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FOREWORD

We are pleased to present the twenty-seventh issue of Southeast Asian Affairs, a comprehensive annual review of political and economic trends and developments in Southeast Asia.

Designed to be easily readable yet in-depth, informative and analytical, the annual has come to be a standard reference for scholars, policy-makers, private sector executives, and journalists, who seek to understand and keep up-to-date on the dynamics of Southeast Asian developments.

The year 1999 saw the economies of Southeast Asia recovering from the regional crisis and the focus of attention shifting to the sustainability of the recoveries. However, Indonesia still faced serious challenges.

I take this opportunity to thank the authors who have contributed to this publication. While the Institute encourages the statement of all points of view in the publication, the authors alone are responsible for the facts and opinions expressed in their articles. Their contributions and interpretations do not necessarily reflect the views of the Institute.

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Director
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INTRODUCTION

The big story in Southeast Asia in 1999 was the economic recovery the speed and strength of which, like the severity of the 1998 downturn, caught many by surprise. Malaysia and Thailand, two of the three countries most affected by the crisis saw gross domestic product (GDP) growth rates of 5.4 and 4.1 per cent, respectively. Thailand recovered while following prescriptions of the International Monetary Fund (IMF), Malaysia behind the shelter of capital controls. The sustainability of these two recoveries and the merits and pitfalls of resort to capital controls were matters of considerable debate during the year.

However, equally significant were developments in Indonesia. The country’s economy barely grew in 1999 after declining 13.7 per cent in 1998, though growth for 2000 was projected at 3–4 per cent. The new government of President Abdurraahman Wahid was making a start in tackling the huge challenges facing the country. The restructuring of the battered financial sector still had a long way to go, and total public debt could rise to 145 per cent of the GDP.

1999 saw East Timor deciding to break away from Indonesia in a referendum. The violence perpetrated by Indonesia-backed militias drew much adverse publicity in the world’s media. When Indonesia agreed to international humanitarian intervention, Philippines, Thailand, Singapore, and Malaysia made contributions.

With the formal admission of Cambodia as the tenth member, ASEAN finally attained its goal of being a ten-nation Association. But there were also unprecedented doubts about the credibility of the Association, a problem that it has sought to address, starting with the Hanoi summit of December 1998. Bilateral relations between some member countries, though better than in 1998, remained problematic.

Apart from the developments in East Timor and the uncertainties posed by Indonesia, the regional security environment remained relatively benign. Tensions in the Spratly Islands increased somewhat, though there was no danger of any major conflict. In the broader East Asian region, Sino-U.S. relations were volatile, but ended the year on a better note. Developments relating to Taiwan continued to be a potential danger to the U.S.-China relationship.

Southeast Asian Affairs 2000 addresses these issues from a regional perspective in the first four chapters. The rest of the volume consists of ten country surveys and five special theme articles, of which three deal with the economies of the three countries most affected by the regional crisis, namely, Indonesia, Malaysia, and Thailand.

Daljit Singh
Editor
Southeast Asian Affairs 2000