



**Responding to a Systemic Crisis –  
Asian Social Democrats in Search of Policy and Practical Solutions**  
20-23 May 2009, Manila, Philippines

**CONFERENCE SUMMARY**

From May 20-23, 2009, around forty (40) representatives from Asian parliaments, political parties, pre-party formations, non-government organizations, social movements, and academe gathered in Manila for the first regional conference of the Network of Social Democracy in Asia. The participants came from Burma, Indonesia, Malaysia, Mongolia, Pakistan, the Philippines, South Korea, Sri Lanka, and Thailand. There were also participants from Germany and Argentina. The conference was organized by the Friedrich Ebert Stiftung (FES) in partnership with the Olof Palme International Center (OPIC) and the Network of Social Democracy in Asia.

Under the theme “ Responding to a Systemic Crisis—Asian Social Democrats in Search of Policy and Practical Solutions”, the conference aimed to further shape a common reading and response, from an Asian social democratic point of view, to the current global financial and economic crisis. While it has been established that the crisis poses a direct challenge to the neo-liberal orthodoxy, it remains the task of progressives in the region to further shape an Asian discourse about the economic and social consequences and the needed political and economic reforms that are yet to be undertaken at the global, regional and national level. The social democrats ought to be in the forefront of providing conceptual contributions and practical experiences to a re-shaping a balance between state, market and society relations.

Therefore, the conference was directed at:

- generating specific policy responses at the global, regional, national and local level;
- identifying practices of political action especially on the local level that both shape politics and governance along social-democratic lines, and;
- providing space for participants to further develop the strategic direction of the network while planning specific follow-through activities.

In its concluding session, the Network issued a communiqué which can be found at the end of this documentation.

**Session 1: Responding to the Crisis – Perspectives on the global level: How to reshape the financial and economic system to make markets serve people?**

The speakers in this session include Risa Hontiveros-Baraquel, a member of Philippine parliament from the Akbayan Party, and Budiman Sutjatmiko, a member of Indonesian parliament from PDI-P.

*Highlights of the Discussions:*

- The current global financial and economic crisis is rooted in the neoliberal model of development that has created enormous inequality between and within nation-states. A key question posed

was “what kind of a state [and international mechanisms] do we need to create a more equitable distribution of wealth?”

- The crisis not only has an economic impact to Asia but it has serious social implications as well. Expected dramatic decrease in remittances and employment will significantly increase the number and vulnerability of poor people. Hence, we need measures that will mitigate the impact of the crisis on the poor people and well as “radical reforms in the international financial and economic system [that] mitigate, if not eliminate, the inequalities that have marked Asia-Pacific’s economic development”.
- These reforms include more regulation, transparency and accountability in the financial industry; the abolishment of tax relief and exemptions for economic elite; accountability and people’s participation in economic governance; review of bilateral and multi-lateral free trade and other economic agreements including a cancellation of the debts of developing countries; making public spending relevant by spending more on social services and stopping the privatization of public services.
- An Asian social democratic response could be rooted in collectivism and the communitarian traditions in Asia. There are practices at grassroots level (such as the cooperative movements) that are successful in protecting the economic interests of people. Reinvention of ideas through actual grassroots and community experiences is possible.
- One proposal of an alternative international trade arrangement is by making it more regional and anti-neoliberal like the ALBA (Bolivarian Alternative for Latin America and the Caribbean).
- Social democratic responses can be translated into concrete policy actions. Financing of social protection measures could be generated by repudiating odious debt. Judicial advocacy is a way to stop privatization of public services.

## **Session 2: Responding to the Crisis - Perspectives on the regional level:**

### **What instruments for regulation and cooperation are needed today to make regional integration a positive factor for sustainable development?**

The speakers in session 2 include Ursula Schäfer-Preuss, the Vice-President of Asian Development Bank; Charles Santiago, a member of Malaysian parliament from the Democratic Action Party; and Chris Ng, the Regional Secretary of UNI-APRO.

