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The **Institute of Southeast Asian Studies (ISEAS)** was established as an autonomous organization in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the multi-faceted problems of stability and security, economic development, and political and social change.

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FOREWORD

We are pleased to present the twenty-second issue of *Southeast Asian Affairs*, an annual of comprehensive regional coverage on the political, economic, and social trends and developments in Southeast Asia.

Designed to be easily readable yet in-depth, informative and analytical, the annual has come to be a useful tool for all serious students, academics, diplomats, senior executives, journalists, and publicists who seek to understand the dynamics of Southeast Asian developments.

The year 1994 saw further substantial economic gains in Southeast Asia. Growth rates were high in virtually all countries, including the Philippines and Myanmar. The two major developments of the year were the Bogor Declaration committing the member states of the Asia-Pacific Economic Co-operation forum to free trade by 2020, and the first meeting of the ASEAN Regional Forum. With the exception of Cambodia, the domestic political systems of Southeast Asian countries were relatively stable and chances of inter-state conflict remained minimal. *Southeast Asian Affairs 1995* looks at some of these developments and trends.

Finally, I take this opportunity to thank all the authors who have contributed much to make this publication possible. 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 view of the Institute or its supporters.

Chan Heng Chee
Director

Institute of Southeast Asian Studies

March 1995

CONTENTS

FOREWORD	v
INTRODUCTION	ix
THE REGION	
Southeast Asia at Mid-Decade: Independence through Interdependence <i>Donald E. Weatherbee</i>	3
Southeast Asian Economic Growth: Can the Momentum be Maintained? <i>Anne Booth</i>	28
Evolving Security and Economic Institutions <i>Khong Yuen Foong</i>	48
AFTA in the Light of New Economic Developments <i>Florian A. Albuero</i>	61
South Korea in Southeast Asia: Enhancing Returns and Reassurances <i>David I. Steinberg</i>	74
The Urban Environment in Southeast Asia: Challenges and Opportunities <i>Douglas Webster</i>	89
BRUNEI DARUSSALAM	
Brunei Darussalam: After a Decade of Independence <i>Pushpa Thambipillai and Hamzah Sulaiman</i>	111
CAMBODIA	
Cambodia: The Royal Government on Trial <i>Frederick Z. Brown and Laura McGrew</i>	127
INDONESIA	
Indonesia: Preparing for Post-Soeharto Rule and its Impact on Democratization <i>M. Ryaas Rasyid</i>	149
The Growth of an Industrial Labour Force and Decline of Poverty in Indonesia <i>Hans-Dieter Evers</i>	164

LAOS**Laos: Towards Subregional Integration***Martin Stuart-Fox*

177

MALAYSIA**Malaysia: A Year Full of Sound and Fury, Signifying ...
Something?***James V. Jesudason*

199

**Vision 2020 and Malaysian Foreign Policy: Strategic Evolution
and the Mahathir Impact***K.S. Nathan*

220

MYANMAR**Myanmar: New, but Different?***R.H. Taylor*

241

PHILIPPINES**The Philippines: Remarkable Economic Turnaround and
Qualified Political Success***Remigio E. Agpalo*

259

The Philippine Economy: What's Right, What's Wrong*Emmanuel S. de Dios*

273

SINGAPORE**Singapore: Consolidating the New Political Economy***Kwok Kian-Woon*

291

Court Practice: Singapore at a Legal Threshold*Jeffrey Pinsler*

309

THAILAND**Thailand: Slow Government, Sluggish Democratization?***Chalidaporn Songsamphan*

327

The Political Economy of Decentralization in Thailand*Medhi Krongkaew*

343

VIETNAM**Vietnam: Taking Stock of Reforms and Dogma***Heng Hiang Khng*

365

**Foreign Direct Investment, Institutional Change, and
Vietnam's Gradualist Approach to Reform***Carolyn L. Gates*

382

INTRODUCTION

The year 1994 was one of significant change in Southeast Asia. The Asia-Pacific Economic Co-operation (APEC) forum, at its second summit meeting in Bogor, Indonesia, issued a declaration committing members to free trade by the year 2020. The willingness of members of the Association of Southeast Asian Nations (ASEAN) to enter into such an arrangement reflected recognition of global economic forces and the ASEAN countries' dependence on the larger economies of the Asia-Pacific region. In response to global forces, especially the agreements reached in the successfully completed Uruguay Round (UR) of the General Agreement on Tariffs and Trade (GATT), ASEAN decided to accelerate the implementation of the ASEAN Free Trade Area (AFTA) from 15 to 10 years. In addition, ASEAN was widening even while deepening. Vietnam, its chief foe for a decade and a half before 1990, formally applied to join the association and is expected to do so in 1995. And in the field of security, the ASEAN Regional Forum (ARF) had its first formal meeting in Bangkok in July 1994 after the Annual ASEAN Ministerial Meeting (AMM). As in economics, ASEAN has recognized that security in Southeast Asia requires the engagement of the major Asia-Pacific powers in a multilateral framework.

