

The Political Economy of Industrialization in South Korea and Indonesia

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This paper is an attempt to answer a simple question: How did Indonesia and South Korea come to tread different paths in development, albeit they started from more or less the same base after the second World War? After the war, South Korea was under the United States Army Military Government in Korea (USAMGIK) for three years. In 1948, there was an election and Korea gained its independence. The Korean War was fought from 1950 to 1953. Between 1948 to 1960, the government was run by Syngman Rhee. There was a short-lived democratic regime from 1960 to 1961. Then General Park Chunghee launched a coup d'etat and since then, Korea has been governed by military-dominated governments.

Indonesia followed more or less the same historical course. Indonesia proclaimed its independence in 1945. However, the road to real independence was far from smooth. Indonesia had to fight a war of liberation against the Dutch until 1949. Between 1949 to 1965, Indonesia was ruled by President Sukarno, the popular civilian leader. However, there was a regional rebellion between 1957 to 1959. From 1965 up to now, Indonesia has been ruled by a military-dominated government.

So, South Korea and Indonesia are both ruled by the same type of government.

However, unlike Indonesia, there has been a relatively strong civilian opposition in Korea. In fact, Korea is probably heading towards a democratic presidential election soon. Indonesia is quite far behind in this matter. The absence of significant opposition against the present government, and the existing general elections conducted every five years can hardly be called democratic.

After World War II, South Korea and Indonesia had to start from relatively the same economic level. But at present, Korea belongs to the group called Newly Industrializing Countries. Its manufacturing sector contributed 28% to the total GDP (Indonesia: 14%). In the same year, 91% of the total exports were industrial commodities (Indonesia: 11%). Meanwhile Korea's GNP per capita stood at US\$2,150 (Indonesia: US\$530). (Data from World Development Reports, 1987, various pages).

How was this possible? Both countries have taken capitalist roads in developing their economies, and yet, the results have been different.

The revival of the international division of labor

Many Third World countries, especially in East and Southeast Asia, started to develop themselves after World War II. Most of them had just gained their independence.

During that time, the world capitalist countries started to rebuild themselves. The U.S. helped western European countries to reconstruct their economies which were heavily damaged by the war. Under the Marshall

Plan, western Europe recovered very quickly, and some of them become industrial giants that started to compete even with the U.S. Japan was also rebuilt and in a relatively short time it has become a strong capitalist country that has outgrown the U.S.

Many Third World countries, most of which had just liberated themselves from the hands of colonialism, started to reconstruct their economies. Unlike the western European countries and Japan which were industrialized before the war, most of these newly liberated countries were raw material exporters. The elite of these countries after liberation consisted of landowners, merchants and politicians who controlled the state. There were few industrialists.

When world capitalism penetrated these newly liberated countries, it strengthened the landowning and merchant classes. International capital worked closely with the state bureaucrats to the disadvantage of the industrial class.

Thus, many Third World countries, after national liberation, were trapped in a kind of dependent relations with the advanced industrial countries of the western world. Within this relationship, it was more advantageous comparatively for the Third World countries to maintain the traditional export sector (usually agricultural). The irony was they did this in order to industrialize. As Dos Santos (1970: 232-233) put it:

Industrial development is dependent on an export sector for the foreign currency to buy the inputs utilized by the industrial sector. The first consequence of this dependence is the need to preserve the traditional export sector, which limits economically the development of the internal market by the conservation of backward relations of production and signifies, politically, the maintenance of power by traditional decadent oligarchies.

The result was the strengthening of the landowning class which controls big estates, while the so-called "industrial class" had to work with international capital to gain access to capital, technology, and international markets. This "industrial class" was in practice a merchant class. This merchant class, working together with the foreign investors, reaped handsome profits and became collaborators with foreign interests.

How about the state? The state in the newly liberated Third World countries were usually interested in having a quick-yielding form of economic development. For this purpose, the most feasible thing to do was to work with international capital and the merchant class. To industrialize the country would be more difficult and risky.

Thus, for a Third World country that integrated itself to the world capitalist system, it was easier to avoid the path of industrialization.

