Exploring Key External and Internal Factors Affecting State Performance in Southeast Asia

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Abstract

The main aim of this article is to identify key external and internal factors that are capable of impacting and thus influencing directly or indirectly state performance in Southeast Asia with special emphasis on Myanmar, Vietnam and Singapore. The theoretical aim is to develop a framework for partly being able to delineate some external boundaries for state manoeuvring and partly delineate the internal size of the space or ‘room’ that conditions state performance in an international cum national context respectively. On the basis of the above this article thus argues that the state is sandwiched between external and internal factors as the two respectively define the outer boundaries and internal size of the room in which the state has to perform.

Key words: Glocalisation, State Performance, Civil Society, Southeast Asia, Myanmar, Vietnam, Singapore
Introduction

The main aim of this article is to identify key external and internal factors that are capable of impacting and thus influencing directly or indirectly state performance in Southeast Asia with special emphasis on Myanmar, Vietnam and Singapore. The theoretical aim is to develop a framework for partly being able to delineate some external boundaries for and partly the internal size of the space or ‘room’ that conditions state performance in an international cum national context respectively. Before being able to do that, however, it is important to conceptualise how to think economic globalisation and how such a perception relates to a given national and local societal level respectively. The conception forwarded here is the notion of glocalisation that acts as a key premise in that the global and local cannot be disentangled as the two mutually condition each other. This conception is graphically depicted as a triangular structure so as to illustrate the independency between the global, the national and the local.

In order to identify the international or external factors affecting state performance the article further divides the global economy into developed markets, transitional and emerging markets, and ‘bottom of the pyramid’ (BOP) exemplified by Singapore, Vietnam and Myanmar respectively. The reason for dividing the global economy in this manner is to analyse the way in which states operate in these different types of markets. The specific type of market thus provides the key signifiers for identifying the external ‘room’ or set of constraints that states have to take into account when performing in an international context.
In identifying the internal factors affecting state performance an institution-based view is employed. It focuses on the dynamic interaction between institutions as well as between institutions and societal agents. According to this view strategy making on behalf of agents are the outcome of an exchange of preferences between institutions and agents. Institutions are thus not to be conceived of as a set of static structures. Rather, they are to be thought of as a kind of structuration of social and institutional interaction thus making the institutional setup dynamic.¹ This negates the perception of the institutional frameworks as having a capability to dictate pre-defined adjustment paths for agents within the institutional setup. Accordingly, institutional frameworks may constrain but may also offer new possibilities for agents as these constraints also allow for new modes of learning that may go beyond the possibilities originally recognised. This creates tensions between the state and the institutional set-up in which the former is embedded. States are generally working towards institutional stability whereas the institutional set-up is in a constant state of flux due to the dynamic interaction between the institutional setup and societal agency. This schism allows us to identify the internal size of the ‘room’ for state performance.

On the basis of the above this article thus argues that the state is sandwiched between external and internal factors as the two respectively define the outer boundaries and internal size of the room in which the state has to perform.

¹ According to Giddens, human agency and social structure are not two separate concepts or constructs, but are two ways of considering social action. According to him there is a duality of structures that on the one hand is composed of situated actors who undertake social action and interaction, and their knowledgeable activities in various situations. At the other hand there are also the rules, resources, and social relationships that are produced and reproduced in social interaction. Structuration thus means studying the ways in which social systems are produced and reproduced in social interaction. Basically Giddens defines structuration as ‘the structuring of social relations across time and space, in virtue of the duality of structure’ (Giddens 1989 pp. 25-6, p. 376).
On state performance, institutional setup and societal agency in a global context

As a first step in order to develop a theoretical framework for identifying key external and internal factors impacting on state performance in Southeast Asia it is important to probe into different modes of ‘reading’ the global economy. This constitutes the background for how to ‘think’ the state in such a context. To facilitate a discussion of how to frame state performance four scenarios are outlined in the following.

1. De- and/or re-coupling from the global economy: Real Possibility or Intellectual Exercise?

The first scenario takes its point of departure in the intellectual roots behind the notion of decoupling. The most important one is to be found in the so-called Dependency School that dominated the political economic discourses during the 1960s, 1970s and early 1980s. Its basic premise was that the world was divided into a centre and peripheral political and economic power structure, also identified as a First World and Third World dichotomy. The theoretical foundation behind this bifocal world view was mainly based on neo-Marxist approaches formulated by scholars such as Frank (1978), Banaji (1977), Amir (1974), Emmanuel (1972) and Wallerstein (1979).

According to this school of thought the political and economic processes governing this world view had their origin in a Western initiated colonial and imperialist past that manifested itself in a global centre–periphery structure in which the centre, the West, monopolised and controlled global capital accumulation fuelled by resource extraction in the periphery, mainly, according to this discourse, from Latin America and Africa.
The link to the current discourse on decoupling was provided by Frank, who maintained that so-called Third World countries in the periphery should de-link from the First World, that is, the centre, for their economic development, as these links were harmful for the periphery. With fewer linkages to the centre, Third World countries could concentrate on domestic development and import substitution, all guided by a developmental state based on a revolutionary socialist ideology (Frank 1978).

