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## Introduction

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# Introduction

Economic growth in Southeast Asia was estimated at 6.1 per cent year on year compared with 6 per cent in 2006. This was due to better performance in Philippines, Indonesia and Malaysia while Vietnam sustained its impressive performance of 2006. Further, Singapore exceeded earlier expectations by growing only marginally slower than in 2006. Stronger than expected domestic demand and higher remittances for some countries contributed to the robust performance of Southeast Asian economies though exports also continued to play an important role. Yet, there were also growing concerns about the underlying competitiveness of some countries to meet longer-term economic challenges, with issues of governance, education and training at the forefront of these concerns.

The picture was more mixed in the arena of politics and security. Thailand had yet to recover its stability after the military coup of 19 September 2006, despite the election of December 2007. The political divisions in the country had, if anything, increased and the apparently failing health of the King only added to the currents of uncertainty. Meanwhile the insurgency in the southern Muslim provinces continued unabated with no solution in sight. In the Philippines, though President Gloria Macapagal Arroyo's presidency turned out to be politically resilient, it remained tarnished by a widespread perception of corruption among those close to her, while the country continued to face multiple insurgencies involving the communists and, in the south, different groups of Muslim rebels. In Malaysia there were growing signs of racial polarization and disappointment with the Abdullah administration's failure to deliver on its promises to reduce crime and corruption. The situation in Myanmar seemed worse with the September demonstrations led by Buddhist monks, which were violently suppressed. Yet, by the end of the year, nothing seemed to have changed. On the other hand, Indonesia, the largest country in Southeast Asia, had acquired a measure of stability and normalcy not seen since the financial crisis of 1997–98. However in a world vastly changed since 1997, it faced daunting challenges to attracting the foreign direct investment needed to achieve the pre-1997 growth rates of 7 to 8 per cent.

ASEAN featured prominently in the developments of 2007. The year marked the fortieth anniversary of ASEAN and saw the adoption of the ASEAN Charter, which seemed to be a significant step forward for the Association, even though there was some disappointment that the document finally adopted was a somewhat watered down version of what the Eminent Persons Group had recommended.

Democracy has recently suffered reverses in the region after the major advance in 1998–99 when the largest country of Southeast Asia, Indonesia, became a democracy. It suffered a setback in Thailand with the military coup of 2006. Poor standards of governance seemed to be eroding support for democracy in the Philippines, where according to public opinion surveys, between 2001 and 2005 the percentage of Filipinos who claimed to be satisfied with democracy dropped from 54 per cent to 39 per cent. There were also signs of growing dissatisfaction with the political system in Malaysia with its corruption-prone patronage along racial lines and its seeming inability to deal with rising graft and crime. Larry Diamond, in an article in *Foreign Affairs* of March/April 2008 could have been talking of the Philippines among others when he said: “democracy has been a superficial phenomenon, blighted by multiple forms of bad governance. ... There are elections but they are contests between corrupt clientelistic parties...”

Indonesia’s democracy seemed to be consolidating well, but was still blighted by poor governance, a state of affairs, which, if not significantly improved, could at some stage increase the attractiveness of authoritarian or Islamic alternatives. To cite Larry Diamond again: “Emerging democracies must demonstrate that they can solve their governance problems... If democracies do not more effectively contain crime and corruption, generate economic growth, relieve economic inequality, and secure freedom and the rule of law, people will eventually lose faith and turn to authoritarian alternatives.”

This volume of *Southeast Asian Affairs* has five regional chapters, eleven country reviews, and four country-specific thematic chapters.

In the regional section, the first two articles provide the political and economic overview of Southeast Asia. They are followed by an article on India’s geopolitics and Southeast Asia and two articles on ASEAN.

In the opening chapter of the volume, Tim Huxley provides an overview of the politics and security of Southeast Asia in 2007. He notes the domestic political instability in Thailand, Philippines, Malaysia and Timor-Leste, and the troubling Myanmar situation that erupted into violence in 2007. Huxley also addresses the

Muslim insurgencies in southern Thailand and the southern Philippines. While seeing little prospect of improvement in the near future in the former, he notes the tactical successes in 2007 of the Armed Forces of the Philippines in the fight against the terrorist-cum-bandit Abu Sayyaf Group (ASG) in south Philippines. On the positive side, Huxley sees better stability in Indonesia, including successes against the Jemaah Islamiyah (JI) terrorist group. Finally, he outlines the challenges facing ASEAN, pointing out that difficulties and suspicions in bilateral relations would make it difficult to achieve a regional politico-security community. These bilateral issues among members as well as apprehensions about China are also causing them to maintain and develop security ties with friendly extra-regional powers.

