

**SOUTHEAST
ASIAN
AFFAIRS 2007**

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SOUTHEAST ASIAN AFFAIRS 2007

**Edited by
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Lorraine C. Salazar**



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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 2006: Déjà vu All Over Again <i>Donald E. Weatherbee</i>	3
The Regional Economies: A Year of Growth, Stability, and Resilience <i>Manu Bhaskaran</i>	31
The Southeast Asian Development Model: Non-liberal Democracy with Market Accountability <i>David Martin Jones</i>	59
Petroleum and Mining in Southeast Asia: Managing the Environmental and Social Impacts <i>Andrew Symon</i>	77
BRUNEI DARUSSALAM	
Brunei Darussalam: Towards a New Era <i>Hj Mohd Yusop Hj Damit</i>	103
CAMBODIA	
Cambodia: The Endgame of Politics? <i>Milton Osborne</i>	117
INDONESIA	
Indonesia: Democracy First, Good Governance Later <i>Douglas E. Ramage</i>	135
LAOS	
Laos: Politics in a Single-party State <i>Martin Stuart-Fox</i>	161

MALAYSIA

Malaysia: Abdullah Does It His Own Vague Way 183
Ooi Kee Beng

PAS Leadership: New Faces and Old Constraints 201
Liew Chin Tong

MYANMAR

Myanmar: The Future Takes Form — But Little Change in Sight 217
Morten B. Pedersen

Myanmar's Foreign Trade under Military Rule: Patterns and Recent Trends 242
Tin Maung Maung Than

THE PHILIPPINES

The Philippines: In the Eye of the Political Storm 257
Frank Cibulka

The Philippines: Political Parties and Corruption 277
Nathan Gilbert Quimpo

SINGAPORE

Singapore: Campaigning for the Future 297
Ho Khai Leong

THAILAND

Thailand: A Reckoning with History Begins 311
Michael J. Montesano

Learning from the 19 September Coup: Advancing Thai-style Democracy? 340
Surin Maisrikrod

TIMOR-LESTE

Timor-Leste: The Harsh Reality After Independence 363
Damien Kingsbury

VIETNAM

Vietnam: The Tenth Party Congress and After 381
Carlyle A. Thayer

Vietnam: Preparations for WTO Membership 398
Binh Tran-Nam

Foreword

Southeast Asia's economic performance in 2006 was one of the best since the financial crisis almost a decade ago. The better economic growth in the European Union, Southeast Asia's growing economic linkages with the dynamic Chinese and Indian economies, and a reviving Japanese economy all held promise for continuing good economic prospects over the medium term, notwithstanding a likely US slowdown in 2007.

On the political front, 2006 saw major change in Thailand and Timor-Leste. A military coup in Bangkok removed the Thaksin government from power and the new ruling elite struggled to find a political formula that would ensure stability for the future. In Timor-Leste old political cleavages resurfaced and erupted into violence that resulted in a change of government and UN intervention once again to restore stability. Elsewhere in Southeast Asia there was more continuity than change. Indonesia, the largest country of the region was moving on the right path to achieve political stability and improved governance under the able leadership of President Susilo Bambang Yudhoyono, though more needed to be done to remove the disincentives to investment. Aceh, where a former rebel leader was elected governor in free and fair elections, served as a model of reconciliation between former adversaries.

Internationally, ASEAN continued its efforts to build a stable regional order in Southeast and East Asia through bodies like the ASEAN Regional Forum, the East Asia Summit, the ASEAN+3, and the various ASEAN+1 processes. It was in the happy position of being courted by the major powers and had concluded or was negotiating free trade or economic partnership agreements with a number of these countries.

Southeast Asian Affairs 2007, like the previous 33 editions of this flagship publication of ISEAS, provides an informed and readable analysis of developments in the region. I am confident it will continue to be of interest to scholars, policy-makers, diplomats, and the media. I wish to thank both the editors and the contributors for the work they have put in to bring out this volume.

