SOUTHEAST ASIAN AFFAIRS 2014

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Edited by
Daljit Singh

ISEAS
INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore

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Foreword

It is my pleasure to present the forty-first edition of *Southeast Asian Affairs*. This annual review has become an important source of information and analysis for all those interested in developments in Southeast Asia.

Despite the slow-down in China and India and sluggish growth in the developed countries, Southeast Asia still achieved a 5.4 per cent estimated economic growth rate in 2013. By the end of the year, there was optimism that growth in 2014 will pick up as external demand from the advanced economies recovers. The year 2013 was also marked by yet another of the major natural disasters that parts of the region are prone to, this time super-typhoon Haiyan which struck central Philippines and caused major losses to life and property.

The political scene in Southeast Asia presented a mixed picture. The stalemate and uncertainty in Thai politics persisted. Troubling signs appeared of Buddhist-Muslim polarization in Myanmar. However on the whole there were no big surprises, except perhaps for the electoral setback experienced by the ruling party in Cambodia. On the broader geopolitical canvas, Sino-Japanese relations were even more difficult and tense than the year before, posing a challenge to ASEAN and other powers that have been working to facilitate harmonious relations between the major players for the sake of regional stability. Tensions in the South China Sea remained contained but were by no means dissipated. Southeast Asian countries' hopes for progress in negotiating a Code of Conduct with China did not materialize.

I would like to thank the authors and the editor as well as others who have helped to make this publication possible. Needless to say, the chapters in the volume contain a wide variety of opinions and perspectives which do not necessarily reflect the views of the Institute.

Tan Chin Tiong
Director
Institute of Southeast Asian Studies
March 2014

Introduction

Southeast Asia in 2013 remained resilient in the face of economic, political, and security challenges. It maintained an estimated economic growth rate of 5.2 per cent, slightly below the 5.4 per cent achieved in 2012, despite slower growth in China and India and only nascent recoveries in Europe and the United States, which did not do much to change subdued external demand for Southeast Asian economies. There was considerable diversity in performance and challenges faced at the country level, as Sanchita Basu Das elaborates in her chapter "Southeast Asian Economies: Waiting for a Rebound" in this volume. Economic growth is expected to pick up in 2014.

Geopolitics drew more attention. The East China Sea tensions escalated and Sino-Japanese relations continued to deteriorate. On the South China Sea, there were some signs of flexibility on the part of China on multilateral discussions with ASEAN on a Code of Conduct but otherwise the situation remained unchanged. Major power engagements with Southeast Asia increased further during the year because of the perceived importance of the region to their interests, which was, on balance, a plus for the region and for ASEAN. In domestic politics, the situation in Thailand caused particular unease.

This Introduction attempts to bring together some of the salient themes in this volume, while recognizing that they are not exhaustive and will not do justice to all the authors. The four themes selected are: enhanced major power engagement; ASEAN developments; political stability and change; and internal violence manifested in insurgencies and terrorism.

Enhanced Major Power Engagement

The increased tempo of major power engagement with Southeast Asia and ASEAN is highlighted both by Joseph Liow/Rajni Gamage and Malcom Cook in their respective chapters. China's engagement continued at a high level, including visits by President Xi Jinping and Prime Minister Li Keqiang to several countries, with offers to boost investments, trade, and connectivity. The United States continued to build on its strategy of "re-balance" to the region militarily, diplomatically and economically, even though President Obama had to miss a cluster of high level meetings including the US-ASEAN Summit and the East

Asian Summit (EAS) because of pressing domestic concerns. Negotiations for a high quality trade deal through the Trans-Pacific Partnership (TPP) continued, but could not be concluded by the end of the year. Doubts also arose whether the US Congress would grant the President the fast track negotiating authority needed to finalize the deal. Cook, in his chapter "Southeast Asia and the Major Powers: Engagement not Entanglement", draws attention to the significant ways in which India impacts Southeast Asia, including the manner its "abnormal and successful services export-oriented model" is diversifying Southeast Asian economies and Southeast Asia-India ties. Yet, as Liow and Gamage remind us, a striking feature of the year was the impressive strides in engagement with Southeast Asia made by Japan, an outcome of a strong bipartisan consensus formed in Japan in the last few years for adopting a firm response to China. Japan, which sees Southeast Asia as critical to its strategic interests, is boosting both economic and security links and partnerships with Southeast Asian states, and is emerging as an alternative supplier of military training, capacity building and eventually arms as it relaxes restrictions on arms exports. Japan's trade and investment in Southeast Asia also increased in part as a result of diversion from China.