In “The Regional Economy: Looking Forward by Looking Back” Malcolm Cook reflects on the fortieth anniversary of ASEAN and the tenth anniversary of the Asian financial crisis in 2007. He sees both events as having an enduring effect on the shape of the regional economy and its place in East Asia and the world. The former marks further push towards ASEAN integration, even though major national barriers exist to further integration, and the driving of trade policies of member countries through free trade negotiations with major external powers. The latter contributed to ASEAN losing its special attraction as a destination for foreign direct investment, which put the region on a slower growth path and in a less competitive position in the global economy.

In “India’s Geopolitics and Southeast Asian Security” C. Raja Mohan explains how initial scepticism in Southeast Asia about India’s ability to play a meaningful role in the region has been eroded by India’s economic performance and prospects and its positive relations with all the great powers. These, together with ASEAN’s own sense of vulnerability in the changing power equations in Asia, has made India an attractive partner for ASEAN: “A rising India generates options that did not exist before ... ASEAN understands that a dynamic India will serve its [ASEAN’s] pursuit of a regional balance of power.” A central feature of India’s new security engagement with Southeast Asia is its naval diplomacy. India has also embarked upon a wider and more institutionalized cooperation with military establishments of Southeast Asian countries involving training and future arms transfers. Mohan observes a broad convergence of Indian, American and Japanese interests in Southeast Asia as all three powers seek to preserve the strategic autonomy of Southeast Asian states and protect the security of sea lanes. Despite these strategic congruities, India, he argues, will maintain an independent foreign policy:

India's main objective is to emerge as an indispensable element in the Asian balance of power.... [its] emphasis will be on simultaneous expansion of political and economic relations with all the great powers and avoid choosing sides between them...

What of India-China rivalry in Southeast Asia? While cautious in assessing this, Mohan points out, plausibly enough, that though there are elements of competition between China and India in Southeast Asia their implications should not be exaggerated in view of the context of an expansive India-China relationship and India's awareness of its own limitations in Southeast Asia relative to China.

There are two articles on ASEAN. Rodolfo C. Severino assesses the grouping at age forty. He acknowledges that ASEAN has not always lived up to its promise and that the truth about it probably lies somewhere in the middle between the views of its ardent admirers and its harsh critics. Nevertheless, whatever ASEAN's shortcomings, he seeks to provide a timely reminder of its impressive achievements over the past forty years, which tend to get neglected or forgotten amidst the cynicism about the grouping in media and academic circles in the West. The achievements include the reshaping of Southeast Asia from a region of inter-state conflict to one of inter-state peace with many networks of cooperation; bolstering international resistance to Vietnam's occupation of Cambodia in the 1980s that helped the search for a political solution for that problem; the development of the ASEAN Regional Forum (ARF) into a forum for confidence-building and cooperation among both the major and the lesser players in the Asia-Pacific security arena; and the development of the ASEAN Plus Three mechanism and its role in confidence-building between China and Japan. With its commitment to economic integration and to build an ASEAN Community, and with its new Charter, ASEAN is set to take new strides forward.

In a companion article on the ASEAN Charter, Mely Caballero-Anthony argues that the conservatism reflected in the Charter as well as the differences that emerged among members have highlighted the obstacles faced by ASEAN in realizing its vision of a three-pillared community. They have also cast doubt about ASEAN's role as a serious player in the wider Asia-Pacific region. Despite this, she believes that the Charter is still a step forward. The adoption of certain principles concerning human rights, democracy, and the need to address ASEAN's institutional development provides ASEAN elites and civil society groups the basis for pushing for better implementation of these principles. The signing of the Charter will also put some pressure on member

states to be seen to act in the spirit of the Charter and not in egregious violation of it. Further, “the stage appears set for greater engagement and more contestation — not less. In fact we are already beginning to witness the dynamics of regionalism being pried open beyond the traditional confines of closed door diplomacy”.

