The **Institute of Southeast Asian Studies (ISEAS)** 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 multi-faceted problems of stability and security, economic development, and political and social change.

The Institute is governed by a twenty-two-member Board of Trustees comprising nominees from the Singapore Government, the National University of Singapore, the various Chambers of Commerce, and professional and civic organizations. A ten-man Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute’s chief academic and administrative officer.

---

**SOUTHEAST ASIAN AFFAIRS 1995**  
**EDITORIAL COMMITTEE**

Chairperson  
*Chan Heng Chee*

Editors  
*Daljit Singh*  
*Liak Teng Kiat*

Associate Editors  
*Cheong Yun Wan*  
*Diana Wong*

Committee Members  
*Tin Maung Maung Than*  
*Russell Heng*  
*Mya Than*  
*Joseph L.H. Tan*  
*Reza Y. Siregar*
FOREWORD

We are pleased to present the twenty-second 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 tool for all serious students, academics, diplomats, senior executives, journalists, and publicists who seek to understand the dynamics of Southeast Asian developments.

The year 1994 saw further substantial economic gains in Southeast Asia. Growth rates were high in virtually all countries, including the Philippines and Myanmar. The two major developments of the year were the Bogor Declaration committing the member states of the Asia-Pacific Economic Co-operation forum to free trade by 2020, and the first meeting of the ASEAN Regional Forum. With the exception of Cambodia, the domestic political systems of Southeast Asian countries were relatively stable and chances of inter-state conflict remained minimal. *Southeast Asian Affairs 1995* looks at some of these developments and trends.

Finally, 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 view of the Institute or its supporters.

Chan Heng Chee
Director

March 1995

Institute of Southeast Asian Studies
CONTENTS

FOREWORD v

INTRODUCTION ix

THE REGION
Southeast Asia at Mid-Decade: Independence through Interdependence
Donald E. Weatherbee 3

Southeast Asian Economic Growth: Can the Momentum be Maintained?
Anne Booth 28

Evolving Security and Economic Institutions
Khong Yuen Foong 48

AFTA in the Light of New Economic Developments
Florian A. Alburu 61

South Korea in Southeast Asia: Enhancing Returns and Reassurances
David I. Steinberg 74

The Urban Environment in Southeast Asia: Challenges and Opportunities
Douglas Webster 89

BRUNEI DARUSSALAM
Brunei Darussalam: After a Decade of Independence
Pushpa Thambipillai and Hamzah Sulaiman 111

CAMBODIA
Cambodia: The Royal Government on Trial
Frederick Z. Brown and Laura McGrew 127

INDONESIA
Indonesia: Preparing for Post-Soeharto Rule and its Impact on Democratization
M. Ryaas Rasyid 149

The Growth of an Industrial Labour Force and Decline of Poverty in Indonesia
Hans-Dieter Evers 164
## Contents

**LAOS**  
Laos: Towards Subregional Integration  
*Martin Stuart-Fox*  
177

**MALAYSIA**  
Malaysia: A Year Full of Sound and Fury, Signifying Something?  
*James V. Jesudason*  
199  
Vision 2020 and Malaysian Foreign Policy: Strategic Evolution and the Mahathir Impact  
*K.S. Nathan*  
220

**MYANMAR**  
Myanmar: New, but Different?  
*R.H. Taylor*  
241

**PHILIPPINES**  
The Philippines: Remarkable Economic Turnaround and Qualified Political Success  
*Remigio E. Aghalo*  
259  
The Philippine Economy: What’s Right, What’s Wrong  
*Emmanuel S. de Dios*  
273

**SINGAPORE**  
Singapore: Consolidating the New Political Economy  
*Kwok Kian-Woon*  
291  
Court Practice: Singapore at a Legal Threshold  
*Jeffrey Pimsler*  
309

**THAILAND**  
Thailand: Slow Government, Sluggish Democratization?  
*Chalidaporn Songsamphan*  
327  
The Political Economy of Decentralization in Thailand  
*Methi Krongkaew*  
343

**VIETNAM**  
Vietnam: Taking Stock of Reforms and Dogma  
*Heng Hiang Khng*  
365  
Foreign Direct Investment, Institutional Change, and Vietnam’s Gradualist Approach to Reform  
*Carolyn L. Gates*  
382
INTRODUCTION