Paul Baran was right in saying that "the main interest of foreign investors lay in freezing the international division of labor so that the less developed countries continued to be producers of raw materials". (As expressed in Evans, 1979:19). This "main interest of foreign investors" was very strong, to some extent even stronger than the new state itself.

Some common characteristics of Third World countries

Many Third World countries that took the capitalist path share similar characteristics.

1. In the private sector, the most active bourgeoisie are the merchant and landowning classes. The landowning class that controls land for export crops is also involved in exporting and importing businesses. When they invest their capital in manufacturing enterprises, they usually work together with international capital. The merchant class also works together with international capital, sometimes as junior partners in manufacturing enterprises. Since they are basically non-industrial classes, these local bourgeoisies mostly stay as merchants. On top of this the comparative advantage works against investment in the industrial sector. Therefore, the transformation into industrial class is very difficult, albeit it is not impossible.

2. From an unstable political environment, a more authoritarian state gradually emerged in these countries. Some had civilian governments, although most of them became directly military or military-dominated regimes. Oppositionist political groups were manipulated, either legally or through direct repression, so that they played an insignificant role in the process of decision-making. Moreover, these authoritarian regimes became increasingly engaged in misusing their bureaucratic power for individual economic gains. This happened in many countries in Latin America, Africa and Asia. Many have become bureaucratic capitalist regimes, where power is used as capital to accumulate personal wealth.

3. Economically, these countries are poor, and saddled with huge foreign debts. Socially, the gaps between rich and poor are wide in many of these countries. The rich live in the cities, and their consumption patterns are heavily influenced by western capitalist countries. The poor live in the villages or become squatters in the cities. They become radicalized, organized into various political groups, or stay apathetic. They do not know what to do, and only try to survive.

The three characteristics described above give more or less, the most common general features of many Third World countries that adopt capitalism as the dominant system. The Dependency School calls this kind of capitalism as peripheral capitalism, which is different from capitalism in the core/metropolitan countries.

At the same time, it goes without saying that each country also has its own specificities. For instance, the Philippines which has a democratic regime at present, is very different from Chile that is ruled by a military government. Different historical backgrounds have produced different class structures and international relationships. Thus, varieties among countries exist.

Indonesia, more or less, follows the general pattern of capitalist Third World countries. South Korea, on the other hand, seems to have followed a different pattern. Industrialization has succeeded substantially, and in terms of economic output, South Korea has impressed many Third World countries. How do we explain these different outcomes?

Indonesia and Korea compared

A. Colonial experiences

First, let us compare the colonial experiences of Indonesia and Korea. Indonesia was colonized by the Dutch for about three and a half centuries. The intention of the Dutch was to find some primary commodities that could be sold in the European market. Holland was then at the stage of merchant capitalism. Her industries were not yet developed, compared with those of England or Germany. Thus, they were interested especially in trade. They controlled the land to monopolize cheap and steady supplies of agricultural and mining products.

Holland is a small country, compared to its colony. They were short of personnel. Like the Portuguese in Brazil, the Dutch had to rely on the local people to govern. Several Javanese kingdoms were used to rule Java, economically and politically the most important island in Indonesia. The Dutch and the Javanese aristocrats ruled together over the populace, and they shared the surplus. Thus, Javanese feudalism survived due to the support of the Dutch, albeit this was not the only factor.

The Dutch encouraged the local Chinese to play the role of merchants. By doing this, they prevented the development of indigenous people towards becoming the bourgeoisie. The indigenous rulers had their political control over the local peasants, but their entry to the modern business sector was blocked. In the cities, it was the Dutch and the local Chinese who controlled business.

The indigenous elite also failed to become landowners. Land was rented out to Dutch private businesses. Huge plantations were managed by foreigners. The Chinese did not manage to rent some land until later.

In the beginning of the 20th century, western educated intellectuals became influential. They started to talk about nationalism and independence. They tried to mobilize the people. Some of them ended up in colonial jails or were sent into exile.

Thus, prior to the coming of the Japanese colonialism, the following kind of social structures existed in Indonesia:

1. The Dutch controlled political life and dominated the economy (especially in international trade and some industries).
2. The Chinese, together with the Dutch, controlled the domestic economic activities. The Chinese became the local bourgeoisie.
3. Most of the indigenous people in the rural areas were workers. The urban elites consisted of either government officials or professionals. Some of the professionals became politicians who advocated the country's independence.