The country-specific chapters begin with the review of Brunei. In “Brunei Darussalam: Making a Concerted Effort”, Pushpa Thambipillai notes that in 2007, the government’s emphasis was on improving the quality of public services and enhancing human resources (especially among the youth) while attempting to further diversify the economy to reduce its oil-dependence. Given that 70 per cent of the population belongs to the “young working-adult” classification and that the lack of a skilled labour force is inhibiting the economic diversification drive, the Ministry of Education revealed its Strategic Plan 2007–2011 to foster human resources development with “adequate emphasis on technical education”. On the other hand, concern over the large increase in the number of those arrested for narcotics crimes (among whom the number of students tripled) prompted the Narcotics Control Bureau to target schools and workplaces in its preventive measures. The tourism sector’s prospects were further boosted by the launching of a dedicated domestic tourism programme and the opening of the country’s first cruise ship centre. The country also formulated its Ninth Development Plan (2007–2012) to bring the economy to higher levels of diversification and growth.

In “Cambodia: A Decade After the Coup”, Khatharya Um highlights the 2007 commune elections in which the ruling Cambodian People’s Party (CPP) won a landslide victory, achieving control over 98 per cent of the over 1,600 communes in a relatively peaceful contest. The Hun Sen regime’s self-confidence over its political dominance was further augmented by a strong economic performance boosted by rising exports, an increase by 18.5 per cent of tourist arrivals and a real estate boom. Prospects of offshore oil and gas development as well as mineral extraction led to a flurry of foreign investments during the year. Nevertheless poor governance, a narrow export base and increasing competition from Vietnam and China remained vulnerabilities posing challenges to sustained growth. Issues of corruption, poor resource management, environmental degradation, landlessness and poverty remained unresolved and the lack of the rule of law frustrated donors and polity alike. Rights advocates also came under “systematic attack” and the culture of impunity continued to remain entrenched. The long drawn-out attempt to bring those deemed responsible for the Khmer Rouge (KR) atrocities through the United Nations backed Khmer Rouge Tribunal (KRT) received a boost when some ageing former KR leaders were placed under arrest. However, doubts still

persisted regarding the scope and outcome of the KRT because of apparent lack of judicial independence. Finally, the author notes that the international donor community was unwilling to demand accountability despite shortfalls in three areas of reform: anti-corruption law, comprehensive judicial reforms, and commitment to natural resources management.

In “Indonesia’s Year of Living Normally: Taking the Long View on Indonesia’s Progress”, Greg Barton observes that Indonesia in 2007 was at last living normally after a long period of conflict, social upheaval and military rule. However, it was still far from becoming the sort of nation that Indonesians want it to be. The economic growth rate of 6.3 per cent in 2007 was insufficient to make a dent on poverty and still fell significantly short of the 7.7 per cent achieved in the five years immediately before the financial crisis. Indonesia was just not attracting enough foreign direct investment. There were still large deficits in governance. While the country scored significant successes against terrorism in 2007, surveys conducted during the year showed that intolerant and hardline views among ordinary Indonesian Muslims were disturbingly much more common place than generally thought. Barton suggests that part of the reason why the results of the surveys did not fit in with the usual general and subjective impressions of Islam in Indonesia was because most of those who write about Indonesia live in the cities and towns of developed Indonesia and had little contact with the other Indonesia which has 60 per cent of the population, is much poorer and more socially conservative. In part the survey results might reflect a lack of faith in state institutions. This was suggested by the finding that more than 80 per cent of Indonesian Muslims trusted the *ulama* but only 16 per cent trusted the police. Because Indonesia still remained such a poorly governed nation, it was little wonder that the citizens who inhabited “the other” poorer Indonesia had little reason to have confidence in public institutions:

For these people, Islamism and the hope of a society in which the application of *shari’a* represents tangible and reliable rule of law, increasingly appears to offer a desirable alternative to the status quo.

Hence, the critical importance of building good governance which was lacking on virtually every front. Barton concludes that much work lies ahead — in governance, building physical infrastructure and educational and health services — to ensure that Indonesia does not stagnate and fail.

