

## NATIONALISM AND SOUTHEAST ASIA'S ERSATZ MIRACLE

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Frank Golay opened his introductory chapter ('Economic nationalism in Southeast Asia') to his justly famous edited volume, *Underdevelopment and Economic Nationalism in Southeast Asia*, by describing economic nationalism as an 'elusive, emotion-laden concept meaning many things to many people'. He went on to suggest that economic nationalism 'refers to a system of national policies...organized to pursue the national interest as identified through the political process' (p. 1).

For Golay, a second element common to economic nationalism is the 'central role assigned to regulation and control of economic relations between a country and the outside world. Such regulation is never an end in itself but is a means to the national interest, however defined.' (p. 2)

Despite the nineteenth century ascendance of economic liberalism, Golay saw ideas rooted in mercantilism continuing to compete successfully with economic liberalism for policy influence. One was the idea of 'economic protectionism for economic development *cum* industrialization' — as developed by Alexander Hamilton (1791) and Friedrich List (1841).

Golay argued that since the Second World War, the concept of economic nationalism developed further to embrace a greater role for the state, both in terms of interventionist policies and planning as well as public expenditure and state-owned enterprises, as well as a stronger developmentalist purpose. With the rise of socialism, welfare states and Keynesianism, the concept 'has been broadened to connote the planned integration of diverse policies to pursue social goals...and there is widespread recognition that policies of "colonial *laissez faire*" offer little assurance of accelerated economic growth or industrialization.' (p. 3)

Contrasting the antagonism of Michael Heilperin, for whom 'economic nationalism is an unmitigated evil associated with growing collectivism and the baneful influence of Keynes which is leading the world to irrationally sacrifice the bounties of economic liberalism', and Gunnar Myrdal's sympathies, Golay noted: 'For Myrdal, on the other hand, a system of economic nationalism is necessary to insulate economies not only from uncertainties, but from "cumulative causal relationships" inherent in specialization and trade in a world of economic inequality and which are insurmountable obstacles to "national integration".'

Golay also noted that 'economic nationalism has been strongly colored by the struggle for independence and by the nature of colonial economic development'. (pp. 6-7) '[E]conomic nationalism is dominated by the immediate goal of making the colonial economy over into the national economy' (p. 8).

Golay concluded his survey of the history of the concept of economic nationalism by identifying three key elements: First, the ‘regulation and control of economic relations between a country and the rest of the world to enhance sovereignty by insulating the economy from foreign influences; second, the ‘extension of regulation and control to internal economic processes in order to mobilize national capabilities for increased welfare and/or power through economic development; third, concern with the ‘share of members of the national society in the ownership, management and control of productive assets, and their share in the allocation of prestigious (*sic*) and materially rewarding economic functions’ (p. 6).

### **Nationalism in Economics**

Let me now turn to how nationalism might be reconsidered in the light of recent developments in institutional economics. Transaction costs “arise from defining goods and services and enforcing exchanges” (North 1990: 184) since information is costly. Cooperation between agents can reduce transaction costs, to their mutual benefit. Cooperation can be achieved through either compulsion or voluntarism, or combinations of both. Voluntarism can thus lower transaction costs and complement state provision of public goods. Voluntaristic arrangements imply cooperation based on something other than immediate self-interest. However, the agents concerned may not consciously perceive their actions as such, but simply as the way things are done in a society or culture.

The nation is one such community which might encourage such voluntaristic arrangements. While the nation is neither a natural nor a permanent community, and is primarily ‘imagined’ (Anderson 1983), it is enough that its members believe themselves to be part of a national community. And as nationalism has changed over time, so has its economic implications.

#### *Economic Advantages of Nationalism*

The economy has long been seen mainly in terms of national economic performance, both historically, i.e. relative to the past, and compared with other national economies. National economic performance is still regarded as significant despite and, ironically, because of globalization. Thus, economic measures — such as living standards, inflation rates, unemployment levels and the balance of payments — are prepared and compared on a national basis. Though we may not agree on the significance of these economic indicators, they are nonetheless used, however differently and misleadingly, to assess national economies.

However, the existence of distinct national economies is seen as a fetter on competition by neoclassical economics, which maintains that free market competition and the absence of trade restrictions generally ensures optimal economic outcomes. While many economists accept the role of institutions, neoclassical economics insists on the economic superiority of a world in which states do not engage in national economic interventions.

