

**SOUTHEAST  
ASIAN  
AFFAIRS 1994**

The **Institute of Southeast Asian Studies** 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.

The Institute is governed by a twenty-two-member Board of Trustees comprising nominees from the Singapore Government, the National University of Singapore, the various Chambers of Commerce, and professional and civic organizations. A ten-man Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute's chief academic and administrative officer.

*SOUTHEAST ASIAN AFFAIRS 1994*  
EDITORIAL COMMITTEE

Chairperson	<i>Chan Heng Chee</i>
Editor	<i>Daljit Singh</i>
Associate Editor	<i>Tan Kim Keow</i>
Committee Members	<i>Sharon Siddique</i> <i>Mya Than</i> <i>Tin Maung Maung Than</i> <i>Chandran Jeshurun</i> <i>Russell Heng Hiang Khng</i>

# **SOUTHEAST ASIAN AFFAIRS 1994**



INSTITUTE OF SOUTHEAST ASIAN STUDIES

---

## Cataloguing in Publication Data

---

Southeast Asian affairs.

1974–

Annual.

1. Asia, Southeastern.

I. Institute of Southeast Asian Studies.

DS501 S72A

ISSN 0377-5437

---

Published by

Institute of Southeast Asian Studies

Heng Mui Keng Terrace

Pasir Panjang

Singapore 0511

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior consent of the Institute of Southeast Asian Studies

© 1994 Institute of Southeast Asian Studies, Singapore

*The responsibility for facts and opinions expressed in this publication rests exclusively with the contributors and their interpretations do not necessarily reflect the views or the policy of the Institute or its supporters*

*Typeset by International Typesetters, Singapore*

*Printed in Singapore by Prime Packaging Industries Pte Ltd*

## FOREWORD

We are pleased to present the twenty-first 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 yet analytical, issue-focused yet providing a background, 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 1993 was one of major economic gains and consolidation for the countries in Southeast Asia. Every economy was registering high growth rates, including Myanmar. In political and security terms, it was generally stable and predictable. Domestic political dynamics presented by far the most interesting developments and illustrated further the fine adjustments that the individual Southeast Asian systems have over the years made. The creation of the ASEAN Regional Forum as a new dialogue process for enhancing security in the Asia-Pacific was the major achievement of the year. *Southeast Asian Affairs 1994* looks at some of these 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 1994



# CONTENTS

<b>FOREWORD</b>	v
<b>INTRODUCTION</b>	ix
<b>THE REGION</b>	
<b>Expanding Horizons in Southeast Asia?</b> <i>Michael Leifer</i>	3
<b>The Southeast Asian Economies: Resilient Growth     and Expanding Linkages</b> <i>Linda Y.C. Lim and Pang Eng Fong</i>	22
<b>The United States and Asia After the Cold War</b> <i>George H. Quester</i>	34
<b>Beyond Economic Reality: New Thoughts on the     Growth Triangle</b> <i>Sree Kumar and Sharon Siddique</i>	47
<b>BRUNEI DARUSSALAM</b>	
<b>Brunei: The Search for a Sustainable Economy</b> <i>Mark Cleary and Simon Francis</i>	59
<b>CAMBODIA</b>	
<b>Cambodia: From UNTAC to Royal Government</b> <i>Frank Frost</i>	79
<b>The Cambodian People's Party: Where Has It Come From,     Where Is It Going?</b> <i>Michael Vickery</i>	102
<b>INDONESIA</b>	
<b>Indonesia: An Uncertain Outlook</b> <i>Harold Crouch</i>	121
<b>Indonesia's Foreign Policy After the Cold War</b> <i>Dewi Fortuna Anwar</i>	146