K. Kesavapany
Director
Institute of Southeast Asian Studies

April 2007

Introduction

This introduction to *Southeast Asian Affairs 2007* seeks to draw out the major themes and issues that are woven into the narratives of the four regional, eleven country, and five thematic articles, as well as provides a preview of the articles in this volume.

Southeast Asian economies demonstrated vibrant growth in 2006 and a much better capacity to deal with internal and external shocks. All countries were keenly aware of the need to attract investments and to reform regulatory and policy impediments. The region's economic prospects were buoyed by the fast-growing Chinese and Indian economies and the revival of the Japanese economy. Vietnam stood out as having the highest growth rate among the major countries in Southeast Asia. Its admission into the World Trade Organization (WTO) held out promise of even better economic prospects ahead, though much work still needs to be done to make the country more business friendly. The city state of Singapore, with its mature domestic economy, was reinventing itself as a services hub. Indonesia, the largest country in the region, needed to carry out more reform to be able to attract the investments needed for a higher growth rate, but overall it was moving in the right direction. There were signs that Malaysia too was seeking to ease some of the controls and regulations that have discouraged foreign investment. Myanmar was likely see greater revenues from oil and gas in the future, making Western sanctions even more irrelevant.

There was little danger of inter-state conflict within the region. Relations between the major powers were reasonably amicable, with some improvement towards the end of the year in the difficult China-Japan relationship, while potential flashpoints like Korea and Taiwan remained fairly well managed, at least for the time being. International terrorism remained a threat but within Southeast Asia progress was being made in neutralizing terrorist elements in Indonesia and southern Philippines, though terrorism remains a long-term problem needing much more than military and security means to overcome it.

The Association of Southeast Asian Nations (ASEAN) meanwhile remained active on two broad fronts: to achieve its own better integration, especially in the economic sphere, and to help build a new regional order in East and Southeast Asia through the East Asia Summit (EAS), the ASEAN Regional Forum, and

other ASEAN-related forums and cooperative arrangements. The first, necessary to give ASEAN greater cohesiveness both for economic and geopolitical reasons, remained painfully slow; the second remained work-in-progress, with no significant new development in 2006.

In regional politics, barring the disruptions in Thailand and Timor-Leste, there was more continuity than change in 2006. Unsurprisingly, the elections in Singapore confirmed once again the dominance of the People's Action Party while the party congresses in Vietnam and Laos, though followed by some changes of personnel, harbingered no real change in the basic thrust of policies. Thus regime stability and continuity prevailed in the region with the exception of Thailand and Timor-Leste. On the flip side, as it were, continuity and persistence could also be seen in the problems that have long plagued Southeast Asia — problems of governance, internal conflicts within states, and democratization or the lack of it.

Democratic consolidation continued in Indonesia, where it would still take years to develop the institutions and the level of governance needed to make democracy resilient and entrenched. Elsewhere in Southeast Asia, there was a significant setback in Thailand. The post-coup government was likely to frame a constitution that retreats from some of the tenets of liberal democracy enshrined in the 1997 Constitution. Debates were ongoing in the country on the kind of political system that would best suit it, with some voices calling for a “Thai-style democracy” based on Thai traditions and culture.

It has sometimes been argued that there is a preference in the region for an administrative state system offering non-liberal democracy but with market accountability and good economic and regulatory management, as in Singapore. Its appeal no doubt would be aided by the conspicuous failures of liberal democracy to deliver economic development in countries where it has been tried. However, Indonesia, at least as of now, would want no retreat from liberal democracy. And the powerful appeal of the liberal democratic idea itself will not die, not just in Thailand and the formal democracies in the region, but also in the non-democratic states, as the rulers of Vietnam and Myanmar well know. It was clear that, outside the recognized undemocratic states, much more effort needed to be put into creating modern education systems and building better legal and judicial systems and the rule of law to provide a more conducive ground for democratic development.

