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# **SOUTHEAST ASIAN AFFAIRS 2025**

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# **SOUTHEAST ASIAN AFFAIRS 2025**

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# Introduction

Terence Chong, Daljit Singh and Cha Hae Won

We are pleased to present the 2025 edition of *Southeast Asian Affairs*. Since it was launched in 1975, the volume has recorded the evolution of regional and national developments in Southeast Asia. As in many past years, Southeast Asia in 2024 presented a mixed picture of steady economic progress and enormous potential, together with security and political challenges, as well as shortfalls in governance.

## Political Developments

### ***Post-Election Struggles: Challenges in Power Consolidation and Effective Governance***

In 2024, the struggle to consolidate power remained a significant challenge across Southeast Asia as countries like Indonesia, the Philippines, Thailand, Malaysia and Cambodia navigated the aftermath of their respective elections. What initially seemed like opportunities for effective governance slipped into uncertainty as countries grappled with, inter alia, institutional weaknesses, issues of corruption, unfulfilled policy pledges, and internal power struggles.

Indonesia's February 2024 presidential elections saw former general Prabowo Subianto—backed by the strategic support and political influence of Joko “Jokowi” Widodo—secure more than half the popular vote. While Prabowo's resounding electoral triumph seemed to offer a clear path forward, the country's political landscape continued to be marked by ferment and controversy. Pro-democracy protests erupted against a controversial revised bill on regional elections, which

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would have paved the way for Jokowi's youngest son, Kaeseng Pangarep, to enter the political fray. Meanwhile, Prabowo's focus on political consolidation over efficient governance and technocratic expertise—as evidenced by his bloated, alliance-driven cabinet—raised concerns about the administration's capacity to effectively implement policies, enforce laws and deliver public services.

Over in the Philippines, the Marcos-Duterte alliance seemed destined to solidify its hold on power after a resounding victory in the 2022 presidential elections, securing an unprecedented electoral mandate not seen since the martial law era. Yet, in a dramatic turn of events, what was once considered a solid partnership crumbled within two years as cracks in the once-formidable alliance began to emerge by January 2024, with President Ferdinand Marcos Jr. and Vice President Sara Duterte taking opposing stances on charter change. The turning point came in June 2024, when Sara Duterte abruptly resigned as secretary of education, a move that signalled deepening discord between herself and the president. The mounting political tension reached a peak in November 2024 when Sara Duterte claimed to have spoken with an individual who was allegedly prepared to assassinate Marcos Jr., the first lady and House Speaker Martin Romualdez if she were killed.

Thailand's post-election period has also been marked by political instability and challenges. The 2023 general elections brought Srettha Thavisin to power, but his time in office was cut short when he was dismissed for appointing an ex-convict as a minister in the Prime Minister's Office. While Paetongtarn Shinawatra assumed leadership in August following his dismissal, the outlook for the country remains uncertain. The Pheu Thai Party has fallen short of its economic growth targets, with public debt on the rise and delays in the implementation of the digital wallet scheme, its flagship stimulus. In a bid to maintain control and prevent the opposition from gaining ground, the government has also been accused of suppressing the opposition and eroding democratic reforms, dissolving the Move Forward Party in 2024—just as it had done to the Future Forward Party in 2020. These challenges raise questions about whether the Thai government under Paetongtarn will be effective in addressing issues of reform and governance, which are important to younger Thai voters.

Despite turbulence following the 2022 Malaysian general elections—such as the subpar results of the six state elections of August 2023 and rumours of a “Dubai Move” to unseat his government in December 2023—Prime Minister Anwar Ibrahim managed to tighten his grip on power. By the end of 2024, he had managed to secure the crucial two-thirds majority in parliament to ensure his government's stability. Yet, behind this veneer of stability, was a government treading carefully, avoiding major substantive reforms. Weighed down by the ever-present threat of



the Malay-Muslim opposition Perikatan Nasional and preoccupied with dousing political fires such as the controversy surrounding former prime minister Najib Razak's jail term and the acquittal of Deputy Prime Minister Ahmad Zahid Hamidi from corruption charges, the Anwar administration found itself caught between consolidation and inertia, with genuine reforms remaining out of reach in 2024.

