

**SOUTHEAST
ASIAN
AFFAIRS 2006**

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SOUTHEAST ASIAN AFFAIRS 2006

**Edited by
Daljit Singh
Lorraine C. Salazar**



INSTITUTE OF SOUTHEAST ASIAN STUDIES
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Contents

Foreword <i>K. Kesavapany</i>	vii
Introduction <i>Daljit Singh and Lorraine C. Salazar</i>	ix
THE REGION	
Southeast Asia in 2005: Strength in the Face of Adversity <i>Michael Vatikiotis</i>	3
Southeast Asian Economies: A Year of Exogenous Shocks <i>Cassey Lee, Boon-Huat Quah, and Marc Foo</i>	15
Terrorism: Evolving Regional Alliances and State Failure in Mindanao <i>Kit Collier</i>	26
Japan in an Insecure East Asia: Redefining Its Role in East Asian Community-Building <i>Tsutomu Kikuchi</i>	39
BRUNEI DARUSSALAM	
Brunei Darussalam: Consolidating the Polity <i>Pushpa Thambipillai</i>	57
CAMBODIA	
Cambodia: Positioning for 2008 <i>Verghese Mathews</i>	73
INDONESIA	
Indonesia: Accomplishments Amidst Challenges <i>Irman G. Lanti</i>	93
Indonesian Military Reform: More Than a Human Rights Issue <i>John B. Haseman</i>	111
LAOS	
Laos: The State of the State <i>Kyaw Yin Hlaing</i>	129

MALAYSIA

Malaysia: The Challenge of Money Politics and Religious Activism 151
K.S. Nathan

Mahathir as Muslim Leader 172
Ooi Kee Beng

MYANMAR

Myanmar: Challenges Galore but Opposition Failed to Score 183
Tin Maung Maung Than

Myanmar's Human and Economic Crisis and Its Regional Implications 208
Bruce Matthews

THE PHILIPPINES

The Philippines: Crisis, Controversies, and Economic Resilience 227
Lorraine C. Salazar

The Abu Sayyaf Group: From Mere Banditry to Genuine Terrorism 247
Rommel C. Banlaoi

SINGAPORE

Singapore: Globalizing on Its Own Terms 265
Terence Chong

THAILAND

Thaksin's Political Zenith and Nadir 285
Thitinan Pongsudhirak

Thailand's Independent Agencies under Thaksin: Relentless Gridlock and Uncertainty 303
Alex M. Mutebi

TIMOR LESTE

Timor Leste: On a Path of Authoritarianism? 325
Jacqueline Siapno

VIETNAM

Vietnam: Laying the Path for the 10th National Congress 345
Danny Wong Tze Ken

Foreword

Southeast Asia was on the cusp of major changes in 2005. At year's end in December 2005, the long-awaited East Asian Summit was held in Kuala Lumpur. It marked the beginning of region-building that encompasses East, Southeast, and South Asia, as well as Australia and New Zealand, a process that heralds looking beyond narrow sub-regionalism. At the same time, ASEAN launched the process of preparing an ASEAN Charter, with the guidance of an Eminent Persons Group. Both events signalled the strengthening of ASEAN and the wider region.

Furthermore, the democratic processes were strengthened by the successful organization of regional elections in Indonesia following the legislative and presidential elections in the previous year. In Thailand and the Philippines, the political processes delivered different results: Prime Minister Thaksin came under pressure which led to his resignation in April 2006, whilst President Arroyo retained her post despite street demonstrations. Vietnam continued to achieve rapid economic growth. Bird flu appeared, but was contained, at least for the time being. Most ASEAN economies benefited from the high growth sustained by India and China. The good economic performance plus the central role of ASEAN in the driver's seat of the East Asian Summit has restored some of the shine back to ASEAN.

Southeast Asian Affairs 2006, like the previous 32 editions of this flagship publication of ISEAS, provides an informed and readable analysis of developments in the region.

K. Kesavapany

Director

Institute of Southeast Asian Studies

April 2006

Introduction

At the end of 2005 Southeast Asia looked in a better condition than at any other time since the 1997 Asian crisis. The economies had recovered and there was steady growth as countries continued to pursue economic reform. The world economy was resilient in 2005, notwithstanding a modest cyclical slowdown during the year. Moreover, Southeast Asia's economic prospects were buoyed by the growing linkages with the rising economies of China and India and a recovering Japanese economy. Apart from a few cases, regime stability characterized the political landscape of the region.

