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**SOUTHEAST ASIAN AFFAIRS 1991**

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FOREWORD

Southeast Asian Affairs 1991, like its seventeen predecessors, is a review of significant developments and trends in Southeast Asia, with special emphasis on the ASEAN countries. Readable and easily understood, the publication aims at giving the enquiring reader a broad grasp of major political, economic, social, and strategic developments within the region.

The contents of Southeast Asian Affairs 1991 fall into two broad categories. There are those of a background nature, which attempt to review and where necessary comment upon and explain significant developments during 1990 in the individual countries of Southeast Asia and in the region generally. Then there are the articles of more specialized current interest. These are not necessarily focused on events in 1990 alone. They deal with topical problems of concern to those who desire to know more about the region and its affairs than is possible from background articles. The emphasis has been on background papers, including regional surveys. These, however, have been supplemented by topical articles of the type described above.

To the best of our knowledge, Southeast Asian Affairs is the only publication of its kind wholly devoted to Southeast Asia. It is perhaps also unique in that, unlike many other annuals, its discussion of issues is from the vantage point of the area, most of the contributors being in and of the region. Moreover, though scholarly in their approach and analyses, the authors have been encouraged to aim at accuracy and readability and to handle their subjects in a direct manner. Footnotes and tables have been kept to a minimum and a conscious effort has been made to avoid too ponderous a style. If Southeast Asian Affairs 1991 helps to generate and enliven interest in, and a better understanding of, the affairs of the region, then its purpose would have been well served.

I would also like to take this opportunity to thank the authors and the members of the Editorial Committee, as well as others who have, in one way or another, helped to make this publication possible. While the Institute encourages all points of view, needless to say, the individual authors are exclusively responsible for the facts and opinions expressed in their respective contributions, and their interpretations do not necessarily reflect the views and policies of the Institute itself or its supporters.

K S. Sandhu
Director

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INTRODUCTION

The year 1990 in Southeast Asia might be considered pivotal from two perspectives. First, 1990 allows us to “cap” the decade of the 1980s, and assess its fundamental direction. Second, 1990 begins the countdown towards the year 2000 — a new decade, a new century, and a new millennium. The essays in this volume are thus, as usual, a presentation of the year’s major events, but viewed through two prisms — one reflective, and the other anticipatory.

ASEAN in the decade of the 1980s proved to be the most dynamic region worldwide, in 1990 it supplanted the East Asian NIEs in terms of rates of real economic growth: Thailand registered 10.0 per cent; Malaysia, 10.0 per cent; Singapore, 8.3 per cent, Indonesia, 7.1 per cent; the Philippines, 3.1 per cent; and Brunei, 2.9 per cent. Thailand and Indonesia also had the distinction of never registering a negative growth rate in any year throughout the 1980s.

Southeast Asia also enjoyed a decade of political stability. The fact that such stability should not be taken for granted, and that the consequences of instability can be devastating, were vividly brought home during the Gulf crisis and its aftermath. Likewise, the repercussions of the changes sweeping the Soviet Union and Eastern Europe have had a world-wide impact. This was particularly so with regard to the socialist regimes of Vietnam, Laos, and Cambodia, which had hitherto depended ideologically and materially on the USSR and its allies. Although the political regimes replacement process which swept Eastern Europe was not duplicated in Indochina, movement towards economic liberalization, initiated in the last years of the 1980s, continued. Myanmar, having followed its own brand of socialism also began yielding to market forces, albeit on a limited scale.

The end of the Cold War also highlighted the likely new roles in the region for the United States, Japan, and China. Japan, for instance, because of its growing economic strength in the region — it was Southeast Asia’s largest foreign investor — was coming under increasing pressure to play a more prominent political and diplomatic role in the region, that is, a role commensurate with its economic status. The United States in turn seemed to be rethinking its regional commitments. The question of the U.S. bases in the Philippines is illustrative of this. It now appears no longer a question of whether the bases will remain, but rather how long they will remain China, on its part, appears to be anxious to strengthen its regional ties. Indeed, it has gone so far as to announce its willingness to jointly develop the Spratly Islands with those Southeast Asian countries which have claims to these Islands. It also welcomed the establishment of formal diplomatic relations with Indonesia and Singapore.