In his chapter, Cook argues that heightened, and often competitive, major power policy engagement with Southeast Asia and ASEAN need not be negative for the region as it brings clear benefits and new opportunities. However, certain factors have prevented Southeast Asian states from taking full advantage of the opportunities, including an overestimation of the influence of China and the corresponding need to adjust to it; tensions and differences between ASEAN members involved in disputes with China and those that are not; and fear of being caught in major power rivalries, and being forced to take sides. Cook argues that the chances of great power hegemony or a US-China military conflict in Southeast Asia are low, and if a full-blown conflict were to break out in the Asia-Pacific, Southeast Asian states would in any case be drawn in irrespective of their closeness or distance to the particular major powers.

The crucial and complex US-China relationship is examined by Bonnie Glaser in her chapter "US-China Relations: Managing Differences Remains an Urgent Challenge". Glaser looks briefly at the potential triggers for heightened US-China tensions, and beyond them conflict. The triggers for conflict include a PRC attack on Taiwan, a Sino-Japanese conflict which draws in the US, and certain developments on the Korean Peninsula. The increasing Sino-US military competition has so far not impacted on the political relationship, but it could in the future. She argues that as long as the US leaders think it is possible to influence or shape China's rise, they will continue to do so.

Developments in ASEAN and ASEAN-related Forums

Overall, the writers on ASEAN in this volume project a positive view of the role that ASEAN plays in the region and the broader Asia-Pacific. While Cook sees the ASEAN region as being presented with a host of opportunities from which it can benefit without fear of domination by any single great power, Termsak Chalermpalanupap in his chapter on "ASEAN: Managing External Political and Security Relations", argues that ASEAN centrality is in good shape and would be enhanced if member states fulfill their collective commitment to build a successful ASEAN community beyond 2015. Unsurprisingly, economic issues featured prominently on ASEAN's agenda during the year as the deadline for the Economic Community drew nearer and as negotiations for the Regional Comprehensive Economic Partnership (RCEP) scheme were launched. The year also saw exercises involving ASEAN and the Plus countries being held under the aegis of the ASEAN Defence Ministers' Meeting Plus in disaster relief and military medicine which Liow and Gamage describe as "a landmark in the cooperation amongst the defence forces". Brunei successfully chaired ASEAN in 2013, avoiding the controversies of 2012 in Phnom Penh when the then Chair, Cambodia, widely perceived to be under China's influence, thwarted discussions on the South China Sea and, for the first time in ASEAN's history, made it impossible for ASEAN to come out with a joint communiqué at its Ministerial Meeting in July 2012.

The South China Sea issue continued to receive significant attention. An important new development was the decision by the Philippines, announced in January 2013, to get a UN arbitral tribunal, provided for under UNCLOS, to pronounce on the legality of China's so-called "nine-dash line". The move caused underlying disquiet among other ASEAN members because ASEAN was not consulted in advance and the initiative seemed to depart from the usual ASEAN consensus trajectory; and, predictably, anger on the part of China. No other ASEAN country, not even Vietnam, came out in support of Manila's move. During the year, ASEAN pushed for ASEAN-China negotiations on implementing the Declaration on Conduct of Parties in the South China Sea and start of discussions for a binding Code of Conduct. In the second half of the year, there was some softening of China's position on multilateral negotiations and discussions began among ASEAN and China officials. However, in the South China Sea, China continued to assert its presence in the disputed areas within its nine-dash line with its para-military and naval ships.

Political Stability and Change

Though no existing political order was displaced, as happened in Myanmar in 2011 and Indonesia in 1998, the ability of the ruling circles to bring about the necessary reforms to cope with changing expectations of their publics are being tested in several countries. In the age of the Internet and social media, the management of change has become more challenging. Perceptions of corruption, injustice, lack of transparency, inequalities and poverty — issues which feature prominently in many countries — are constantly being shaped by online and social media.