Issues of governance, political stability, and domestic ethnic or sectarian strife were pervasive in the region. On corruption, most countries, with the exception of Singapore, ranked low on Transparency International's Corruption Perception Index.

There was some tentative progress in Indonesia in fighting this scourge, though Jakarta still had a long way to go to make any significant dent, but seemingly little elsewhere. In Malaysia, which scores relatively better on corruption than most other regional countries, Prime Minister Abdullah Badawi's anti-corruption efforts were seemingly put on hold in the face of many other pressing political issues. Corruption remained endemic in the undemocratic states of mainland Southeast Asia.

In the regional section of this volume, the first two articles provide the political and economic overview of Southeast Asia, while the third and fourth examine the character of political development in the region and the social and environmental implications of large resource and mining projects in the region.

In his survey of the politics of the region during 2006 in the opening article "Southeast Asia in 2006: Déjà vu All Over Again", Donald Weatherbee highlights the persistent political, economic, and social issues at the nation-state level that were overshadowing efforts to enhance regionalism at the ASEAN level. Human security measured in terms of civil and human rights, he argues, remained at risk throughout Southeast Asia. Democracy was moving forward only in Indonesia. Elsewhere, while little could be expected of the recognized undemocratic states of Myanmar, Laos, and Vietnam, "the political fabrics of the region's unconsolidated democracies continued to fray or, in the case of Thailand, even break". Problems of ethnic and religious minorities, reflected in some countries in separatist or sectarian conflicts, continued to fester. No end was in sight to the two major internal conflicts with larger potential ramifications, namely, in southern Philippines involving the Philippine state and the Moro Islamic Liberation Front, and in southern Thailand where the insurgency by shadowy groups showed signs of getting bigger and more bloody. Meanwhile Myanmar, demonstrating little movement towards reform, remained a painful political burden for ASEAN. Weatherbee is sceptical about the proposed ASEAN-wide democratic community: "Can there be a democratic community of non-democratic or undemocratic states, not necessarily in a formal structural sense but in procedural reality?" he asks. In the economic sphere, national self-interest continued to trump ASEAN interest as reflected, among other things, in the Southeast Asian noodle bowl of bilateral and regional free trade agreements. Weatherbee concludes:

Certainly as a diplomatic caucus it [ASEAN] has made the Southeast Asian region more visible to the world. But the unity of the caucus is breaking down because of increasing cultural and political divisions among member states, a predicted outcome of expansion. ... The catalogue of failures of governance in Southeast Asia that could be drawn up in 1967

might include different incidents but the root causes remain the same in 2007, ASEAN notwithstanding ... ASEAN leaders promise better in a restructured ASEAN. Given the cast of nations and national leaders, it is difficult to see how truly different ASEAN will act as it continues to sit above national authorities not accountable to it. It is at this national level that the consequential decisions are made ...

In his economic survey of Southeast Asia, Manu Bhaskaran contends that the region's economies in general and the five main economies of ASEAN in particular demonstrated vibrant growth, improving economic stability, and an unexpected degree of resilience to external and domestic shocks. External demand drove economic growth, with domestic demand playing a supporting but secondary role. Bhaskaran points out that despite the emergence of strong competitors like China, ASEAN's share of global exports has stayed above 6 per cent in recent years. Major restructuring after the 1997 Asian financial crisis has cleansed ASEAN economies of many structural weaknesses and improved their resilience significantly. There have been significant improvements in their external positions as shown by the rise in their current account to gross domestic product (GDP) ratios. Foreign reserves are also healthier, which means that these economies are more capable of handling sudden outflows of capital from the region. In terms of internal stability, inflationary pressures remained fairly well contained in 2006 due to aggressive tightening of monetary policy. On the whole, Bhaskaran argues that 2006 was a year in which the Southeast Asian economies proved resilient in overcoming the challenges in the global environment while also absorbing a number of domestic shocks such as inflation and political instability.

