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SOUTHEAST ASIAN AFFAIRS 2011

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SOUTHEAST ASIAN AFFAIRS 2011

**Edited by
Daljit Singh**



**INSTITUTE OF SOUTHEAST ASIAN STUDIES
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Foreword

In 2010 there was good recovery in Southeast Asia from the global economic crisis of 2008–09, with economic performance returning to pre-crisis levels. However, the security environment was less benign. There were troubling developments in the South China Sea and more tensions in U.S.-China relations. The year also saw more active U.S. diplomacy in the region as well as a U.S. decision to seek membership of the East Asia Summit (EAS). Its admission to the EAS in 2011, together with Russia, became a virtual certainty.

The Association of Southeast Asian Nations (ASEAN) held two summit meetings and also the inaugural ASEAN Defence Ministers Meeting Plus Eight, the eight being the Defence Ministers of Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States. ASEAN was also busy with efforts to bring about closer economic integration. Armed clashes between Thailand and Cambodia on their common border marred somewhat ASEAN's record of peaceful interstate relations.

Elections were held in Myanmar and the Philippines. The former, as expected, resulted in a parliament and government dominated by military interests. However, it still constituted a break from the political stalemate that had existed from 1990 and held out the prospect of gradual change for the better. In the Philippines, the election of “Noynoy” Aquino as President revived hopes for good political leadership and better governance. No end was in sight to the political stalemate in Thailand, where street politics led to bloodshed when the army intervened to clear the red shirts from central Bangkok.

There were no major changes in the other countries. Indonesia's economy performed well, but the country was troubled by perceptions of governance shortcomings and the inability or unwillingness of the authorities to take firm action against hard-line Muslim groups who engaged in violence against minority religious groups. In Malaysia, the political fortunes of Prime Minister Najib Razak improved while the opposition coalition was plagued by internal problems.

Southeast Asian Affairs seeks to provide informed, in-depth, and readable analyses of developments in Southeast Asia. I am confident that this thirty-eighth edition of the series, like its predecessors, will be of value to all those interested in understanding Southeast Asia. I wish to thank the editor and the chapter contributors for the work they have put in to bring out this publication.

K. Kesavapany
Director
Institute of Southeast Asian Studies
March 2011

Introduction

Perhaps the most positive feature of Southeast Asia in 2010 was the robust economic recovery from the global financial and economic crisis of 2008–09. Growth rates rebounded, capital flows returned, stock markets rose, and currencies appreciated. But on the political front good news was scarce. The election of a new president in the Philippines yet again revived hopes for improved political leadership and performance. The results of the election in Myanmar were unsurprising and offered no immediate prospect of change. The future would depend as much on the actions of the international community, especially the United States and the European Union, as on actors within Myanmar.

Elsewhere, the best that can be said is that there was no major deterioration from the previous year. In Indonesia, shortcomings in governance and the failure to deal effectively with extremism generated negative perceptions. Thailand continued to be marked by deep political polarization and uncertainty about royal succession in view of the frail health of the King. In Malaysia, Prime Minister Najib Razak was navigating through the political shoals and increasing popular support for the ruling coalition, but racial and religious tensions remained a threat to social harmony. The insurgencies in the Philippines and Southern Thailand persisted. A good deal of the domestic political violence in the region arose from, or was exacerbated by, poor governance, state ineffectiveness, and the marginalization of minorities. Governments in several countries also faced the challenges of managing rising expectations of middle classes, income inequalities, or lack of social safety nets amongst populations increasingly connected to the rest of the world through easy travel and new forms of communications.

Meanwhile the geopolitical trends in Asia involving the major powers were even more troubling. A more assertive China and signs of increased Sino-U.S. competition threatened a long-held ASEAN assumption that its vision of an equilibrium of major-power interests in the region would be acceptable to all the major powers.

The Association of Southeast Asian Nations (ASEAN) had a busy year and continued to work on its integration project in the face of considerable difficulties. Armed clashes on the Thai-Cambodia border reflected poorly on ASEAN, as the

organization had prided itself on maintaining interstate peace among members. In this case domestic political struggles were allowed to spill over into interstate tensions and conflict to advance domestic agendas with scant regard for the well-being of ASEAN.