There were two other positive factors: Indonesia and the Association of Southeast Asian Nations (ASEAN). As the largest country of Southeast Asia located in a huge maritime swathe between the Philippines on the east, Australia in the south, and the Bay of Bengal in the northwest, Indonesia's stability or lack of it, has had an important bearing on perceptions of Southeast Asia. Under the administration of President Susilo Bambang Yudhoyono, the country was back on the right track, working to achieve domestic stability, improve governance, build institutions, and attract investments.

Meanwhile, ASEAN was regaining some of the importance it used to enjoy a decade earlier. It was again in the centre of moves to shape a new Asian regional architecture as it organized the first East Asian Summit that included not only the 13 members of the ASEAN+3 process but also India, Australia, and New Zealand. It was being courted by the major powers as each tried to maintain or extend its influence.

ASEAN's complexion also seemed to be undergoing subtle changes as a result of the democratization of Indonesia and the growing realization that the principle of non-intervention needed to be used flexibly to enable cooperation on transnational challenges. The decision to draw up an ASEAN Charter raised hopes of a more rules-based organization with a better sense of common values.

Yet, despite the more promising outlook for Southeast Asia, many challenges remained. Indonesia needs to achieve and sustain close to 7 per cent economic growth to make a dent on unemployment and poverty. It was difficult to see this happening unless the fragile investment climate is improved. Indonesia's democracy also needed consolidation as the country struggled to build the institutions and the

rule of law without which democracy may not be sustainable. Street demonstrations in Bangkok and Manila to oust the leaders of the two countries, while reflective of political ferment and contestation in the process of democratization, also highlighted its weaknesses. In Myanmar there was no indication when the work of the National Convention, a landmark on the roadmap of reform, would be completed. Terrorism remained a threat, especially in Indonesia and the Philippines. ASEAN still needed to demonstrate that it had the will to move forward boldly to achieve greater internal cohesiveness. Its economic integration agenda remained well short of implementation.

Meanwhile the major powers were more active in Southeast Asia. In recent years China has significantly increased its influence through skilful political and economic diplomacy, eclipsing that of Japan, at least in the perception of Southeast Asian states. There were signs that US attention to the region was becoming more broad-based, and not just confined to counter-terrorism. Noteworthy in this respect was the renewed attention to Indonesia, including the resumption of military aid to Jakarta. India's economic links with Southeast Asia were still far behind the other three major powers but were growing rapidly.

In the broader Asian geopolitical environment, the uncertainties caused by the shifting alignments between the major powers were heightened by tensions in Sino-Japanese relations, which remained at a low ebb in 2005. Meanwhile US-Japan security relations continued to strengthen and Japan was on the path towards becoming a more "normal" power. Strategic cooperation between India and the United States was deepening, even as economic links between China and India were expanding rapidly. China's military modernization was causing anxieties in the United States and Japan. Overall, in strategic terms, the United States remained distracted by and preoccupied with Iraq and the war on terrorism, a state of affairs that continued to provide China more freedom of manoeuvre and latitude to expand its influence in Asia.

Southeast Asia had little or no influence on these developments even though they could have major implications for the region. ASEAN desires cooperative relations between the major powers and their balanced engagement with Southeast Asia. With this in mind, the Association has established a multiplicity of dialogue and cooperative mechanisms with them.

In the regional section of this volume, the first two articles provide the political and economic overview of Southeast Asia in 2005, with Michael Vatikiotis writing on the former and Cassey Lee, Boon-Huat Quah, and Marc Foo on the latter.

In the third article, "Terrorism: Evolving Regional Alliances and State Failure in Mindanao", Kit Collier provides a valuable reminder that, contrary to

some mainstream analyses, the Jemaah Islamiyah (JI) terrorist organization is not simply a franchise of Al Qaeda or an integral part of it. Nor does it have clearly demarcated command structure and organizational boundaries. The original JI is now splintered and the immediate threat to Western targets in particular comes more from freelancers who may not answer to JI at all. The roots of JI, says Collier, are thoroughly Indonesian but its extended family is much more than an Indonesian phenomenon. It is often overlooked that the Philippines has been as much a target of JI-related bombings as Indonesia and that the sanctuaries in Southern Philippines remain the weakest link in the entire regional counter-terrorist effort.

