

SOUTHEAST ASIAN AFFAIRS 2009

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SOUTHEAST ASIAN AFFAIRS 2009

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Foreword

The year 2008 will be remembered for the tragedy of Cyclone Nargis, which devastated the Ayeyarwady delta region of Myanmar, resulting in the loss of more than 140,000 lives. More broadly, it will also be remembered for the onset of the global financial crisis which clouded the performance of Southeast Asian economies and led to a downturn in the later part of the year. Growth rates were starting to plummet, especially in the more export-dependent economies, accompanied by the spectre of rising unemployment into 2009.

Politics in both Malaysia and Thailand were more tumultuous. In Malaysia, pressures for change led the ruling UMNO-dominated coalition to lose its two-thirds majority in Parliament in the general election in March 2008, ushering in a period of uncertainty and forcing incumbent Prime Minister Abdullah Badawi to agree to step down in March 2009 in favour of his deputy, Najib Razak. Thailand was increasingly polarized between anti- and pro-Thaksin political forces. The former seemed to triumph when, through unprecedented street protests and siege of government buildings and airports, they succeeded in forcing two governments, perceived as pro-Thaksin, to resign. Defections by parliamentarians from the ruling party then enabled the Democrat Party to form the government. However, the risk remained that the same destabilizing tactics might be used against the new government by pro-Thaksin forces.

Elsewhere in Southeast Asia, there was more political continuity than change. In Myanmar, Nargis resulted in greater interaction between the international community and the ruling junta but there was no deviation from the regime's plans to have a new constitutional order dominated by the military, as it successfully conducted a referendum on its draft constitution to achieve this end. Indonesia, the largest country in the region, impressed through its stability and progress, though the clouds of the global economic downturn raised questions about how it would weather the crisis.

Meanwhile, the Association of Southeast Asian Nations (ASEAN) continued its evolution towards a more rules-based organization with the coming into effect of the ASEAN Charter, which provides a legal identity to the grouping and establishes normative and institutional goals for its development.

Southeast Asian Affairs 2009, like the previous 35 editions of this flagship publication of ISEAS, provides an informed and readable analysis of developments in the region. I am confident that it will continue to be of interest to scholars, policy-makers, diplomats, students and the media. I wish to thank the editor and the contributors for the work they have put in to bring out this volume.

K. Kesavapany
Director
Institute of Southeast Asian Studies

April 2009

Introduction

It is not possible to pull together into this introductory essay the many rich themes and insights contained in this volume. Instead I have selected eight points which, in my view, deserve the reader's attention when looking at Southeast Asia in the year 2008.

A Region Mostly At Peace

First, Southeast Asia enjoyed a relatively peaceful year. While it is true that Thailand and Cambodia fired at each other in anger, the fighting was quickly ended. As Michael Vatikiotis says in his chapter in this volume, “the instinctive avoidance of conflict which is rooted deep in the region's cultural DNA” helped to defuse a potential crisis. Southeast Asia has also been fortunate that relations between the major powers in its broader Asian and Pacific environment, especially U.S.-China relations, have remained generally stable, which is crucial for the region's peace and tranquility. Further, several internal conflicts within Southeast Asian states have been settled or mitigated in recent years, mostly within Indonesia. Al Qaeda-linked terrorism has continued to suffer setbacks (see below).

The principal blots on this generally peaceful scene have been the conflicts in the southern Philippines and southern Thailand. The unfortunate breakdown of the Malaysian-brokered peace negotiations between the Philippines government and the Moro Islamic Liberation Front (MILF), the main armed Muslim group confronting the government in the south of the country, was a significant setback, while the insurgency in the southern provinces of Thailand continued to rage as before with no prospect of an early end.

Given the virtual absence of interstate conflict and relative freedom from big power tensions and conflicts, at this moment in history, the security threats to Southeast Asia are largely of the ‘non-traditional’ type — like violence or tensions associated with ethnic, religious or separatist conflict; terrorism; illegal migrations; and pandemic diseases.

ASEAN's Progress

Second, ASEAN's institutional evolution advanced a few more steps. The ASEAN Charter came into force on 15 December, giving a legal identity to the organization and setting institutional and normative benchmarks towards which it must move if it is to achieve its goal of becoming a more cohesive rules-based organization that also respects human rights and democratic values. Member countries now have Permanent Representatives to ASEAN based in Jakarta, while some ASEAN Dialogue Partners have Ambassadors accredited to ASEAN. A high-level task force has been appointed to recommend the responsibilities and powers of the human rights body provided for in the Charter. During the year, past agreements on trade in goods and services were consolidated into one agreement, while the two investment-related agreements were likewise consolidated into one. A free trade agreement was signed with Australia and New Zealand, but one with India unexpectedly did not materialize because of technical and legal problems. There was also progress in moving the Chiangmai Initiative, under the ASEAN Plus Three framework, beyond a network of bilateral swops towards in effect a central pool of funds which a country in crisis could draw from.