In "The Southeast Asian Development Model: Non-liberal Democracy with Market Accountability", David Martin Jones looks at the character of Southeast Asian political change and development almost a decade after the regional financial crisis. Some Western political scientists who were puzzled by the failure of authoritarian states in Southeast Asia to liberalize their politics despite good economic growth and the emergence of a middle class had argued that perhaps economic performance provided legitimacy to these systems of government and that the true test of the liberal theory would come with some economic shock. Such a shock came to Southeast Asia in the form of the Asian financial and economic crisis of 1997–98, contends Jones. Yet, the lessons drawn by most governments in Southeast Asia from that crisis have been different from what liberal theorists would have expected. The states of the region seem to have concluded that to cope with the new era of economic and financial globalization what they need

foremost are political stability, openness to the market, a degree of transparency, and good economic and regulatory management. Jones discerns:

a cultural preference for an administrative rather than a liberal, pluralist, state system as the basis for managing the effects of millennial capital. ... The Southeast Asian model, classically exemplified by the city-state of Singapore ... offers a form of non-liberal democracy that requires controlled or responsible media; regular elections; market accountability; and technocratic guidance over time to achieve developmental targets.

A host of new upstream oil, gas, and mining projects is under way in Southeast Asia. Their social and environmental impacts and wider political dimensions will gain increasing prominence. After an overview of extractive industries in the region, Andrew Symon in his article on “Petroleum and Mining in Southeast Asia: Managing the Environmental and Social Impacts” draws attention to issues like land access and ownership, relations between the central and local governments, and the impact on the environment and on the local communities. The faults and failings do not rest solely with the mining companies as they are often seen as fair game for extortion of money and material by government officials and local communities. Symon looks at the travails of Newmont in Indonesia as well as the challenges facing foreign mining in the Philippines. He goes on to discuss the British Petroleum–led Tangguh project in Papua which is going to great lengths to be seen as a model of sound management of the political, social, and environmental dimensions of a large project in a remote area. Symon argues that both governments and companies must address the problems. For governments, poisoned relations with local regions may take many years to heal. For companies, at stake is not only the long-run success of a particular operation. A bad record in one country may harm a company’s prospects elsewhere.

After the regional overview articles, eleven country reviews and five special theme articles follow:

In “Brunei Darussalam: Towards a New Era”, Hj Mohd Yusop Hj Damit chronicles developments in the political and economic arena of the sultanate. Worthy of note in the political arena was the reintroduction of the Legislative Council. Of the expected 45 members of the Council, 15 would be elected representatives, though there was no announcement yet as to when elections would take place. For the first time since independence in 1984, the current nominated Legislative Council met to discuss and approve the state budget, a departure from the past practice of approval of the budget just by a royal decree. On the economic front, the government has focused on diversifying the economy to lessen its dependence

on the oil and gas sector. Two major projects were under way to help achieve this: the construction of a manufacturing and petrochemical industrial park and the development of a deep-water port.

In “Cambodia: The Endgame of Politics?” Milton Osborne contends that politically 2006 was marked by the unstoppable rise and continued consolidation of power in the hands of Prime Minister Hun Sen, with no credible opposition to challenge him. Both the opposition Sam Rainsy Party and the royalist FUNCINPEC weakened considerably. Prince Norodom Ranariddh lost his leadership position of FUNCINPEC because of an internal party coup, which resulted in the party aligning itself more closely with Hun Sen’s Cambodia People’s Party. Meanwhile, progress in the establishment of the Khmer Rouge Tribunal continued to be slow. On the economic front, Cambodia faced serious demographic changes, lack of job opportunities, and land tenure problems. The country will continue to depend on foreign aid in the near term despite some positive economic developments in 2006. The best economic news was the discovery of oil and natural gas in Cambodian maritime territory along the Gulf of Thailand, which is expected to hold four to five hundred million barrels of oil and 3 trillion cubic feet of gas. The discovery and future exploitation of this natural resource bodes well for the Cambodian economy if the oil revenues are wisely used.