#### *Highlights of the Discussions:*

- The cause of the crisis is income inequality. The problem lies in the real sector, specifically in the distribution of income across individuals and social classes. For Asia the current global crisis presents a real economy problem with deep social implications. It has major negative impacts on the real economy in the region. Asia was hit hard because its economy is highly linked to the US economy both through trade and financial services. Affected in the current crisis are more the vulnerable poor, not the very poor. ADB estimates that crisis will produce 60 million more very poor people in 2009 than if the crisis has not happened. The rescue packages/stimulus packages currently implemented in the region have little social focus, different to 1998 when donors protected social spending and governments invested massively in social safety nets.
- While Asia made progress in reducing income poverty it is less successful in addressing the social and environmental dimensions of poverty. The problem is that many Asian countries followed a growth path that does not structurally include the majority of the population in productive employment (i.e. massive dual labor market problem), an issue that lies in the heart of every social democrat. Today, a rebalancing towards new national and regional market is needed, along with a development path of job-creating growth. However, while rebalancing toward developing faster national markets is a major policy option for faltering global demand, Asia cannot and should not be disconnected from globalization. The export sector is the most dynamic sector for productive employment. The challenge, therefore, is to find a solution to rebalance national, regional and global markets. This include: the development of internal and

regional markets, promotion of new production and service industries which can have large labor market implications for the formal sector, and the stimulation to use clean technologies which can create new jobs and serve as drivers of productivity enhancement.

- Asia will accept the social agenda only in the context of growth strategies. A social democratic agenda for Asia therefore needs to focus on inclusive growth. Inequalities could only be reduced by expanding social protection systems. The crisis should be perceived as an opportunity to stimulate growth through expanding social protection. This involves investments that would include: active labor market policies; building social protection and safety net systems especially in health and old age insurance; investments in community-driven infrastructure like low cost housing and slum upgrading both as a strategy to protect the poor and create employment for the poor; promoting clean technologies as a driver for growth and development.
- The global recession provides a major chance for Asian governments and their development partners to engage in important social reforms and new labor market challenges for the future. However, regional institutions like the ASEAN+3 barely discuss the social and real economy implications of the crisis, but rather focus on the financial side. ASEAN has not unveiled any concrete regional programs aimed at cushioning the impact of the global recession in Southeast Asia. The only response so far rests on the Chiang Mai initiative, a buffer fund for ASEAN countries wherein major contributions come from Japan, China, and Korea. As it is, these contributions are still paper pledges.
- Although there are valid bases to doubt and criticize various ASEAN integration projects, these integration projects are still evolving and changes are possible through active engagement by trade unions and civil society.
- For ASEAN to come up with people-oriented responses to the present global crisis trade unions and civil society should ask ASEAN: for a review of the varied ASEAN economic liberalization schemes and seek for their adjustments if needed; to keep the ASEAN jobs intact through creative means including re-training of workers, labor-management dialogues and policies supportive of domestic consumption programs; for ASEAN governments to put in place necessary safety nets; to revisit the prudential rules on banking and financial sectors; to increase the wages of workers; to veer away from FTAs; and to alleviate social problems and hunger. Alternative regionalism centered on an equitable development path should be pursued.
- But, how do we push our respective governments and ASEAN to adopt social democratic responses? Only when we have strong trade unions and social movements will ASEAN take us seriously.

### **Session 3: Responding to the Crisis – Perspectives on the national level: Redefining the role of the state– A chance to map a social democratic direction?**

The speakers in this session include Tian Chua, a member of Malaysian parliament from the Parti Keadilan Rakyat; Cho Tae Gyun of the Democratic Labor Party in Korea; Jose Natanson, the editor-in-chief of Nueva Sociedad in Argentina; and Chockchai Suthawet, the leader of Sangkomdhibataya Party in Thailand.

#### *Highlights of the Discussions:*

- When there is a crisis the natural tendency is to seek protection, a social democratic package—bailout, stimulus, etc. The title of the session, “a chance to map a social democratic direction”, reflects how weak social democracy still is in the region.
- The current global crisis is a crisis of global export-oriented economy. In most Southeast Asian nations, global market and trading activities were the single most important factor that placed the region in the world map. Nation-state building and the creation of market in post-colonial Southeast Asia is a project of the elite. The working people have usually no say in this development track. Malaysia’s integration into the global economy was developed in three decades of import-substitution industrialization (ISI) strategy to export-oriented industrialization (EOI). EOI was imposed through autocratic means. Thus, the failure of the market is seen as the failure of the state. The problem now lies in regulation and the market. The market destroyed

public institutions and communal autonomy. It was adapted to suit external market rather than within the framework of the control of the national governments. It has also created a weak national market.