From a different perspective though, it is possible to argue that in the face of uneven development, the optimum strategy for most nation-states in the world economy is to restrict trade in order to develop new economic capabilities and to thus advance their role and relative position in the world economy. Economic development has, in fact, proceeded on such a basis for most national economies during various periods. There are clearly some economic advantages to economic organization around nation-states.

Policies of nation-building — such as promoting a common language and legal system — have not only achieved some homogenization of the population, but also some rationalization of economic transactions, reducing transaction costs, lowering the feasible threshold of economic activities, as well as facilitating more complex exchanges. While maintaining the nation, standardized national systems also lower transaction costs and may also become symbols for or even bases upon which the nation is identified and united. These effects are not economic advantages of nationalism *per se*, but rather are due to the conditions which help create or are created by nationalism. Economic activities within the nation face lower transaction costs than those encountered by economic activities across national frontiers.

### *Trust*

Nationalism and the sense of belonging which successful nation-building engenders have been seen as partial replacements for the security of traditional communities. Establishing trust is beneficial, not only for creating psychological security, but also for reducing the costs of precautions considered necessary for engaging in transactions.

Nationalism creates a community of trust involving all who subscribe to that particular nationalism. More tangibly, this trust is supported by nationalist and national systems including cultural norms, customs and conventions. These establish what is normatively considered desirable or acceptable, and do not rest principally on legal sanctions to encourage adherence. In contrast, laws or regulations considered unjust may not last long and are often quite ineffective, while acceptance of the law is due to various factors, especially those affecting its legitimacy, including nationalist sentiments. Thus, one expects certain behavior with members of a national community, which makes cooperation easier. Nationalism can provide a common culture for a national population, establishing norms of economic behavior and engendering trust in economic transactions and other activities.

Of course, the ‘imagined community’ here could be the cultural or ethnic group encouraging ‘mutual help’ arrangements among commercially successful business minorities, for example.

### *Public Goods, Collective Action and Particularistic Interests*

Provision of public goods resolves a collective action problem. As the paramount political organization, the state usually represents the best means of resolving such problems. However, the presence of a state alone does not guarantee the provision of the

public goods to promote economic activity. Nationalism provides a motivation for maximizing the growth and longer term development of the national economy.

Public goods have been provided by nationalistic regimes, both due to direct attempts at nation building and, increasingly, due to reforms perceived to be in the nation's economic interests. Such strategies might coincide with the economic interests of the ruling elite, or even be deployed to its economic advantage, but may not undermine its significance for national economic development. The need to seek legitimization by identifying with the national interest may actually advance the national interest over the long term, and more successfully as well.

In so far as public goods are recognized as being in the 'national interest', interest groups will be constrained from advancing their own particularistic interests. To what extent this can check group interests depends on the influence of such interest groups relative to the state. The degree to which the state can rely on nationalism to check such group interests thus becomes one of its resources. While competing groups may attempt to identify or equate national interests with their own, there can still be genuine recognition by them of a common identity and a corresponding willingness to pursue what they believe to be the national interest.

Economic strategies which successfully combine personal or group economic progress with a conception of the national interest are far more likely to succeed. It will be personally advantageous to cooperate if acting in the national interest coincides with one's own interests. If the principle of nationalism is effective, it is not economic improvement that has to be sacrificed, but only the desire to place group interests above those of the wider national community.

#### *National Cooperation, International Competition*

Nationalism can provide the motivation and legitimacy for state intervention in the national economy to induce productive investments and economic capabilities. Such intervention must be consistent with an understanding of the national interest, but should also be modifiable if national economic strategy is to be capable of responding effectively to changing conditions. Economic development strategies would then reflect the norms of a particular nationalism, including its history and the cultures from which it draws. The distinction between internal cooperation and external competition then involves the boundaries of nation-states, within which distinct national forms of economic organization exist.

#### *National Rivalry and Economic Development*

With a strong nationalist ethos, gratification will be derived from national economic success. Relative economic failure implies material disadvantages and national failure, with all that the latter may mean to the individual. To the extent that nationalism is a genuine commitment, national economic failure also impinges on the individual's identity.

Thus, the existence of rival nation states provides some incentive to achieve national economic success, an incentive which cannot be provided by a pure free market system in which nation-states play no economic role and agents are only motivated by individual desires for material gain. This, however, does not mean that a system of rival nation states is necessarily superior. Rivalry between nation-states has often resulted in conflict, a generally unproductive form of competition. At the other extreme, nationalism has led to autarky, in which the challenge of international competition is completely avoided, leading to Mancur Olson's national economic sclerosis. However, in the absence of these extremes, a system of nation-states engenders contests or competition. To be successful, the nation-state has to draw on and effectively deploy its own natural resources. If the state organizes the nation, including the national economy, to grow and compete more effectively, a system of nation-states may be better.

