

SOUTHEAST ASIAN AFFAIRS 2013

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SOUTHEAST ASIAN AFFAIRS 2013

**Edited by
Daljit Singh**



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Foreword

I have great pleasure in presenting this fortieth edition of *Southeast Asian Affairs*. Over these past four decades, this annual review of the region has become an indispensable source of information and analysis for all those interested in Southeast Asian developments. It is designed to be easily readable so that it can be of value to both specialists and non-specialists.

In 2012 Southeast Asia showed impressive economic resilience in the face of weak demand in the developed economies and risks posed by financial stresses in the eurozone. It was geopolitics which perhaps drew more attention — and concern. New leaders took over the reins of power in China, Japan, South Korea, and North Korea. President Obama was re-elected for a second term. The U.S. “rebalancing” to Asia, announced in late 2011, raised considerable interest, and in some quarters, concern. There were signs that the Sino-American relationship would see more strategic competition notwithstanding the many cooperative aspects to it. Disputes in the East China Sea aroused fears of a clash between China and Japan through miscalculation. Tensions in the South China Sea continued, with no early prospect of a legally binding Code of Conduct. Within Southeast Asia, Myanmar continued on the path of reform but faced huge challenges in translating good intentions into policy and implementation that would better the lives of ordinary people and ensure domestic stability.

I would like to thank the authors and the editor, as well as others in ISEAS who have helped to make this publication possible. The chapters in the volume contain a wide variety of views and perspectives. The authors alone are responsible for the facts and opinions expressed in their contributions. Needless to say, their interpretations do not necessarily reflect the views of the Institute.

Tan Chin Tiong
Director
Institute of Southeast Asian Studies
April 2013

SOUTHEAST ASIAN AFFAIRS

Forty Years of Research and Analysis

In March 1974, Professor Kernial Singh Sandhu, Director of the Institute of Southeast Asian Studies (ISEAS), launched a major new publishing initiative, the Institute's annual *Southeast Asian Affairs*. The appearance of *Southeast Asian Affairs 1974* was the first of its kind: an annual review devoted to the international relations, politics, and economies of the region and its nation-states. The project was part of the ISEAS mandate to be a leader in research on the problems of stability and security, economic development, and political and social change in Southeast Asia.

The comprehensiveness of coverage in the annual series expanded as ASEAN itself expanded from its original five members to today's ten. The collected volumes of *Southeast Asian Affairs* have become a compendium documenting the dynamic evolution of regional and national developments in Southeast Asia from the end of the "second" Vietnam War to the alarms and struggles of today. Over the years, the editors of *Southeast Asian Affairs* have drawn on the talents and expertise not only of ISEAS' own professional research staff and visiting fellows, but also have reached out to tap leading scholars and analysts elsewhere in Southeast and East Asia, Australia and New Zealand, North America, and Europe. A full list of contributors over forty years reads like a kind of who's who in Southeast Asian Studies.

When asked to contribute this special introduction to the current *Southeast Asian Affairs*, I went back to look again at the first number in the series. I was struck by how many of the themes raised some forty years ago resonate today. It is not a matter of *plus ça change, plus c'est la même chose*. It is that persistent problems and structural issues continue to be in play. For example, in 1974 three general levels of political threat were identified. The first level was international, where in the region there was a sense of anxiety and insecurity with respect to the future roles of the great powers in the regional international order. Special mention was made of China's forceful expulsion of Vietnam from the Paracel Islands and claims to the Spratlys. The second, regional, level consisted of unsettled territorial claims, described as "smouldering embers that could give rise to future fires". The fires burned over the years. At the third, domestic, level, attention was

given to separatism, struggles for autonomy, and ethnic and religious tensions; all threatening national and regional stability; and they still do.

Looking at the regional economies, *Southeast Asian Affairs 1974* underlined the continued dependency of Southeast Asia on the state of the global economy. Then, the issue was an energy crisis. The authors also looked at the indicators of real economic development but worried about growing income inequalities. The conclusions were generally upbeat, buoyed by the tremendous economic development potentials in Southeast Asia. In retrospect, it is fair to say that *Southeast Asian Affairs 2013* bears out the economic optimism of the previous generation. Arguably, ASEAN's greatest real achievements have come on its economic playing fields.

