

REVISED EDITION

# A SHORT HISTORY OF SOUTH-EAST ASIA

*A Short History of South East Asia*

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# INTRODUCTION

## INTRODUCTION TO THE 1999 SECOND EDITION

South-East Asia has for many centuries been a part of the world whose fortunes were largely determined by centres of power elsewhere. It was a theatre for the intersection of Indian and Chinese influence – religious, commercial, cultural and political. Later, it was the easternmost extension of the spread of Islam. It saw rivalry and conflict for commercial and political control between the rival European colonial powers and then a long period of subservience to those powers until the brief ascendancy of Japanese imperial power in the 1940s.

In the 1980s and up until 1997 South East Asia experienced economic growth on a scale and at a rate which was unprecedented in world history. The region saw the beginning of a sense of shared purpose, and a confidence that the South East Asian nations would become prosperous and influential in the world. In the words of the American pioneer of developmental state theory, Professor Chalmers Johnson, they looked forward to achieving not only enrichment but also empowerment. There was a vigorous debate in the International Financial Institutions and in academic circles about the factors which had made it possible to achieve such spectacular economic progress. One dimension of that debate concerned the influence of the “Japanese model”. The “flying geese” theory had it that as Japan moved out of labour intensive industry it invested in South East Asia and other emerging economies which were able to take off into export driven economic growth with a high degree of state direction. Opposed to that was the theory that the South East Asians had achieved record-breaking economic growth by opening their economies increasingly to the world market which forced them to become highly competitive and made them attractive investment opportunities. On that theory deregulation and openness were the key to continuing success.

The crisis which started with the collapse of the Thai baht in June 1997 was widely seen in the West as discrediting the Japanese model and Japanese leadership in the region. The International Monetary Fund’s rescue operations in the region were driven by a belief that the crisis economies needed strict control of public expenditure, transparency in regulation of the banking and finance sector, and liberalisation of financial flows in particular and their

economies generally. Debate continues about the wisdom of the Fund's policies which were modified after an initial period especially in Indonesia. It is probably fair to say that no one would now believe that South-East Asia can return to strong growth in the long term without substantial reforms of governance. But there remains in the region a strong belief that these countries cannot afford to place themselves totally at the mercy of international financial markets and that some measures of control are necessary.

It will be some time before these policies and other problems are resolved but, in the meantime, the sense of achievement seen as based on national and more broadly Asian cultural traditions and values and not just derived from the West has been diminished. The sense of regional solidarity based on the shared economic success and on the growing international status of the Association of South-East Asian Nations (ASEAN) has also been affected. ASEAN as a body was shown to be largely irrelevant when the financial crisis struck. Again in September 1999 when East Timor, after voting massively for independence from Indonesia, was plunged into a frenzy of killing and destruction. ASEAN, possibly due to its long standing policy of not commenting on or being seen to be interfering in the domestic affairs of its members, seemed unwilling or unable to play any substantial role in international efforts to re-establish order. There have been a number of other events over recent years which demonstrate the interdependence of ASEAN's members and how events in one country have the potential to severely affect another. These range from occurrences of ethnic and religious conflict to unchecked forest fires in Indonesia causing havoc in other ASEAN countries such as Singapore, Brunei and Malaysia. Events such as these have led a number of members to express the view that ASEAN needs to review its *raison d'être* and one suspects this will have to lead to substantial changes in policies if the grouping is to continue to have relevance.

But the present situation is likely in the longer term to be seen as an interlude, although in some cases and especially Indonesia it might last some years. It should not be seen simply as an interruption of the remarkable economic successes of the last twenty years. High levels of economic growth will not return without substantial reforms and policies to equip these countries for success in a rapidly changing world economy. Moreover there is substantial political change afoot in South-East Asia. That is perhaps most evident in Thailand where democracy seems now firmly implanted and working well. There is a sense in Malaysia that change there cannot now be too far off. In Indonesia, the troubled giant of the region, there are elements of

major change together with retention of elements from the Suharto New Order era. Of the two great political forces in the country the Islamic seems to have gained ascendancy over the secular nationalist. But it is a moderate and tolerant Islamic leadership apparently committed to equal rights for all. In that country much economic and social ground has been lost and it will be a hard task to establish a new political order and the basis for a new era of economic growth and increasing welfare for the population of more than 210 million.

It would in my view not take long if stability and economic recovery prevail for the sense of optimism and confidence to return to South-East Asia, and this time it could be enhanced by a much wider public acceptance and sense of participation. In Indonesia, where the outlook is still uncertain, there is already an enormous change in the atmosphere with a novel and unaccustomed frankness and exchange of opinions in the media and a sense of relevance and indeed of power in the elected parliament. If economic recovery takes hold across the region we are likely to see a move to try to enhance the role and relevance of ASEAN. The proposal to establish an East Asian Monetary Fund has support in South-East Asia and the initiatives which flow from the Miyazawa Fund could lead to an invigorated cooperative arrangement supported by Japan. Global currents caused havoc in the region in 1997 and 1998 and that has led some to think in terms of building defences and walls. Globalisation will however affect South East Asia in positive ways – socially, politically and economically. Indeed they cannot afford not to respond to it, and one of the questions which faces them is whether or how they can best support each other in that enterprise.

Sydney, 1 January 2000

**Rawdon Dalrymple AO**

*Chairman, Asean Focus Group*

## **INTRODUCTION TO THE 2003 THIRD EDITION**

The success of this book shows that it fills a need, both in Australia and beyond, and that there is continuing interest in learning about the countries of South-East Asia. That is encouraging because there have been major changes in the region since the book was first produced. Those changes probably require qualification of the optimistic last paragraph of the Introduction I wrote three years ago. I will try to say briefly why that is so.