Korea had a different experience. Japanese colonialism lasted "only" 35 years, from 1910 to 1945. Before that, Korea had been an independent country, ruled by local kingdoms. The yangban (aristocrats) had been both provincial landlords and central or local government officials (Lim, 1985: 32,33).

During the Yi dynasty, commercial activities were not encouraged, fitting well with the Confucian ideology that discouraged the production of wealth. Thus, prior to Japanese colonization, there was no commercial bourgeoisie in Korea. As Lim (1985:33,34) described it:

Although many people have pointed out the rise of commercial capitalism by the late 1880s, there were few indications of the growth of market forces and commercialization of agriculture in late Yi Korea....The Landed aristocracy objected to the changes in the relations of production which commercialized agriculture would bring about. They preferred instead to extract agrarian surplus by maintaining a land-tenure system based on a small number of landlords and a large number of tenants.

The coming of Japanese colonialism did not substantially change the situation in the beginning. The purpose of Japanese colonialism in Korea -- as well as in Formosa and Manchuria -- was to support the early phase of industrialization Japan was undergoing. As Hamilton (1986:9) put it:

Primarily, Japan needed to supplement its food supplies for the burgeoning Japanese proletariat, and its colonies were carefully organized so as to provide an agricultural surplus for export.

Korea began as an agricultural country, with a land-owner system. However, "a large portion of the land in Korea was, by one means or another, transferred into the colonizers' hand" (Hamilton, 1986:9). It was estimated that the Japanese controlled somewhere between 25 to 50 percent of the land in Korea, but it was concentrated in the more productive paddy fields of the south (Hamilton 1986:11).

In the final stage of Japanese colonialism, Korea started to industrialize. This had something to do with the requirements of Japanese industrialization. These industries were owned and controlled by the Japanese. The Korean economy was then "the geographical location of a portion of the wider configuration of the economy of Japan" (George McCune, as quoted by Hamilton, 1986:13).

The Japanese colonial administration was careful to restrict the development of indigenous capital. However, some local domestic industries did emerge although they could not prosper. The Japanese allowed this indigenous bourgeoisie to emerge because if they did not, as one Japanese economist then argued, "this would directly set Korean workers against Japanese capitalists with unwelcome political and industrial consequences" (Hamilton, 1986: 15-16). At the end of the Japanese occupation, there did develop "a significant, if noncohesive and feeble, class of indigenous commercial and industrial capitalists in the twenties and especially in the thirties. They were mainly engaged in the grain trade at all stages, money lending and the more traditional industries which required little capital outlay" (Hamilton, 1986:16).

Hence, prior to its independence, the Korean social structure was as follows:

1. The Japanese controlled the state and also the economic life. The state made regulations that favored Japanese businessmen. Therefore, productive land and big industries were owned by the Japanese.

2. The Korean elite were either landowners, traders or petty industrialists. Albeit small, there emerged a Korean bourgeoisie, both merchant and industrial capitalist.

The colonial experiences of both countries have produced different results in some respects.

1. There were no big indigenous landlords in Indonesia, while in Korea indigenous landlords existed.

2. There was no industrial bourgeoisie in Indonesia. In Korea, the industrial bourgeoisie, albeit small, emerged towards the end of Japanese colonialism.

3. The bourgeoisie was composed of indigenous Indonesians and the Chinese. The indigenous bourgeoisie were mostly public servants or professionals, while the Chinese were businessmen. In Korea, the bourgeoisie was ethnically homogeneous. They were involved in agricultural, trading and industrial enterprises.



B. Independence

Indonesia had to fight a war of independence between 1945 to 1949. In 1949, it got its *de jure* independence. However, Indonesia had to promise not to nationalize foreign companies (including those owned by the Dutch) without paying just compensation (which Indonesia was not able to do).

The newly independent state faced serious problems then. It had political power, but the economy was in the hands of the foreigners and the Sino-Indonesians. The latter created jealousy among the indigenous people. It was mostly the indigenous people who fought the war of liberation, but it was the Sino-Indonesians who prospered after independence. This socio-economic structure had to be changed, and thus started racial economic policies against the Sino-Indonesians.