In the fourth and final article of the regional section, “Japan in an Insecure East Asia: Redefining Its Role in East Asian Community-Building”, Tsutomu Kikuchi offers a Japanese perspective on East Asian regionalism, emphasizing the importance of norms and values for deeper regional cooperation. Differences on these as well as differences of geopolitical and geoeconomic interests are likely to make the task of community-building in East Asia a challenging one. He would like Japan to be more pro-active in engaging Asia instead of retreating into the comfortable cocoon of the US-Japan alliance, though the alliance should remain the bedrock of Japan’s security and Asian stability.

After the regional section, 11 country reviews as well as five special theme articles on specific countries follow.

In the article “Brunei Darussalam: Consolidating the Polity”, Pushpa Thambipillai examines the political and governmental scene, including the establishment of a new Legislative Council of 30 selected members, and a major cabinet reshuffle. A new political party was set up and there seemed to be more tolerance of civil society. However, there was no indication yet when the Legislative Council would meet and the issue of election of some of the Council members had not been clarified. Thambipillai’s examination of economic events focuses on the impact of the high price of oil and the government’s efforts to diversify the economy to move away from dependence on hydrocarbons. Unemployment remained an issue of some concern while the government maintained its vigil against terrorism and deviant teachings of Islam. Finally, the Brunei government’s activities in promoting bilateral and regional relations are recounted.

In “Cambodia –Positioning for 2008” Verghese Mathews reviews the major events of 2005, starting with the economy. He looks at the extent and implications of the country’s dependence on donor assistance, especially in poverty alleviation and improvements in infrastructure and education. Next, Mathews examines the main political developments, starting with the progress made in establishing the

Khmer Rouge Tribunal, which has kept alive the hope of justice and closure for the victims and the community in general, and then going on to analyse the main political events and the fortunes of the key political players in the country. Mathews concludes by drawing attention to the continuing challenges that Cambodia faces, especially the need to strengthen democratic institutions, ensure that good governance is firmly rooted in the country, curb corruption, and dismantle the deeply entrenched patronage system.

Irman G. Lanti's "Indonesia: Accomplishments Amidst Challenges" examines the extent of the devastation caused by the tsunami in Aceh and the challenges facing the rehabilitation and reconstruction efforts, before going on to discuss the peaceful resolution of the decades-long separatist insurgency in the province. He cautions that the agreement between GAM and the Indonesian government, though an impressive achievement, has to be fully implemented before durable peace can be attained. The article discusses the significance of the regional elections held during 2005 that allowed the public to directly elect governors, *bupati* (district chiefs), and mayors. There was progress in the fight against terrorism, and steps were taken by the government to combat the growth of radical ideology of the kind that leads to terrorism. In foreign policy, the year saw the return of some activism, as signified by the holding of the 50th Anniversary of Asian-African Conference, the signing of strategic partnership agreements with China and India and moves leading to the resumption of military aid by the United States. Yet, despite the achievements of the year, Indonesia's main challenges remained the same as in the recent past: how to achieve good governance with reduced corruption and how to create a domestic environment conducive to investment and faster economic growth. "While ... the foundations for better development seemed to be in place", says Lanti, "many things that would define the future of the nation still remained in doubt."

In the companion article "Indonesian Military Reform: More Than a Human Rights Issue", John B. Haseman argues that important reforms have been implemented under a reform-minded president but there is still some way to go before Indonesia's military can attain the status the government and the people expect in a democratic society. Changing the military's institutional mindset is perhaps the most difficult of the remaining challenges.

In "Laos: The State of the State", Kyaw Yin Hlaing points out that economic reforms over the years have resulted in Laos becoming a less totalitarian and repressive state. Based on interview data, Kyaw concludes that the technical, institutional, and administrative capacities of the Laotian state are improving, even though serious shortcomings remain. Grievances do exist among the general

public, but the political situation is stable and there is no real threat that the government's reform programmes will be interrupted by social protests.