While Cambodia's 2023 general elections saw a seamless leadership transition, post-election realities have been marked by dissent and repression. Over the past year, Hun Manet continued the regime's long-standing pattern of arrests, detentions and prosecutions, wielding fraud claims and lawsuits against political opponents. Opposition figures have faced criminal convictions, while press freedom, free assembly and civil society remain tightly restricted. While Hun Manet's decision—prompted by concerns about land grabbing, deforestation, and loss of sovereignty to Vietnam—to withdraw Cambodia from the Cambodia-Laos-Vietnam Development Triangle Area may have placated public opposition to it to some extent, the broader challenges in managing dissent will remain.

### ***Leadership Transitions: Political Stability in Vietnam and Singapore***

Vietnam and Singapore stood out for smooth leadership changes in 2024. In Vietnam, the transition of power following the death of former party chief Nguyen Phu Trong in July 2024 was seamless, with public security minister To Lam stepping into the role of general secretary of the Communist Party of Vietnam. While concerns about Lam's potential centralization of power have hovered in the background, these fears appear premature for now. Lam seems intent on avoiding any action that could provoke resistance from the Central Committee or the party elders, thus contributing to a steady transition of power. In Singapore, the leadership transition from Lee Hsien Loong to Lawrence Wong proceeded smoothly and uneventfully as expected in May 2024. Mr Wong is not an unfamiliar face to the people of Singapore. Prior to the transition, his role as co-chair of the Covid-19 task force during the pandemic had thrust him into the public eye and left a positive impression on Singaporeans. With the leadership handover behind them, the key question is whether Mr Wong will be able to secure a strong electoral mandate in the upcoming 14th general election in 2025.

### **Geopolitical Developments**

The intensifying US-China rivalry has forced regional states to navigate an increasingly complex and precarious geopolitical terrain. While the region insists

on a position of neutrality and non-alignment in the face of a fractured landscape, Southeast Asian countries have responded differently to global conflicts and regional tensions to realize their economic and regime security interests. Regional tensions such as the South China Sea dispute continue to influence US relations with the Philippines, while other issues, such as the Gaza crisis, have prompted predominantly Muslim countries like Indonesia and Malaysia to gravitate towards China.

Most Southeast Asian states strove to maintain a neutral stance in the face of rising tensions between the two major powers. Brunei navigates the intricate dynamics of US-China relations through a hedging strategy. Notably, it asserted its territorial claims in the South China Sea without resorting to direct confrontation, opting instead for multilateral negotiations and strict adherence to international law within the ASEAN framework. This strategic approach allows Brunei to safeguard its territorial sovereignty while ensuring that its economic relations with Beijing remain intact. Despite Cambodia's reputation as a client state of China—characterized by its close alignment with Beijing in regional and international forums, as well as its reliance on Chinese aid and investment—the country has taken deliberate steps to preserve its strategic autonomy in foreign policy decision-making. While Cambodia continues to foster strong ties with China, the Hun Manet government actively pursues opportunities to diversify its relationships, seeking to strengthen connections with other key actors, including ASEAN, Japan, the European Union, and the Global South. The increased diplomatic efforts with Western powers like France, Australia and Canada indicates a desire to counterbalance China's influence. Laos has also diversified its partners by engaging not only with China but also with Thailand, Vietnam, the United States, the United Kingdom, Japan and Russia for initiatives like foreign aid and clearing unexploded ordnance. During its ASEAN chairmanship, Laos also refrained from taking sides when member states discussed ongoing disputes in the West Philippine Sea and on the Korean Peninsula, and the humanitarian situations related to the Russia-Ukraine War and the situation in the Middle East.

For the Philippines, however, maintaining a neutral stance has become untenable as security interests have driven it into the embrace of the United States. US-Philippines relations have advanced significantly because of China's growing maritime aggression in the South China Sea and the lack of meaningful progress in negotiations between ASEAN and China to agree to a Code of Conduct on the South China Sea. This renewed partnership with the United States under President Marcos Jr. has been solidified through high-profile diplomatic engagements, expanded military exercises, and the formation of new defence collaborations,

including the US-led “Squad” with Japan and Australia, further deepening the Philippines’ security ties with the West.