The first effort to create a strong indigenous bourgeoisie was launched in the beginning of 1950s. It gave special licenses to prospective indigenous businessmen to import lucrative commodities. This effort failed because most of the indigenous businessmen worked together with the established Sino-Indonesian businessmen to run their business, with the former being the sleeping partners.

Although there were no big landowners, there were many peasants in Java who had no land or owned only a small plot. A land-reform law was passed in 1961. However, there were many problems in implementing the law. The landowners, supported by the military, fought against the peasants (who were backed by the Communist Party) to defend their lands. Social and political conflicts could not be avoided since 1961, which culminated in 1965 when many of the peasants were killed.

Indonesia had more luck in dealing with foreign enterprises. In 1957, with the rise of nationalist sentiment led by the late President Sukarno, the government nationalized, first, Dutch enterprises, later British and American enterprises. The price was costly for Sukarno. After being alienated from western countries and their international financial institutions, Sukarno together with the Communist Party of Indonesia were wiped out in 1966. A new government, oriented towards the West and dominated by the military, emerged. With the oil boom starting in the beginning of 1970s, this new government became strong politically as well as economically.

Unlike the former, the new government was friendly to international capital. This was due to the fact that the new government needed foreign aid to rehabilitate the economy. It accommodated the Sino-Indonesians. The state elite, as a matter of fact, cooperated closely with the Sino-Indonesians in business: the latter ran the businesses, the former gave economic concessions and political protection. The profits were shared between them.

Thus, since independence, the socio-economic and political structure evolved into something as follows:

1. The state is dominated by the military. It is relatively powerful. There are no non-governmental institutions that can challenge the state. Political parties have been weakened: students, intellectuals, and the press are very much under state control.

Economically, the state is also very powerful. Big industries and financial institutions are in the hands of the state. For instance, in the banking sector, 77.30% of the total credit came from the public banks, 17.60% from private banks and 5.12% from foreign banks in 1985. Previously, it had been even bigger. In 1980, 87.55% of the total credit came from public banks (Usman, 1986:21).

Moreover, the state bureaucrats who controlled various licenses to run businesses worked together with private businessmen, usually either Sino-Indonesian or relatives of bureaucrats; the power of the state is used to accumulate personal wealth of the bureaucrats.[1]

2. The business elite consists of the Sino-Indonesians and relatives of the state bureaucrats. Some professional indigenous businessmen also exist. But without the right connections with state bureaucrats, their business activities are limited.

Most of the big businessmen are merchant capitalists. They are involved in industrial ac-

tivities more as merchants than industrialists. For instance, in the automotive industries, most of them run sales agencies and do not produce or manufacture. When they establish manufacturing industries producing spare-parts, they act more as subcontractors of parent companies, usually multinational enterprises based in a foreign country.

Since business is very much dependent on the favor of state bureaucrats, those that are outside the sphere of patronage cannot grow. The state bureaucrats prefer to give favors to the Sino-Indonesians (for their business expertise and susceptibility to political control) and their relatives (Budiman, 1987). In other words, capital accumulation in the private sector is done through the bureaucratic power of the state. In Marxist terms, this process is known as primitive accumulation, whereby non-economic factors are used to accumulate capital.

3. Political parties are weakened by the government. Party leaders who are critical of the government lose their positions in the party. This can be done because the existence of political parties is dependent on the state. Since the state controls the economy, it is difficult for political parties to get their funds from private businessmen. Those businessmen who help the opposition parties financially would meet difficulties in running their businesses.

There are three political parties. The first one, Golkar, is the government party. Although there are many civilian leaders in this party, it is dominated by the military. The two other civilian parties, one based on Moslem constituents, the other on secular and Christian constituents, are comparatively weak. In the 1987 election, Golkar won 73.17% of the total votes, the other two parties got 15.97% and 10.87%.[2]

Outside the political parties, there is no effective political group that can influence the government. The press is extensively controlled by the government. Those that are too critical are banned. Over the recent months, two influential newspapers were closed down, Sinar Harapan and Prioritas. Intellectuals who are critical of the dispensation have difficulty getting published. University students, under pain of expulsion, are not allowed to get involved in politics.