The year 1994 was one of significant change in Southeast Asia. The Asia-Pacific Economic Co-operation (APEC) forum, at its second summit meeting in Bogor, Indonesia, issued a declaration committing members to free trade by the year 2020. The willingness of members of the Association of Southeast Asian Nations (ASEAN) to enter into such an arrangement reflected recognition of global economic forces and the ASEAN countries’ dependence on the larger economies of the Asia-Pacific region. In response to global forces, especially the agreements reached in the successfully completed Uruguay Round (UR) of the General Agreement on Tariffs and Trade (GATT), ASEAN decided to accelerate the implementation of the ASEAN Free Trade Area (AFTA) from 15 to 10 years. In addition, ASEAN was widening even while deepening. Vietnam, its chief foe for a decade and a half before 1990, formally applied to join the association and is expected to do so in 1995. And in the field of security, the ASEAN Regional Forum (ARF) had its first formal meeting in Bangkok in July 1994 after the Annual ASEAN Ministerial Meeting (AMM). As in economics, ASEAN has recognized that security in Southeast Asia requires the engagement of the major Asia-Pacific powers in a multilateral framework.

Amidst this flurry of institution building, the economies of Southeast Asian countries continued to prosper. Vietnam joined the ranks of high growth economies (8 per cent to 9 per cent), even though much still needed to be done to build the necessary institutions to sustain a market economy. The Philippines, was at last looking ahead to growth rates of 5 per cent to 6 per cent. Even Myanmar was seeing significantly better growth rates. On the whole, sound economic fundamentals, continued economic liberalization, healthy direct investment flows and a favourable external economic environment promised to continue to fuel good growth rates in Southeast Asia.

The security environment remained generally benign. The risk of interstate conflict, minimal in the ASEAN region, was low in the entire Asia-Pacific area.

On the face of it, the chances of domestic instability arising from rapid economic and social change interacting with factors like regionalism, ethnicity, religion, and leadership succession appeared to be greater than the chances of interstate conflict. Yet a closer examination would show that the state has grown stronger over the years almost everywhere in Southeast Asia. The state in Malaysia, Singapore and Thailand has gone through communist, ethnic or regional challenges from the 1960s and emerged more robust. It looks stronger in the Philippines in relation to the country’s problems compared to the days
of the Aquino Administration. Even in Myanmar, perhaps the only place in
Southeast Asia where the legitimacy of the governing authority is in doubt in
the eyes of many of the citizens, the State Law and Order Restoration Council
(SLORC) regime has strengthened its position significantly vis-à-vis its various
domestic opponents. In Indonesia, while there is increased uncertainty about
how and when succession to Soeharto will take place, the President remained
firmly in control of the levers of power. Only in Cambodia did the situation
look worse than the year before (1993): the government remained weak,
divided, corrupt and militarily incompetent while the Khmer Rouge sustained
a tenacious low level insurgency.

As before, this volume has two parts. The first deals with region-wide issues.
It comprises Donald Weatherbee’s overview of politics, security and international
relations of Southeast Asia, and Anne Booth’s survey of regional economies:
she focuses on how ASEAN countries are faring in the special area of human
resource development to upgrade the skills of the labour force, which is so
necessary to sustain the momentum of their growth. Then there are two chapters
devoted to new regional structures. Khong Yuen Foong looks at the ARF and
APEC, arguing that the broad strategic and economic environments are
conducive to the evolution of both into meaningful institutions capable of
producing results. Florian Alburu analyses the relevance of AFTA in the light
of the Uruguay Round GATT agreement and the rapid changes in the world
economy. In view of Korea’s growing involvement in Southeast Asia, we decided
to have a chapter on this subject, authored by David Steinberg. Finally, there is
a chapter by Douglas Webster on the growing urban environmental problems
in Southeast Asia and the challenges they pose.

The second part of the volume is, as usual, devoted to the ten annual country
reviews: Pushpa Thambipillai and Hamzah Sulaiman on Brunei Darussalam,
Frederick Brown and Laura McGrew on Cambodia, Ryaas Rasyid on Indonesia,
Martin Stuart-Fox on Laos, James Jesudason on Malaysia, R.H. Taylor on
Myanmar, Remigio Agpalo on Philippines, Kwok Kian-Woon on Singapore,
Chalidaporn Songsamphan on Thailand and Heng Hlang Khng on Vietnam.

In addition, the second part has six special theme articles. Hans-Dieter Evers
examines some of the underlying causes of labour unrest in Indonesia;
K.S. Nathan traces the evolution of Malaysian foreign policy from independence
to the present; Emmanuel S. de Dios examines the sustainability of the present
economic recovery in the Philippines; Jeffrey Pinsler sets out the recent reforms
in court practice in Singapore; and Carolyn Gates discusses the sequencing of
economic reform in Vietnam, and what still needs to be done as well as the
critical importance of foreign direct investment in its development strategy.

Daljit Singh
Liak Teng Kiat
Editors
Southeast Asian Affairs 1995