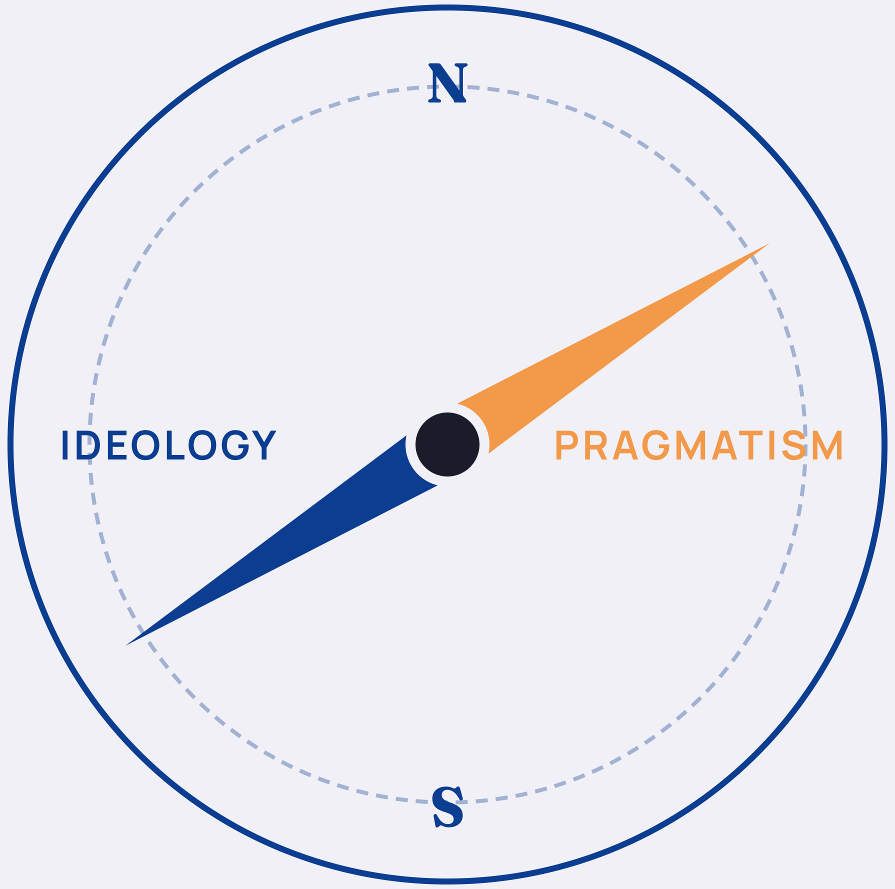
SOUTHEAST ASIA · 1945–2000

How important was ideology in the economic development of independent Southeast Asian states?

# The Ideological Compass

A study of dogma & pragmatism across four states



OUR ARGUMENT IN ONE LINE

# Ideology was sidelined for practicality.

### 1 • Dogma first

Some regimes legitimised their rule through ideology — and let it steer the economy directly.

### 2 • Then reversal

When dogma produced failure, governments abandoned it for pragmatic policy.

### 3 • Or never at all

Others rejected ideological economics from the very outset.

THE REGION ON ONE AXIS

# Four states, one axis — from dogma to pragmatism

**Ideology**
THE STARTING POLE

THE DIRECTION OF TRAVEL →

**Pragmatism**
WHERE ALL CONVERGED

## BEGAN WITH IDEOLOGY — THEN MOVED RIGHT

### Indonesia
Sukarno's dogma → Suharto's New Order

DOGMA → PRAGMATISM

### Vietnam
Socialist blueprint → Đổi Mới reforms

DOGMA → PRAGMATISM

## PRAGMATIC FROM THE OUTSET

### Singapore
Mixed economy, GLCs & MNCs

PRAGMATIC

### Thailand
Technocrats & the Board of Investment

PRAGMATIC

**01**
Ideology drove early policy

**02**
Failure forced a pivot

**03**
Others never chose dogma

**04**
Economics over politics

01

EARLY IDEOLOGICAL PURSUITS

# Ideology drove early economic policy

Where regimes came to power on ideological justifications, dogma shaped economic development to a very large extent — a bid to prove communism's superiority over capitalist imperialism.