### **Southeast Asia's Ersatz Miracle**

The debate in various circles about development and the role of the state has shifted significantly since the 1980s, when essentially fundamentalist neo-liberal thinking enjoyed unchallenged hegemony. In recent years, however, there has been the growing expectation that the pendulum has reached its extreme and we are swinging back to somewhere near the center.

The most important and influential document in this regard has been the publication of the *East Asian Miracle* volume by the World Bank. As is now well-known, the World Bank did not commission the study on its own volition. Instead, it was basically forced upon the Bank by the Japanese government.

The Bank identified eight high-performing Asian economies: Japan, the four first-generation newly industrializing economies (NIEs) or countries (NICs), dragons or tigers, namely South Korea, Taiwan, Hong Kong and Singapore and the three second-generation South East Asian NICs, namely Malaysia, Thailand and Indonesia. Interestingly, of course, China was left out, perhaps because the Chinese experience would upset the analysis the Bank offered in that volume in very fundamental ways.

With its Miracle study, the Bank seemed to have shifted its position from the neo-liberalism, or extreme economic liberalism of the eighties, to acknowledging an important developmentalist role for the state in the 1990s. The Miracle study appears to have had a lot to do with this shift.

The Bank identified six types of state interventions, which it saw as having been very important in East Asia. It approved of the first four, deemed functional interventions, said to compensate for market failures, or deemed to be not distortive of markets. In contrast, the Bank seemed more skeptical, if not downright disapproving of the last two, deemed strategic interventions and considered to be distortive of the market. The two strategic interventions discussed by the Bank were in the area of finance, specifically directed - or

subsidized - credit, and in international trade. The four functional interventions the Bank approved of were:

- ensuring macro-economic discipline
- providing physical and social infrastructure
- providing good governance more generally, and
- raising savings and investment rates.

It is important to get a sense of what actually happened in East Asia, and to compare it with the way the Bank has presented developments in the region.

In the case of the four functional interventions, one actually finds governments not just market-conforming, but rather playing important roles which were more than simply market-augmenting, as suggested by the World Bank analysis.

Let us now quickly turn to the more controversial, so-called strategic interventions in finance and international trade. The Bank concedes that financial interventions have been important and successful in East Asia, particularly in North East Asia — i.e. Japan, Korea and, to a lesser extent, Taiwan.

Attracting FDI, rather than liberalizing financial markets *per se*, has had much more to do with generating economic growth. One should therefore put far greater emphasis on creating the conditions for attracting investment, both domestic private investment as well as foreign investment. One should especially attract foreign investment into areas where one does not expect indigenous industrial capabilities to become internationally competitive. Venture capital markets, rather than the usual stock markets, are more supportive of developing industrial capabilities. As we can learn from Singapore, states should also ensure that the net benefits outweigh the costs of seducing such investments with incentives.

The volume's evaluation of MITI's record is a more predictable World Bank story, where it is argued that interventions have been trade-distortive and, more importantly, generally unsuccessful in East Asia with some minor exceptions. It is not true that the Northeast Asians did not pursue import substitution. However, by making effective protection conditional on export promotion, they quickly became internationally competitive by requiring a rapid transition from import substitution to export-orientation.

It is instructive to consider some of the important differences among the East Asian economies, particularly to consider whether all the high-performing Asian economies have been proceeding inexorably in the same basic direction, e.g. in some 'flying geese' pattern. Although the Bank does not really tout a single East Asian model as such, the Bank study has often been read portraying East Asia as constituting a flock of 'flying geese' or even a 'yen bloc', giving the impression that there is some basis for what might be described as an East Asian model. While there certainly are many lessons to be drawn from the East Asian experience, they certainly are far from constituting a single model.

Let us consider some major differences distinguishing Southeast Asia. In the case of the role of *foreign direct investment* (FDI), one finds tremendous diversity. In the case of Singapore, FDI has constituted about a quarter of gross domestic capital formation. In the case of Malaysia, the proportion has been about 15 percent. At the other end of the spectrum, in the case of Japan and Korea, the percentage has long been below two percent. Some of the other countries fall in between these two extremes, with few near the mean for developing countries of around five percent. Those most successful in developing industrial capacities and capabilities in East Asia, namely Japan, South Korea and Taiwan, have hardly depended heavily on FDI, which has only played a relatively small role.