This theoretical macro perspective was later replaced by theories of globalisation in which multinational companies were the main players and nation–states acted as economic facilitators for domestic industrial internationalisation processes, developments that in particular have been discussed within international business theory by Porter (1990), Dunning and Lundan (2009), Shenkar (2004) and Rugman and Verbeke (2004), just to mention a few scholars in this rich school of thought. Up until 2008, observers found supportive evidence for budding notions of decoupling, especially in Asian emerging markets. As such, Asian economies were perceived to be resistant to the contractions in the American and European economies due to their strong and constantly growing domestic markets, large currency reserves and prudent macroeconomic policies, partly based on experiences learnt during the 1997 financial crisis, and partly based on perceived modes of doing business compared to their Western counterparts.2

During 2008 and 2009 cracks in the notion of decoupling began to emerge. The meltdown on Wall Street in 2008 sent shockwaves through the entire global financial system, not least in the Asian markets.

2 For a more detailed discussion in this connection, see Gesteland (2005) and Nisbett et al. (2001).
Contrary to what those who believed in decoupling expected, the losses were even greater outside the USA, with the worst experienced in emerging markets and developed economies alike such as Germany and Japan. Even though China was relatively hard hit by the global economic contraction that followed the financial meltdown, it managed to engineer a decent rebound (together with India and a group of larger emerging economies in Asia), whereas the USA, Europe and Japan still remain on the verge of recession. In the first half of 2011 it seemed as if the global economy was approaching the second bottom of a seemingly ‘W-shaped’ (also called ‘double dip’) economic crisis.

Taking into account the many fiscal stimulus packages introduced by states in 2009 and 2010 to stabilise national economies around the globe, it seems at least for the time being that those in Asian economies have had the greatest impact on national economies, thus rejuvenating an otherwise rather battered discourse on regional or national modes of decoupling. However, the main question remains whether the current growth of the Asian economies as well as the many initiatives to various kind of regionalisation are signs of a budding decoupling from the global economy, and in particular, from Western economies via the differing free trade agreements including the latest initiative coming from China, the Asian Infrastructure Investment Bank.

A critical point when analysing these developments from a decoupling perspective is the relationship between decoupling and the underlying process of internationalisation of individual national economies. Even though a given national economy has been stimulated and facilitated by the state, this does not mean that the economy is becoming detached from the global economy.

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Evidence of continuing links between a national economy and the global economy can be seen in a national economy’s dependence on foreign direct investment (FDI) for its continued growth and through, for example, membership of the World Trade Organisation (WTO). In this way, the state is gradually aligning the development of its own economy with the global one.\(^4\)

It is, however, problematic to employ notions of decoupling, as global and local linkages remain strong and pervasive. It seems as if the discourse on decoupling is not aware of the current gradual dismantling of the historically conditioned Western economic hegemony, a condition that is being replaced by a more fluid, interdependent and contextualised economic world order based on shifting centres of capital accumulation. Decoupling or recoupling seem to be less economic in nature and more part of a politically inspired discourse in which the notions of decoupling or recoupling constitute potent political signifiers. Taking this stand on decoupling reduces it to a domestic policy manifestation that reflects a given position in an international landscape of multiple and shifting power centres, thereby unintentionally accepting an increasing global interdependency between and harmonisation of individual national economies (Rugman and Verbeke 2004).

2. Towards a ‘Spiky’ or ‘Flat’ Perception of the Global Economy

The second scenario takes a closer look at the current global political and economic landscape to identify the various opportunities and constraints that are impacting the economies in the Asian region. Based on a geo-economic understanding of the global economy, Friedman (2005) forwards the notion of a flat world, as a metaphor for seeing the world economy as an increasingly level playing field. This means that agents in the

global marketplace have an equal opportunity in terms of doing business. Friedman base
this presumption on what he has identified as ‘the ten flatteners’, which combined with
the so-called steroids and the triple global convergence have all led towards greater
global interdependency. According to Friedman, the net result of these developments
has been a gradual alignment of doing business in the global marketplace in especially
the beginning of the twenty-first century.

Furthermore, due to the so-called time–space compression (Harvey 1990: 240), that is,
processes that merge or collapse the difference between time and space, inter- and
intra-firm communication tends to be instantaneous. Accordingly, adaptation to local
market and institutional conditions becomes an option and not a necessity for a global
company.

Richard Florida (2005) goes against the notion that the world is flat. On the contrary,
according to him is it rather ‘spiky’. He divides the world into three major categories
that together make up the modern economic landscape: ‘spikes’, that is, major cities that
generate innovations, economic production ‘hills’, and the ‘valleys’ in between the two.
To illustrate this, he and some colleagues developed a map that shows geo-economically
what a ‘spiky world’ would look like. The map illustrates economic activity estimated on
the basis of light emissions. Many cities, however, despite their large populations barely
register due to low levels of economic activity.