K.S. Nathan's "Malaysia: The Challenge of Money Politics and Religious Activism" focuses on the problems of corruption, cronyism, and nepotism that the Abdullah government inherited from the past administration. They constitute the main challenges facing the Premier despite his efforts to solve them. In 2005, religious intolerance, especially on the part of the more activist, fundamentalist, and extremist Islamic elements within and outside the official bureaucracy, posed an additional test to Abdullah's "Islam Hadhari" project. In the realm of economics, Nathan maintains that Malaysia has done reasonably well in maintaining balanced growth and competitiveness in the face of oil price hikes and a challenging international environment. Finally, the article examines events in Malaysia's foreign relations, in particular its role in ASEAN and its hosting of the inaugural East Asia Summit.

In the theme article "Mahathir as Muslim Leader", Ooi Kee Beng shows that in the later part of his long political career, Mahathir used the same arguments in his call for "Muslims" to develop that he had used earlier in his career to push for "Malay" economic progress, with the West remaining the constant antithesis. In 1981, when he became Prime Minister, he turned into policies the ideas about uplifting the Malays he first articulated in his controversial book *The Malay Dilemma*. But he also encouraged Islamization, and in the later part of his premiership, shifted to emphasize "Muslimness" in line with international developments and his increasing prominence, as well as self-perception, as a global Muslim leader. Mahathir's understanding of Islam is that of a knowledge-seeking faith and teaching that had lost its way. This evolved view emphasizes the importance of acquiring scientific and functional knowledge and applies the same method of scolding his "patients" — now the Muslims — in order to nudge them to develop.

Tin Maung Maung Than's "Myanmar: Challenges Galore but Opposition Failed to Score" draws attention, among other things in 2005, to the domestic media blitz and mobilization of support for the National Convention (NC) and the unprecedented highlighting of it to members of the international community as a showcase of political progress. But the legitimacy of the NC was still not accepted by the political opposition and Western governments. The lack of progress in instituting political reforms in Myanmar became a bone of contention in ASEAN's relations with its dialogue partners and even within ASEAN itself. There was an increase in attempts by the international community to press for changes in the regime's conduct. But these pressures seemed to have little or no

effect on the regime. Even with the support of powerful players in the international community the opposition failed to score any success in its campaign against the military regime. The National League for Democracy, displaced from the mainstream political process and deprived of its top leadership, was ineffectual. The ethnic-based political parties, save for one, continued their cooperation with the government and participated in the NC's deliberations. Far from being a failed state, Myanmar in 2005 seemed to represent the apex of state power in the nearly six decades of political independence since 1948.

In the special theme article "Myanmar's Human and Economic Crisis and Its Regional Implications", Bruce Matthews speaks of a gathering crisis in the country which could have serious regional consequences. He first reviews the internal situation in Myanmar based on fieldwork conducted in June 2005, and taking into consideration events in the later part of the year, before examining the regional and international implications of Myanmar's authoritarian polity and its failure to adequately address key matters of human security. Issues discussed include the continuing displacement of thousands of dispirited ethnic peoples, especially in the Arakan and the Shan and Karen states bordering Bangladesh and Thailand respectively; challenges associated with heroin production and other narcotics; and the increasingly significant economic and possibly strategic relationships between Myanmar, India, and China. The article ends with reflections on what strategies might best assist Myanmar in its long struggle to emerge as a fully modern Southeast Asian state.

Lorraine C. Salazar's "The Philippines: Crisis, Controversies, and Economic Resilience" examines the turbulent politics in the country and its effects on the economy in 2005. The year saw yet another attempt to remove the President through street politics which was unsuccessful because of lack of support from key social sectors. Allegations of electoral fraud and corruption caused the President's legitimacy and popularity to diminish. However, she refused to resign and, instead, deftly called for a change in the Constitution to establish a parliamentary system of government and to push ahead with economic reforms. At the end of the year the President was struggling to rebuild her credibility and giving priority to political reforms. Peace talks with the Moro Islamic Liberation Front were temporarily suspended because of the political crisis in Manila, but will resume in 2006, thus keeping alive hopes for a negotiated end to that conflict. On the other hand, the government's relations with the Communist Party of the Philippines turned for the worse. The economy remained resilient despite the political turmoil, in part because of the huge flow of remittances from Overseas Filipino Workers and the introduction of new revenue measures.