In Thailand, the protracted political conflict between the supporters of former Prime Minister Thaksin Shinawatra and the traditional military-bureaucratic elite erupted again into brinkmanship and street protests towards the end of the year. The trigger was Prime Minister Yingluck Shinawatra government's amnesty bill that would have granted amnesty, among others, to her brother Thaksin Shinawatra. The government set the date for another general election in February 2014 but the opposition Democrat Party's pledge to boycott it created more uncertainty. The experience of the past eight years has been that neither elections nor military coups will resolve the conflict. Elections inevitably return pro-Thaksin governments, while imposing restrictions on democracy to keep pro-Thaksin forces out of power would mean defying the wishes of the majority, including the politically awakened people of the north and northeast, a course fraught with risks. While opposition to Thaksin among a significant minority of Thais continued to harden, some of the Red Shirts now have goals larger than loyalty to Thaksin and his return. Nicholas Farrelly, in his review of Thailand wonders if in this polarized, even volatile environment, with anxieties about the end of King Bhumipol's reign also mounting, Thailand "has the capacity to peaceably manage its ongoing political problems". In the immediate future he sees more conflict and "the potential for more troubling crises to come", beyond just gloomy uncertainty. However, he does hold out a ray of hope for some eventual peaceful solutions, for example, the possibility that the end of King Bhumipol's rule need not necessarily lead to a crisis and instead herald a new era that forces the existing order to adapt. Yet the growing polarization and the damage already done to state institutions by the eight-year-old conflict could make adjustment difficult. The author also draws attention to an often neglected aspect of Thailand's internal situation: the strategic importance of a stable and resilient Thailand at a time when pressures from China and other powers could be increasing.

In Malaysia, changes in recent years have manifested in more openness, more alternative media, and the on-going pressures for political reform. The apparent consolidation of the two coalition party system, something that was unimaginable only a decade ago, together with the loss by the ruling Barisan National (BN) coalition of its two-thirds majority in the Federal parliament during the 2008 elections have also been significant changes. However the country is deeply divided by ethnic and religious politics as James Chin and Abdillah Noh demonstrate in their respective chapters. Chin sees 2013 as the year in which Prime Minister Najib Razak's much heralded 1Malaysia idea crumbled in plain sight, while Noh highlights the failure of the government so far to reform the country's racial politics. In the 2013 general election, the BN retained power with a slight majority in Parliament, but garnered only around 47 per cent of the popular vote as the Chinese voted overwhelmingly for the opposition coalition, the Pakatan Rakyat (PR). A number of Malay right wing groups in West Malaysia closely linked to UMNO have been mouthing ethnic and religious intolerance. Another outcome of the 2013 election is that BN has become electorally dependent as never before on East Malaysian BN parties to stay in power: East Malaysia contributed 35 per cent of BN's parliamentary seats, without which BN would have lost power. Noh argues that the BN's weak political mandate, the PR's quest for political power, and the tendency to fire-fight ethnic issues and score political points in the process, instead of undertaking serious political reform, will do more damage to ethnic relations.

Singapore, a politically stable country with high quality of governance and the highest standards of living in the region, has seen the ruling People's Action Party's (PAP) popular support decline in the general election of 2011, followed by the loss of two by-elections since then. As Norman Vasu points out in his chapter "Singapore in 2013: The Times They are a-Changin'", the voting ground island-wide may be shifting towards alternative political parties. In response, a series of measures to recalibrate policies, especially relating to housing and health, among the top two concerns of the public, were announced by the government. Singapore leaders spoke of the country being at "a turning point", of the need for a "more compassionate meritocracy". Vasu thinks that the on-going recalibration of social, welfare and education policies may be signalling a move towards a new social compact. Yet some challenges are not easy to deal with, for example immigration, a hot issue, given the fact that significant numbers of immigrants are still needed for the country's economy; also, because without them Singapore's population will decline rapidly. If history is any guide, the ability of

the ruling People's Action Party, in power for nearly half a century, to adapt to change should not be underestimated. Yet, some Singaporeans wonder if the past can still act as a guide in very different contemporary times in which perceptions are constantly being shaped by the new media and where sometimes even wrong perceptions can present themselves as the truth if a large enough number of people believe them.