In “Indonesia: Democracy First, Good Governance Later”, Douglas Ramage sketches the impressive progress made in many areas, highlighting in particular the achievements in democratic consolidation since the end of the Soeharto era, including the retreat of the armed forces from most aspects of national life; sound macroeconomic management; and significant progress in the fight against terrorism. He draws attention to the competent leadership of President Susilo Bambang Yudhoyono (SBY) who, though generally cautious and deliberative, was wise and decisive in many ways. Ramage notes a reassertion of Indonesia’s embrace of diversity and for the first time in years a strongly negative public reaction against minority conservative efforts to legislate morality for all Indonesians. Thus he sees 2006 as “something of a watershed year in which nationalism, tolerance, and Pancasila made a comeback in Indonesia”. While the SBY government was best at dealing with the country’s political and security problems, governance shortcomings remained and the investment climate was still poor. There was some progress on many fronts but often it was too little or too slow. Important policy reforms to improve the investment climate, and develop infrastructure and the financial sector, were stalled. Judicial and legal reform was uneven, while meaningful reform of the inefficient civil service had barely begun. Other hurdles included the regulatory burden for businesses at the district and local levels

— something that the national government itself could do little about. But on the whole Ramage seems optimistic. Indonesia was on the right track under an able President. Yes, it still had many problems and much to do, but which large developing democracy does not?

In “Laos: Politics in a Single-party State”, Martin Stuart-Fox discusses the convening of the Eighth Party Congress of the ruling Lao People’s Revolutionary Party, national elections, and the installation of a new government. Most of the ageing members of the ruling politburo remained in place, though admittedly there was a better turnover at the Central Committee level. There was little prospect of any change in policy direction. The top leadership was in broad agreement that the country should continue to pursue an open market economy, attract foreign investment to develop industry and resources and accept foreign aid from donors. Political or democratic reform was considered out of the question — the leadership was in complete agreement on the need to maintain its monopoly of political power. Corruption has been a major social and economic problem which, unlike in China and Vietnam, the government has shown little real interest in tackling, in part because it is so widespread “that no one dares make an example of anyone else”. Laos also continued to be plagued with problems of growing disparities of wealth, and low standards of education and health care — to name a few. Yet, despite all these shortcomings, the economic prospects of the country were quite good. The economy has been growing at around 7 per cent per year and people’s lives, at least in the larger towns, have been getting better than worse. Growth comes from resource exploitation, light manufacturing, construction, and tourism-related services. Hydropower is a major export earner and minerals will soon account for a significant value of exports.

In “Malaysia: Abdullah Does It His Own Vague Way”, Ooi Kee Beng sees Prime Minister Abdullah Badawi’s third year in office as marked by an almost endless series of crises and controversies involving inter-ethnic and inter-faith relations and the government’s affirmative action programmes. There were also bitter attacks by former Premier Mahathir Mohamad who felt that his legacy and vision were under threat. Amidst these problems, reforms to fight corruption and wastage lost their momentum. To maintain healthy economic growth rates there was an urgent need to attract more foreign direct investments which had plummeted over the years, but this required more reform and some modification of the affirmative action policies. The proposed new development project for south Johor, the Iskander Development Region, was intended to draw such investments, substantially from Singapore. Overall, Ooi argues, the relegation of important reforms to the back seat and Abdullah’s unconvincing political performance

increased disenchantment among the public with his leadership.