- This is an opportunity for parties to work together on: an agenda to improve the living standards of the poor and the working people (sharpening of tools how market and economy can work together) and how to increase real wage; strengthening regulatory system through reforms in the civil service and public institutions; how to increase the spending capacity of the ASEAN masses.
- The question is, can we use the stimulus package to improve the salaries, the living condition of the poor? Any populist president just needs to have popular legislations to win the next elections. This is the reason why some countries have no strong political parties, none at all in some. While committed to redistribution, a social democratic response should include party building as an institution of democracy.
- In Thailand, the present Democrat-led government is pursuing a combination of neoliberal policies and populist policies in line with the King's self-sufficiency economics. The government has provided subsidy for low-income earners; repackaged Thaksin's village fund into self-sufficiency fund to stimulate local development; allocated budget for re-training of workers; increased the subsidy for the elderly; decreased the taxes for land and house purchase; provided credit for small and medium enterprises; and provided fifteen years of free education for students. Further policy actions were agreed through a dialogue between the employers and the workers, among these were: setting-up a new fund for displaced and unemployed workers; allocating state fund to help companies affected by the crisis; installing price ceiling for local consumption; enacting new law for employment insurance and employment security; and promoting continuous dialogue between the workers and employers' organizations.
- The biggest challenge for Thailand is the government's capacity to integrate the use of various funds. Added to this is the tenuous political situation between the yellow shirts (anti-Thaksin) and the red shirts (pro-Thaksin), which is affecting the country's ability to manage the crisis. The country needs a new alternative party as a middle way, one that offers a moderate socialist democracy.
- In South Korea, the current global crisis poses a challenge for Korea's ruling power which has been pursuing neoliberal policies. The government of Lee Myong Bak has been implementing a series of contradictory policies since the second half of 2008, including tax cuts, lowering of interest rates, recapitalizing the private banks, and privatization, etc. The Democratic Labor Party (DLP) has criticized Lee's policies and instead advocated for policies focused on poor people most affected by the crisis. Among these are: installing basic income system; raising unemployment subsidy; strengthening health care system; establishing community banks for the poor and nationalizing distressed banks/motor companies.
- In Latin America, the crisis affects the region in different ways. Most affected are Mexico, Central America and the Caribbean as these countries are economically closely linked to the US. The impact of the crisis is less serious in South America and these countries are better prepared to confront the crisis. Brazil and Argentina can count on their developed domestic market to sustain their economic activity. Several South American countries have also succeeded in reducing their external debts which puts them in a better credit position,
- In responding to the crisis, the most important move of Latin American Left-wing governments was to take advantage of the relative buoyancy of previous years to introduce anti-cyclical policies in the Keynesian tradition. The first reaction when the crisis broke out was to reduce interest rates together with other measures designed to stimulate domestic demand. These include: tax reduction for small and medium enterprises and the export sector; increase in public spending thru infrastructure development, state credit for firms, and programs for creating employment. Protectionism was prevented by regional integration agreements. The Left-wing governments have prevented the worsening of living standards. Apart from stimulating the economy, there has been emphasis in social policy by expanding social protection schemes.
- Although Latin America is well-prepared to face the crisis, there are challenges that the Left-wing governments have to confront with. These include: strengthening the fiscal resources of the state to sustain social expenditures; improving the state's capacity to act thru regulatory measures; diversifying production to generate employment and strengthen domestic economy.

#### **Session 4: Action on the Ground – Shaping local (finance and economic) institutions and practices to provide the public common good**

The speakers in this session include Prof. Palanisamy Pramasamy, the Deputy Chief Minister of the State of Penang, Malaysia; Irineo “Bong” Alvaro, the former city councilor and city administrator of Angeles City, Philippines; and Fernando Corvera, a Provincial Board Member of Antique Province, Philippines.