THE COLD WAR BACKDROP

# Communist parties commanded mass support in newly-independent states

## Indonesia

THE PKI

The communist PKI held **millions of supporters** in the 1950s — enough that Sukarno forged a political alliance with them to shore up his rule.

## Vietnam

THE INDOCHINA COMMUNIST PARTY

Ho Chi Minh's party won broad support through the **anti-imperialist struggle** against the French and, later, the Americans.

- *Both regimes pursued dogmatic economics to prove the superiority of communism over capitalist imperialism.*

INDONESIA · SECTION 01

# Sukarno turned the economy into a weapon against the West

1. Likened capitalism to exploitation; **refused Western aid and investment** on ideological grounds.
2. **Nationalised** the economy — state-owned enterprises in fertiliser, cement, chemicals, even shipbuilding.
3. Expropriated Western firms like **Royal Dutch Shell**; repealed the Foreign Investment Law in **1958**.
4. **1964:** communist-led unions seized British and American assets, spooking global investors then hunting for offshore production bases.

THE OUTCOME

## A dearth of capital and expertise scuppered the *Berdikari* self-reliance plan.

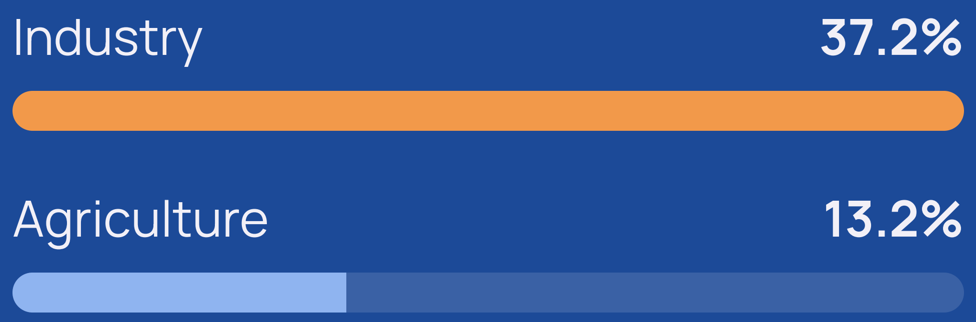
Soviet aid could not match Western capital. The economy grew insular and uncompetitive — ideology ultimately derailed development.

VIETNAM · SECTION 01

# The socialist blueprint — built at agriculture's expense

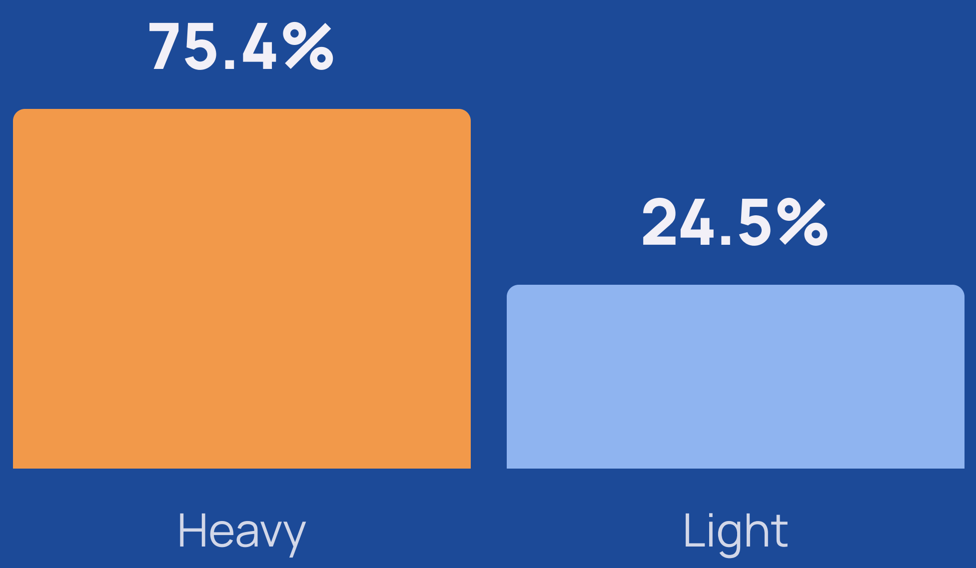
Collectivisation was maintained despite paddy yields rising just **3.9%** across 1958–1975; on reunification, southern peasants too were forced into collectives in pursuit of egalitarianism.