The anxieties in the broad patterns of ASEAN's international political and security environments laid out in *Southeast Asian Affairs 1974* give a historical dimension to the contemporary anxieties felt in the region. All of the categories of threat at the three levels — international, regional, and domestic — that informed the first number of *Southeast Asian Affairs* exist today. Steady forward steps towards economic integration within the region and between the region and its trading partners have not been matched in the political and security fields. The conflicting interests in the South China Sea threaten to undo ASEAN itself, let alone its vision of community. Bangkok and Phnom Penh are waiting for the International Court of Justice (ICJ) to drop the other shoe in the Preah Vihear dispute. Significant ethnic and religious conflict persists at different levels of violence and humanitarian suffering in Indonesia, Myanmar, Thailand, and the Philippines, to mention only the more prominent among the many unresolved political and security problems. Overarching them all are the uncertainties about China's ultimate ambitions in the region and America's willingness and capability to give real substance to the rhetoric of the so-called "pivot" or "rebalance."

Regardless of specific events and outcomes in political, economic, and social developments in Southeast Asia's future, we can expect that future numbers of *Southeast Asian Affairs* will continue to provide the expert analysis that has marked the publication since its founding. It has become an important contributor to the knowledge base of contemporary Southeast Asia.

Donald E. Weatherbee

Visiting Professorial Fellow, Institute of Southeast Asian Studies, Singapore
Russell Distinguished Professor Emeritus, University of South Carolina, United States

Introduction

The Region

Great power rivalry has returned to Southeast Asia over the past few years after a hiatus of over two decades — and, with it, traditional security as another salient concern. The Asia- Pacific region, of which Southeast Asia is part, is now marked by tensions involving a nuclear-armed North Korea, near-confrontations between China and Japan in the East China Sea, and incidents between some Southeast Asian states and China in the South China Sea which have also produced strains in the Association of Southeast Asian Nations (ASEAN).

The year 2012 featured considerable media and elite attention to the U.S. “rebalance” to Asia, which had been announced in part to alleviate the anxieties of allies and friends about an overbearing China. It thus had the support, public or tacit, of most Southeast Asian states as a hedge or balance against China. Beijing tended to portray the U.S. rebalance as a stepped-up effort to contain China. Beijing seemed determined to demonstrate that it would not be unnerved — indeed its posture in the South China Sea and the East China Sea remained uncompromising. It was over the Senkaku/Diaoyu islands in the East China Sea that major power tensions appeared to reach dangerous levels after the purchase in September 2012 of three of the islands by the Japanese government from private owners, to which China reacted strongly. Incidents that occurred included the scrambling of Japanese fighter bombers in response to the flight of Chinese maritime patrol aircraft near the islands and the alleged locking by a Chinese naval ship of its fire control radar on a Japanese warship. In the absence of channels for crisis communication and management between the two militaries and strong nationalistic fervour in both countries, the danger of an outbreak of conflict in which the United States could also be drawn in was real.

While the East China Sea disputes were separate from those in the South China Sea between China and four Southeast Asian countries, they were by no means unconnected. Big power tensions in one part of East Asia are bound to have spillover effects to other parts where the same big powers have important

interests. The maritime space off the East Asian littoral through which vital trade routes of Japan, China, and South Korea pass is a continuum from Northeast Asia, through Southeast Asian waters and into the Indian Ocean. Japan certainly takes this view and sees the troubles in both the East China Sea and the South China Sea coming from a single source, that is China's assertiveness. It has made known that peace and stability in these waters is a national interest of Japan and has sought to increase security links with and assistance in capacity building to Southeast Asian countries, including the donation of ten new patrol boats to the Philippines Coast Guard.

In the South China Sea itself, China was not alone in its intransigence. However, given the fact that China is a big power amidst much smaller and weaker countries, its actions, unsurprisingly, drew much more attention and scrutiny. With its geographical proximity to Southeast Asia, its rising economic and military power, its assertiveness, and its willingness to use economic weapons against countries perceived to be not respecting its interests, China increasingly loomed large in the foreign policy calculations of Southeast Asian states.