In Southeast Asia, however, one finds that FDI has generally been much more important for a variety of reasons, which have not been entirely economic. One of the reasons for the major role of FDI in Singapore and Malaysia is political. After Singapore seceded from Malaysia in 1965, the regime decided that to ensure its own survival, it would be best to attract foreign investment in massive quantities to Singapore, so that the major foreign powers would quickly develop a stake in the survival of the Singapore regime. Subsequently, of course, this preference has been justified in terms of improving access to new technology and markets. In other words, political considerations have been a very important reason for attracting, even privileging foreign investment.

In the case of Malaysia, the country has long had ethnic rivalries and an ethnic affirmative action policy. This has encouraged some policy makers to try to limit ethnic Chinese control of the economy by encouraging foreign direct investment so that the proportion of ethnic Chinese control of the economy would be correspondingly reduced. Again, one finds a political motivation for the important role of FDI in Malaysia. The point is that these are, in some sense, exceptions, and these exceptions have to be explained politically, rather than simply by economic considerations.

Turning to the role of *state-owned enterprises*, again, we find tremendous diversity. In South Korea, Japan and, of course, Hong Kong, state-owned enterprises are hardly important today, but historically, state-owned enterprises were important in Japan at the end of the last century and early this century, before the Second World War. Conversely, however, one finds that state-owned enterprises have been extremely important in Singapore and Taiwan. Again, this is partly explained by political factors, but there are also economic considerations. And very importantly, the performance of these state-owned enterprises has also been quite impressive. In the case of Singapore, for instance, the single largest Singapore foreign investor, in other words, the biggest Singapore firm investing abroad has been the GIC, the Government Investment Corporation. The rates of return for the GIC's investments were higher than for all major financial investment firms in the City of London as well as on Wall Street in the early 1990s. Now, this is no mean feat. This also poses a challenge for those who argue that state-owned enterprises are bound to fail because of the property rights and principal-agent arguments. Clearly, there is considerable diversity in the role and performance of public investments, including state-owned enterprises, in East Asia.

Thirdly, we find tremendous diversity in the role of *industrial and technology policies* in East Asia. One extreme, of course, is Hong Kong, where there was relatively little industrial policy, although more than most opponents of industrial policy care to admit. Industrial policy has been far more detailed and sophisticated in Japan and Korea at the other end of the spectrum. In Korea, industrial policy has largely been oriented towards the large firms, whereas in Taiwan, the emphasis has been on medium and, previously, on relatively small enterprises. So, there are also different orientations in industrial policy. More recently, there have been attempts to conceive of and develop more heroic technology policy in Southeast Asia, often at great expense and on false premises.

The role of *trade policy* has also been very important in almost all these countries except Hong Kong and Singapore, while the role of financial policy has been important in all the countries, including Singapore, but with the exception of Hong Kong. So again, there have been some important differences in the role of industrial and technology policy in East Asia.

The Bank also argued that Southeast Asia began to take off precisely when the second-tier NICs reversed strategic interventions. Hence, the mid-eighties were portrayed by the Bank as a period of economic liberalization and deregulation leading to economic recovery and rapid growth. The reality is more complicated. There was certainly some deregulation during this period, but there was also some more private sector-oriented re-regulation and new regulation, more appropriate to the new industrial policy priorities of the Southeast Asian governments, particularly of Malaysia, Thailand, Singapore and Indonesia.

The World Bank recommends that the rest of the developing world emulate Southeast Asia, not Northeast Asia. There are very important differences between Northeast Asia and Southeast Asia behind the Bank's recommendations. These differences compel us to recognize the Northeast Asian transformation, rather than Southeast Asian development, as far more impressive and superior in terms of economic performance. Let us look at some other major differences.

Despite the much greater *resource wealth* of Southeast Asia, one finds that *growth performance* has been superior in Northeast Asia over the long term. Over the period studied by the Bank, i.e. from the sixties until the early nineties, the average growth rate in Northeast Asia was in the region of 8 percent, compared to about 6 percent in Southeast Asia. A two percent difference, compounded over a period of a quarter century, adds up to a lot.

Very importantly also, *population growth*, except in Hong Kong due to immigration from China, has been much lower in Northeast Asia compared to Southeast Asia. Again, the improvements in per capita income and economic welfare have been much more significant in Northeast Asia, compared to Southeast Asia (with the exception of Singapore), despite the relative resource wealth of Southeast Asia. In other words, what Southeast Asia has achieved has been less impressive in some critical ways. Drawing



from this contrast, some people now argue that resource wealth is not a blessing, but rather a curse, in so far as it postpones or weakens the imperative to industrialize.