Elsewhere in Southeast Asia, the reliability of US leadership has been called into question, particularly in light of US policy on the Israel-Hamas conflict. This shift has taken on particular significance in Muslim-majority countries Indonesia and Malaysia. The leaders of both countries visited Russia in 2024 to boost economic and, to a lesser extent, military cooperation. Thus, the diminished credibility of the West, particularly following the Gaza crisis, has accelerated the push for diversification in foreign policy.

## **Economic Performance**

In 2024, the region’s post-pandemic recovery continued, building on the progress made since 2021. The Asian Development Bank (ADB) forecasted Southeast Asia to experience growth rates of 4.5 per cent in 2024 and 4.7 per cent in 2025. Despite the positive economic outlook in 2024, economic growth was not evenly distributed across the region. The ongoing civil war in Myanmar, rampant inflation and mounting debt in Laos, and persistent underinvestment in Timor-Leste have continued to impede economic recovery in these countries. Thailand also experienced slower growth compared with its pre-pandemic trajectories because of political uncertainty, lower public investment and delays in government spending.

## ***Resurgence in Tourism***

Tourism in the region demonstrated strong growth in 2024. In Brunei, the upsurge of tourist arrivals was facilitated by the expansion of direct flights between Brunei and regional destinations, including Indonesia and India, and the launch of Gallop Air, a Brunei-based budget airline. In Cambodia, tourist arrivals reached nearly 85 per cent of pre-pandemic levels, with a substantial influx of Chinese tourists—190,000 in the first quarter of 2024, marking a 43 per cent increase compared with the same period in 2023. In Singapore, Changi Airport handled 33 million passengers in the first half of 2024, achieving 99.3 per cent of the passenger movement numbers recorded in 2019 before the pandemic struck. Laos, too, witnessed a tourism boom in 2024, driven by effective promotional strategies such as intensified marketing campaigns and the introduction of a visa-free entry programme for Chinese nationals, which greatly boosted tourist traffic from China.

### ***Moderating Inflation***

While rampant inflation was a significant concern for the region in 2023, inflation across Southeast Asia showed signs of moderation with the easing of global supply chain disruptions in 2024. For Timor-Leste, the September report of the Asian Development Bank projected that inflation would remain stable at 2.9 per cent, with low inflation in staples and basic consumer goods. Thailand also experienced relative price stability, with the consumer price index registering at -0.8 per cent in the first quarter of 2024, followed by 0.8 per cent and 0.6 per cent in the subsequent two quarters in 2024. Singapore's core inflation, which had peaked at 5.5 per cent in January 2023, gradually moderated to 2.7 per cent by August 2024. In Malaysia, inflation moderated to 1.8 per cent per cent, while in Indonesia, President Jokowi's policies, including the release of food items from state stores and an early warning system for price increases, contributed to an average inflation rate of 2.84 per cent in his second term, bolstering his political influence in the 2024 general elections. Meanwhile, Cambodia witnessed strong economic growth accompanied by low inflation, with essential commodities like fuel and fertilizers seeing price declines.

### ***Increasing Export Demand***

Export demand in the region improved in 2024. This contrasts with 2023, which saw sluggish export demand driven by reduced consumption from Western nations, subdued recovery of the Chinese economy, and geopolitical instability stemming from the ongoing Russia-Ukraine war and the Israel-Hamas conflict. The 2024 increase in exports could be attributed to a recovery in merchandise export demand from major economies, particularly the United States, for electronics and other manufactured goods. Recovery within Southeast Asia's manufacturing sector was also driven particularly by the growing global demand for AI chips. In Laos, exports improved significantly in 2024, driven by a rise in electricity-related exports. Thailand's export performance in 2024 also showed improvement, whereby major export items included electrical appliances, electronics and automotives. Year-on-year monthly export growth was 5.8 per cent in the first eight months of 2024, increasing from -4.1 per cent in those of 2023.

In conclusion, 2024 ended with Southeast Asia at a critical juncture. While many countries are projected to experience stronger economic growth relative to previous years, with Vietnam and the Philippines leading the pack, they must face up to geopolitical tensions between the United States and China. The year 2025 may witness greater developments in sustainability, technological adoption, and

the development of smart cities across the region. However, the spectre of global supply chain disruption, protectionism and tariff wars looms large. The adaptability of Southeast Asian countries to these evolving circumstances will be crucial.

