The Institute of Southeast Asian Studies was established as an autonomous organization in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the many-faceted problems of stability and security, economic development, and political and social change.

The Institute’s research programmes are the Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS).

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FOREWORD

We are pleased to present the twenty-ninth issue of Southeast Asian Affairs, a comprehensive annual review of the 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.

In 2001 the economic slowdown in the United States resulted in lower growth rates in the ASEAN-5 countries. Foreign direct investments in Southeast Asia remained well below 1997 levels because of the perceptions of instability in the region and the attractions of China. The terrorist attacks in the United States on 11 September and their aftermath led to new security concerns.

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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April 2002
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INTRODUCTION

The year 2001 saw more economic difficulties in Southeast Asia as much of the region experienced a downturn because of the U.S. recession. The more open economies that are significantly dependent on electronic exports were the most affected, such as Singapore and Malaysia. But the others among the ASEAN-5 also experienced sluggish growth. Regional stock markets were weaker, as were most of the currencies of the Association of Southeast Asian Nations (ASEAN) countries against the U.S. dollar. Unfinished bank and corporate restructuring in countries that were hit by the 1997–98 financial and economic crisis was more difficult to continue under the more adverse economic circumstances. Foreign direct investment inflows into Southeast Asia remained less than half of what they were in 1997. The competitive threat from China to the ASEAN economies loomed larger. So even with the prospect of a U.S. recovery in 2002, Southeast Asia cannot afford to be complacent in the face of the economic challenges confronting it.

The terrorist attacks on the United States on 11 September 2001 had mixed consequences. They were economically negative for the region, and especially Indonesia, because the publicity given to the existence of terrorist cells added to the image of instability and insecurity already dogging archipelagic Southeast Asia, thereby discouraging foreign investors and tourists. Politically, 11 September has been positive for Malaysia and the Philippines. Dr Mahathir’s co-operation with the United States on the terrorist front and his firm action at home have greatly improved Malaysia’s relations with the United States which had suffered from the detention and manner of treatment of Anwar Ibrahim. Domestically, Dr Mahathir has been able to use the terrorist and extremist threats to put the Partai Islam SeMalaysia (PAS) on the defensive and strengthen the position of the Barisan National in domestic politics. The Philippines stood solidly behind the United States in the anti-terrorist war and obtained U.S. military assistance to defeat the Abu Sayaf extremist group with links with the Al-Qaeda. United States–Philippine relations strengthened, with prospects of more U.S. support for the government of President Gloria Macapagal-Arroyo.

In Indonesia, after the turmoil surrounding the removal of Gus Dur, Megawati appears to be secure in her presidency until at least the next election in 2004. Leadership to tackle the challenges on many fronts — including the economy, regional autonomy, regional conflict, and constitutional change — is not yet evident. Thailand’s Prime Minister, Thaksin, has greatly solidified his position in Parliament through party mergers and coalition arrangements, but in a countervailing trend, it appears as though opinion leaders in society...
(academics, civil society, and the media) may be turning against the Thai Rak Thai government. Laos and Vietnam continue with single-party rule, and cautious market reforms, while in Cambodia, Hun Sen has further strengthened his monopoly on the political system. Cambodia is now more stable than at any time since the crippling civil war that began in the 1970s, though backsliding into authoritarianism and with acute socio-economic problems.

The broader East Asian security environment was on the whole benign. The apparent halt to the détente between North and South Korea was a setback. However, after some initial hiccups, United States-China relations improved, with both countries co-operating on the international terrorist menace. Although several contentious issues will continue to divide the United States and China, neither side wants heightened tensions in the relationship. China, on its side, is preoccupied with its domestic agenda and needs a friendly and co-operative United States. Japan remained mired in its economic problems. However, a significant new development was the despatch of Japanese naval vessels to the Indian Ocean to provide logistic and other support to the U.S. fleet in the Indian Ocean conducting military operations against Afghanistan.

Southeast Asian Affairs 2002 addresses some of these issues from a regional perspective in the first four chapters. The rest of the volume comprises ten country surveys and six special theme articles.

Daljit Singh
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Editors
Southeast Asian Affairs 2002