As noted earlier, Northeast Asia has generally had much more sophisticated and effective industrial policy compared to Southeast Asia. This accounts, in no small way, for the very important differences in industrial and technological capabilities between Northeast Asia and Southeast Asia. Very importantly also, Southeast Asian industrialization is still primarily driven by foreign direct investment, whereas Northeast Asian industrialization is primarily an indigenous phenomenon.

Many now recognize that Japan and the first generation East Asian NIEs began to industrialize in the very specific economic and political conditions of a particular Cold War historical conjuncture. Northeast Asia grew rapidly in the immediate post-war period under a 'security umbrella' provided by the Americans, especially after the Cold War began. Americans were quite happy to tolerate trade, intellectual property and other policies that they are currently strongly opposed to. These favorable conditions are simply not available to others, and hence, their experiences are said to be almost impossible to emulate.

Very importantly too, the state capabilities which have characterized the first-generation NIEs are said to be almost unique. Some suggest that it has something to do with the Confucian legacy of meritocracy. More generally, the Bank suggests that nobody else is capable of pursuing the types of policies which the North-East Asians successfully pursued by claiming that state capabilities in North-East Asia are unique and non-replicable.

There is also a tendency to claim that East Asia cannot be emulated owing to its very different initial conditions. Such differences are real, but often exaggerated. In discussing initial conditions, some fortuitous circumstances must also be considered. Northeast Asia, namely Japan, Korea and Taiwan, all had relatively virtuous American-sponsored land reforms. In Japan, there was significant asset redistribution of other non-land assets. But there are also other reasons why most other developing countries will find it impossible to emulate Northeast Asia even if they want to.

In contrast, Southeast Asia's rapid recent growth and industrialization have been less impressive and sustainable owing to inferior state intervention and greater governance abuses in the region. And while more could have been done on the macroeconomic front in Southeast Asia before mid-1997, especially with the current account of the balance of payments in Thailand and Malaysia, we should not forget that the governments of the region were all running fiscal surpluses, not deficits, with inflation at generally low single digit rates. As one of those who have been critical of the interface between politics and business, it is also very tempting to take the high moral ground these days in condemnation of the crony capitalism now said to be responsible for the crisis in the region.

Instead, however, financial liberalization has contributed most critically to creating the conditions which encouraged the successful assault on the Thai baht and the subsequent rapid spread of contagion to the rest of the region, thanks to ‘herd panic’, as the previous ‘irrational exuberance’ associated with the region’s boom turned — in minutes — into a no less irrational pessimism associated with the region’s debacle since July 1997. The Bretton Woods institutions’ promotion of emerging stock markets and encouragement of easier private sector access to foreign borrowings allowed Southeast Asian governments to bridge their current account deficits with these increased short-term capital inflows.

Politically influential financial interests in the region were happy to have their monetary authorities peg their currencies to the appreciating US dollar to encourage such flows despite its adverse consequences for export competitiveness and growth. Foreign domination of export-oriented industrialization in the region had pre-empted the emergence of a domestic lobby which might have checked this trend. Meanwhile, international financial authorities were pleased that the capital inflows supplementing the high domestic savings rates were ‘sterilized’ so as not to contribute to consumer price inflation. Instead, the high investment rates contributed to asset price inflation involving real estate and stocks as well as consumer credit.

Sadly, the current fire-sale of grossly under-priced Southeast Asian assets now advertised by Thai and other authorities will not ensure superior management. More importantly, the crisis will tempt governments in the region to try to recover and to continue to compete on the basis of lower production costs, rather than higher productivity associated with education and training investments as well as other developments in industrial and technological policy and capability, not characteristic of, but barely needed by the region.

More generally, it is now increasingly clear to a growing range of analysts — from Georg Soros to Joseph Stiglitz — that the world economy, and the role of international finance, have changed radically in recent years. Lord Keynes’ pre-war concerns about the anarchy of casino capitalism and his analogy of financial analysis to ‘beauty contest judging’ are clearly pertinent today. Contrary to the claims of its advocates, financial liberalization has:

- \* not brought about a significant net flow of funds to the capital-poor economies outside of East Asia,
- \* raised — rather than lowered — the costs of credit,
- \* exacerbated — rather than reduced — macroeconomic instability,
- \* introduced new sources of volatility while admittedly reducing old sources of instability with the creation of new financial derivatives,
- \* introduced a persistent deflationary bias to satisfy financial interests.