Non-governmental organizations (NGOs) are growing and becoming more significant. These groups deal mostly with the technical side of development. For instance, they help villagers get clean water, or train them with some skills in order to increase their income, etc. Those NGOs that become political, or those that have to deal directly with state power, such as the Legal Aid Institute, face difficulties.

Because of the political situation, lower income people are underrepresented. Their economic and political interests are controlled bureaucratically by the state. Bureaucratic procedures stifle their political expression.

When Korea was liberated from the Japanese in 1945, it was divided into North and South Korea. The North was under Soviet administration, the South under the U.S. In South Korea, the people were organized into People's Committees. The committees were nationalist in their spirit. They also worked together with the local communist cells that had been active under the Japanese occupation. The People's Committees then formed the Korean People's Republic in Seoul.

However, with the arrival of the US forces a few weeks after the defeat of the Japanese, the U.S. Army Military Government refused to recognize the People's Republic. The People's Committees were declared illegal. The AMG installed its own government which reinstated many Korean officials who had worked for the Japanese. In 1948, with U.S. support, Syngman Rhee became president of the First Republic of Korea. Internally, Rhee was supported by the KDP (Korean Democratic Party) that was dominated by the landed bourgeoisie.

The National Assembly was dominated by the landlords. The assembly rejected land reform in 1948. However, the US saw, in spite of initial doubts, the importance of land reform. In the North, land reform was implemented extensively, and General McArthur did the same thing in Japan. Land confiscated from the Japanese was distributed. According to Hamilton (1986:24), more than "90% of formerly Japanese land was passed to Korean cultivator" in late 1948. In 1949, the land reform

nature but (incapable of achieving development" (Lim, 1985:48), and this had made it difficult for the U.S. to support Rhee.

When, in 1959, U.S. aid was cut sharply, economic growth was badly affected. In 1960, the students launched a huge demonstration which brought about the fall of Syngman Rhee. The short-lived Second Republic was established, followed by a coup-d'etat in 1961 led by General Park Chunghee, who established the Third Republic.

In the beginning, the U.S. did not respond sympathetically to the military coup. One of the reasons was Park's past involvement with Communist activities. (Lim, 1985:68). The U.S. finally approved the coup on the condition that the military junta "restore the representative civilian government, recognize the U.N. Command's operational control over the Korean Armed Forces, and implement fiscal and economic reforms" (Lim, 1985:69).

The Park administration, finding itself without legitimacy of power, started to launch a serious economic development program. A series of five-year economic plans was launched. The First (1962-66) and Second (1967-71) Plans were aimed at industrial growth, the Third (1972-76) on balanced growth between industrial and agricultural sectors, the Fourth (1977-81) on sustained economic growth and equity (Lim 1985: 50-51). The results, especially in industrialization, were impressive.

Thus, it was during the military regime that South Korea began to industrialize and

Year	Major Economic Indicators on Manufacturing (in percentage)		Share of Manufacture in export	
	Industrial Origin (Current Price)	Agri. Min. & Man. Soc.Ser		
1. First 5 year plan				
1962	36.6	14.3	47.1	27.0
1966	34.4	18.4	45.4	62.4
2. Second 5-year plan				
1967	30.1	18.8	49.3	70.1
1971	27.0	21.0	50.6	86.0
3. Third 5 year plan				
1972	26.4	22.2	50.2	87.0
1976	23.8	27.0	48.6	89.8

Sources: Economic Planning Board, 1980
(Quoted in parts from Lim, 1985:52).

bill was passed in the National Assembly. Rhee himself was against the bill. He vetoed the bill in February 1950, but the Assembly went ahead.

It seems that the U.S. strategy towards South Korea, in contrast with the North, had two main objectives: first, to make South Korea a democratic country, and second, to develop South Korea economically.

The First Republic did not succeed, even before a military regime took over in 1961. Due to the outbreak of the Korean War (1950-1953), the U.S. had to support Syngman Rhee's civilian anti-communist government, although the U.S. did not really like him. The 1948 Constitution was a democratic constitution. However, under Rhee, this constitution was amended three times in order to enable Rhee to rule undemocratically.