This Introduction highlights some of the trends and developments in Southeast Asia during 2010, drawing mostly, though not exclusively, from the chapters in the volume. It cannot possibly do full justice to the analyses and rich insights of the authors, but hopefully serves as a rough guide for readers.

Good Economic Performance

In his economic overview of Southeast Asia in the first chapter of this volume, Thiam Hee Ng highlights the strong recovery that the region staged in 2010 after the global crisis. The countries that registered the strongest growth rates as global trade recovered — Singapore, Malaysia, and Thailand — were also those which had experienced the sharpest slowdowns during the crisis when international trade had contracted. Indonesia and the Philippines, less open to trade, showed relatively more modest but still impressive growth rates, driven by consumption and investments. Capital flows into the region rebounded causing stock markets to rise and currencies to appreciate. Some countries introduced measures to mitigate their adverse effects. Ng points out that financial vulnerability in the region remained low “as most countries maintained healthy fiscal balances and low levels of external debt ... [and] comfortable levels of foreign currency reserves. ... The banking system in the region has also remained robust and stable with very little impact from the sovereign debt crisis in Europe.” Among the challenges he expects the region to face in 2011 are anaemic growth in the developed countries, tighter monetary policy due to inflationary pressures, volatility of capital flows, and stronger currencies. These will significantly moderate growth in the fastest growing countries of 2010. He also flags the need for longer-term structural reforms to sustain growth in 2011 and beyond: improving the investment climate, strengthening domestic demand, raising productivity, reducing income inequalities, and increasing spending on the social sectors like housing, education, and health.

Troubling Geopolitical Trends

If economic trends were relatively benign, the same could not be said about geopolitics. As Carlyle Thayer shows in his chapter, “The United States, China and Southeast Asia”, developments in the South China Sea (SCS) were a subject

of much attention and concern. A more assertive Chinese stance in the SCS had been evident since 2009, and included, among other things, reported reference to at least parts of China's sovereignty claims as a "core" national interest,¹ presumably on par with Taiwan, Tibet, or Xinjiang, and by implication non-negotiable; the submission to a United Nations body of a document which had as an attachment China's map showing the nine-segment line which covers most of the SCS; high profile naval exercises; and hard-line Chinese media commentaries. China's posture in the SCS and elsewhere in Asia in 2010 increased unease about Beijing and hurt its standing in the region, though ASEAN countries were wary of open criticism of the regional superpower with whom most have close economic cooperation. Towards the end of the year China seemed to soften its public stance on the SCS but no change in fundamentals was discernible: it still insisted on bilateral talks with the four ASEAN claimants to discuss the 2002 Declaration of Code of Conduct and it had not explained, leave alone repudiated, its nine-segment line.

The SCS dispute also increased tensions between the United States and China, something that ASEAN would have preferred to avoid. Much to the annoyance of China, the United States raised the issue at the meeting of the ASEAN Regional Forum (ARF) in Hanoi in July 2010 and declared it had a "national interest" in freedom of navigation and overflight in the SCS. A number of ASEAN countries and other ARF members also raised the issue at the same meeting. More active U.S. diplomacy in the region had been visible from 2009 and continued into 2010. It was reflected in high-level visits, strengthening of alliances, as well as the decision to seek membership of the East Asia Summit (EAS), together with Russia. President Obama hosted the second ASEAN-U.S. summit in New York. A new Strategic Partnership Agreement was signed with New Zealand, and Japan received assurances that the U.S.-Japan Mutual Cooperation and Security Treaty covered Senkaku/Diaoyu island occupied by Japan but claimed by China. These developments suggested keener Sino-U.S. strategic competition in the years ahead.

An Active Year for ASEAN

ASEAN had a busy year. Rodolfo Severino analyses its work during 2010 in his chapter "ASEAN in 2010". There were two ASEAN summit meetings. Present at the second summit in October were the U.S. Secretary of State and the Russian Foreign Minister, representing their respective Presidents as "special guests of the Chair". ASEAN had already agreed to admit the United States and Russia to the EAS and they were expected to be invited formally to attend the 2011 EAS hosted

by Indonesia. The year 2010 also saw the inaugural ASEAN Defence Ministers' Meeting with the Defence Ministers of eight dialogue partners (ADMM+8).