However, the challenges facing the Association as it seeks to move towards its proclaimed goals were also significant, as Catharin Dalpino points out in the first chapter of this volume. Basically, they revolve around implementation, given ASEAN's tendency to agree on principles and goals first and leave the practical steps of implementation to be worked out later. For instance, how will ASEAN implement the norms adopted in the Charter about the internal behaviour of states in relation to matters like good governance and respect for human rights? Likewise, while it is laudable to set the goal of achieving economic integration by 2015, how will ASEAN take the practical steps to achieve this?

Still, whatever its challenges and shortcomings, ASEAN continues to provide Southeast Asia with a certain common identity and an invaluable cooperative framework. Without it, the region would be more fragmented, and pulling in different directions. ASEAN also remains the anchor of wider Asian regional cooperation involving the major powers through which ASEAN seeks to nurture friendly and cooperative relations between the major powers, between them and ASEAN, and an equilibrium in their influence in the region.

ASEAN is not Southeast Asia

Third, it is worth bearing in mind that ASEAN, the regional organization, with ten countries as members, is not the same as Southeast Asia the geographical region, which now, with Timor Leste, embraces eleven countries (a fact that *Southeast Asian Affairs* has recognized since 2003 by including an annual review of the region's newest sovereign state in this series). More happens in geographical Southeast Asia with perhaps greater consequence for the region than it does in ASEAN. The eleven countries have different systems of government, ranging from authoritarian and non-democratic to new democracies. With a long history of pre-colonial kingdoms under absolute rulers and then authoritarian Western colonial rule, political systems in the region remain works in progress that will evolve only slowly in response to internal political and cultural dynamics, though the overall trend in most countries is towards greater openness and better governance.

The foreign policies of the eleven countries are naturally driven primarily by their own national interests and motivations. They can either facilitate ASEAN's desire to better integrate the region or they can hinder, even undermine it. This could be particularly relevant in the sphere of alignments with external powers. This volume does not have a chapter on major power interactions with Southeast Asian states. However, developments in recent years suggest increased competition among them for influence, including a more assertive Chinese posture. In this volume, the expansion of Chinese presence in Laos is dealt with in Martin Stuart-Fox's chapter on Laos, entitled "The Chinese Connection" while Carl Thayer in his chapter on Cambodia also notes the rise of Chinese influence in Cambodia.

Successes Against Al Qaeda-linked Terrorism

Fourth, Southeast Asia has had significant successes in the fight against Al Qaeda-linked jihadi terrorism. This achievement tends to get overlooked in the international media. The networks of the main terrorist organization in Southeast Asia, the Jemaah Islamiyah (JI), have been virtually destroyed in Singapore and Malaysia. JI and related jihadi groups still have their network in Indonesia, their main base, but they are much weaker than they were in 2002 at the time of the first Bali bombing. Meanwhile the Philippines security forces, assisted by the U.S., have contained the threat from the terrorist-cum-bandit Abu Sayyaf Group (ASG).

A number of factors account for these successes. All Southeast Asian countries affected by terrorism have the will and the resolve to fight it. Their security services have, on the whole, been effective. In view of the importance

of Indonesia in the fight against the JI, it is noteworthy that the Indonesian national police have made big strides in effectiveness and professionalism in its counter-terrorism work in recent years. The intelligence services of these countries have cooperated well with one another and with the services of friendly outside powers in the fight against terrorism. The cooperation with the latter has gone beyond mere exchange of information: for example, the Australian Federal Police has worked closely with the Indonesian national police in investigations into terrorist attacks, while in the Philippines, U.S. forces have worked on the ground with the Philippines armed forces to provide technical intelligence and operational advice in the fight against the ASG. Such assistance, together with capacity building, has made a difference — without leaving a large Western footprint.

Politics: Turbulence in Malaysia and Thailand, Continuity Elsewhere

Fifth, the year 2008 will be remembered for the political tumult and drama in Malaysia and Thailand which could be symptomatic of deeper processes of political change, though it was not clear what the denouement would be. The developments in Malaysia are covered by Johan Saravanamuttu, while James Ockey and Peter Warr in their respective chapters provide analyse of Thai politics and economy. Elsewhere in the region, there was generally more political continuity than change.

