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SOUTHEAST ASIAN AFFAIRS 2005



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Introduction

The year 2004 was a relatively good one for Southeast Asia on both economic and political fronts. The region experienced robust growth of 6.3 per cent, driven by economic rebounds in the United States, Japan, and the European Union and the rapid economic expansion of China. It was also a year in which elections and political transitions took place in a number of countries. They were on the whole positive for the region and in most cases generated hopes for a better future.

Nevertheless, the region continued to have security concerns. Its external security environment was marked by greater uncertainty, in view of concerns that Iraq might become an expanding base for jihad with implications for other regions; as well as concerns relating to the Korean peninsula, the Taiwan Straits and the downturn in Sino-Japanese relations. Within Southeast Asia some countries faced threats from terrorism associated with radical Islamic groups, especially Indonesia and the Philippines. These two countries also had to deal with separatist rebellions and, in the case of the Philippines, a continuing communist insurgency. A troubling new development was the outbreak of violence in the Muslim provinces of South Thailand.

The region was drawing increased attention from the major powers, with signs of keener competition for influence between the United States and China. America's security relations with allies and friends intensified but Southeast Asians felt that America's attention was too narrowly focused on the war on terrorism and that its "soft power" had declined. There were signs towards the end of the year of the United States adopting a broader-based and politically more nuanced policy to the region, in part to meet the competition from China which, through sophisticated diplomacy (some would call, a charm offensive predicated on its message of "peaceful rise of China") and economic leverage (e.g. signing of important agreements on trade and dispute settlement with the Association of Southeast Asian Nations (ASEAN) at the November 2004 summit and targeting an ASEAN-China FTA by 2010), had sought to address Southeast Asian governments' reservations about its emerging role as a major power. Still, these countries were not simply acquiescing in China's rise, but were continuing to hedge their bets, by accepting the need for a continuing US underpinning role in regional security. The interests of Australia, Japan and India in Southeast Asia have provided additional hedging options.

Meanwhile ASEAN seemed unlikely in the near term to develop into a truly coherent vehicle to help members manage more effectively the diverse security problems they faced. Security networking of most Southeast Asian states has largely been bilateral, especially with extra-regional powers. The continuing strong US security interest in the region has enabled Southeast Asian states to view China's rising power with relative equanimity.

ASEAN continued to face formidable challenges. Security cooperation under its auspices remained largely potential rather than actual. On the economic plane, the implementation of the ASEAN Free Trade Area (AFTA) was making good progress, but movement towards fuller economic integration remained essentially slow. The potential building blocks for an ASEAN Economic Community (AEC) based on integration in areas like services and investments were in place, but the will to move forward vigorously to attain it seemed to be lacking. The motivation behind the AEC has been to make the region a more attractive production base for foreign and domestic companies, especially in view of the competition for investments from China and India. Concerns have been voiced that the AEC might be sidetracked or subsumed under ASEAN's trade pacts with China, India and others and the economic agenda of the proposed East Asia Summit. Nevertheless in its dialogue relationships, ASEAN continued to be courted at the highest level by a growing circle of external suitors. ASEAN's 2004 post-summit dialogues (with China, Japan, Korea and India) held in Vientiane in November saw the inclusion of Australia and New Zealand for the first time since 1977 leading to expectations of a regularized ASEAN-ANZ relationship at summit level and an eventual broad economic partnership agreement.

The domestic affairs of Southeast Asian states showed more continuity than change in 2004. The outcome of the democratic elections in Malaysia, Philippines and Indonesia, the expectation that Thai Prime Minister Thaksin Shinawatra's Thai Rak Thai party would be returned to power with an increased majority in general elections scheduled for early 2005, and leadership changes in Indonesia and Singapore were generally positive for regional stability and to outside observers. The elections also demonstrated that in the two largest Muslim majority countries of Southeast Asia, mainstream Muslims voted overwhelmingly for moderate secular parties.

On the whole it can be argued that they advanced the cause of democracy in Southeast Asia, notwithstanding some signs of regression in Thailand and the poor democratic consolidation in the Philippines, which raised questions about political legitimacy of the political leadership. Even tiny Brunei was stirring with the tentative steps in political development when Sultan Hassanal Bolkhiah announced the convening of a nominated Legislative Council that would prepare for election to one-third of its seats that was expected before the end of 2005.