The Rhee administration was also corrupt. "Corruption became rampant as an illegitimate means of achieving upward mobility both in the public and the private sectors" (Lim, 1985:48). Thus, the "government was authoritarian in

started to export its manufacturing products. Together with this industrialization process, an industrialist class emerged, with the help of the state. This was done under the banner of "guided capitalism" which was mentioned in the First Five-Year Plan that stated: "the principles of free enterprise...will be observed, but in which the government will either directly participate in or indirectly render guidance to the basic industries and other important fields" (Quoted from Lim, 1985:75).

To summarize, South Korean development after independence has been as follows:

1. When independence came, Korea was basically an agrarian country. Land was controlled by the Korean landowning class. However, land that had been owned by the Japanese was distributed to peasants in 1948. In 1949, a land-reform bill to abolish landlords was passed. Thus, since the end of the Korean War, the landlord class did not play a significant role anymore.

2. During Syngman Rhee's regime, it was the state bureaucrats and the merchant class that dominated both the economy and polity. Corruption was rampant. The U.S. did not support this regime fully because it failed to stand as a showcase state of political democracy and economic development. In this unstable situation, investment in a long-term industrial sector would be too risky.

3. With the implementation of land reform in 1950, the standard of living of the peasants improved. Their purchasing power rose, and the internal market became more responsive.

4. When the military took over, President Park succeeded in stabilizing the country politically. The economy was geared towards export-oriented industrialization. With a relatively strong internal market, and a relatively clean government (especially compared with the Rhee administration) and effective control over the political life, the economy started to bloom.

The U.S., which had initially been reluctant to offer its support, began to give strong backing towards this regime. When South Korea implemented its protectionist policy to nurture its infant industries, the U.S. did not intervene. During the Vietnam War, Korean industries benefitted from supplying different kinds of products to the U.S. army. Korean industrialists also entered the U.S. market freely.

During this time, an industrial class emerged and became strong. South Korea became one of the four Asian little dragons. At the same time, South Korea was one of the biggest debtor countries among the Third World. This indicates that the success of South Korea was accomplished with strong external help.

Conclusion

Compared with South Korea, Indonesia has been left far behind economically. Some conclusions can be derived from a comparison of the two countries' historical experiences.

The internal factor

1. Unlike Indonesia, Korea is a homogeneous country. It has practically one ethnic group with one religion. This is very different with Indonesia. Ethnic and religious tensions exist.

The most important ethnic tension is between the Sino-Indonesians and the indigenous Indonesians. The bourgeoisie is then ethnically divided. As described earlier, the state bureaucrats took advantage of this ethnic problem by exploiting the Sino-Indonesian businessmen who have no political power and need state protection. This divided

bourgeoisie does not provide fertile ground for a strong industrial class to emerge in the long term. South Korea does not have this problem.

2. The capitalist bureaucratic system within which state bureaucrats accumulate personal wealth was destroyed after the administration of Syngman Rhee (1961). The military-dominated regime under Park started a relatively clean government directed towards economic development through export-oriented industrialization.

In Indonesia, the Sukarno administration which is comparable to the Rhee regime (except in its anti-communist ideology) was succeeded by a military government under President Suharto. Unlike the Park administration, it was under this new government that bureaucratic capitalism flourished. The existence of the Sino-Indonesian bourgeoisie helped this type of capitalism to expand. The Sino-Indonesian bourgeoisie kept buying political protection (and economic facilities) from state bureaucrats.

3. Land reform was implemented in 1950 in South Korea. In Indonesia, Land Reform Law was passed by the parliament in 1961, but when it was to be implemented, political conflicts between classes became severe. It was finally disposed of in 1965 with the destruction of the Communist Party, the removal of Sukarno as President, and the rise of the military, led by General Suharto, to power. Since then, the Land Reform Law has never been implemented seriously.

Unlike South Korea, people in the rural areas remained poor. They flocked to the cities to find jobs. But since industrialization has not really started, they become the new urban poor. Thus in Indonesia, real purchasing power is limited to the middle class, which according to one estimate, comprise only five to six percent of the total number of households. (Crouch, 1984: 84, 85). In other words, the buying power of the Indonesian economy is weak, and the internal market is small.

