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SOUTHEAST ASIAN AFFAIRS 1989

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FOREWORD

Southeast Asian Affairs 1989, like its fifteen predecessors, is a review of significant developments and trends in Southeast Asia, with special emphasis on the ASEAN countries. Readable and easily understood, the publication aims at giving the enquiring reader a broad grasp of major political, economic, social, and strategic developments within the region.

The contents of *Southeast Asian Affairs 1989* fall into two broad categories. There are those of a background nature, which attempt to review and where necessary comment upon and explain significant developments during 1988 in the individual countries of Southeast Asia and in the region generally. Then there are the articles of more specialized current interest. These are not necessarily focused on events in 1988 alone. They deal with topical problems of concern to those who desire to know more about the region and its affairs than is possible from background articles. The emphasis has been on background papers, including regional surveys. These, however, have been supplemented by topical articles of the type described above.

To the best of our knowledge, *Southeast Asian Affairs* is the only publication of its kind wholly devoted to Southeast Asia. It is perhaps also unique in that, unlike many other annuals, its discussion of issues is from the vantage point of the area, most of the contributors being in and of the region. Moreover, though scholarly in their approach and analyses, the authors have been encouraged to aim at accuracy and readability and to handle their subjects in a direct manner. Footnotes and tables have been kept to a minimum and a conscious effort has been made to avoid too ponderous a style. If *Southeast Asian Affairs 1989* helps to generate and enliven interest in, and a better understanding of, the affairs of the region, then its purpose would have been well served.

I would also like to take this opportunity to thank the authors and the members of the Editorial Committee, as well as others who have, in one way or another, helped to make this publication possible. While the Institute encourages all points of view, needless to say, the individual authors are exclusively responsible for the facts and opinions expressed in their respective contributions, and their interpretations do not necessarily reflect the views and policies of the Institute itself or its supporters.

Kernal S. Sandhu
Director

January 1989

Institute of Southeast Asian Studies

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INTRODUCTION

While there was continued scepticism as to the intentions of the Russians and the Vietnamese, as well as anxiety in the wake of the uncertainties of the rapidly changing international economic environment and impending leadership changes in several of the Southeast Asian states, the general mood characterizing the region during 1988 was one of growing confidence and buoyancy.

Indeed, the year ended with a promise of more of the same. In the circumstances, the prevailing scepticism notwithstanding, even the long-standing Soviet threat to the region appeared less menacing. This seemed particularly so, given the USSR's preoccupations with domestic problems, its focus on *perestroika* and *glasnost*, and its management of *rapprochement* with both the People's Republic of China and the United States. Tied to this was a perception that a loosening of the militant ties between the Soviet Union and the Indochinese states would reduce tensions in the region. Hence, Southeast Asia appeared to be ready to accept a greater Russian presence if its role was benign and its deeds matched its words. The anticipation that Sino-Soviet *rapprochement* would quicken the pace of peace-making in Indochina was not unfounded, with the flurry of regional diplomatic activities culminating in the convening of the first-ever meeting, dubbed JIM (for Jakarta Informal Meeting), of representatives of the four Kampuchean warring factions, Vietnam, Laos, and the ASEAN countries. The outcome of the JIM in July showed progress in solving the external dimensions of the conflict, but a continued impasse on resolving the internal aspects, namely, power-sharing between the contending Khmer factions. At year-end, despite a more conducive international environment of *détente*, a *modus-vivendi* in Kampuchea remained elusive, although agreement to hold a second round of the Jakarta Informal Meeting, JIM II, sustained hopes that a political settlement was only a matter of time. Ironically, while the ASEAN states were steadfast in seeing a total and rapid withdrawal of all Vietnamese troops from Kampuchea in the context of a comprehensive political settlement, the prospects of a settlement heightened international fears of the return of the Khmer Rouge to power in Phnom Penh. Hence, much hope was placed on Prince Norodom Sihanouk being able to play a unifying and effective role in balancing the different Khmer factions.