##### *Highlights of the Discussions:*

- In Malaysia, the opposition to Mahathir started crystallizing after the Asian Crisis. Mahathir and Anwar did not differ much on the economy, but there was the political conflict. There were larger issues of justice and judicial reform here. The political tide turned towards reform and equality. It took more than five years before five states fell to the opposition after decades of UMNO hegemony. These were developed states in the peninsula. The five states fell to DAP, Keadilan and PAS alliance which rallied around the issues of corruption, favoritism, and judicial reform. In Perak there was a power grab. In Penang, the most advanced state economically, the DAP has a very clear majority.
- After winning in the March 2008 election, the next question is what to do? DAP had never had a taste of power. The issue is, how do you look at development? The progressives don't say that they are for democratic socialism. They say “we are pro-growth. We want investments, but not if there are harmful to the environment”. The problem is that Malaysia is a unitary state despite its federal structure. The federal government has much control over regulations and supply of public goods, there is only little room at the state government. But the state government will do what it can. The party wanted to eradicate absolute poverty and the DAP-led state government already did it within one year. They came up with a program for senior citizen. The poor people get free water supply and had the lowest water rates in Malaysia. The party has exposed scandalous land transactions. The DAP-led state government has brought in most foreign investment. Investments skyrocketed to 10.2 billion within 10 months from when the DAP took power. The reason for this is there is no corruption. Unlike in states controlled by ruling party there are no under-the-table transactions in Penang. The party also makes sure investors have social programs. The majority needs to benefit, although we are not anti-rich. Investors are told to come and follow the rules.
- Furthermore, the party would introduce reforms in the civil service. In 51 years, the civil service has become dominated by one race. The party wants to bring in more people, women, Chinese and Indian. This will be done based on merit. The party will also work on the removal of the Internal Security Act and all anti-labor legislation. It wants to bring in environmental technology.
- In Antique, Corvera shared his experience while he was still a Mayor. Corvera stressed that the problem is always how to put good plans into action where there are no resources. Under Corvera's leadership, the municipal government has focused on revenue generation, social services, sustainability. He opened up the local development council to more representatives from the private sector--business, cooperatives and NGOs; and has crafted a development program with the assistance from NGOs. Revenue at the beginning was only 8 million Pesos. Through close coordination between the Mayor and the local legislative council, they reviewed the revenue measures that were there for more than 30 years and instituted new revenue measures (fees and taxes). They were able to triple the municipality's income in three years. The Mayor also initiated issue-based community organizing around social services to rally people's support. He dealt with community issues one at a time. He also invested in gender and development trainings. The enterprise development improved the local economy and security of tenure (land and employment). Filipinos are allergic to taxes, but they will pay if they can see results, if money is spent to address their needs. Using a poverty mapping technology, the municipality was able to target, identify the poor and where they are. Development programs were then implemented effectively.
- The municipality also created a public economic enterprise office, exempted from the limitations of law. The office takes care of public market, slaughterhouse, and cemetery. The Mayor also had

public auctions more than once a year. The municipal government also adopted schemes where investors build stalls on government land, turned over after 50 years, pay tax.

- In Angeles City, Pampanga, progressive candidates find it very difficult to win elections without resorting to the tactics of traditional politicians. Bong Alvaro looked for champions and allies in local legislative body to push for and pro-poor/marginalized policies like the “Urban Poor Development Program”, the “Child Welfare Code”, and AIDS ordinance. As the city administrator, he pushed for anti-corruption measures, a move which threatened powerful vested interests inside and outside the city government. Such move became politically costly for him and he was forced to resign as administrator after 18 months.
- If people cannot afford to pay taxes, how can social services be provided without raising taxes? Local governments can only do tax measures within their mandate. In Antique, there is flexibility offered in dealing with delinquent tax payers. In Angeles, incentives were offered for early tax payers.

### **Session 5: Local Governance Work – Providing the backbone to party-building**

The speakers in this session include Jude Esguerra from the Governance Affairs Committee of Akbayan, Philippines; Byambasuren Urgamal of the Mongolian People’s Revolutionary Party; Heru Wardoyo of the Partai Perserikatan Rakyat, Indonesia; and Peter Hamon from the Social Democratic Association for Local Government (SGK), Germany.

#### *Highlights of the Discussions:*

- The Mongolian People’s Revolutionary Party perceives local governments as important channel for forming and delivering the party’s image to the people. Local governors, in most cases, are also the head of local party branch. Thus it created a link between the party policies and the ways local authorities execute these policies. Local authorities and local party staffs are the ones who encounter the real people and situation. Thus, success in local governance could spell success at the national level.
- The downfall of Suharto in Indonesia brought a period of reforms (*reformasi*) in Indonesian politics. Political rights were restored including the freedom to build political parties. The PPR seized this opportunity to organize a mass-base political party. However, the rules on party registration make it impossible for new and mass-based political parties to be accredited. PPR has failed to get a registration but it will attempt again in 2014 parliamentary election. In Indonesia, only few social movements influenced by social democracy are into party-building. Social democracy values are also open to various interpretations in the Indonesian context.
- The local level played an important role for the Social Democratic Party of Germany after WW II. SPD Mayors and local representatives played a key role in the reconstruction of cities. Successful local governance work is translated into electoral victories of the party at the federal and state level in the 60s and the 70s. Local governance also makes an important contribution to the development of social democracy ideas and practices as well as policies. The local authorities also are an important reservoir for the recruitment of members of parliament.
- Because of the importance of local governance to the party, the Social Democratic Association for Local Government (SGK) was created to assist local authorities affiliated to the SPD in local governance work. The SGK provides services for local governments such as: legal advice, training, developing practical working aids, providing information, serving as channel for information exchanges and discussions, giving election campaign advises, finding candidates, and reporting reports on local and direct elections. There is a permanent cooperation between the SPD headquarters and the Bundes-SGK concerning all matters relevant to local government.
- Initially there was ambiguity within Akbayan on the value of local governance work. Many of the groups comprising the party came from a resistance/protest tradition of struggle. They have been organizing people along classical leftist lines (as peasants, workers, urban poor, etc.). There was some difficulty conceptualizing a party that must deal with power accumulation at the national and local governments. The local level is important because it is at that scale that the capability of left to organize people matches the requirement for achieving power.