The external factor

The most important external factor is the global cold war between the capitalist and communist countries. South and North Korea are a main arena of this cold war. Thus, South Korea falls into the U.S. strategy against the world communist movement in general, North Korea in particular. South Korea has become a showcase state of the world anti-communist movement.

The U.S. role in South Korea has been dominant. Land reform was practically enforced by the U.S. During the Park administration the U.S. backed industrialization policies, which would have otherwise failed.

In the case of Indonesia, this kind of external factor was absent. No doubt, the U.S. had a strong interest in keeping Indonesia in the western bloc. This was evident during the Sukarno government. After Suharto came to power, Indonesia seemed to be quite safe within the western sphere. No direct external threat was faced by Indonesia. Thus, the U.S. has not intervened much in the internal political and economic affairs of Indonesia.

The state factor

Skocpol mentioned that the state was basically independent, competing with the dominant class in the society. The state's behavior was influenced also by the competition among states.

As Skocpol (1979:32) put it:

The state, in short, is fundamentally Janus-faced, with an intrinsically dual anchorage in class-divided socio-economic structures and an international system of states...we must look not only the activities of social groups. We must also focus upon the points of interaction between international conditions and pressures, on the one hand, and class-structured economies and politically organized interest, on the other hand.

Under Park in South Korea and Suharto in Indonesia, the state had relatively high autonomy over the existing classes. In South Korea the landowning class had been weakened, the merchant class that had supported Syngman Rhee was in disarray, the industrial class was still very weak, and the students and intellectuals seemed aware that nothing much could be done without an effective government. In Indonesia, a similar thing occurred. When Suharto came to power, there was no political group that was able to challenge the state. As a matter of fact, almost all of the existing political groups were rallying behind the military to destroy the Communist Party. The military, led by General Suharto, was very strong at that time. Later it was proven that the military was even stronger than it was perceived. When the military-dominated state started to build its political base, marginalizing other political groups that had supported it previously, it succeeded quite easily.

With relatively high autonomy, the South Korean and Indonesian states were influenced more by the external factor. In this respect, South Korea and Indonesia are different. South Korea has had to compete with North Korea. South Korea has been given more attention by the U.S.

High economic growth, clean bureaucratic state apparatus, and relatively equitable income distribution have been given priority by the U.S. to strengthen competition against North Korea, after the attempt to establish political democracy had failed. This fitted nicely with the idealism of the Young Turks in 1961 under the leadership of General Park.

In the case of Indonesia, the supervision of the western countries was not that intensive. As long as the Suharto government could curb the anti-western, anti-capitalist elements of the communists and radical nationalists, the western bloc did not intervene much. The oil boom in the 1970s made it possible to make the country relatively rich without doing much to improve the economic productivity of the nation, or to cleanse the bureaucratic apparatus of corruption. Thus, together with the internal factors discussed earlier, Indonesia remained a weak state, without a rigorous program for a sound economic strategy. When the price of oil dropped in the 1980s, all these weaknesses were highlighted.

After studying the historical processes of these two peripheral capitalist countries that started on a relatively equal level after World War II, we can explain the contrast in the following terms.

1. We have to look at the socio-political and socio-economic groups that exist within each respective country. Are they homogeneous or heterogeneous and how do they evolve in the course of history? These groups determine what kind of economic measures can be implemented successfully, such as land reform, industrialization, etc.

2. The external factors are very important to deal with. What is the position of the respective country in the international political and economic competition? Is the country a crucial factor for the superpowers?

3. The autonomy of the state, from both the internal and external forces, is also very crucial. The state will have to have a free hand, if it is autonomous internally, in dealing with the external influences. How dependent are the respective states against international pressure?

Notes:

1. On this subject, see Jenkins, 1986, and Asian Wall Street Journal, Nov. 24, 25, & 26, 1986. For a comprehensive historical development of the involvement of the state bureaucrats in private business, see Robisen, 1986.

2. With this result, Golkar got 74% of the parliamentary seats, PPP (the Moslem based party) 15.25%, PDI (the Nationalist and Christian based party) 10%. In 1982, the composition was 68.33%, 26.10% and 6.7% (Kompas, June 7, 1987).