A country where the established order was unexpectedly challenged was Cambodia. The ruling party Cambodian People's Party won the general election, which was marred by controversies and alleged irregularities, by a much slimmer majority than in the past — 68 seats out of 123 compared to 90 in 2008. The result, which was not accepted by the opposition, destroyed the aura of electoral invincibility that had surrounded Prime Minister Hun Sen's regime. The Prime Minister seemed to have underestimated the widespread discontent of his people over many issues that Katharya Um has highlighted in her review of Cambodia, including land grabs with evictions of residents in the countryside and semi-urban areas, corruption, worker grievances over wages and exploitation, weak accountability and rule of law. There were signs that the post-election political impasse and turmoil with massive street protest that gripped the country, were starting to affect the investment climate.

Brunei Darussalam, an absolute monarchy, the smallest country in Southeast Asia by population size, and one of the three Muslim-majority states in the region, is stable and prosperous and faces no near-term tangible threat to its existing order. Nevertheless, the ruler discerns the winds of change blowing in the region and seems to have taken the road of a more conservative Islam, including implementation of Sharia law for criminal offences by Muslims. Christopher Roberts, in his chapter on Brunei, interprets the new policy initiative as a means of buttressing regime legitimacy.

Indonesia experienced its watershed political change with the downfall of the Soeharto regime in 1998 and the subsequent ushering in of democracy. Badly hit by the Asian financial crisis of 1997–98, the country settled down to "normalcy" under President Susilo Bambang Yudhoyono (SBY), the first directly elected President. SBY provided stability to the country and the economy has grown by an average of almost 6 per cent a year over the past six years. However the hopes and expectations of many Indonesians have not been met. Ulla Fionna et al., in their review of Indonesia, have highlighted the role of political parties and their limits, the evils of corruption and sectarian and communal tensions. The good work being done by the anti-corruption agency has revealed, to the dismay

of the public, how deep-rooted and pervasive graft has become. With officials, politicians, lawyers and judges on the take, it is little wonder that politicians are often seen cynically as just self-serving. Although sectarian and communal conflicts decreased in 2014, intolerance and repression of religious minorities remained salient, manifested, among other things, in the ban on the building of churches, and in some cases, the destruction of religious buildings, with the authorities condoning such acts. The politics of 2013 were being shaped by the anticipated legislative and presidential elections of 2014. The huge popularity of Jokowi, the Governor of Jakarta, known for his cleanliness and common touch was a reflection of the distrust of established politicians.

Myanmar in 2013 was in the throes of change, often a messy one, following from the sweeping reforms introduced by the Thein Sein administration since 2011. Maitrii Aung-Thwin in his chapter "Myanmar in 2013: Integration and the Challenge of Reform", argues that the reforms maintained much of their momentum in 2013. Political space expanded, economic liberalization persisted and foreign direct investment reached new heights. Fresh socio-economic policies were introduced to meet the immediate needs of the rural communities. However there was an increase of communal tensions and sectarian violence which, if not handled with care, could damage the country's stability. Aung-Thwin also discusses the extension of the state into rural areas and the resulting friction with local authorities. The companion chapter on Myanmar by Nick J. Freeman identifies the key challenges facing the economic reform process and argues that inclusive and sustainable economic growth will require further political reforms, more domestic peace and stability, a host of regulatory changes and considerable institutional capacity building.

Violent Conflicts in Southeast Asia

Southeast Asia has a better record of settling or defusing interstate and internal conflict than Northeast Asia or South Asia through bilateral negotiations, third party facilitation or mediation and international arbitration. Notable examples have been the settlement of the territorial disputes over off-shore islands between Malaysia and Singapore and between Malaysia and Indonesia through arbitration by the International Court of Justice, and the agreement between Malaysia and Thailand for joint exploration of hydrocarbon resources in their overlapping continental shelf in the Gulf of Thailand. A good example of settlement of internal conflict through negotiations with third party facilitation was the agreement reached in 2005 between the Aceh Freedom Movement and the government of Indonesia to

end the long-running insurgency in Aceh. A central point of the agreement was the willingness of Jakarta to provide greater autonomy for Aceh, but within the Indonesian state.