Intra-state politics and security in Southeast Asia saw no major surprises in 2012. Governments continued to wrestle with the familiar challenges of governance, development, regime legitimacy, or rebellious/restive minorities, often differentiated from the majority by ethnicity or religion. A bright light of the year was the framework agreement reached between the Philippine government and the Moro Islamic Liberation Front (MILF) to end the MILF insurgency, even if there were some uncertainties about its implementation. Islamic extremism and terrorism remained a threat in a number of countries, especially Indonesia and the Philippines. Indonesia, a self-proclaimed tolerant and "moderate" Muslim country, continued to see harassment of and violence against religious minorities that were condoned by the authorities. Myanmar remained saddled with the same problems which it has faced for some years: ethnic minorities, violence between Rohingyas and Myanmar Buddhists, and, above all, economic development. The high expectations of its people that democracy would improve their lives had not been fulfilled. It will be a difficult and long haul, given the weaknesses of the relevant state institutions and lack of trained and skilled people.

Some unease remained in Malaysia and Thailand about possible leadership transitions. In Malaysia this was caused by uncertainty about the outcome of the next general election that was expected to take place in 2012, but did not,

and would instead take place in the first half of 2013. In Thailand, the roots of disquiet lay not only in the continuing polarization between the political forces aligned with the traditional establishment and the pro-Thaksin ones, but also over the possible repercussions on the political order of the demise of the country's revered but ailing King, whenever that occurs. In Indonesia, the next presidential and parliamentary elections were already casting their shadow on the country's politics, even though they are due only in 2014.

The economic performance of Southeast Asia in 2012 was commendable, with regional economies showing surprising resilience in the face of weak demand in the developed world and financial troubles of the eurozone — a testimony to sound macroeconomic policies and reforms carried out in recent years. However huge disparities in development and incomes remained between the four newer members of ASEAN and the older six, a gap which will take a long time to narrow significantly. Even among the older members, significant poverty levels still exist in Indonesia and the Philippines despite recent good economic growth rates.

The regional section of this volume has four chapters. In the first chapter, "Divided or Together? Southeast Asia in 2012", Bridget Welsh discusses the schisms in ASEAN, highlighted by the Association's failure, for the first time in its history, to issue a joint communique at the end of its Annual Ministerial Meeting. She covers the divisions over the South China Sea issue, the divergent responses to China, the differences over human rights brought out by the introduction of the ASEAN Human Rights Declaration, and the tensions over economic integration and free trade agreements. She also deals with the persistent internal conflicts from Myanmar to Papua in Indonesia. In the sphere of domestic politics, she observes a greater tendency on the part of states to resort to short-term populist strategies to address society's grievances and demands. She concludes by acknowledging that, at another level, there are also forces "pushing the region toward shared goals of prosperity, stability, and empowerment" and a persistent but quiet building of regional architecture.

In his economic survey of Southeast Asia, Manu Bhaskaran observes that in 2012 Southeast Asian economies stood up well to the deceleration of global demand, the financial stresses arising from ultra-easy monetary conditions in the developed world, and frequent bouts of financial turbulence in the eurozone — in the process showing a degree of resilience that few had expected. Economic growth held up, supported by domestic demand. The resilience was

due to structural factors and is, therefore, likely to be sustained. Bhaskaran sees some positive forces emerging in Southeast Asia that will help boost the region's growth prospects and economic resilience. They include more synergies from economic integration, and prospects of more foreign direct investment as investors seek to diversify investment to other locations in the region besides China.

In "Southeast Asia in America's Rebalance to the Asia-Pacific", Satu Limaye argues that the importance accorded to Southeast Asia in the rebalance is one of the two distinctive features of the U.S. overall strategy, the other being the inclusion of India. He sees a structural process of institutionalization of U.S.-Southeast Asia relations as being underway in which the United States seeks to strengthen alliances, deepen relationships with emerging partners, engage with regional multilateral institutions, expand trade and investments, and advance democracy and human rights. It would be a mistake to regard this process as only a function of the U.S.-China relationship. He goes on to discuss U.S. policy in each of these areas, cautioning that achievements will not be smooth or swift, and that both Southeast Asia and the United States will need to work on them patiently and persistently to mutual benefit.