In his theme article “The Abu Sayyaf Group: From Mere Banditry to Genuine Terrorism”, Rommel C. Banlaoi analyses the origins, ideology, organizational structure and capabilities of the Abu Sayyaf Group (ASG), perhaps the most lethal armed Muslim group in the Philippines today. After a period in which it earned notoriety as a bandit group, the ASG has now revived its radical Islamic agenda and returned to terrorism as a political weapon in the service of this agenda.

Terence Chong’s “Singapore: Globalizing on Its Own Terms” sees a dilemma facing Singapore in its openness, on the one hand, to economic globalization and its wariness, on the other, about certain liberal democratic and cultural processes and values. Chong wonders whether a small nation-state like Singapore whose survival depends upon becoming a vibrant global city can continue with ideological and cultural protectionism. A global city, he argues, “cannot be willed into being but becomes one only when others recognize it as such ... all global cities require the cultural legitimacy from the international community of transnational professionals, creative classes, and international opinion-shapers who have the power to confer it recognition. The competition to distinguish oneself as a global city is, in reality, the competition to win legitimacy and recognition from this international community.”

In “Thaksin’s Political Zenith and Nadir”, Thitinan Pongsudhirak reviews the remarkable turn of events in Thailand that brought its popularly elected Prime Minister from unprecedented political heights to political depths in less than a year. The article examines Thaksin’s huge election victory in February 2005 and the key events following it. It then goes on to deal with the worsening insurgency in the Muslim provinces of Southern Thailand and Thaksin’s mishandling of it. Anti-Thaksin public protests that started in Bangkok in September gathered momentum, becoming a significant force of street politics by the end of the year. The sale of Shin Corporation to Singapore’s Temasek Holdings in January 2006 provided the final spark and impetus to galvanize the anti-Thaksin movement. Yet, this attempt to remove the Prime Minister from office remained confined largely to the urban sectors, with the bulk of rural Thais continuing to support Thaksin. Thitinan concludes with a look at Thaksin’s legacy and the country’s near-term prospects, including the implications of these extraordinary events for Thailand’s young democracy.

Alex M. Mutebi’s “Thailand’s Independent Agencies under Thaksin: Relentless Gridlock and Uncertainty” examines how the various independent institutions mandated by the 1997 Constitution have struggled to establish both their authority and their credibility under Prime Minister Thaksin’s tenure in office. The article looks at cases of political interference in four of Thailand’s independent agencies,

arguing that such interference renders ineffective the system of checks and balances and also accords undue influence to vested interests both within and outside government.

In “Timor Leste: On a Path of Authoritarianism?” Jacqueline Siapno argues that a few years into independence, the government is treading on the path towards authoritarianism as it attempts to introduce an anti-defamation law and moves to restrict public space for free comment and discussion. The article then looks at issues in East Timor’s foreign relations, in particular with its two immediate neighbours, Indonesia and Australia, before discussing poverty reduction and human security. Finally, the article examines the in-between spaces in the politics of culture, memory, and identity, and the resilience of the East Timorese.

Danny Wong Tze Ken’s article “Vietnam: Laying the Path for the 10th National Congress” focuses on the actions and responses of the ruling Communist Party of Vietnam (VCP) as it pursued its reform programme in the run-up to the 10th National Congress in 2006. The challenges posed by endemic corruption and the government’s efforts to overcome it, questions relating to religious freedom, and the government’s handling of political dissidents continued to feature in Vietnam’s domestic politics. The pace of reform of state-owned enterprises and Vietnam’s pending entry into the World Trade Organization were the two central economic issues. Also of great importance was the threat posed by avian flu. Finally, the article also considers Vietnam’s successes in its foreign relations and raises questions on how these could be translated by the VCP government to strengthen its position domestically.

The articles in this volume promise to be timely and relevant as they address regional and domestic political, economic, security, and social developments during 2005 and their implications for countries in the region and beyond.

Daljit Singh
Lorraine C. Salazar
Editors
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