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5 Friedman’s ten flatteners are: harmonisation and integration, pushed forward by the collapse of the Berlin
Wall, Netscape, workflow software, outsourcing, offshoring, uploading, supply chaining, insourcing and in-
forming.
6 Defined as wireless, voice over Internet, and file sharing.
7 Defined as the convergence of the ten ‘flatteners’, horizontalisation of business practices, and economic
liberalisation of emerging markets.
The ‘spikes’ or cities that are capable of generating technological innovations constitute the tallest peaks on this map and are rather permanent. They attract global talent and create new products and industries. The ‘economic hills’ are manufacturing centres that support the innovation engines found in the ‘spikes’. The hills can rise and fall quickly; they are prosperous but insecure in terms of investment. Finally, there are the ‘valleys’, which can be found in between the ‘spikes’ and ‘hills’. These are places or areas with little connection to the global economy and thus few immediate prospects for economic development. According to this geo-economic perspective, the world is not flat but constitutes a highly differentiated and interdependent landscape, if we are to believe these categorisations.

Joseph Stiglitz concurred with Florida that the world is not flat and is thus also critical of the notion and consequences of the notion of time–space compression in this connection. In 2006 he wrote that:

‘Friedman is right that there have been dramatic changes in the global economy, in the global landscape; in some directions, the world is much flatter than it has ever been, with those in various parts of the world being more connected than they have ever been, but the world is not flat [...] Not only is the world not flat: in many ways it has been getting less flat’. (Stiglitz 2006: 7)

Interestingly, this discourse does not take the role of the state into account. It is more concerned with how to structure the global economy rather than pinpointing the importance of the individual elements such as the state and civil society that put together constitutes the meta-aggregated entity identified as the global economy.
3. Differentiated market perceptions of the global economy

The third scenario further substantiate the notion of a spiky world presenting, however, a more advanced mode of showing that a differentiated, interdependent and indeed ‘spiky’ economic landscape is closer to reality. This school of thought can be found in international business (IB) theory (Peng and Meyer 2011; Peng 2009; Ahlstrom and Bruton 2010). Besides showing that the various national economies are indeed interrelated and interdependent, theoretical approaches from this school of thought delineate various market types that are a direct reflection of the current forces defining the structure of the global economy.

According to an IB approach the global economy can be divided into three main types of markets: developed markets, transitional and/or emerging markets and bottom-of-the-pyramid (BOP) markets. The developed markets are those that contain the tallest ‘spikes’. These markets can generally be found in what Fukuyama (1995) has called ‘high-trust societies’. This refers to societies in which a high level of trust is placed in governmental institutions that provide for political accountability, checks and balances of the overall economy as well as judicial protection and security for social groupings and individuals within civil society. In other words, these markets are defined by rules and regulations and as such attract a vast number of international and domestic investors. Furthermore, the societies in which these markets are found can be characterised as exhibiting moderate growth rates and having stable political regimes.

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8 For a more detailed discussion of the role of institutions in various types of markets, see North (1991), Scott (2008).
The role of the state is deeply integrated in this scenario. For example, in developed markets the state can be defined according to two ideal types: liberal market economies (LMEs) and coordinated market economies (CMEs). In short, the role of the state in the LMEs can be characterised as minimal. This means that the state plays a minor role in regulating the market and ideally leaves the market to its own regulatory mechanisms with only minor interventions to stimulate the economy. In this category would be the US and UK markets, for example. This perception of this kind of markets changed rather dramatically during the height of the financial crisis. Here the state intervened to a great extent in the markets so as to facilitate an otherwise faltering economy.

There are, however, heavy political costs associated with adopting such a kind of an interventionist state practice in an LME context. This could in particular be seen in the US, where Republican politicians were heavily attacking the Obama administration for being ‘socialist’ in its approach towards the current financial crisis, leading to a stalemate within the political establishment. In contrast, the role of the state in a CME can be categorised as Keynesian. Here the state plays a major role as an economic facilitator and regulator, a role that expands and contracts according to fluctuations in the market and the state of the economy. This kind of market is found mainly in Germany and Scandinavia. Both of these two ideal types of markets are within the developed market category.

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9 For a full discussion of LMEs and CMEs, see Stephenson (2002).
10 For a further reading on varieties of capitalism, see Whitley (1998), Hall and Soskice (2001) and Carney, Gedajlovic and Yang (2009).
In transitional and/or emerging markets, one finds the 'hills'. They generally can be characterised as quite volatile. Some of these markets are going through a period of transition from a planned economy towards an open market economy (for example, as Russia, China and Vietnam are currently doing), whereas emerging market nations such as Malaysia, Indonesia and Thailand, together with the transitional economies, are based on more or less functioning formal rules and regulations due to the impact of localised mind-sets and traditional value systems emanating from the informal institutions. Other characteristics are high growth rates, very competitive low-cost manufacturing, high-risk economies and more or less unstable political regimes. In general, the societies where one finds these types of markets can be defined as low-trust societies, to once again use Fukuyama's (1995) term. This means that individuals do not trust official institutions due to corruption and non-transparent political and bureaucratic practices, leading to inefficient implementation of the rules and regulations emanating from the formal institutions. Instead they turn to informal networks based on family relations and other non-official organised-centred networks built on relational trust between, for example, business partners. In other words, contrary to formal institutions, informal institutions have a greater impact on the functionality of formal institutions, thus creating what Peng and Zhou (2005) have termed ‘institutional voids’ that are dealt with by network practices, which are to make up for the different institutional voids.