In the next chapter, Zhu Feng presents a Chinese perspective on the U.S. rebalancing. There is a tendency in China to see the rebalancing as the latest U.S. effort to keep China encircled and contained. According to Zhu, the rebalancing deepens the perceived security dilemma between the United States and China, increases strategic distrust, and makes escalation of geostrategic tensions more likely, though in itself it is unlikely to lead to a new Cold War. But rebalancing will not make China soften its position on maritime disputes. Zhu is of the view that rather than opt for a balance of power strategy, Southeast Asian countries should enhance cooperation with China to settle the South China Sea disputes and show sensitivity to China's deep sense of insecurity. He acknowledges that the United States has important interests in Southeast Asia and deep-seated bonds with the region, but reminds that Southeast Asia is not a U.S. backyard and China, which now wields a bigger economic clout in Southeast Asia, also has its interests. Zhu is also implicitly critical of China's assertiveness in the South China Sea since 2009 which lost it much political capital in the region. It is time, he says, for Beijing to ponder why, despite its rapid rise and its economic clout, it is still unable to command the level of respect it deserves in the region.

The Countries of the Region

The eleven country reviews and seven country-specific thematic chapters look into developments in individual Southeast Asian countries.

In “Brunei Darussalam in 2012: Towards a *Zikir* Nation”, Hajah Sainah Haji Saim records some of the incremental achievements towards realizing the country’s Vision (Wawasan) 2035, which combines modernity and material progress with spiritual and religious values. Steps were taken to make the civil service more efficient, attract foreign investments, improve education and skills, and develop infrastructure. In parallel, there was more stress on Islamic values and observance of Islamic practices. Islamic Religious Knowledge and Malay Islamic Monarchy subjects were made compulsory in secondary schools. As the new ASEAN Chair, the country was also preparing to hold the various high-level ASEAN meetings in 2013.

In his review of Cambodia in 2012, Kheang Un notes further consolidation of power by Prime Minister Hun Sen and his Cambodian People’s Party during a year which saw the passing away of the country’s revered former King, Norodom Sihanouk. Hun Sen used the country’s rising economy (it grew by over 6 per cent in 2012) and regional and global linkages to open up new economic opportunities, attract foreign investments, and build infrastructure. In defiance of the West’s criticisms, a defiance facilitated by China’s economic and political support, space for civil and political liberties and for opposition politics was constricted. The government also adopted some measures against corruption which has become an intrinsic part of the country’s patronage system. In foreign relations, the highlight of the year was Cambodia’s chairmanship of ASEAN, and in particular the unprecedented failure of the ASEAN ministerial meeting in July to issue a communique, which many attributed to China’s strong influence on Cambodia.

In the theme chapter on Cambodia, Pou Sothirak examines the Thailand-Cambodia border dispute, discussing the various approaches so far taken to resolve it and why they have achieved little progress. Although the border has been more quiet recently, Sothirak is not optimistic about a solution because the dispute has become entrenched in the nationalism and domestic politics of the two sides, making a compromise solution difficult.

In the next chapter, Greg Fealy sees political developments in Indonesia in 2012 as generally consistent with past patterns, including the internal party squabbles and prevalence of corruption. Corruption scandals damaged President Yudhoyono’s Democrat Party, diminishing his ability to influence the presidential

elections in 2014 and 2019 by fielding candidates from his family network. A major break from past patterns was the election victory of Joko Widodo, popularly known as Jokowi, as governor of Jakarta over a better financed and better connected (to the political and business elites) incumbent who had the support of several political parties. Fealy is of the view that each of the three “established” candidates for the 2014 presidential election — Prabowo, Megawati, and Bakrie — has his or her problems, though Prabowo was the front-runner. This could increase the chances of the emergence of a more popular independent candidate, but it was not clear who that could be. Fealy notes the continuing intolerance of and violence towards minorities and restrictions against freedom of religious expression which are being condoned or even openly supported by local and national politicians — in sharp contradiction to the country’s self-proclaimed “moderate” and “pluralist” Islamic status. The Ahmadiyah and the Christians continued to be targeted, but the most significant development of 2012 was violence against the Shi’a minority. While many of the anti-Shi’a groups have doctrinal objections to Shi’ism, many also receive funding from Saudi and other Middle East sources that encourage anti-Shi’a action.