ASEAN continued to press for closer economic integration. The Economic Ministers adopted a "scorecard" to keep track of implementation of key elements in the ASEAN Economic Community blueprint and in the process applied pressure on member states to live up to their commitments. A subject taken up at both summit meetings was ASEAN connectivity to facilitate economic integration through physical, institutional, and people-to-people linkages. A Master Plan for ASEAN Connectivity was adopted at the October Summit.

Brunei Darussalam: Mostly Continuity

In his review of Brunei, Christopher Roberts describes 2010 as "Overall ... a crisis free year". He sees little change in the socio-political environment except for some subtle policy reorientations to respond to past omissions and new problems, for example in relation to women's rights and better integration of the ethnic Chinese minority. In foreign affairs, two notable events in the year were a memorandum of understanding with China for cooperation in the energy sector, though no details had been released, reflecting a warming of relations with China; and further improvement in relations and cooperation with Malaysia.

Cambodia: Measured Optimism, Tempered by Governance Shortfalls

In her review of Cambodia, Khatharya Um describes 2010 as a year of "measured optimism". Cambodia's economic recovery was aided by the global recovery, foreign investment, and continued infusion of international aid. However, development continued to be undermined by the fragility of critical institutions, corruption, and lack of overall good governance. Um highlights land grabbing, evictions, and irresponsible development initiatives that disenfranchise communities and have an adverse impact on the environment. She also looks at Thai-Cambodian relations, issues of human rights, human security, and the work of the Khmer Rouge Tribunal.

The country hosted a number of high-profile events and visits, including those of U.S. Secretary of State Hilary Clinton, China's Chairman of the Standing Committee of the National People's Congress Wu Bangguo, and Vietnamese Prime Minister Nguyen Tan Dung. Um observes that there has been an "exponential increase" in activities from China, including an overall US\$6.4 billion pledged

by Beijing for energy and infrastructural development over the next five years. Chinese state-owned companies are already heavily invested and active in these sectors as well as in mining, real estate, and banking. The economic and political influence that China exercises was not lost on other powers. Hilary Clinton commented during her visit, “You don’t want to get too dependent on any one country.” And Vietnam is stepping up its own investment in Cambodia. It has increased from US\$28 million in 2008 to US\$1.2 billion in 2010.

Indonesia: A More Sober Perspective

Over the past decade Indonesia has made a remarkable recovery from its deep economic woes in the wake of the Asian financial crisis and the internal conflicts that then threatened to tear the country apart. It has also been hailed for its democratic consolidation. In his review of Indonesia in 2010 (“Moving on from the Democratic Honeymoon”), Bernhard Platzdasch argues that these rosy perceptions of Indonesia have now been replaced by a more sober perspective as “deep rooted deficiencies in the country’s political culture” become more evident. The creation of new independent bodies has done little to improve poor governance, weak public institutions, and pervasive corruption. The country requires a strong political leadership to push ahead with critically needed reforms, but President Yudhoyono’s second term in office has so far been marred by scandals, irresolution, and political compromises which impede the cause of reform. Meanwhile hard-line Muslim groups continued to use violence against religious minorities. Local authorities often went along with their actions in order to “maintain harmony” while the national government, according to Platzdasch, lacked a clear strategy and preferred not to offend Muslim sensitivities. Surveys showed that a large majority of people backed the government’s conservative approach on religious issues. For instance, the government as well as leaders of the “mainstream” Muslim organizations like Nahdlatul Ulama and Muhammadiyah were strongly opposed to any judicial review of the “blasphemy law”.

The economy performed satisfactorily with an estimated 6 per cent plus growth for 2010, but still below the amount needed to make a significant dent in unemployment. Foreign direct investment flows have remained sluggish when compared with several other Asian countries because of a weak legal and regulatory framework and poor infrastructure. In foreign affairs, Indonesia was naturally proud of the recognition accorded to its size and importance by its membership of the G-20. Anti-American sentiment has been tempered

by changes in U.S. foreign policy since the Bush administration and by the “Obama factor”, though hard-line Muslim groups continued to fan anti-U.S. feelings. Overall there is a subtle tilt to the West within the context of Indonesia’s traditional non-aligned policy. Relations with Australia are multi-layered and strong. Yet a prickly nationalism lies just beneath the surface in dealings with foreign countries, including neighbours, as manifested in the difficulties in relations with Malaysia.