In terms of market characteristics, a transitional and/or emerging market can be positioned somewhere between an LME and a CME.

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11 For a further discussion of the notion of trust, see Fukuyama (1995).
This means that the role and involvement of the state in the economy is relatively high. The literature on the state in these kinds of markets refers to the state as either an interventionist state or a developmental state that to a great extent is involved in the economy and thus also in overall national industrial development (see for example Hutchinson 2009 and Beh 2007). Although variations of the developmental type of state can also be found in developed markets, it is mainly related to transitional and/or emerging markets, where market structures are relatively weak and unregulated thus producing vulnerable industries that are easy prey for global competition. These kinds of markets can be found in former Eastern Europe and Russia, Latin America, Africa, India and most of Asia except Japan, South Korea, Taiwan, Hong Kong and Singapore.

The final category of markets in this context is the so-called ‘bottom of the pyramid’ (BOP) type of markets. They constitute the ‘valleys’, when employing Florida’s typology. They can be characterised by an absence of formal institutions, that is, of very few or no formal rules and regulations to guide either local or international companies doing business there. Here, informal rules can be understood as mainly socially sanctioned norms of behaviour that are embedded in cultural and religious practices as well as in local value systems. These markets are found mainly in rural areas, urban slums and shanty towns. People living in BOP markets have few assets, little or no education, are outside of conventional distribution, credit and communication networks, and they subsist on less than US$4 a day (Peng 2009: 6). BOP markets are scattered throughout the world, mostly in countries outside the West, for example, in parts of Latin America, Africa, India, China and Southeast Asia.
One of the interesting things about BOP markets is that they have the potential to develop into emerging markets should the government invest in infrastructure, thus preparing the ground for companies other than MNCs to tap into these markets. The companies behind this kind of development are often successful pioneers, who first established themselves in these difficult markets. Two such pioneers are Unilever Hindustan, which operates successfully in the Indian BOP market\textsuperscript{12} and the Danish company Fan Milk International A/S that operates in several African countries.\textsuperscript{13}

4. Towards a Glocalised Economy

The fourth and final scenario is represented by Roland Robertson, who is credited with popularising the term, ‘glocalisation’ that describes the effects of local conditions on global impacts on local conditionalities (Robertson 1995: 25-44). Ferguson and Mansbach further elaborate on the concept saying that the notion of glocalisation signifies the existence of complex ‘\textit{parallel, irreversible and mutually interdependent processes by which globalisation-deepens-localisation-deepens-globalisation and so on}’ (Ferguson and Mansbach 2012: 138). The global and the local are thus inextricably and irreversibly bound together through a dynamic relationship with huge flows of resources moving forwards and backwards between the two. Neither the global nor the local can exist without the other.\textsuperscript{14}


\textsuperscript{14} For a case study on glocalisation, see Jain et al. 2012.
The key issue here is what has been termed the global–local nexus, or to use a more popular phrase, ‘think globally, act locally’. The different types of markets, whether spiky or flat, whether you can decouple from the global economy or not, are all governed by the global–local nexus, that is, the global impact on the local and vice versa. As it is the interface between the two that determines the success rate at either the global or the local level, we must take a closer look at this interface to understand what it consists of as well as identify the drivers behind the nexus. Basically, it is this interface that constitutes the complex reality ‘out there’ that we have to deal with in our everyday life.

As glocalisation not only deals with global and local economic matters but encompasses all aspects of the local in the global, it is important to look at the main players in this context. They can be organised in a triangular matrix. The individual points in this matrix consist of 1) global political and economic developments, 2) the role of the state, and 3) civil society. By analysing the relationships among these three main players it becomes possible to identify the drivers behind glocalisation. When employing such an approach, the intricate interdependency between a given region (in this particular case, Southeast Asia), particular nations (Myanmar, Vietnam and Singapore) and specific localities within each of these nations clearly comes forth.

The following discussion zooms in on the performance of the state by employing the notion of glocalisation. This perspective amounts to a holistic approach of analysing state performance in the triangle, as we recognise that the three other scenarios’ of how to ‘read’ the global economy;
the possibility of de- or recouple from it, whether it is spiky or flat or whether a qualitative market differentiation of it is possible—only address two of the three corners in the triangle, namely the global political and economic developments and the role of the state nationally as well as internationally. On the basis of this we will begin our discussion by looking closer at the way in which the state performs in relation to the different corners in the triangle so as to identify how different sets of external and internal constraints either confines or enlarge the ‘room’ in which the state is capable of performing.