In the ASEAN states, political developments displayed diverse and contrary trends. Thailand witnessed the installation of the first elected Member of Parliament as Prime Minister in twelve years. Given his pro-business approach to domestic and international affairs, General Chatichai lost no time in revamping Thai policy, including Thailand's dealings with its Indochinese neighbours, with far-reaching implications not only for Thailand but for the rest of the region as well.

In Malaysia, despite the appearance of instability arising from the leadership struggle within the United Malays National Organization (UMNO), and strains in a plural society over uncertainty about the socio-economic implications of the new,

post-1990 New Economic Policy (NEP), the National Front government was in no immediate danger of being toppled.

Political stability under strong-willed rule continued in Singapore and Indonesia. The election for the vice-presidency in Indonesia, however, saw the unexpected nomination of two candidates, which prompted an open debate on the meaning of consensus democracy in the larger context of Indonesia's Pancasila ideology. In Singapore, though the overall popular vote declined by a further 1.1 per cent, the People's Action Party was returned in September to uninterrupted rule since 1959.

In the Philippines, despite continuing communist insurgent activities, rumours of military coups, and disillusionment among some of her supporters, the Aquino government managed to consolidate power with better control of the armed forces under Defence Secretary Fidel Ramos. As for Brunei, little of significance happened, indicating a general stability in the traditional sultanate's process of modernization. Thus, there was generally political stability among the ASEAN members with little or no developments that would imply systematic changes to the politics of these countries.

The same cannot be said of Burma, however, with the revolutionary events of March–September seeing the demise of the Burma Socialist Programme Party. Shaped by socio-political and economic conditions peculiar to Burma, major urban centres were turned into battlefields, pitting popular demand for democracy against the military junta's determination to hold on to power.

In terms of economic bouyancy, the market economies of the region had fully recovered from the recession of the mid-1980s. The October 1987 stock market crash did not seem to have had any extraordinary impact on them. With some of the highest growth rates in the world, the open ASEAN economies outperformed by far the closed centralized Indochinese economies and Burma. The demonstration effect of this is borne out by indications that the closed economies of the region may adopt some of the strategies of the market economies to provide much needed impetus to growth and restructuring in their stagnant economies.

This is not to say that there are no problems faced by the ASEAN countries. Unemployment is still high but partial relief may be in sight with expected high external investments, especially from Japan and the Asian NICs, such as Taiwan and South Korea. Diversification to and within manufacturing has shown some success. For instance, Indonesia is now less dependent on oil than it was a few years ago. With further deregulation and liberalization of their economies, the stage could be set for greater efficiency, and faster growth and trade expansion. However, increasing protectionism from the United States and Europe can be expected.

The withdrawal or intended withdrawal of GSP privileges, the provision of rice subsidies to U.S. farmers, the imposition of quotas on sugar imports, and the unsatisfactory negotiations over the U.S. Military Bases Agreement, have conveyed the impression of a U.S. disengagement from the region. This trend and other factors have given Japan the opportunity to adopt a higher posture, with economic relations as the dominant theme. As a consequence Japanese aid, trade, and investment activities in the region are expected to increase. Likewise, China is also perceived by the ASEAN members as a means to expand trade. Sino-ASEAN relations have been improving with increasing bilateral trade, and high on the agenda is the normalization of ties with Indonesia, followed by Singapore.

The opportunities for even greater regional stability and economic growth suggested by the flow of diplomatic events and the dynamism of the ASEAN states are causes for

optimism that the region may enjoy a period of rare peace and economic progress in the remaining years of the twentieth century.

The events in the past year in the individual countries and in the region as a whole have not been drastically discontinuous, but in chronicling the changes, *Southeast Asian Affairs 1989*, like its predecessors, has endeavoured to highlight and portray the complex realities of the Southeast Asian region as they manifested themselves in 1988.

Ng Chee Yuen
Editor
Southeast Asian Affairs 1989