... Coping Well with Terrorism but Poorly with Broader Extremism

Sidney Jones’ chapter “The Ongoing Extremist Threat in Indonesia” shows that while significant progress was made in 2010 in the battle against terrorism, much hard work still remained. The potential for low-tech terrorist violence in Indonesia still remains high. Jones notes an ideological shift among jihadis in recent years: Indonesian officials are now seen at least as much the enemy as U.S. and Western interests in the country — a fact highlighted by the plot discovered against President Yudhoyono in 2009. The big event of 2010 was the discovery of the militant training camp in Aceh in which some nine identifiable jihadi groups were training and which yielded a treasure trove of information leading to follow-up arrests and killings. The information relating to the camp showed the extent the Jemaah Islamiyah (JI), Southeast Asia’s best known jihadi organization, has, as an institution, moved away from violence, if only for tactical reasons. JI was not even represented in the alliance of groups which set up the Aceh camp.

Jones sees little headway being made in the area of preventive action. Better oversight is needed of prisons since militants have radicalized and recruited other criminals while in prison and also significant numbers of militants rejoined terrorist groups on release from jail. Several played leading roles in setting up the Aceh camp. Jones identifies corruption across the board in state agencies as “one of the biggest enemies” in Indonesia’s battle against terrorism. Testimonies of those arrested in Aceh show how guns, false identification papers, and access to other prisoners could be bought with money. Above all, preventive action against terrorism must include action against non-terrorist extremism and here, according to Jones, the government’s record has been “abysmal”. Groups like the Islamic Defenders Front “appear to be stronger than ever, with apparent political backing from officials at the local and national level”. Such a permissive environment serves the jihadi cause.

Laos: Celebrating Anniversaries and Riding High on Resources ... but Can it Balance External Power Interests?

Simon Creek, in his review of Laos, notes that 2010 was a year of celebrations and anniversaries, starting with the after-glow of the Southeast Asian Games in December 2009 in which Laos won 33 gold medals compared to only 5 in the 2007 Games — thanks to extensive foreign support for coaching and equipment. The various anniversaries during the year culminated in the 450th anniversary of Vientiane as the capital in November 2010. There was an underlying theme of nationalism in these festivities, with the party-state seeking to inspire national confidence and strengthen its legitimacy. The land-locked country continued to grow well through the global financial crisis and growth in 2010 was projected at over 8 per cent, buoyed by strong regional demand and foreign investment, particularly in the resources sector, though inflation was becoming a concern. The new seventh five-year development plan (2010–15) envisages 8 per cent annual growth and a per capita GDP of US\$1,700 by 2015 — double that of 2008. Much of the funding will come from foreign direct investment and Official Development Assistance. One of the many projects will be a high-speed railway linking Vientiane to Kunming in China. This fast growth plan, based on exploitation of the resource sector through foreign investment, has its critics but the government seems determined to press on. Investments since 2000 have come from China, Thailand, and Vietnam, in roughly equal amounts, but Chinese investments are now outpacing those of other countries. Most Chinese investments are in extractive industries — hydropower, commercial agriculture, and especially mining. Laos realises the need to balance the interests of its giant northern neighbour with those of other states but may be too weak to achieve it.

Malaysia: Rise in the Political Fortunes of Prime Minister Najib Razak

The title of Ong Kian Ming's review of Malaysia — “Resurgent Najib and BN, Stumbling Anwar and PR” — sums up his take on the domestic politics of the country in 2010. He explains how Najib showed “political agility and skill in successfully navigating most of the potential pitfalls and maintaining his focus on the key deliverables that would increase his personal popularity and political standing”. According to Ong, the political momentum developed by Najib through various initiatives spelled out in 2010, together with the travails of Anwar and the infighting within his Pakatan Rakyat coalition, put the ruling coalition in a strong position to regain a two-thirds majority in the federal parliament should a

general election be called in 2011 — provided there is no surge in inflation due to increased oil and food prices. He highlights the importance of the Sarawak state elections due before July 2010 as a barometer of the degree of support for Barisan Nasional in East Malaysia. Najib had so far managed the challenge from the right wing of UMNO quite deftly, but it remained a threat if it felt that he was giving away too much to the non-Malays.