In Malaysia, the UMNO-dominated ruling coalition's biggest ever election setback saw it lose its two-thirds majority in Parliament. The political pressures generated by the election blow forced Prime Minister Abdullah Badawi to agree to step down in March 2009 in favour of his deputy Najib Razak. While some may find comfort in the apparent emergence of a de facto two-party political system in the aftermath of the elections, with the opposition coalition under former Deputy Prime Minister Anwar Ibrahim commanding a significant presence in Parliament and running four state governments, to many Malaysians the future was marked with uncertainty, even unease, given the racial undertones of Malaysian politics. As Saravanamuttu puts it: "Both the leaders of the government and the opposition will have unpredictable political trajectories in 2009 and beyond. Who will navigate through the political minefields and emerge as victor? As Malaysians edged gingerly into 2009, a still fluid and uncertain political scenario awaits them." However, he is optimistic on one score: one thing that has changed for good in Malaysia, in his view, is the emergence of "new politics" in which

“a political society resists the worst attempts by extremist elements to tilt the political balance in the direction of violence” by playing the racial card, which some in UMNO were still doing.

In Thailand, the protracted struggle between anti-Thaksin and pro-Thaksin forces continued to polarize Thai politics and society. Two governments, perceived as pro-Thaksin, were forced to resign through unprecedented street protests and siege of government buildings and airports (with some additional help from activist courts). The danger was that the same tactics may be used by supporters of pro-Thaksin forces against the Abhisit government which was formed around the minority Democrat Party at the end of the year. No democrat himself, Thaksin Shinawatra, during his six years as Prime Minister, had used the one-man-one-vote system and populist policies to mobilize the rural masses of north and northeast Thailand behind him, in the process threatening the interests of the traditional ruling elite comprising the civil service, the military and the aristocracy, products mostly of the educated Bangkok middle class. The traditional elite used a military coup in 2006 to remove Thaksin from power and convicted him on corruption charges but failed to exorcise his perceived malign influence from the Thai body politic, since even with Thaksin in exile, his supporters returned to power again through new elections in December 2007 and, according to most observers of the Thai scene, could do so again in a future election. Hence a desire among the traditional elite for a more restrictive form of democracy which can prevent Thaksin or his supporters from making a comeback through the ballot box. But such a course, if taken, will carry its own risks, as the genie of the politically aroused rural masses who see Thaksin as their hero will be difficult to put back into the bottle. As Peter Warr puts it in his chapter: “Thailand is groping, sometimes stumbling, towards a form of democracy that suits its own circumstances. The underlying conflict is deep and will not be resolved easily.”

Myanmar: Movement Without Change?

Sixth, the special case of Myanmar deserves attention. There was some political movement, if not change, in the country, though the year may be remembered less for this than for Cyclone Nargis, which devastated the Ayeyarwady delta region. Unlike the Aceh tsunami of December 2004 which facilitated a breakthrough in resolving the long running conflict between the Free Aceh Movement (GAM) and the Indonesian government, Cyclone Nargis, coming less than a year after the violent suppression of the uprising of the Buddhist clergy in 2007, caused no

change in the two-decade long political deadlock between the National League for Democracy led by Aung San Suu Kyi and the ruling junta. However it did result in at least better interactions between the Myanmar regime and the international community on disaster relief, with the junta eventually accepting an international assistance effort under the aegis of ASEAN and the United Nations and even allowing foreign military planes to deliver relief supplies to Yangon. Further, as Tin Maung Maung Than opines in his chapter, the disaster “seemed to have opened some space for the nascent civil society” that came to the fore during the relief and rehabilitation effort, but, as the International Crisis Group has argued, the opportunity provided by this small opening to engage positively with the military regime was not followed up by the West.

On domestic political evolution, the regime, as expected, marched to its own familiar tune. The draft constitution was at last completed and also put to a referendum in which it obtained overwhelming approval. While allowing for multiparty elections, the constitution ensures continued military control of the government. This was of course long expected, including by opposition groups, and Western governments and NGOs who protested loudly. Still, it was a step forward, however small, towards a new constitutional order.

There were also some signs of possible review of Myanmar policy in certain quarters in the West. The existing policy, driven by ideology, Myanmar opposition circles, and special interest groups in the West, has not worked in bringing change to the country. The issue is not whether the Myanmar regime is undemocratic and oppressive. It certainly is, though arguably less so than the North Korean regime which the U.S. government has been engaging for years in the six-party talks. The issue is how to bring change in Myanmar. A more pragmatic policy based on engagement would be better placed to help Myanmar gradually move towards more openness and better governance. ASEAN alone cannot achieve this if the junta constantly feels a sense of threat from the West, and especially the U.S. It is perhaps also time for the U.S. to appreciate the strategic importance of Myanmar and of its stability to America’s friends and allies in Southeast Asia.