Closing in on the external and internal factors affecting state performance

In identifying the external factors affecting state performance a point of departure is taken in the global economy divided into the three main types of markets as discussed in relation to IB theory and how that relate to state performance. In the context of this article this means that developed markets are represented by Singapore, transitional and emerging markets are represented by Vietnam, and a combination of emerging and ‘bottom of the pyramid’ (BOP) markets are represented by Myanmar. As the individual type of market puts certain constrains on state performance in the three case countries it is expected that we will be able to excavate the boundaries within which the state in these three country specific types of markets is capable of operating. Arguably, the different characteristics and types of market thus produce the main signifiers for identifying the external constraints that conditions the outer boundaries for the ‘room’ in which states are to perform.
In order to identify the internal factors affecting state performance a point of departure is taken in the role of the state as well as in the respective civil society. To initiate this discussion an institution-based approach of the three case studies is employed. It focuses on the dynamic interaction between the formal and informal societal institutions and between the societal institutions and human agency emanating from socio-political forces within the civil society. According to this strategy making on behalf of agents are the outcome of changing preferences governing the relationship between institutions and agents. Institutions are thus not to be perceived as static sets of structures issuing specific sets of rules after which agents are to react. Rather, we are talking about a delineation of the dynamic relationship between societal agency and the institutional setup.

**Applying the triangular approach to Myanmar, Vietnam and Singapore**

*Presumption I*

According to a 2013 OECD report the economic outlook for Southeast Asia remains robust over the medium term secured by a steady rise in domestic demand. In particular, real GDP growth in the region will remain robust in the medium term, growing at a pace which is comparable to the pre-global financial crisis period. Growth in domestic demand, particularly private consumption and investment, will be the main driver of growth in most countries as well as current account surpluses will remain relatively stable as shares of GDP in the region.
Growth will be less reliant on net exports than in the past. In the near term, while downside risks to growth remain in the form of financial volatility and capital flows, Southeast Asian economies will weather these as the underlying fundamentals remain resilient (OECD 2013).\(^\text{15}\)

Despite these positive forecasts the Southeast Asian economies face important policy challenges in realising their medium-term growth potential. Capital mobility is a key component of international finance and the management of risks arising from fluctuating capital inflows will continue to be a key challenge. The scope for using capital controls to deal with surges in capital inflow will gradually become more limited as the Southeast Asian countries further liberalise their capital accounts. More importantly, implementation of structural policy reforms in areas such as financial and product market regulation will be the key to maximising the long-term benefits of capital flows and minimising their associated risks. In addition, to sustain robust real economic growth in the region, structural policy changes will be needed to narrow development gaps and enhance regional integration. These regional integration efforts have reached a critical stage and their expected progress over the next several years is a positive factor in the favourable medium-term outlook for Southeast Asia (ibid 2013).

In the following three case studies, covering Myanmar, Vietnam and Singapore, will briefly be discussed in relation to the international political developments and how they impact on the state ability to perform within each case country.\(^\text{16}\)

\(^{15}\) *Economic outlook for Southeast Asia, China and India 2014: Beyond the Middle-Income Trap. OECD 2013.*

\(^{16}\) The following data on each case country is taken from country reports, Economist Intelligence Units Limited 2014.
Myanmar - an emerging/BOP market: an external view

The current government will continue to pursue a policy of re-engagement with the West. Many Western countries, including the US, have suspended most of their sanctions against Myanmar and the EU lifted almost all sanctions in April 2013. However, Myanmar’s relations with Western governments, Islamic countries and international organisations will remain under strain because of the administration’s poor handling of sectarian violence. The US renewed its remaining sanctions against Myanmar in May 2014, citing ongoing human rights abuses and conflict. The conduct and result of the 2015 general election will have a major impact on Myanmar's relations with the West. A free and fair election preceded by constitutional liberalisation would accelerate Western engagement. Conversely, the US and EU have already hinted that failure to allow Aung San Suu Kyi to become president following the poll would undermine its legitimacy.

Western governments have also cited progress towards ethnic reconciliation as a key requirement of closer ties. Improving overall ties with the US could, however, create strains in the government’s relations with China—the strongest backer of the military junta that ruled Myanmar until 2010. Ties with China will also be complicated by the greater political openness in Myanmar, which has led to popular protests against Chinese-invested mining and energy projects. Although China will remain an important trade and investment partner, Myanmar will continue to build closer ties with Japan and India in an effort to reduce its reliance on China.
Vietnam - an emerging/transitional market: an external view

Vietnam will make further strides in strengthening its ties with the West. A series of high-level exchanges has bolstered US-Vietnamese diplomatic relations, while military ties are also strengthening.

There are strong indications that the US will lift its ban on arms sales to Vietnam within the next couple of years. The economic relationship between the two will also continue to develop, especially if, as The Economist Intelligence Unit expects, both sign the Trans-Pacific Partnership (TPP), an inter-regional free-trade agreement, during the forecast period. China’s decision in May 2014 to drill for fossil fuels in waters claimed by Vietnam, and violent anti-China riots that followed in the latter, have brought bilateral relations to their lowest point since China’s invasion of northern Vietnam in 1979.