...and Strengthening Relations with America

In his theme chapter on Malaysia (“Malaysia ‘Punching above its Weight’ ... and Finally Hitting the Target”), John Lee argues that despite public diplomatic spats with Washington from 1998 onwards, Malaysia was one of the first countries in the region to develop and follow a strategic hedging blueprint of taking economic advantage of China’s rise while hedging against future Chinese ambitions by maintaining close bilateral security ties with the United States. Lee notes that recently suspicions of China’s intentions have increased and Chinese assertiveness in the region over the last eighteen months has forced Malaysia to refocus on enhancing its bilateral relationship with Washington and helping “to entrench American primacy and deepen its engagement in the region through participation in multilateral institutions”. He observes that while helping to entrench American multilateral engagement is a new development, Prime Minister Najib Razak’s “new beginning” with the United States does not represent a fundamental change in Malaysian grand strategy, but “a disciplined, creative, and timely return to its long-standing hedging blueprint”.

Myanmar: Elections and the Need for a Different Approach from the West

As expected, the elections of November 2010 led to the establishment of a new Myanmar government in 2011 which is dominated by people from the previous military regime. Yet it is still a significant step forward from a situation that had been deadlocked for twenty years. As a report by the respected International Crisis Group (ICG) has pointed out, a new generation of military leaders has taken over, the new constitution would reshape the political landscape, and ethnic minorities have at least some voices in the management of their affairs. The ICG report argues that the international community needs to seize the opportunity to encourage the government to move in the direction of greater openness and reform. However, this can happen only if

“the West changes its failed policies of sanctions and isolation ... [these policies] have a negative impact on the population and on the prospects for dialogue and reconciliation ... by reinforcing the siege mentality of the ... leadership, they undermine the chances that the new generation of leaders will break with the isolationist and authoritarian direction of the previous regime”.²

In his review of Myanmar in 2010, (“The Elections Year and Beyond”) David Steinberg looks at the still fraught relationship between the government and the ethnic minority ceasefire groups, including the critical Border Defense Force issue which remains unresolved. He examines China’s interests and infrastructure development and the Myanmar Government’s interest in increasing its international relations without diminishing its hold on authority. Indian and Vietnamese contacts expanded during the year. North Korean support to the Myanmar military and even rumours of nuclear cooperation caused international anxiety. Relations with the United States, however, showed little sign of change, even with the release of Aung San Suu Kyi from house arrest. The U.S. administration’s “pragmatic engagement” (sanctions and high-level dialogue) was still hostage to domestic, in particular congressional, commitment to her interests and role.

Tin Maung Maung Than’s chapter examines the 2010 general election itself — from the establishment of the new constitution to the legal framework and electoral preparations, the various political parties, and the election results. The Union Solidarity and Development Party (USDP), formed with incumbent ministers and led by the Prime Minister, won over 70 per cent of the contested seats in the bicameral national parliament and in the fourteen provincial parliaments, though ethnic-based parties made some inroads in their respective states. Combined with the mandatory 25 per cent military representation in all parliaments the USDP will have a super majority to dominate the proceedings. Tin concludes with guarded optimism: “the ... apex [power] structure of command and control may become less pronounced as the political culture becomes accustomed to debate and compromise.... All in all, politics is no longer a taboo subject but could be practised within a somewhat pluralistic parliamentary framework.... How the legislative process and governance at the centre and the region or state unfold will depend upon how comfortable the military is with the new structures and processes and how the ‘opposition’ behaves in and out of parliament.”

Philippines: Renewed Hopes

In “The Philippines in 2010: Reclaiming Hope”, Edilberto C. de Jesús provides an analysis of the presidential election of 2010 and the challenges confronting the

new President. He calls the decisive victory of “Noynoy” Aquino, the candidate who stood for reform, the defining political event of 2010. After years of poor leadership and misgovernance, his election revived hopes for renewal in the Philippines akin to those inspired by the 1986 EDSA Peoples Power Revolution that made Cory Aquino President. Former President Arroyo Macapagal remained a threat to the “Noynoy” administration. She sought to prevent legal action against assorted charges of malfeasance in office by getting herself elected to the House of Representatives, and, just before leaving the presidency, making nearly a thousand appointments of friends and allies to various offices, including Army Chief of Staff, Supreme Court Chief Justice, and the Chair of the Civil Service Commission. Inheriting a depleted treasury and misgovernance of various institutions, “Noynoy” faced the prospect of legal battles before an unfriendly judiciary in carrying out his reforms. At the end of 2010, with only months in office, he enjoyed high confidence and popularity ratings which gave him a good hand to deal with controversial policy issues. De Jesús ends on a hopeful and cautiously optimistic note: despite the obstacles, with judicious use of presidential powers, support of the public, and some luck, “Noynoy” Aquino could put the Philippines on the correct trajectory after many disappointments over the past ten to fifteen years.