- The local governance committee of Akbayan, which is a young committee, holds meetings with Akbayan Mayors on local governance issues and local elections; and conferences featuring good local governance practices and legislations. The party still continues to support a small core of local government officials. The party is reconstituting its party units in a way that will facilitate better interaction between the local party chapters and the local government officials. The local governance committee relies in the assistance of NGOs. The committee's approach to local governance work is one that confronts the reality that many local government officials can win without performing because of their acute ability to fetch resources from the national center. Akbayan has no access to that kind of political technology and network. So the approach would be to expand municipal services (which the communities have identified) through community-local government co-financing (joint venture). For the party, this makes political sense because you have communities who are willing to contribute for the services and this breaks down patronage relations between the politicians and the electorate. This approach also facilitates party and local governance relations. But this kind of a program has a destabilizing effect if implemented by local authorities. Thus, it is important to build constituency around this reform initiative and the reform champions.
- The victories of left parties in Latin America at the national level cannot be explained without considering their experiences in managing big and small cities first, such as PT for example. Many Brazilians believed that leftist could be successful as oppositionists, but not as city managers. But the experience of Sao Paulo proved otherwise. Also experience of Frente Amplio in Montevideo prior to winning national power 8 years later. This is crucial in understanding the left turn in Latin America.

## **Session 6: Conference Communiqué**

The participants have agreed to issue a communiqué which contains a 7-point agenda to respond to the crisis and statements on Burma and the Afghanistan-Pakistan border.

### *Highlights:*

- To address the immediate impacts of the crisis, governments should focus their stimulus package towards policies that will create jobs, improve social protection, address gender inequality, and embrace the Decent Work Agenda. Specifically, Asian Social Democrats call upon governments to:
  - Stimulate demand by investing in community-based infrastructure, public transportation, low-cost housing, health services and education to address poverty and generate jobs;
  - Provide relief for displaced workers, including overseas migrant workers, through unemployment benefits; and initiate rural employment guarantee schemes that will absorb returning workers;
  - Pursue labor policies that will retrain and upgrade the skills of workers;
  - Achieve universality of coverage of social protection schemes (such as health insurance and cash-transfers) that mitigate risks, reduce poverty in line with the Millennium Development Goals, and enable human development;
  - Repudiate odious debts to finance social protection;
  - Invest in green technologies to address climate change concerns, contribute to ecological justice and develop the jobs of the future;
  - Establish a social dimension in regional integration processes.
- In the spirit of solidarity, the Network of Social Democracy in Asia deeply regrets that Daw Aung San Suu Kyi, leader of the National League of Democracy and honorary president of the Socialist International, as well as the members of her household have been arrested and charged with breaching the terms of her detention, which the United Nations had determined violates

international and national law. It is especially striking that these events practically coincide with the expiry of her house arrest on May 27.

- The Network of Social Democracy in Asia strongly urges Burma/Myanmar's authorities to immediately release Aung San Suu Kyi as well as all political prisoners and engage in an inclusive process of national reconciliation, which is essential for setting Burma/Myanmar on a genuine path to stability and prosperity and initiate a new phase in the development of the country. Furthermore we call on ASEAN and Asian governments to take a pro-active role to request Burma/Myanmar's authorities to respect human rights.
- The Network of Social Democracy in Asia is deeply concerned about the economic fall-out, breakdown of social services and physical displacement of millions of people as a result of war between extremist militant groups, ISAF (International Security and Assistance Force) and Pakistani forces in areas along the Pakistan-Afghanistan border. While renouncing violence and militancy, the Network urges the concerned governments to seek peaceful solutions to the problem and invest in providing security and decent livelihood to the affected population.

### **Network Development — how to continue?**

As suggested in the network's preparatory meeting and the conference participants, the network will hold activities and projects that aim to generate a social-democratic discourse in Asia, respond to political developments in the region and to learn from each other. These include setting-up a website, producing a journal, and holding conferences. The next conference is planned to be held in Penang, Malaysia in November 2009.