In “PAS Leadership: New Faces and Old Constraints”, Liew Chin Tong examines the attempt by the new leadership of Parti Islam SeMalaysia (PAS), Malaysia’s key opposition Islamist party, to make itself more appealing to the multi-ethnic mainstream Malaysian society by quietly discarding some hitherto sacred hardline goals, such as the establishment of an Islamic state. This apparent shift was made possible by the election of a set of younger and more sophisticated leaders at the party’s congress in June 2005. In trying to move “towards the ideological centre” to increase its chances of winning more votes, Liew argues that PAS was in danger of “losing its tail” made up of “selfless and fervent hardliners” who support the opposition party on principles rather than for any material reward. Liew lists three challenges faced by the party. First, despite the attempt to re-brand and make itself appear mainstream, the revival of mass support for the party as was seen in 1999, when PAS and the Democratic Action Party formed the Alternative Front (BA), is not likely to recur anytime soon. Second, given that PAS continues to rely on party enthusiasts to spread its message because it is denied access to the mainstream media by the Barisan Nasional, there is a strong likelihood of its message getting diluted. Finally, PAS’ effort to move towards the mainstream may appear to some as a “neither here nor there” position and will not necessarily translate to new support for the party from the middle-ground voters. Given these challenges, Liew argues that PAS leaders are caught in a bind and could potentially face internal repercussions if the new mainstreaming strategy does not translate into electoral gains.

In “Myanmar: The Future Takes Form — But Little Change in Sight”, Morten Pedersen examines the political dynamics within the ruling State Peace and Development Council (SPDC), how it further consolidated its ranks in 2006 while, at the same time, relocating the seat of government to a new capital, at Naypyitaw. There was very little progress in the country’s political transition plan. The National Convention tasked to rewrite the constitution picked up speed in its deliberations at the end of the year. However, it seemed that the constitution would contain provisions giving the military full institutional autonomy and the constitutional right to assume state power in the case of any threat to national security. This essentially would secure its dominance despite other constitutional provisions on a multi-party political system with regular elections and political freedoms. In the arena of opposition politics, while the National League for Democracy continued to struggle under the weight of government repression, a new, independent grouping called the “88 Students Generation” emerged in 2006 as a widely respected and sophisticated pro-democracy force. Some of its leaders

were detained but were released in early January 2007. By their own account, leaders of the 88 Students Generation were “treated well” by the police. Analysts felt that this was probably because the military saw the group as a manageable opposition or that the military was trying to project a softer image in its efforts to legitimize its transition plan. On the economic front, Pedersen argues that as international competition for Myanmar’s rich energy resources intensifies, especially from China and India, any notion that economic failure would eventually force the military junta to accommodate demands for political reforms becomes highly improbable. He concludes, somewhat pessimistically but rather realistically, that while the regime may change, the prospects of any substantive change in power or policy happening in the near future are slim.

In “Myanmar’s Foreign Trade under Military Rule: Patterns and Recent Trends”, Tin Maung Maung Than’s article examines the trends in Myanmar’s foreign trade since the military government introduced market-oriented reforms in 1989 as it abolished the socialist system. The government liberalized foreign trade by allowing private participation and an “open door” policy towards foreign direct investment (FDI) and foreign trading firms. The revived foreign trade became a significant driver of economic growth and a major source of foreign currency and state revenue. Tin documents the substantial growth in private sector enterprises since 1988. Since the kyat — Myanmar’s currency — is not convertible, export revenues became the only way for the private sector to earn scarce foreign exchange for importing consumer goods and materials and equipment for the services and manufacturing sectors. By fiscal year 2005–2006 the value of Myanmar’s foreign trade reached US\$5.5 billion — six times its volume 20 years ago. The article also looks at the establishment of new institutions and government regulations in the foreign trade sector. Tin contends that for the country to realize the full potential of its foreign trade and for the sector to become a key engine for the economy’s growth, more extensive reforms are needed.

In “The Philippines: In the Eye of the Political Storm”, Frank Cibulka relates the continuing political crisis surrounding the administration of President Gloria Macapagal-Arroyo and analyses the institutional and structural causes underpinning the country’s political instability. He chronicles the main political events of the year including the continuing attempts to impeach President Arroyo, an attempted coup in February and the declaration of a state of emergency, and the failure of attempts to revise the 1987 Constitution. He also examines developments in the country’s seemingly interminable communist and Muslim insurgencies, including the turn of events in southern Philippines where international attention has focused because of the presence of some Jemaah Islamiyah terrorists and their

cooperation with certain local insurgent groups. The country's political problems are contrasted against its improving economic performance, buoyed by overseas workers' remittances. Finally, Cibulka recounts the Philippine government's mixed record in its foreign relations starting with its complicated relationship with the United States, the President's successful trips to China, Italy, and Spain, and the controversial postponement of the ASEAN Summit in December.