....and the Challenges of Navigating between America and China

In the second chapter on the Philippines, Renato de Castro examines Sino-U.S. competition in the Philippines and how the country has been engaging both the major powers in a delicate balancing gambit. This gambit includes Philippines participation in the U.S.-led war on terror to secure crucial American economic and security assistance to contain raging insurgencies in the country; and efforts to engage a rising China which is a growing market for Philippine exports and a potential contributor to infrastructure development. Security links have also developed with China, with an annual Defence and Security Dialogue which began in 2005. However, Renanto observes that the Philippines’ balancing gambit could be difficult to sustain. China is geographically close and as it becomes more assertive the Philippines finds itself moving closer to the United States, its traditional ally in which it has more trust and with which it already has extensive defence and security cooperation. The maritime disputes with China in the South China Sea only serve to reinforce this trend. The article also betrays some unease about this trend because China’s power is growing rapidly

and Sino-U.S. strategic rivalry could intensify in the coming years, with possibly uncomfortable implications for the Philippines.

Singapore: Doing Well Economically While Addressing Domestic Social Challenges

In Singapore, the economy registered double-digit growth with the revival of global trade, assisted also by the opening of the two Integrated Resorts. As Faizal bin Yahya notes in his review of Singapore in 2010, among the issues the government was preoccupied with were ensuring a 3–5 per cent growth over the longer term, helping the vulnerable and lower income Singaporeans without compromising the principles of self-reliance and meritocracy, and addressing citizens' unhappiness with the influx of foreigners, including migrants, over the years. Locals aspire to work in Singapore's high wage sector which has a significant expatriate work force while at the lower levels of the income ladder too Singaporeans were competing with foreign labour prepared to work for relatively low salaries. The issue of foreigners continued to generate debates "on the Singaporean identity, its value sets and development, the viability of the economy driven by global talent, and the future of nation building in such a context", observes Faizal. The population reached 5 million in 2010, with 64 per cent of them Singapore citizens. The strong economy and inflow of funds from outside raised asset prices, leading the government to implement measures to rein in the property market. A significant feature in foreign affairs was better relations and cooperation with Malaysia.

...and Remembering Goh Keng Swee

In the second chapter on Singapore, entitled "Goh Keng Swee: Thinker and Institution Builder", Ooi Kee Beng discusses the enormous contributions of Dr Goh Keng Swee, who died in 2010, to Singapore's development.

Thailand: Uncertainties, as Political Polarization Continues

The deadly polarized politics of Thailand since the coup of 2006 culminated in bloodshed when the military intervened to clear the streets and restore order after thousands of red shirts had occupied parts of central Bangkok for several weeks to seek political change in the name of democracy. Red-shirt leaders were arrested and a state of emergency declared, which, according to Michael Connors, in his review of Thailand in 2010, "morphed into an Emergency State that was intent

on the elimination of any threat to its security”. At the end of the year the state of emergency was lifted in Bangkok and surrounding provinces but the Internal Security Act was invoked and most of the red-shirt leaders were still under detention or in hiding. The Abhisit government was planning to reduce inequalities and build social cohesion. It introduced land reform, free schooling, and higher minimum wages. Budgetary disbursements to villages and districts would again be gradually decentralized. However, the government’s efforts were hampered by perceptions of double standards, favouring the established order which is based on the traditional elite, as well as corruption and poor governance.

Connors notes that previous episodes of mass protests and repression — as in 1973, 1976, and 1992 — had led to new political eras. Whether the 2010 events would do the same was left to be seen. Connors observes that more voices among the supporters of the traditional elite were advocating restrictions on liberal democracy as practised since the 1990s and interrupted by the 2006 coup. “[W]ith Thailand’s establishment facing the prospect of further instability and even of being overthrown, the pressure [for] ‘Thai-style democracy’ may prove compelling”, he observes. The geopolitical pull of an economically powerful China and the existence of relatively successful models of non-Western forms of controlled democracy in the region could also help push politics in that direction. Meanwhile the insurgency in the South continued unabated, with 500 fatalities reported in 2010.