The year 2012 had seen another significant breakthrough: the Framework Agreement between the Philippines government and the Moro Islamic Liberation Front (MILF) to resolve the forty-year-old Moro insurgency in the southern Philippines. In 2013, the Manila government and the MILF worked to flesh out the details of the agreement and to shield it from violence orchestrated by discontented groups in the Sulu archipelago to sabotage it. There were two dramatic developments: the invasion on 9 February 2013 of Sabah by 300 armed followers of Jamalul Kiram III, a descendent of the Sultan of Sulu, who claimed he had not been consulted on the framework agreement; and the siege of Christian-majority Zamboanga City by hundreds of armed followers of Nur Misuari, the founder of the Moro National Liberation Front, who was strongly opposed to the framework agreement. Both attempts failed. To Bryony Lau, in her chapter on this subject, the two incidents showed that Bangsamoro under the MILF, when it was established, could face challenges from violent groups in the Sulu Archipelago, including from the Abu Sayyef Group. Unlike central Mindanao, the Sulu Archipelago has not been the traditional base of support for the MILF.

The insurgency in Southern Thailand continued but there was an encouraging development. As Matthew Wheeler points out in his chapter on the subject, for the first time the Thai government publicly declared its intention to seek a negotiated settlement to the conflict. Representatives of the government and the insurgents in fact met in Kuala Lumpur in February 2013, facilitated by Malaysia and former Thai Prime Minister Thaksin Shinawatra, where the insurgent side presented its demands. Although no further progress seemed to have been made and the insurgency in fact intensified as the year progressed, at least a dialogue process had been initiated. It is likely to be a long and arduous process, given the different expectations of each side, the polarized political situation in Bangkok and uncertainties about whether the negotiators on the rebel side have enough clout over the various insurgent groups to be able to deliver on any agreement.

A country experiencing a new upsurge of internal conflict is Myanmar. In late 2012 and early 2013, there was violent conflict between the Muslim Rohingyas and the local Buddhist residents in the western Rakhine state. The anti-Rohingyas violence also extended to sporadic attacks against Muslims in

other parts of Myanmar. The Muslim-Buddhist polarization is troubling for a country which needs stability to achieve its economic and political reforms and to deal with a variety of challenges at home and abroad. Meanwhile the country had not yet fully resolved conflicts with ethnically designated insurgents in the mountainous areas of the north and northeast although some progress has been made.

In Indonesia, terrorism was a diminished threat during the year. It continued to be "low tech and low casualty", though without any shortage of new recruits, according to Sidney Jones and Solahudin, in their chapter "Terrorism in Indonesia: A Fading Threat?" The typical terrorist had no ambition of global jihad like Al Qaeda; instead his main enemy was seen to be the Indonesian state, in the way of the old Darul Islam which wanted to establish an Islamic State. Most of the violence during 2013 was carried out by two networks one of which, based in central Sulawesi, was weakened and remained besieged by the end of the year, while the other, based in Jakarta and West Java, was largely crushed by effective police action. Meanwhile the JI, at one time the most powerful and feared terrorist organization in Southeast Asia, was a splinter of its former self and disengaged from violence in Indonesia since 2007. But Jones and Solahudin note that it has developed links with Syrian Islamist rebels and at least fifty Indonesian nationals have gone to Syria to fight President Asad's regime alongside the Islamist fighters, raising concerns among Indonesian security services about the dangers they could pose when they return home after gaining experience of battle and use of weapons. Jones and Solahudin caution that the external links of organizations like JI and bitterness over the deaths of suspects in police operations could revive jihadi spirits.

One of ASEAN's accomplishments is that it has avoided interstate conflict among its member states. Violent Thai-Cambodian border skirmishes in 2011 over the ownership of the land around the Preah Vihear temple (the temple itself was ruled by the ICJ in 1962 as belonging to Thailand) was largely a spill-over from internal Thai politics. In response to a Cambodian submission for the ICJ to rule on the status of the land around the table, in November 2013 the Court ruled in favour of Cambodia. The ruling did not create a strong backlash from Thailand, as had been feared, with both sides realizing that further confrontation would not be in the interest of either country. Still ultra-nationalist groups in Thailand opposed the ruling and the possibility of the issue becoming punching bag in domestic Thai politics in the future cannot be entirely ruled out.

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Daljit Singh
Editor
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