In the companion theme article "The Philippines: Political Parties and Corruption", Nathan Gilbert Quimpo provides a critical analysis of the state of the country's political parties. Many Philippine scholars agree that the country has a weak and ill-developed political party system, dominated by the country's politico-economic elite — the so-called *trapos* (traditional politicians). Philippine political parties are said to be built around personalities rather than ideologies or policy platforms. Quimpo provides an analysis of the Philippine *trapo* parties using Richard Gunther and Larry Diamond's typology. He argues that the Philippine clientelistic *trapo* parties have transformed into patrimonialistic parties that are instruments of an oligarchic elite for the predation of the state and its resources through patronage, rent-seeking, corruption, fraud, and violence. In contrast to the common notion that Philippine political parties are weak and uninstitutionalized, Quimpo views them as "rapacious and formidable", the foremost institution of the Philippines' "patrimonial oligarchic" or "predatory" state. Quimpo concludes:

The only way to dislodge the patrimonialistic parties in a democratic manner would be to build new parties that are truly reform-oriented, that rigorously screen out politicians who have engaged in patrimonialist politics, and that actively combat *trapo* political culture. ... Those seeking to dismantle the *trapo* party system — and patrimonialist politics in general — in the Philippines would have to prepare themselves for a long process, involving gradual change as well as ruptures.

In "Singapore: Campaigning for the Future", Ho Khai Leong discusses the general election of 2006 and the entrenched one-party dominance. The election was interesting not so much for the outcome, which was more or less predictable, but for the campaign leading up to it which provided insights into local politics. Ho then goes on to give the different perspectives on the World Bank/IMF meetings held in the city state. Finally he deals with the booming economy, though with a growing social and income divide. He credits the PAP government for appreciating the importance of dealing with this divide, while drawing attention to the view of critics that the government's approach to the problem might be inhibited by certain simplistic preconceptions.

In “Thailand: A Reckoning with History Begins”, Michael Montesano paints a somewhat troubling picture of the country. While acknowledging the glaring faults of Thaksin, Montesano sees the military coup of 2006 against a popularly elected Prime Minister as not just a failure to confine the military to the barracks, but also as an effort by the royalist elite to preserve the power and influence of the Thai monarchy, which had expanded greatly under the reign of King Bhumibol Adulyadej. But this act will probably not achieve its objectives and could instead, at some point, bring grief to Thailand. The present King was near the end of his reign and Thailand today is a much more complex society and economy than the one he returned to in the 1950s from Switzerland. To prevent the likes of Thaksin from dominating the political system, what Thailand needs is good institutions of governance, regulation, and justice as well as a much better human capital development — all of which have remained neglected and underdeveloped for many years — rather than an attempt to turn back the clock of history. Given the political developments of 2006, the fickleness of the urban electorate, the divide between them and the newly politicized rural Thais of the north and the northeast, and the violent and growing insurgency in the Muslim south, Montesano senses deep undercurrents of anxiety and uncertainty in the country.

Surin Maisirikrod, in his companion article “Learning from the 19 September Coup: Advancing Thai-style Democracy?” shows how the 1997 Constitution was designed to advance liberal democracy in Thailand but could not prevent Thaksin from establishing his authoritarianism, in part because, like in many Third World countries, liberal democracy is not rooted in the culture and way of thinking of the Thai people and does not extend beyond formal structures. The events of 2006 resulted in debates among Thai intellectuals on fundamental political issues. Interestingly, one idea that emerged from these debates was that of a Thai-style democracy which would include Buddhist values and would accord possible legitimate political roles to such key institutions as the monarchy and the military. Surin concludes with the observation that

the Thai people must not reject or accept Western democracy uncritically; rather they must now go back and listen to their inner thoughts and search within their history and culture. A nation’s political system is not like a technological device that can be imported and readily used ... [it] is culturally and historically rooted and will remain so.