Amidst this flurry of institution building, the economies of Southeast Asian countries continued to prosper. Vietnam joined the ranks of high growth economies (8 per cent to 9 per cent), even though much still needed to be done to build the necessary institutions to sustain a market economy. The Philippines, was at last looking ahead to growth rates of 5 per cent to 6 per cent. Even Myanmar was seeing significantly better growth rates. On the whole, sound economic fundamentals, continued economic liberalization, healthy direct investment flows and a favourable external economic environment promised to continue to fuel good growth rates in Southeast Asia.

The security environment remained generally benign. The risk of interstate conflict, minimal in the ASEAN region, was low in the entire Asia-Pacific area.

On the face of it, the chances of domestic instability arising from rapid economic and social change interacting with factors like regionalism, ethnicity, religion, and leadership succession appeared to be greater than the chances of interstate conflict. Yet a closer examination would show that the state has grown stronger over the years almost everywhere in Southeast Asia. The state in Malaysia, Singapore and Thailand has gone through communist, ethnic or regional challenges from the 1960s and emerged more robust. It looks stronger in the Philippines in relation to the country's problems compared to the days

of the Aquino Administration. Even in Myanmar, perhaps the only place in Southeast Asia where the legitimacy of the governing authority is in doubt in the eyes of many of the citizens, the State Law and Order Restoration Council (SLORC) regime has strengthened its position significantly *vis-à-vis* its various domestic opponents. In Indonesia, while there is increased uncertainty about how and when succession to Soeharto will take place, the President remained firmly in control of the levers of power. Only in Cambodia did the situation look worse than the year before (1993): the government remained weak, divided, corrupt and militarily incompetent while the Khmer Rouge sustained a tenacious low level insurgency.

As before, this volume has two parts. The first deals with region-wide issues. It comprises Donald Weatherbee's overview of politics, security and international relations of Southeast Asia, and Anne Booth's survey of regional economies: she focuses on how ASEAN countries are faring in the special area of human resource development to upgrade the skills of the labour force, which is so necessary to sustain the momentum of their growth. Then there are two chapters devoted to new regional structures. Khong Yuen Foong looks at the ARF and APEC, arguing that the broad strategic and economic environments are conducive to the evolution of both into meaningful institutions capable of producing results. Florian Albuero analyses the relevance of AFTA in the light of the Uruguay Round GATT agreement and the rapid changes in the world economy. In view of Korea's growing involvement in Southeast Asia, we decided to have a chapter on this subject, authored by David Steinberg. Finally, there is a chapter by Douglas Webster on the growing urban environmental problems in Southeast Asia and the challenges they pose.

The second part of the volume is, as usual, devoted to the ten annual country reviews: Pushpa Thambipillai and Hamzah Sulaiman on Brunei Darussalam, Frederick Brown and Laura McGrew on Cambodia, Ryaas Rasyid on Indonesia, Martin Stuart-Fox on Laos, James Jesudason on Malaysia, R.H. Taylor on Myanmar, Remigio Agpalo on Philippines, Kwok Kian-Woon on Singapore, Chalidaporn Songsamphan on Thailand and Heng Hiang Khng on Vietnam.

In addition, the second part has six special theme articles. Hans-Dieter Evers examines some of the underlying causes of labour unrest in Indonesia; K.S. Nathan traces the evolution of Malaysian foreign policy from independence to the present; Emmanuel S. de Dios examines the sustainability of the present economic recovery in the Philippines; Jeffrey Pinsler sets out the recent reforms in court practice in Singapore; and Carolyn Gates discusses the sequencing of economic reform in Vietnam, and what still needs to be done as well as the critical importance of foreign direct investment in its development strategy.

Daljit Singh

Liak Teng Kiat

Editors

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