## WHERE THE STATE INVESTED




Nearly 3× more into industry.

## WITHIN INDUSTRY




## THE MISMATCH · 1975

**Share of National Income**

**27.9%** Industry

**40.4%** Agriculture & forestry

**Agriculture produced more from far less investment — yet dogma held.**

02

THE GREAT PIVOT

# Failure forced a pragmatic pivot

As Singapore, Thailand and Malaysia surged ahead and became magnets for foreign investment — and its technology and wealth transfers — Indonesia and Vietnam began to eschew ideology for pragmatism.

# Suharto reversed course and reopened Indonesia to the world

01

### Ended the fight

Closed *Konfrontasi* with Malaysia, which had wrecked the economy and distracted its leaders from development.

02

### Reopened to the West

Repaired relations to secure **World Bank, US and Japanese loans** — funding projects like the Asahan Dam.

03

### Courted capital

Reinstated the Foreign Investment Law (**1967**) with tax cuts and tariff rebates — drawing **Freeport** and **Toyota**.

*The pivot injected competition and capital across sectors, lifting productivity and efficiency.*

# Đổi Mới turned a net importer into an export powerhouse

From 1986, market-oriented reforms — inspired by Soviet *perestroika* — shifted production toward consumer goods and decollectivised farming with private plots.

**+31.2%**

Light-industrial output, 1985–1988.

**20%**

Of industrial output from the private sector by the mid-2000s.

DECOLLECTIVISATION BY 2005

Net food importer → **#2** exporter of rice **#3** exporter of coffee

03

PRAGMATIC ECONOMIC MODELS

# Others never chose dogma at all

Singapore and Thailand embraced the mixed-economy model from the outset — capturing the merits of both state planning and private enterprise, free of anti-Western rhetoric.

# The mixed economy — the state and the market, each in its place

## Singapore

### STATE LED THE STRATEGIC CORE

GLCs — Singapore Airlines, Singtel, ST Engineering — drove aviation, telecoms and precision engineering. JTC built industrial sites; the PSA ran the port.

### MARKET RAN THE REST

Aggressive courting of MNCs — **Seagate, Bosch, Sony** — brought capital and expertise, building an electronics-manufacturing hub.

## Thailand

### TECHNOCRATS SET THE FRAME

Macroeconomic discipline — a balanced budget and a devalued baht — sharpened export competitiveness.

### MARKET DREW INVESTMENT

The Board of Investment and the **Industrial Promotion Act** gave Japanese and Taiwanese firms tax and tariff privileges to invest.

04

REGIONAL PRAGMATISM OVER IDEOLOGY

# Economics over politics in the region's ties

Pragmatism guided how states related to communist economies — and how they treated their Chinese business communities.

SECTION 04

# Business with communists, partnership with the Chinese diaspora

### TRADING ACROSS THE IDEOLOGICAL DIVIDE

Thailand and Indonesia sought to turn Vietnam **“from a battlefield to a marketplace”** as Đổi Mới opened it to trade and investment during the Cambodian Crisis.

When Deng Xiaoping opened China in 1978, pro-West Singapore and Thailand were **eager to do business** — regardless of its communist politics.

### ACCOMMODATING CHINESE ENTERPRISE

Despite “fifth column” suspicions, states let Chinese business lead. In **Thailand**, the Siam Commercial Bank anchored banking and the CP Group drove agribusiness.

In **Indonesia**, Liem’s conglomerate was allowed to dominate flour milling and processed foods.

THE VERDICT

# Overall, ideology was not that important in shaping the region's development.

### Important at first

Where regimes leaned on dogma to legitimise their rule, ideology shaped the economy.

### Abandoned when it failed

Once dogma hindered success, pragmatic policy replaced it.

### Rejected from the outset

Across most of the region, pragmatism led from the very beginning.