**LAOS****Laos: Consolidating the Economy***Arthur J. Dommen*

167

**MALAYSIA****Malaysia: The Emergence of a New Generation  
of UMNO Leadership***Ho Khai Leong*

179

**Malaysian Defence Policy Revisited: Modernization and  
Rationalization in the Post-Cold War Era***Chandran Jeshurun*

194

**MYANMAR****Myanmar: Will Forever Flow the Ayeyarwady?***Khin Maung Kyi*

209

**PHILIPPINES****The Philippines: Moving the Country Forward***Estrella D. Solidum*

233

**Armed Challenges to the Philippine Government:  
Protracted War or Political Settlement?***Temario C. Rivera*

252

**SINGAPORE****Singapore: Change amidst Continuity***Bilveer Singh*

267

**Developing Singapore's External Economy***Arun Mahizhnan*

285

**THAILAND****Thailand: Twin Peaks, Disturbing Shadows***John Girling*

305

**The Thai Countryside in the 1990s***Philip Hirsch*

320

**VIETNAM****Vietnam: "Pivotal Year"?***Stephanie Fahey*

337

**Vietnam: Coping with China***Cartlye A. Thayer*

351



## INTRODUCTION

If East Asian prosperity and security depend upon the three pillars of a liberal international trading regime, a continued U.S. security engagement, and more multilateral political and security dialogues, then 1993 ended on an optimistic note. Firstly, the year saw important battles won in the protracted war against protectionism: after considerable anxiety, the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) talks was successfully completed, giving a boost to world trade; and President Clinton was able to defeat anti-NAFTA (North American Free Trade Area) protectionist forces in the U.S. Congress. Also, the Asia-Pacific Economic Co-operation (APEC) forum assumed a new significance as an emerging economic community fostering freer trade among members. Secondly, high-growth East Asia seemed to acquire more importance in the eyes of the Clinton Administration for the potential it held for U.S. exports and, hence, for longer-term U.S. growth. And a U.S. Defence Department review of force levels for the five years up to 1999 provided for a credible U.S. military presence in the Western Pacific, though, of course, the figures could be revised downwards before 1999, depending upon America's domestic economic and social problems and the situation on the Korean peninsula. At the same time questions relating to human rights and democracy featured more prominently in American foreign policy in 1993, and this was especially evident in America's relations with China and Indonesia. Thirdly, 1993 saw the establishment of the eighteen-nation ASEAN Regional Forum (ARF), the first Asia-Pacific multilateral security forum with the purpose of building confidence and preventing conflict. The formation of the ARF together with the higher profile assumed by APEC during the year also highlighted the growing security and political linkages between Northeast and Southeast Asia, in addition to the trade and investment linkages which have been deepening for some time. All these linkages are rapidly integrating the East Asian and Asia-Pacific regions, a phenomenon not without important implications for Southeast Asia.

Generally a climate of prosperity and peace continued to prevail in the region. Despite the recession in Japan and Europe, Southeast Asian economies performed remarkably well in 1993 because of continuing market-oriented economic reforms in several countries, the growing role of domestic demand, expanding trade and investment linkages within East Asia and the recovery of the U.S. economy. In the area of security, Korea stood out as the only real potential flash point, although even there nobody wanted a war to deal with the difficult problem of Pyongyang's apparent nuclear ambitions. Tensions over the South China Sea territorial disputes, which had risen in 1992 seemed to

ebb somewhat in 1993 as China, in the face of growing concern in Southeast Asia over its intentions, adopted a more moderate and conciliatory stance, but without compromising on the substance of its claims. The Cambodian situation, which looked bleak in the early part of the year with the Khmer Rouge boycott of elections and escalating violence, seemed better by the end of the year than anyone had dared hope, following the successful holding of elections and the establishment of a coalition government under a new political system. Cambodia in its new beginning still faced daunting problems but it is unlikely, at least in the near future, to again become a cockpit of international conflict.

Within Southeast Asia, ASEAN's most important achievement during the year was the setting up of the ARF. The implementation of the ASEAN Free Trade Area (AFTA), stalled during much of the year, was given a new push by the ASEAN economic ministers in October when it was decided that tariff cuts will begin from January 1994. If 1993 was a pivotal year for Cambodia it was also an important one for Vietnam because of the lifting of the U.S. veto on multilateral lending, allowing for crucial infrastructural projects to be funded by multilateral aid. On the whole Southeast Asian states remained relatively stable during the year and the governments generally strong. The Philippines seemed to be getting its act together under the leadership of President Ramos. Even in Myanmar the military government was more successful in dealing with ethnic insurgencies and was moving towards a new constitutional and political set-up which would ensure the military's continuing role in government, though how well this scheme would in the end work was still open to question. In Malaysia the outcome of the triennial elections of the United Malays National Organization (UMNO) signified an orderly succession to Dr Mahathir Mohamad when he steps down. In Indonesia President Soeharto was elected to sixth term as President and appeared very much in control, though the outlook remained uncertain over the issue of succession to him.

The broad political, security, and economic trends in Southeast Asia and their links with the wider Asia-Pacific are covered in the first two chapters of this volume. There are also two other chapters in this first general or regional section. Developments in the ten countries of Southeast Asia are covered in the country reviews. In addition there are seven special theme articles related to specific countries.

Daljit Singh  
Editor

*Southeast Asian Affairs 1994*