In a companion piece on Thailand’s relations with China and America (“Competing Diplomacies: Thailand amidst Sino-American Competition”) Pavin Chachavalpongpun describes Thailand’s relations with the two great powers and their approaches to Thailand. Thailand, a treaty ally of the United States, has a broad spectrum of relations with Washington, including defence cooperation, but it also enjoys excellent relations with China, showing respect to it “as an elder brother”.

Timor-Leste: Relatively Stable ... Possibly Embarking on a New State-led Development Strategy

Timor-Leste had its second relatively stable year following the political crises and violence of 2006–08. However, there was instability and serious divisions within the ruling coalition, the Parliamentary Majority Alliance. Prime Minister Xanana Gusmao hopes to win the 2012 elections with an absolute majority for his own party and has been active disbursing funds for projects at the local level. The opposition Fretilin party did not take advantage of the divisions in the coalition to

provoke a crisis in Parliament. As Dennis Shoesmith points out in his review of Timor-Leste, party politics continued to operate within the constitutional rules of an established multiparty system and the country was moving steadily towards the 2012 elections. Shoesmith notes a shift in policy in 2010, inspired by the Prime Minister, to a state-led development strategy funded by money from the Petroleum Fund. This is reflected in the ambitious National Strategic Development Plan for 2011–30 which aims to achieve sustained high growth rates to turn the country from the poorest in Southeast Asia to an upper-middle-income one. Shoesmith observes that the strategy of state-led development will likely remake the nature of the Timor-Leste state and its political economy for the foreseeable future. He flags the danger of the evils associated with the “Resource Curse”, including patronage politics and corruption which have afflicted various other countries in the past. Ninety-five per cent of state revenues in Timor-Leste come from oil and gas. The development strategy includes strengthening economic relations with other states in the region through membership of ASEAN.

Vietnam: Preoccupied with 2011 Party Congress ... Lively Debates in National Assembly

Preparations for the Party Congress in 2011 were a central domestic preoccupation in 2010. Edmund Malesky et al., in their review of the country argue that in many ways the year resembled other years preceding the party congress. Important events such as economic policy choices, the jailing of dissidents, corruption scandals, and an increase in criticism and ideas circulating through the media and internal party circles, reflected the general pattern of competing interests vying for power and policy change that has preceded previous party congresses. The authors note a significant decline in foreign direct investment and domestic private investment during the year, reflecting at least in part caution until new policy guidelines become evident. On the other hand state spending soared before the congress prompting Moody's to downgrade Vietnam's sovereign bond rating.

The authors also argue that there has been a shift in the forum for elite contestations. Rather than occurring exclusively in secluded party institutions and leaked into the public realm only through revelations in the state media, some contestation is occurring within the state's institutions, and, in particular, the Vietnamese National Assembly (VNA). VNA members have had lively debates on laws and policy proposals and rejected some. This does not mean that Vietnam is on the path to becoming a democracy. The VNA is a carefully calibrated mechanism to debate policies within a prescribed inner circle. The delegates are carefully

vetted and chosen and ensured election through careful placement after study of electoral demographics. And the political leadership can easily reject the advice of the VNA. Further, “outside” dissidents are treated differently: for example, as the authors point out, since October 2009 there has been a dramatic increase in the number of dissidents tried and jailed for promoting multiparty democracy. Nevertheless the VNA has become an important institution for airing issues which in the past were often discussed behind closed doors and for providing feedback. Edmund Malesky et al. believe that this still augurs well for Vietnam’s political development.

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Notes

- ¹ Senior U.S. officials claimed that Chinese officials had said so in conversations with them; U.S. Secretary of State Hilary Clinton said it was repeated by Chinese State Councillor Dai Bingguo at the U.S.-China Strategic and Economic Dialogue held in Beijing in May 2010. See Carlyle Thayer, “The United States, China and Southeast Asia” in this volume.
- ² See “Myanmar’s Post-Election Landscape”, *International Crisis Group Asia Briefing* No. 118, 7 March 2011.