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# **SOUTHEAST ASIAN AFFAIRS 2001**

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# FOREWORD

We are pleased to present the twenty-eighth issue of *Southeast Asian Affairs*, a comprehensive annual review of the political and economic trends and developments in Southeast Asia.

Designed to be easily readable yet in-depth, informative and analytical, the annual has come to be a standard reference for scholars, policy-makers, private sector executives, and journalists, who seek to understand and keep up to date on the dynamics of Southeast Asian developments.

The year 2000 saw the economies of Southeast Asia recovering further from the regional economic crisis against the background of strong growth of the American economy, but the much needed banking and corporate sector reforms were not being implemented fast enough. Political stability remained a problem in certain key countries. Indonesia continued to face severe challenges.

I take this opportunity to thank the authors who have contributed to this publication. While the Institute encourages the statement of all points of view in the publication, the authors alone are responsible for the facts and opinions expressed in their articles. Their contributions and interpretations do not necessarily reflect the views of the Institute.

Chia Siow Yue  
Director  
Institute of Southeast Asian Studies

April 2001

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# INTRODUCTION

For the Southeast Asian economies, 2000 was the best year since 1997 as countries recovered further from the regional crisis which began that year. The strong performance of the U.S. economy contributed to this relatively robust outcome. Singapore grew 9.9 per cent, Malaysia 8.5 per cent, and Vietnam 6.1 per cent. Even Indonesia, with its many problems, managed 4.8 per cent growth, while Thailand and the Philippines registered 4.2 and 3.9 per cent respectively.

However, there was still much unfinished business — in Indonesia, Thailand, and Malaysia — in the way of banking and corporate restructuring. This work will need to continue under the more difficult conditions of sluggish growth in 2001 because of the slowdown in the United States.

Moreover, the broader economic trends did not favour Southeast Asia. The flows of foreign direct investment (FDI) were still significantly below pre-crisis levels because of negative perceptions of the region among international investors, on account of its political problems and the slow pace of reforms. The greater attraction of China as an FDI destination also cast a shadow on the region's prospects.

The Association of Southeast Asian Nations (ASEAN) remained enfeebled by political uncertainty, economic problems, and weak or besieged leaderships in some of the key member countries. It was also not moving fast enough to bring about economic integration of the region. ASEAN's push for East Asian regionalism through its ASEAN Plus Three process was not making up for its credibility deficit, at least not in the short term.

Indonesia, which looms large in Southeast Asia, experienced serious trials and tribulations throughout the year 2000. The failure to address underlying structural problems was compounded by the lack of effective political leadership to deal with a myriad of political, economic, and social difficulties. President Abdurrahman Wahid, by the end of 2000, was facing growing opposition from Parliament and society, including from many who had initially supported his bid for the presidency. The ongoing conflicts within the provinces of Aceh, Irian Jaya, Maluku, and North Maluku, were marked by brutality and apparent intractability.

Some other parts of Southeast Asia also witnessed political unrest or change. The Philippines narrowly averted civil disorder during a bid (successful) to change the executive through the use of "people's power". Malaysia was still grappling with the political fallout from the detention, trial, and conviction of former Deputy Prime Minister Anwar Ibrahim. The political deadlock in Myanmar continued, and its longstanding ethnic minority problem was only

contained, not solved. Thailand's young democracy experienced a peaceful change of government.

The broader regional security environment remained relatively salubrious in 2000. U.S-China relations showed progress, although the Taiwan issue ensured continued underlying frailty. The historic summit between South and North Korean leaders suggested that a thaw on the last Cold War frontier in East Asia might at last be coming. There were no significant developments in relation to the South China Sea disputes.

*Southeast Asian Affairs 2001* addresses some of these issues from a regional perspective in the first six chapters. The rest of the volume consists of ten country surveys and seven special theme articles.

Daljit Singh  
Anthony Smith  
Editors  
*Southeast Asian Affairs 2001*