the indigenous population during colonial or even pre-colonial times. Marketisation in subsequent decades arguably enriched the Chinese community even more, leading to Chinese interests dominating much of the lucrative economic sectors in all four countries. In Thailand the richest business groups are almost all mixed Thai-Chinese and ethnic Chinese.

In Malaysia in 1970 the indigenous community owned just 2.4 percent of the capital assets, while the remainder were largely owned by foreign

investors (63.4 percent) as well as the sizeable Chinese minority (27.2). The Chinese also dominated commerce.

In the Philippines the small Chinese minority, amounting to less than 2 percent of the total population, dominate department store chains, banking, the stock market and other sectors. Their presence increases if ethnic Chinese ownership is combined with mixed Chinese mestizo ownership.

In Indonesia the Chinese minority, only 3 percent of the total population, is estimated to have owned 70 percent of the private economy in 1998. The Indonesian military and the President Suharto's family were also in frequent partnership with Chinese business interests.

In Thailand inter-marriage as well as cultural affinity between the majority Buddhist Thai and Thai Chinese blunted the edge of resentment against the Chinese minority after harsh anti-Chinese nationalistic measures under King Rama VI in the 1930s resulted in forced assimilation of the economically dominant minority ethnic Chinese population. Today there is little evidence of anti-Chinese sentiment in Thailand as even prime ministers have been ethnic Chinese.

In the Philippines too initial anti-Chinese fervor during the Magsaysay period gave way to pro-Chinese policies under Marcos. Inter-marriage between indigenous and mestizo Catholic Filipinos and the Chinese community also reduced anti-Chinese sentiment. Instead the resentment is directed at the rich as a class, and these include rich Filipinos, mestizo families and ethnic Chinese.

In Malaysia and Indonesia however inter-marriage between the majority indigenous Muslims and the economically dominant Chinese minority is virtually non-existent, and anti-Chinese sentiment was more significant in both countries. (In the Malaysian states of Sabah and Sarawak however inter-marriage is prevalent and anti-Chinese sentiment much more muted). Both countries have witnessed sporadic bursts of racial clashes in the past.

The Amy Chua thesis vindicated?

There have been several critiques of the Chua thesis, some finding general substance in her assertion while others have concluded largely in the negative. One of the more rigorous tests of her thesis has been conducted by Dick Bezemer and Richard Joing-A-Pin of the University of Groningen (World on Fire? Democracy, Globalisation and Ethnic Violence September 2007). They survey a sample of 107 countries for the period 1984-2003, and find no evidence of a Chua effect except in Sub-Saharan Africa where much of present-day civil conflict occurs. (Chua's sample is 53 countries with MDM and 45 without). Their finding is that neither democracy nor globalization impacts materially upon ethnic violence except in Sub-Sahara countries with MDMs. They do find however, that democracy combined with globalization does tend to enhance ethnic conflict in multi-ethnic societies without a market-dominant minority by emphasizing cleavages along ethnic, religious, linguistic or other lines. In other words it is immaterial whether or not an MDM exists; plural societies are more prone to conflict when democratisation and marketisation are powerful forces.

One model of governance of multi-ethnic democratic and market societies to promote peaceful development and mitigate ethnic/sectarian conflict

One model that is often advocated for deeply divided societies is the consociational model. This paper supports this approach, which is also the one largely adopted for Malaysia. However several preliminary points have to be made in this regard:

1. Different models will be suited for different circumstances; different approaches are also possible for the same environment. There is no one size fits all model. What works for one situation can be disaster for another. But some principles and practices may be applicable across environments.

2. The approach for Malaysia is unlikely to be applicable to other countries with dissimilar history, demography, culture etc. The Malaysian model itself is undergoing stress and change.
3. It is not intended that the Malaysian model is in any way perfect or without blemish; indeed, it can contain a number of weaknesses, some of them perhaps unavoidable.
4. Values have a lot to do with the kind of model that is chosen over another – balance between freedom and stability, growth versus equity. e.g. different tolerance levels for agitation, disharmony and offences. Value differences across societies are largely bred by historical experience and cultural influences, as well as generational change.
5. In extreme situations when law and order breaks down, and for failing or failed states, a temporary suspension of democracy would be helpful for stabilizing the situation and preventing further deterioration of the situation until peace and stability is restored.
6. The consociational system applied in Malaysia is based on a strong social contract, which is helpful to stabilize the situation. Among its elements are:
 - inclusiveness
 - citizenship for all
 - guaranteed majority and minority group representation
 - power-sharing through coalitions and coalition cabinets
 - consultation among elites of major social groups
 - decentralized federal government
 - explicit and detailed constitution

- democracy with safeguards for universal and minority rights, with balance decided by the consensus in the relevant society
- strong provisions for maintenance of law and order, peace and security – laws on sedition, etc.
- growth with equity, affirmative action programme partially race-based and becoming gradually even less race-based as poverty and income inequity cut more and more across social divides
- emphasis on education, participation in market and participation in private sector
- no assimilation, instead integration
- handicap in Malaysia of inability to use language as a unifying factor in elementary school
- good governance – justice, rule of law, corruption, etc.