In the second chapter on Indonesia, Ahmad Habir discusses resource nationalism in the context of Indonesian politics and global trends, using the oil and gas industry as a case study. Some groups, including certain Islamic political parties, succeeded in getting an important 2001 oil and gas law reviewed by the Constitutional Court, as a result of which the regulatory authority for oil and gas, BP Migas, was disbanded. But, to the dismay of those behind the move, the government shifted BP Migas’ regulatory functions to the Ministry of Energy and Mineral Resources, pending the preparation of a new oil and gas law. Until then the tussle between those the author describes as the “traditional resource nationalists” and those who favour more state involvement in order to enhance the international competitiveness of the resource industries would remain unresolved.

In her review of Laos, Holly High draws attention to the existence of considerable debate and airing of public grievances, much of it conducted in a form that suggests that critics were only asking the government to adhere to its own laws and declarations. Though there are of course limits to how far the critics can go, the debates show convincingly that ordinary people are dissatisfied with corruption and inequality. She cites, among other things, a more activist National Assembly which seeks to be the voice of the people and debates in cyberspace and the media. There are also the effects of internationally

influenced changes to Laos' legal framework, for instance the changes required for accession to the World Trade Organization. To quote High: “[a] pattern has been building up for several years now ... despite continual setbacks and repercussions ... where, rather than debate being censured and impossible in public, it is not only tolerated, but called for, publicized and responded to. There are unspoken parameters to what counts as acceptable criticism, but significantly these parameters are themselves being subjected to debate.” High has the sense that there is a tense internal battle taking place among leaders and elites in which some support more open forums for debate while others are opposed.

On Malaysia, Graham Brown describes the year 2012 as “one of held breath, with the country awaiting an election that never came”. He discusses Prime Minister Najib Tun Razak's promise of reforms, regarded by many as necessary for the long-term survival of the ruling Barisan Nasional coalition even though they would endanger the short-term interests of many in the dominant United Malays National Organization (UMNO). For Najib, winning popular support through reform was a matter of personal political survival. Brown cites the assessment of the reforms by the *Economist* magazine as “just enough to alienate his own party and too little to convince the centre ground”. The longer term reforms were stalled or superceded by short-term measures adopted to win elections. Contestations over the use of the word Allah and over the possible implementation of *hudud* continued to feature prominently in the socio-political landscape — with the *hudud* issue further widening the factional divides within the opposition coalition in which Anwar, the glue that has held together the uneasy partnership between the Pan-Malaysian Islamic Party (PAS) and the Democratic Action Party (DAP), and his confidantes seeming increasingly out of touch with the grassroots of his party. The economy grew around 5 per cent. However, the government deficit also grew due to extensive subsidies in the lead-up to the announcement of an electioneering budget.

In the second chapter on Malaysia, Lee Hock Guan shows how the citizenship form in Malaysia remains bounded in colonial constructions. British colonial rulers used a mixture of *jus sanguinis* (right of blood) and *jus soli* (right of the soil) principles to classify colonial subjects into different classes of membership that have access to differential rights and privileges. After the Japanese Occupation, the British plan to introduce a civic citizenship was jettisoned because of strong Malay resistance to it. Consequently, because UMNO advocated an ethnic citizenship to grant the Malays special rights by virtue of their indigenous position, both civic and ethnic elements of citizenship were

contradictorily included in the Merdeka (Independence) Constitution. As a result, Lee argues, since independence, the different ethnic groups have interpreted differently the meanings of the constitutional provisions regarding the equality of rights of citizenship and Malay special position and privileges.