In “Timor-Leste: The Harsh Reality After Independence”, Damien Kingsbury writes about the internal conflict that plunged the country into deep uncertainties in 2006. The violence was ignited by soldiers’ complaint of discrimination and

disenchantment. It reflected both long-held and more recent political animosities. Further fuelling the conflict were chronic poverty and unemployment as well as the lack of effective administration. Foreign troops and police, led by Australia, had to intervene again under the auspices of the United Nations. Kingsbury details how Prime Minister Mari Alkatiri was held accountable for not doing enough to stop the country's descent into hostilities and was replaced by Nobel peace laureate Jose Ramos-Horta. While Alkatiri's government had generated some economic growth, he was widely criticized for over-centralization of power, inflexibility, and increasing authoritarianism. Kingsbury concludes that for Timor-Leste to avoid becoming a failed state, it needs to have not only greater economic development but also a shared sense of national identity and political purpose, and the institutions that will support these national goals.

In "Vietnam: The Tenth Party Congress and After", Carlyle Thayer notes that the Tenth Congress of Vietnam's Communist Party resulted in a major turnover of leadership, with nine members of the outgoing Politburo retiring. On the whole, a younger, more reform-minded group of people now hold the reigns of power. Prior to the Congress, the release for public comment of the draft political report to be submitted to it drew a deluge of unprecedented comment in the state-owned media, including on sensitive subjects like high-level official corruption and the communist party's monopoly of power. This officially sanctioned exercise no doubt had calculated objectives, but it also indicated wider parameters of openness and internal democracy. However, these parameters were challenged by the emergence of Vietnam's largest and most diverse and geographically dispersed pro-democracy movement which was calling for political parties and democratic elections. To Thayer, the emergence of this movement, as well as the increase in wild cat strikes in factories, raises serious questions about longer-term political stability. Yet, Vietnam scored successes on many fronts, which drew accolades from foreign observers, including its admission to the WTO and its hosting of the Asia-Pacific Economic Cooperation (APEC) forum. However, Thayer cautions that Vietnam has remained a difficult place to do business in, dropping six places in 2006 to 104 out of 175 countries surveyed by the World Bank. For all its promise, Thayer observes that "straight-line extrapolations of continued high economic growth must take into account these developments as well as the crosscurrents of endemic corruption".

In "Vietnam: Preparations for WTO Membership", Binh Tran-Nam argues that Vietnam's admission to the WTO was seen as a fitting compliment to the country's economic reforms and progress 20 years after the introduction of *doi moi* policy. While symbolizing a coming of age and holding out prospects of

accelerated growth, it also raised many challenges for the country. Tran-Nam discusses the various domestic reforms that Vietnam undertook in preparation for its membership in the WTO, pointing out that while the country had progressed in legislating a WTO-compliant legal framework, it needed to create capacity to properly and consistently implement laws, specifically trade-related ones. Given its non-market status, Tran-Nam argues that Vietnam also needs to pay particular attention to rules dealing with anti-dumping and intellectual property rights. To build domestic capacity, Tran-Nam suggests that the Vietnamese government should implement comprehensive and coherent training programmes aimed at government officials, businessmen, and the wider public. Vietnam also needed to quickly expand its capacity to transmit and analyse information and knowledge concerning regional and international economic trends. With regard to broader economic reform, Tran-Nam asserts that Vietnam's accession to the WTO also provided an opportunity to accelerate reform of its state-owned enterprises, particularly in the banking sector.

The articles in this volume promise to be timely and relevant as they address regional and domestic political, economic, security, and social developments during 2006 and their implications for countries in the region and beyond.

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