Bilateral relations between the two will be characterised by growing distrust in the coming years. Increasingly strained relations with China probably mean that Vietnam continues to pursue closer ties with the US, including broader military co-operation. Along with the Philippines, Vietnam will furthermore continue to spearhead efforts by ASEAN to push for a legally binding code of conduct for the South China Sea.

Singapore - a near developed market: an external view

Relations with Malaysia have warmed in recent years, partly owing to the substantial opportunities for economic co-operation in the Iskandar development zone in the southern Malaysian state Johor. Greater connectivity will promote economic integration, bringing together Singapore’s investment and capital and Malaysia’s land, cheap labour and other natural resources.
Singapore will maintain its role at the forefront of efforts to improve cooperation and integration among the ten members of ASEAN. The city state’s diplomatic initiatives with China are partly motivated by the lure of greater Chinese investment.

More broadly, Singapore is keen to foster closer economic ties between China and ASEAN. However, the government will remain mindful that regional tensions resulting from territorial disputes in the South China Sea could hurt Singapore’s trade dependent economy. This will ensure that the country takes an active diplomatic role to emphasise the need for calm, while maintaining its neutral foreign policy stance.

Singapore’s policymakers will continue to keep a close eye on economic developments in the EU and US. Singapore is among the countries in South-east Asia that are most vulnerable to low levels of demand in Western economies. Nevertheless, closer trade relations with China and Malaysia in recent years would provide some buffer in the event of a sharp slowdown in the West.

*Sub-conclusion on Presumption I*

As mentioned earlier when identifying the external factors affecting state performance a point of departure has been taken in two of the three corners of the triangular matrix, namely the global economy divided into the three main types of markets as discussed in IB theory, and the role of the state in each of these markets. On the basis of this the expectation in the previous section was that we would be able to excavate the main signifiers for identifying the external constraints that conditions the ‘room’ in which states are to perform.
As has been shown in the discussion of the external constraints on state performance in Myanmar, Vietnam and Singapore all three countries are integrated into the global economy although the actual way in which this is done for the individual case country varies considerably.

Myanmar, in trying to restructure its institutional setup and fragmented economic infrastructure, is pursuing a reengagement with the West in order to safeguard its reform programme, but by doing this it strains the relation with its old partner China. As a consequence the state gets entangled in an international power play between the West, China, Japan and India that complicates its ability to navigate its international friends and foes. As China, although important for Myanmar as it is, is gradually being cornered by the three other actors in this power game this forces the Myanmamese state to pursue additional measures to further processes of democratisation and economic liberalisation beyond what it had originally in mind if it is to maintain it good relation with them. The Myanmarmese state thus has to balance carefully between the various opportunities and constraints emanating from the international community as well as to come up with a solution to maintaining national political and ethnic coherence in order to be able to stay in power. In a sense the external boundaries of the room in which the state is to manoeuvre is in this case relatively narrow.

Vietnam is also court up in an international power play. It is entangled in a close collaboration with the US and the ASEAN countries in order to bolster growing negative relations with China.
Again, the Vietnamese state's room for manoeuvring internationally as well as nationally is rather curtailed by its political and economic dependency on the external players in the region. This can be seen in Vietnam's advancing transition from a command economy towards a more open market economy where institutional voids are expected to diminish as the country moves up the global value chain.

The crucial question to ask here is, however, how well the state manages its Western dominated opening up policy internally, as that is closely being scrutinised by its international partners thus conditioning the expansion or contraction of the external boundaries for state performance.

Singapore is perhaps the most active Southeast Asian country on the international scene due to its fundamental dependency on maintaining positive economic and political relations with not only the other ASEAN countries, but also the global economic community per se, in particular the US and EU, - a dependency that the state manage very skilfully thus constantly expanding the boundaries of the room in which it can act. This allows the state to remain an active international player thus reinforcing further collaboration and integration of the regional economic community in 2015 to the benefit of itself, the region and the global economy. The external constraints that determines the outer boundaries of the room in which the Singaporean state are to operate thus depends on its ability to manage its international partners as well as its reputation as a high trust society based on a very tightly governed and structured institutional setup.
Presumption II

After having identified the international or external constraints that conditions the boundaries of the ‘room’ in which states are to perform we now turn towards the societal constraints that determines the internal size of that room. This means that we are now to identify the internal factors affecting state performance. Our point of departure is thus taken in two other parts of the triangular matrix, namely the role of the state and civil society.

Here we will in particular focus on states’ capability to (re-) direct and/or (re-) design a complex inter-ethnic and dynamic societal landscape towards its own interests. This means that state performance and the functionality of formal institutions are in a constant dialogue with societal agents and their perception of the overall institutional set-up, a perception that is motivated by a personal agenda and thus not necessarily in agreement with the agendas of the state. Arguably, societal agents thus have the capability of changing or at least critically impacting on the functionality of the room for state manoeuvring thus increasing or decreasing the size of that room.\(^\text{17}\)

\(^\text{17}\) The following are mainly from the Economist Intelligence Unit’s country reports on Myanmar, Vietnam and Singapore from 2014.
Myanmar - an emerging/BOP market: an internal view

The Economist Intelligence Unit expects the Government in Myanmar to continue the process of political liberalisation that began in 2011. There are, however, developments within both the political and societal sections that will have a critical impact on democratisation process. The first emanates from the political party, the National League for Democracy (NLD), which is led by Aung San Suu Kyi. This is a political force that the government has to take into account and there is no doubt that it plays a prominent political role both now and in the future. The question is, however, how prominent this role will be taking into account that it is the military-backed political party, Union Solidarity and Development Party (USDP), that defines the political agenda. That the pro-democracy opposition is not a coherent political force can be seen by the relatively high level of internal disagreements as the reform process opens up more space for political activity.