Indonesia

Seventh, the largest country of Southeast Asia, Indonesia, has been making quiet progress in recent years which cumulatively has been quite remarkable at least in terms of self-confidence and perceptions among outsiders. Ten years ago, at the time of the Asian financial crisis, Indonesia’s economy had virtually collapsed.

There was communal and separatist violence, and terrorism was on the upsurge. Many believed the country would break up. Today, as Marcus Mietzner says in his review of the country, it is largely peaceful and stable with a remarkable absence of large-scale political and communal violence and with its unity taken for granted. No major terrorist attack has taken place during the past few years. Democratic consolidation has continued. The Indonesian military has gone back “to the barracks” after a high profile role for decades in the politics and governance of the country, apparently with scarcely any ripples in the body politic. Compared to the Soeharto years, ethnic minorities like the Indonesian Chinese feel that they are more accepted as equals. Notwithstanding a minority of vocal extremist Muslim groups, most important Muslim organisations and political parties are willing to accept Pancasila as the state ideology.

No doubt many challenges remain. As Jusuf Wanandi explains in his chapter, history has severely handicapped Indonesia. So, despite the progress over the past decade, the country starts off from a low base. The critical challenges for some time will be better economic performance; fighting corruption; building sound institutions, including the proper rule of law and more effective central and regional governments; higher standards of education; and better infrastructure. Even before the current global crisis the economy had not attained the 7 per cent growth last seen in the Soeharto years, a rate of growth necessary to absorb the two million plus new entrants to the labour force each year. Indonesia will be tested by the global economic crisis and the fight against poverty and unemployment could suffer serious setbacks.

The Impact of the Global Economic Crisis

The eighth and last point I want to bring up may potentially turn out to be the most consequential. The year 2008 will be remembered for the onset of the global financial and economic crisis. The economies of Southeast Asia, especially those that are more export-dependent, showed a rapid decline towards the end of the year as the global downturn began to bite in earnest. The prognosis for 2009 was either outright negative growth, as in the case of Singapore, or significantly lower growth even in the larger economies that are less export-reliant. It was not clear at the end of 2008 how long the global recession would last. With lower growth comes the spectre of higher unemployment and, given the absence of significant social safety nets, social stresses and possible upheavals. The global crisis could also have geopolitical implications affecting the posture of the major powers to Southeast Asia. Could the challenge of the crisis also drive ASEAN to greater

cohesiveness, as has happened before in the organization's history? That too was left to be seen.

* * *

Apart from the eleven country reviews, this volume of *Southeast Asian Affairs* has four regional chapters and six country-specific thematic chapters. The regional chapters include the annual political and economic overviews of Southeast Asia by Catharin Dalpino and Aladdin Rillo respectively; an essay by Michael Vatikiotis on the role of mediation in managing armed conflict in Southeast Asia; and an examination by Ian Storey of the role of regional cooperation, assisted by capacity building assistance from outside powers, especially the United States, in helping to improve maritime security in Southeast Asia.

The six country-specific thematic chapters cover a range of subjects. Jusuf Wanandi examines how the legacies of former presidents Sukarno and Soeharto have shaped present-day Indonesia, the trends and achievements in the country since Soeharto's fall, and what more needs doing. In "The Singapore of My Dreams" Tommy Koh gives his personal perspective on the many things that he had wished for Singapore which have come true and some which have not, in the process highlighting the achievements of Singapore and also some of its warts. The other chapters include a survey of the efforts of the Myanmar regime to eradicate the drug menace in the country, with a suggestion by the author, Paul Sarno, for a change in the U.S. government's narcotics policy to Myanmar in response to the Yangon government's performance; an analysis by Kelly Bird and Hal Hill of how the implementation of certain reforms has contributed importantly to the better performance of the Philippine economy in recent years; and an assessment by Peter Warr of the effects of the twin crises — the domestic political one and the global economic crisis — on Thailand's economy. Finally, in the last chapter of the volume, Vu Quang Viet dwells on the policy follies that contributed to Vietnam's economic crisis in the first half of 2008 when inflation sky-rocketed, the stock market crashed and the country was threatened with an imminent balance of payments crisis. In the process the author also provides valuable insights into the workings of Vietnam's state-owned enterprises.

I would like to thank all the contributors for making this volume possible. *Southeast Asian Affairs* seeks to accommodate a variety of views and opinions, both Southeast Asian and others, for which the contributors alone are responsible.

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Daljit Singh
Editor
Southeast Asian Affairs 2009