In his review of Myanmar, Robert Taylor regards 2012 as the year of great, but unfulfilled expectations. Despite the welcome freedom of the press and open government created by the newly civilianized political order, old problems remained and a few new ones had been created. The much-hyped economic potential of Myanmar had resulted in little aid or investment in new economic sectors and hence few new jobs. Governance in the new constitutional order was proving difficult to manage as the executive, legislative and judicial branches all attempted to define their roles, though, to the surprise of many, the legislature was exercising its powers to “check and balance”. President Thein Sein undertook initiatives to end armed conflict and reach negotiated peace settlements with the ethnic minorities, but achieved only limited success. Armed conflict remained isolated in the Kachin state and a small part of neighbouring Shan state. Conflict between the Rohingyas and Myanmar Buddhists erupted again, as it has in every decade since the 1930s. In foreign relations, President Thein Sein reiterated in his United Nations speech the position of every government since the 1950s: the pursuit of “independent and active” non-aligned foreign policy. Taylor ends on a hopeful note: the international climate in which the country operates has clearly changed for the better and the support that the Thein Sein administration receives from foreign governments and international agencies as well as domestically bodes well for the future.

In “Myanmar’s 2012 By-Elections: The Return of the NLD”, Tin Maung Maung examines the by-elections held on 1 April 2012, viewing them as a landmark event in the political transition from military rule to an elected government. The elections not only brought back the National League for Democracy (NLD) and its leader Daw Aung San Suu Kyi into the political mainstream but also led to the easing of Western sanctions. The NLD, which had boycotted the 2010 general elections, won forty-three out of forty-four contested seats in the legislature. Daw Aung San Suu Kyi, who won a seat in the Lower House, became an active participant in the political process whose legitimacy she had questioned earlier. The by-election seems to have transformed the Nobel Laureate, who had been a democracy icon for over two decades, into a practical politician.

In the review of the Philippines, Patricio Abinales argues that the 7 per cent economic growth in 2012 tended to mask troubling trends like the decline of foreign direct investments, expansion of the illicit economy, rising poverty levels, and huge inequalities in income. President Benigno Aquino III's personal approval ratings remained high, but in the public's eyes the legitimacy of the state and its institutions remained dubious, with continuing misgivings about their capacity to deal effectively with poverty and other fundamental economic problems. Filipinos were not expecting any dramatic change for the better. "The prevailing sentiment", observes Abinales, "is that they can live with what they have — provided that the outlet to go abroad and find jobs with better pay remains open". Finally, Abinales credits Aquino with two significant achievements during the year: the signing of the framework agreement between the government and the MILF and the passing of the Reproductive Health Bill by Congress in the face of fierce opposition from the Catholic Church. The latter will allow women access to birth control pills and promote condom use.

In "The Philippines in the South China Sea: Out of Time, Out of Options?", Maria Ortuoste weighs Philippine options in the South China Sea including ASEAN multilateralism, U.S. commitment and assistance, and having a credible Philippine defence capability. She sees limitations in each recourse in a regional environment marked by a stronger and less cooperative China, lingering doubts about the longer term sustainability of the U.S. security presence, and faltering ASEAN multilateralism. Ortuoste discusses Philippines-China relations in the context of rising nationalism in both countries, and outlines the economic pressures China applied against Manila during the Scarborough Shoal stand-off.

On Singapore in 2012, Narayanan Ganesan highlights the by-election held in the single-member Hougang ward, called after the stepping down of the incumbent opposition Worker's Party (WP) Member of Parliament because of a sex scandal. The WP retained the seat with only a small erosion of its popular support. Ganesan discusses the skyrocketing property prices, the cost of living, persistently high inflation, and the growing number of foreigners working in Singapore — issues that have caused much discontent among Singaporeans. Low-wage earners in Singapore faced pressures on their wages due to a large intake of low-paid foreign workers. He observes that unless the People's Action Party (PAP) government acts to alleviate these grievances, there is a danger that its post-independence social contract with its citizenry could unravel.