The conflict in Cambodia appears to have reached a turning point. The United States has decided to drop its support for the Coalition Government of Democratic Kampuchea (CGDK), and indicated its willingness to open a dialogue with Vietnam over a settlement of the Cambodian imbroglio. The United Nations too was
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beginning to play a direct and more assertive role in the matter. Indeed, as in
the case of the resolution of the Gulf crisis, the Cambodian conflict seems now
destined to be settled within the context of a significant and widening role for the
United Nations in world affairs. Although the conflict remained unsolved at year’s
end, the Permanent Five members of the U.N. Security Council were working
towards the reconvening of the Paris International Conference on Cambodia (PICC)
in 1991.

Paralleling the global political realignments were the initiatives to forge new re-
gional economic alliances, in the wake of a rapidly changing international economic
environment. Here the most significant development was the failure of the Uruguay
Round of the General Agreement on Tariffs and Trade (GATT) negotiations. This
had an immediate impact on the region, in that it not only witnessed calls for the
the formation and strengthening of supra-regional alliances, but the emergence
of a new resolve to seek more and better ways and means of promoting greater
intra-regional economic co-operation.

Various formulae were debated as to what could be attempted at the supra-
regional level, with the proposal for an East Asian Economic Grouping (EAEG) by
the Malaysian Prime Minister, Dr Mahathir bin Mohamad, attracting considerable
attention, in terms of its bearing on APEC (Asia Pacific Economic Co-operation)
and ASEAN Although the Malaysians have gone to great lengths to explain that
the EAEG proposal is GATT consistent and that it would not detract from the
significance or progress of APEC or ASEAN, doubts remain and the matter may
not be resolved until ASEAN as a whole takes a collective position on it.

Such and other supra-regional initiatives have also added a new lease of life
to efforts to promote greater economic co-operation within ASEAN itself. The
liberalization of the Indonesian and Malaysian economies in the 1980s, which
placed emphasis on private enterprise as the main engine and initiator of economic
growth, have only added to this conviction, long felt by Singapore, that is, that
it is better for governments to lend support to budding and existing economic
impulses and development processes, rather than as acting as initiators of new
activities themselves. Acting on this conviction, Singapore’s Prime Minister, Goh
Chok Tong, mooted the idea of creating a “growth triangle” involving Singapore,
Johor State of Malaysia, and Batam and the other islands of the Riau Province of
Indonesia. This co-operative venture has grown steadily. Moreover, there is a possi-
bility of the concept becoming a “wave of the future” in that other “growth triangles”
and “growth circles” are already being proposed for other parts of the region.

Whether political stability is a prerequisite for sustained economic growth, or
whether sustained economic growth promotes political stability is a classic “chicken
or egg” question At least for Southeast Asia, it seems safe to say that political
stability and economic growth are intertwined In the case of Myanmar, for example,
the lack of resolution of the problems of political transition is hampering economic
reform. The political stalemate in the Philippines, resulting in a lack of political
strength and will to make the necessary structural adjustments, certainly has a
bearing on the economic ills besetting the country. Conversely, Mahathir’s victory
in the 1990 Malaysian election might be attributed, in part, to his proven ability
to “deliver the goods”
The question of leadership change and generational succession also took a further step forward, in that Mr Lee Kuan Yew stepped aside as Prime Minister of Singapore, after serving in the post for more than thirty years. There was heightened speculation in Indonesia too on President Soeharto's plans. And all this at a time when decades of political stability and economic progress have significantly broadened the arena of political activity, in which "strategic groups" like the professional and business middle class are now significant players, as opposed to the small circle of advisers who had been the traditional source of power and influence. It will be interesting to see how these new and emerging actors in the political arena affect political changes, what the changes will be, and how they will be accomplished.

Sharon Siddique
Ng Chee Yuen
Editors
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