The second threat toward the government led democratisation processes is the ethnic and religious divisions within the national hinterland that have the capability of destabilising the political process. Government policies such as a proposed law to protect the majority race and religion, as well as a national census that excluded the Muslim Rohingya, have inflamed the situation. As the country's shift towards democracy gives freer rein to decades of build-up religious and racial tensions, further outbreaks of sectarian violence are likely. Finally, Myanmar's prospects for long-term stability and democratisation also depend on a successful ethnic reconciliation.
Fights between government troops and ethnic-minority rebels have escalated in several border regions in 2014. Although the administration claims to be close to finalising a comprehensive ceasefire agreement efforts to forge a new framework for relations between ethnic minorities and the central government there is still a long way to go. The minorities’ basic demand for a federal system of government remains anathema to powerful elements within the military. Put together political volatility, ethnic and religious tensions and the relationship between the minorities and the central government creates a rather fragile scenario of the emergence of a stable institutional setup as well as the future perspective for the development of democracy in Myanmar.

**Vietnam - an emerging/transitional market: an internal view**

The ruling Communist Party of Vietnam (CPV) will retain a firm grip on power in the next five years. Despite the existence of factional splits and recent calls for more political pluralism, there is little prospect of major instability within the party.

The latter has experimented with fostering nationalist sentiment in order to boost its own legitimacy, which has led to large-scale anti-China riots in May 2014 thus releasing ‘people power’ inherent in such nationalist initiatives. Sensing this potential danger the government’s latest general policy of discouraging large-scale public anti-China protests will remain in force in 2015-2019, especially after the recent riots demonstrated how easily such incidents can spiral out of control and thus foster another potential source of public opposition towards the government.
Furthermore, tensions between the authorities and religious groups such as the Roman Catholic Church and ethnic minorities like the Hmong is furthermore simmering beneath the surface. Protests over land seizures have the potential of becoming more frequent, particularly as a slew of lease agreements are expiring creating uncertainty for millions of tenants who operate small holdings. Industrial development will also continue to displace large numbers of residents, potentially leading to public protests. Put together these developments underlines the tensions between the institutional setup and the different types of agency in civil society.

_Singapore - a near developed market: an internal view_

The Economist Intelligence Unit expects the centre-right People's Action Party (PAP) to remain in power in 2015 to 2019, after it secured a large majority in the 2011 parliamentary election. However, the opposition managed to triple its representation in 2011. Also notable was that the PAP’s share of the popular vote declined compared with the 2006 poll, and the since the 2011 election the ruling party has lost two by-election. Although this suggests that a segment of the public is growing disillusioned with PAP there are unlikely to be any major changes to the electoral system in the near future.

At the present PAP remains popular with the majority of the population. It has managed to deliver rising prosperity throughout its long period in government and its far-sighted policies have contributed to the evolution of a largely harmonious multicultural society that enjoys a high living standard. Despite these achievements, however, anti-immigrant sentiment has been on the rise since 2012.
In a move against this development a government initiative, the Fair Consideration Framework, requires employers to consider Singaporeans before hiring foreigners and scrutiny companies if they are employing a disproportionately low number of Singaporean workers. This might help to alleviate anti-immigrant feelings, however, given that the unemployment rate averaged just 2% in the first half of 2014, restrictive labour practices will affect business efficiency as well as Singapore's competitiveness and reputation for openness.

Finally, in a sign of increasing popular disenchantment with the government, more than 2000 people attended a rally in mid-2014 against the alleged lack of transparency in the management of the state run pension scheme, the Central Provident Fund. This followed three protests against the government in 2013, including two large demonstrations against an official white paper projecting that the population would need to expand significantly by 2030 mostly through immigration for the government to achieve its target rate of economic growth. Further protests are likely as Singaporeans become more politically engaged, but these will not destabilise the government.

**Sub-conclusion on Presumption II**

In the above we have shortly discussed the internal or societal constraints that determine the size of the room in which states are to perform. Our point of departure in this connection has been taken in two other parts of the triangular matrix, namely the role of the state and civil society.
Here the key issues have been the capability of states to (re-) direct and/or (re-) design a complex inter-ethnic and dynamic societal landscape towards its own interests. The outcome of this discussion have been that the state is forces by shifting local circumstances to engage in a constant dialogue with agents from within the civil society and their perception of the whether the overall institutional set-up is conducive to the various agendas and discourses found within civil society. Arguably, the main argument here has been that it is in the outcome of the dialogue between the state and agents from within civil society that the size of the room for state manoeuvring has been carved out thus indicating whether it is increasing or decreasing. That depends on the outcome of this dialogue.