In "Singapore's Population Conundrum: The Great Balancing Act 2", Yap Mui Teng discusses the inter-related issues of ultra-low fertility, rapid

ageing, and immigration. Over the past decade, the Total Fertility Rate (TFR) has fallen below 1.3 births per woman in spite of policy measures to promote marriage and childbearing. An increased influx of foreigners to meet the labour shortage has caused unprecedented unhappiness among Singaporeans who have complained about over-crowding and competition for jobs and other resources. While remedial measures are being undertaken to address the population's concerns, the longer term conundrum remains: Will a slower workforce growth affect economic growth in the future, or can the slower workforce growth be offset by increases in productivity? Is slower growth desirable for the country, or can the country accept a more rapid workforce growth (and ultimately a larger population and a larger foreign population) without lowering the quality of life and social relations?

After half a decade of political volatility, 2012 was another year of uncertainty and instability for Thailand, according to Chairat Charoensin-o-larn. Parliamentary bills for reconciliation and constitutional amendment proposed by the democratically elected Yingluck government were prevented from being adopted by strong-arm tactics and dubious constitutional means by the Yellow Shirts People's Alliance for Democracy and institutions and parties aligned with the traditional elite. They feared that, if passed into law, the bills would pave the way for the exoneration of former Premier Thaksin. There was also disillusion among some Red Shirts that both Thaksin and the Yingluck government were prepared to compromise with the traditional elite to advance their own interests. The report of the Truth for Reconciliation Commission of Thailand, issued in September 2012, instead of reconciling, re-opened old wounds. Chairat sees reconciliation and truth as tools used by the two sides to attain their political objectives. He observes that the conflict has gone beyond the point accommodation, "as each side waits for the right moment to wage total war to destroy the other". Violence in the south, which escalated from July, only added to the political uncertainties. On the economic front, the government's populist policies contributed to rising public debt and decline in exports, when what is needed is structural reform to make the Thai economy more competitive.

In his review of Timor-Leste, Damien Kingsbury sees the country in early stage of its development and consolidating its young democracy. The economy grew strongly, but almost entirely as the result of government spending based on the use of the country's US\$11 billion petroleum fund. While Dili had some of the features of a boom town, much of the rest of Timor-Leste languished. The country's human development indicators showed improvement, if of very

low levels, but for many Timorese little had changed over the ten years of independence. The real question hovering over Timor-Leste's future, according to Kingsbury was whether, with the ending of the current U.N. mission and the withdrawal of peacekeepers, its newfound sense of stability could be sustained through its coming challenges.

In "Vietnam in 2012: A Rent-Seeking State on the Verge of a Crisis", Alexander Vuving argues that the state, ruled by the Vietnam Communist Party (VCP), has evolved into a rent-seeking state that is now nearing a crisis point. The rescue of the clogged economy through needed structural reforms is thwarted by rent-seeking and by leadership divisions. There is a widening gap between the rulers and the ruled as a result of various popular grievances, especially over official corruption and land seizures. In foreign relations, by 2012 Vietnam's leaders, according to Vuving, "were no longer uncertain about China's determination to control the South China Sea, yet their response to this unambiguous threat remained ambivalent." The ambiguity reflected the China dilemma of the VCP state: while China presented a clear threat to Vietnam's perceived territorial integrity, it was also regarded as important for the VCP regime survival. Gathering international support for Vietnam's cause in the South China Sea was the main feature of Vietnam's foreign policy as the country continued to seek strategic partnerships with global and regional players. During the year Vietnam had to put up with aggressive acts by China in the South China Sea that led to four anti-China public protests which were contained and discouraged by the authorities.

In the second chapter on Vietnam, Le Hong Hiep analyses efforts of the VCP to buttress its declining performance-based legitimacy by restructuring the economy and intensifying the fight against corruption. The results so far still leave much to be desired. The central issue in economic restructuring is reform of state-owned enterprises (SOEs). They are responsible for inefficient public investments, account for a large part of the bad debts of banks, and are fertile grounds for corruption and waste. But they are resistant to radical reform because they are viewed by the Party as an essential foundation for progress towards socialism and because they have become an integral part of VCP power structure. The fight against corruption too needs SOE reform; further, it needs measures like an independent judicial system and freer media which would be seen as threatening the Party's survival. As Hiep points out, weak and ineffective efforts to fight corruption will harm the party while strong efforts that are effective will also undermine its monopoly of power.

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Daljit Singh
Editor
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