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SOUTHEAST ASIAN AFFAIRS 1997

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FOREWORD

We are pleased to present the twenty-fourth issue of *Southeast Asian Affairs*, an annual of comprehensive regional coverage on the political, economic and social trends and developments in Southeast Asia.

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

The year 1996 opened with tensions in the Taiwan Straits and rising concerns in Southeast Asia and elsewhere about deteriorating U.S.–China relations. However, these negative political developments receded as the year progressed and later in the year interest was focused on a number of economic developments, particularly on the progress of Asia-Pacific Economic Cooperation (APEC) forum and the World Trade Organization (WTO). The APEC ministerial and leaders' meetings in the Philippines and the first WTO Ministerial Meeting saw further progress in global and regional trade liberalization.

I take this opportunity to thank all the authors who have contributed much to make this publication possible. 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.

Chia Siow Yue
Director
Institute of Southeast Asian Studies

April 1997

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INTRODUCTION

The year 1996 served as a reminder, if any was needed, of the crucial importance of great power relationships to the stability and prosperity of Southeast Asia. The region heaved a sigh of relief when U.S.–China tensions over the Taiwan Straits crisis abated. The reaffirmation of the U.S.–Japan defence alliance and the U.S. decision to keep troop levels in the Western Pacific to around 100,000 were reassuring to most countries. China remained a vexing issue in the minds of many in Southeast Asia notwithstanding the economic opportunities it presents, and the genuine desire on the part of Southeast Asians to have good neighbourly relations with their giant neighbour. Its actions in the South China Sea continued to cause concern.

In the shadow of these great power manoeuvres, Southeast Asian regionalism seemed on track despite some anxieties related to the admission of Myanmar into ASEAN and the desire of some countries to seek more exemptions from the proposed regional tariff cuts to establish the ASEAN Free Trade Area. Still the ASEAN Six are well on the way to meeting the 2003 deadline: by the year 2000, 88% of CEPT products will already have 0–5% tariffs and by 2003, 40% will have zero tariffs. The informal ASEAN summit in November ruled out phased admission of the remaining three Southeast Asian countries (Cambodia, Laos, and Myanmar) — they would all be admitted together, more likely in 1997 than later.

ASEAN had its hands full, not only with issues of expansion and those related to the ASEAN Free Trade Area, but also with the ASEAN Regional Forum (ARF) and Asia-Europe matters. The ARF acquired two new members in 1996, India and Myanmar, and maintained its coherence as the only official Asia-Pacific wide security forum. ASEAN also continued to play a leading role in Asia-Europe relations, following the historic summit meeting between the leaders of the two continents in Bangkok in December 1995.

Economic growth in Singapore, Thailand, Malaysia, and Indonesia slowed down in 1996, mostly for cyclical reasons. However, their growth rates were still impressive by international yardsticks, and those in Indochina and the Philippines were either maintained or accelerated. Yet it was increasingly clear that to maintain high growth rates for the longer term, the more economically advanced ASEAN countries like Malaysia and Thailand needed to address seriously the problem of skills development. Thailand in particular needed to quicken the pace of structural change to move out of low value added processes and gear its education and training systems to this end. It also required rapid improvements to physical infrastructure. The transitional economies of

Cambodia, Laos, Myanmar and Vietnam faced the continuing structural challenge of moving from centrally planned to market economies.

There were no surprises in 1996 in the areas of domestic political and social stability and regime survival. In Thailand Prime Minister Banharn Silpa-Archa's fractious coalition government created a turbulent situation marked by power struggles, mismanagement of the economy, scandals and allegations of corruption. Banharn lasted only fourteen months, and another general election, said to be the dirtiest in Thai history in terms of the amount of money that changed hands, produced another coalition under Prime Minister Chawalit Yongchaiyut. The closing days of the year saw Singapore too in the midst of a campaign for general elections scheduled for 2 January 1997, with the ruling party already returned to power on nomination day because of the decision of the opposition parties to contest less than half the electoral constituencies. The only thing left in doubt was the exact size of the expected landslide and whether the number of opposition members in Parliament would be a few more than the previous four or a few less.

In Malaysia Prime Minister Dr Mahathir Mohamad remained well in charge, after having been returned unopposed as President of the United Malays National Organization (UMNO), the core party of the ruling National Front coalition, during the triennial party elections. Exuding confidence, he gave all the appearance of someone with a mission to accomplish, and not in a hurry to step down in favour of his designated successor, his deputy, Anwar Ibrahim, returned unopposed as Deputy President in the same party elections. In the Philippines, President Ramos added to his achievements by concluding a landmark peace agreement with the Moro National Liberation Front. Still, it remained to be seen how the agreement would help to secure peace and stability in the southern Philippines in view of the fact that there are groups both on the militant Muslim side and the Christian side who oppose it. With Ramos' term as president ending in 1998, concerns were growing about whether a suitable successor would be found to carry forward the President's good work, especially in the area of economic reform and management. In Indonesia, as the parliamentary and presidential elections approach in 1997 and 1998, the sense of uncertainty about the future increased amid growing social unrest and mounting challenges to the authority of the New Order regime.

In Vietnam the ruling communist party held its eighth party congress which underlined the importance the regime attaches to stability and maintaining party discipline and its monopoly of power. In Cambodia the Khmer Rouge threat declined with major defections to the government side but law and order still remained a serious problem. Intensified competition between the two main parties of the coalition government, played out with less than gentlemanly methods, portends more instability as the 1998 elections approach. In Myanmar the State Law and Order Restoration Council seemed at the peak of its power and confidence, its physical control of the country virtually unchallenged. But

the legitimacy it craved remained denied to it in the absence of a solution to the political impasse arising from the consequences of the 1990 elections.

Southeast Asian Affairs 1997 addresses the issues mentioned above. As in the past, this volume has two parts. The first deals with regional issues: an overview of politics and international relations of Southeast Asia, a survey of regional economies, an analysis of the Bangkok Asia-Europe summit meeting and the issues in Asia-Europe relations, and a review of India-Southeast Asia relations. The second part of the volume consists of the ten annual country reviews and six articles dealing with special topical issues.

Daljit Singh
Editor

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