Most importantly, it has reduced the scope for national economic initiative, especially the possibilities for industrial policy.

### **Southeast Asian Studies**

The decline of area studies in the United States in recent years is a rather peculiar phenomenon, partly related to the re-ascendance of universalist claims and ideologies,

especially with triumphalist interpretations of the end of the Cold War, pronouncing the 'end of history' and the like. The protracted economic slowdown in Japan and the recent financial crises in Southeast Asia and Korea seem to have provided additional support for this resurgence, reflected in the rise of rational choice and rational expectations in the social sciences and economics, and the resistance to 'world history', comparative literature and other such genres in the humanities from 'Western civilization' courses and programs as well as their equivalents in various fields.

Australia saw a great expansion in Asian studies, especially of Southeast and East Asian studies, in the eighties, as it sought to connect with and ride the economic boom of those times. In recent years, although Southeast Asian studies has been in protracted decline in Britain, academic interest in Southeast Asia has grown on the European continent, to the great surprise of the convenors of the first convention of the European Association of Southeast Asian Studies in Leiden in 1996. Very importantly too, despite a general international trend towards greater U.S. academic hegemony, intellectual trends outside of North America continue to resist the narrow disciplinary specialization increasingly favored by American academia at the intellectually strategic graduate school level. This is unlikely to change in the near future for a number of reasons, including the realities of reproducing academic human resources for the ivory tower. Professional schools, ostensibly much more oriented to the 'real world', often suffer the opposite problem of (opportunistic) utilitarianism, often justified in terms of pragmatism, and the accompanying compromises with power.

In Southeast Asia, a few of us have to be able to carve little niches for ourselves, partly by default, but the vast majority of my colleagues work in stifling and often frustrating conditions. Relevance and the new imperatives of cost-effectiveness imposed by economic liberalization and its manifestations in the region have reduced our universities to utilitarian training institutes once associated with polytechnic education in the old British empire. Most academics are required to moonlight to make ends meet, and most research is actually for consultancies. There is, of course, considerable variation in the region, but the political complicity of those who dominate the more serious academic institutions is not much more promising. In many Southeast Asian societies where there still is significant public discourse, academics are surprisingly marginal to much of it.

But then, why bother about Southeast Asian academics? Most are country specialists at best, with little sense of the region as defined by foreign academia. While South Asia, or the 'Confucian world, or even sub-Saharan Africa and Latin America had enough common cultural baggage for one to speak meaningfully of regions, Southeast Asia is a bit like a 'day-after' dish made from left-overs. To complicate things, as in sub-Saharan Africa, almost every North Atlantic imperial power has been involved in Southeast Asia. Yet, albeit very belatedly, gradually and almost grudgingly, Southeast Asia is becoming much more of a region.

As Southeast Asians recently discovered to their great cost, the financial powers that be in the contemporary world see the region as a region. When the baht collapsed on 2 July 1997, the alarm sounded 'sell Asia', not 'sell Thailand'. Just as Alan Greenspan speaks

of the irrational exuberance on Wall Street, Southeast Asia has fallen victim to ‘irrational pessimism’ and herd panic, leading to what is now politely called contagion, and used to be known as the domino theory. Early American and European responses suggested a regrettable smugness as those brash East (including Southeast) Asians finally got their come-uppance and were put in their place. This has lent support to those in the region ever ready to spin out and spread conspiracy theories, but has also contributed to a greater sense of regional identification and even solidarity despite deep resentment at Mahathir’s statements in late 1997 and Suharto’s maneuvers this year.

It is too soon to really tell, but the current financial crisis of the region may well have provided the stimulus for the greater identification of Southeast Asians as Southeast Asians despite the many challenges to this trend. Recent initiatives in the ASEAN 5 and Vietnam suggest that some existing linkages may well accelerate this process.

Southeast Asian studies outside the region has a choice: it can usefully engage with and contribute critically to this trend, preferably through egalitarian relations with scholars in the region, or it can continue to treat the region or area studies more generally as simply providing laboratories for testing out academic theory-driven hypotheses and propositions. The latter seems more likely, but the former is necessary if we are to preserve our humanity in our vocations.

The academic demands of theory-driven research as well as the opportunistic imperatives of pragmatic relevance will continue to exert strong demands on Southeast Asian studies. It will be a struggle to dignify humanity as we redefine our roles and the future of Southeast Asian studies.