As has been shown in the above it is not only the state that sets the agenda for how the three cases evolve. Even though the state is a powerful player indeed it still has to negotiate its room for manoeuvring with the stakeholders within the national hinterland. The state in Myanmar cannot establish an institutional setup in order to bolster its perception of a conducive institutional setup without consulting the political opposition as well as the different ethnic and religious groups that put together make up the actors in the national hinterland. Actually, its room of manoeuvring is curtailed by those actors and to increase it, the state has to include them in the overall nation making process.
If not the democratisation process and thus national coherence is at stake. In the case of Vietnam, due to the authoritative nature of the state and not having the same external pressure for initiating a democratisation process as in the case of Myanmar the state has nonetheless to be careful about exercising its power as there seems to be a growing awareness within civil society that people power ultimately have the capability to rain in state initiatives and thus the extend of state performance. That would ultimately limit the size of the room in which the state has to perform.

Finally, Singapore is still capable due to its total political control over civil society to stir the city state clear of major negative civil reaction towards this control mode. Tensions within civil society, however, are on the rise partly because of the authoritative nature of the state thus signalling that citizens is mainly conceived of as passive agents, and partly because of the state’s immigration policy. Because of a budding public pressure for more public intervention and engagement in state policies as well as a pressure for nurturing the specific status of being a Singaporean citizen the state has to move carefully on these issues thereby unavoidably limiting the size of its room of manoeuvring in this regard.

On Identifying Key External and Internal Factors Affecting State Performance in Southeast Asia: Some Concluding Remarks

After now having tentatively outlined the factors that constitute the background for defining the external boundaries of the ‘room’ as well as the internal size of it in which the state in Myanmar, Vietnam and Singapore has to act let us now revert to the overall theoretical framework for this mode of analysing state performance.
The point of departure for employing this framework has been the notion of glocalisation. As glocalisation not only deals with economic matters connecting the global and national but encompasses all aspects of the local in the national and thus also in the global, it is important to look at the main players in this context, which have been grouped together in a triangular matrix. As have been discussed above the individual points in the matrix consist of 1) global political and economic developments, 2) the role of the state in an international cum national context as well as 3) the civil society within the individual national hinterland. By analysing the relationships between these three main players it becomes possible to identify the drivers behind processes of glocalisation and thus address both the boundaries as well as the size of the ‘room’ in which states are confined to perform, nationally as well as internationally.

This perspective amounts to a holistic approach of analysing state performance, as we recognise that the three other modes of thinking the global economy—the potentiality of de- or recouple from it, whether it is spiky or flat or whether a qualitative market differentiation of it is productive—only address two of the three corners in the triangle, that is, the global political and economic developments and the role of the state nationally and internationally. On the basis of this we began our discussion by looking closer at the way in which the state performs in relation to the different corners in the triangle so as to be able to identify how sets of external and internal constraints either confines or enlarge the ‘room’ in which the state is capable of performing.

Two main presumptions have been formulated as analytical points of departures. First, every nation state constitutes a part of the international community but not every nation state has the same impact and international reach.
The scope of this depends on the economic and political capabilities that the individual state is capable of mustering. The relationship between nation states is thus asymmetrical. This was clearly illustrated in the discussion of the external factors that affect state performance in our three case countries thus identifying the outer boundaries of the room in which the individual state is capable of performing. Second, as a state depends on institutional stability for its basic functioning it has to adapt to and at the same time manipulate a given institutional set-up to perform in an optimal manner, - a setup that is partly conditioned by the type of market in which it is embedded. This presumption attempts to identify the size of the room in which it is to perform. The actual size of that room dependent on its capability to (re-) direct and/or (re-)design a multiple inter-ethnic and dynamic societal landscape towards its own interests, a landscape that is heavily influenced by agents from within civil society and how their perception of the overall institutional set-up is constructed. This means that state performance and the functionality of the institutional setup are in a constant dialogue with societal agents, who have the capability to change or at least to impact on the functionality of the institutional room for state manoeuvring. This was also clearly illustrated in the discussion of the internal factors affecting state performance in our three case countries.

Interestingly, the latter discussion negates the perception of the institutional frameworks as having a capability to dictate pre-defined social and political paths for agents within the institutional setup. Accordingly, institutional frameworks may constrain but also offer new opportunities for agents as they allow for new modes of learning what may go beyond the possibilities originally recognised by agents.
This creates tensions between the state and the institutional set-up in which it is embedded, as the institutional set-up is in a constant state of flux. It is this schism that allows us to identify the size of the room for state manoeuvring.

Arguably, this article thus maintains that the state is sandwiched in terms of manoeuvring between external and internal factors. Even though this approach has only been applied to Myanmar, Vietnam and Singapore it has the capability of being employed more generally to Southeast Asian nations. This, however, depends of more thorough empirical studies of the individual state than has been presented here.

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