In the chapter on Indonesian state-owned enterprises (SOEs), Agung Wicaksono analyses the challenges facing Indonesian SOEs in adopting good corporate governance and the government’s plan to restructure or privatize SOEs.

Among the complexities affecting the restructuring of SOEs were nationalistic sentiments, the weaknesses of the Indonesian capital markets, political interference, and the oversight that Parliament wants to exercise over government-linked enterprises. There are now more stakeholder interests to be taken into account, with Parliament being an important stakeholder. Notwithstanding these challenges, a plan is in place to privatize some SOEs, merge some others, build holding companies for certain sectors, with possibly a master holding company above them on the lines of Temasek of Singapore or Khazanah of Malaysia but adapted to Indonesian conditions.

In “Laos: At the Crossroads”, Bertil Lintner argues that the ruling Lao People’s Revolutionary Party (LPRP) and the Laotian Government had reached a crossroads on how to respond to a new set of problems and challenges arising in the wake of rapid economic growth and social transformation. While Laos in 2007 was poised to pursue a growth path predicated upon five priority sectors — hydroelectric power, mining, construction material, agriculture and ecotourism — it had to grapple with problems of inadequate skilled human resources (especially in the public sector), corruption, environmental degradation, unemployment, urbanization, widening income gap and falling remittances from abroad. Although political stability was maintained through a strong grip by the LPRP led by a new crop of leaders that came to power in 2006, tensions among the three main ethnic communities persisted. The ethnic issue was highlighted when the U.S. Government arrested, in June, a group of resettled Hmong tribesmen led by ex-General Vang Pao on charges of plotting to overthrow the Lao Government through force of arms. Meanwhile, China’s influence in Laos, concomitant with increasing economic cooperation, had grown significantly. Laos took great pains to allay Vietnam’s fears over increasing Chinese inroads through aid and investments. Moreover, according to the author, questions of foreign socio-cultural influences and challenges posed by increasing influx of foreigners and non-government organizations (NGOs) must be addressed by the ruling party and the state apparatus.

In “Malaysia in 2007: Abdullah Administration under Siege”, Lee Hock Guan delineates some troubling trends in the country. He points to a series of events that resulted in the deterioration of ethnic relations. Decades of state-sanctioned ethnic and religious discrimination policies and practices had in particular affected the Indian community most, culminating in 2007 in a demonstration by tens of thousands of Indians organized by the Hindu Rights Action Force (Hindraf). Public confidence in Prime Minister Abdullah’s 2004 promise to battle corruption and crime and to reform the police and the judiciary had dwindled to virtually zero by 2007. A number of scandals ranging from allegations of corruption, including in the



top layers of the police and in the Anti-Corruption Agency itself, to the fixing of appointments to the top ranks of the judiciary rocked the country. Meanwhile, with an early general election looming, the opposition parties were preparing to exploit these issues and widen their appeal beyond their traditional ethnic constituencies. PAS in particular was toning down its Islamic state agenda and seeking to reach out to non-Malays. The opposition was also reinvigorated by the return of Anwar Ibrahim, who was working hard to reinsert himself into Malaysian politics even though he was not eligible to hold office in a political party or contest elections until April 2008. He was playing a key role in building working cooperation between the three main opposition parties — Democratic Action Party (DAP), Parti Islam Se-Malaysia (PAS), and his own Parti Keadilan Rakyat (PKR) — in particular between PAS and DAP. With the conventional mainstream media not giving adequate coverage to their policy platforms, opposition party leaders were skilfully making use of alternative media and the Internet to reach out. Anwar was also one of the leaders fronting the campaign for clean and fair elections to educate the public on election irregularities and pressure the government to carry out electoral reforms.

In “The Malaysian Economy: Developments and Challenges”, Denis Hew notes that the key driver of Malaysia’s better than expected economic growth in 2007 was robust domestic demand, especially private consumption and public investments. While much of the growth momentum would be carried forward into the following year, 2008 gross domestic product (GDP) projections would have to take into account the downside economic risks such as a possible U.S. recession, volatile international financial markets (due to the U.S. sub-prime mortgage crisis), and higher oil and food prices which were stoking fears of global inflation. These downside risks could potentially dampen world trade which in turn could have negative implications on the growth prospects of Malaysia and the entire region. The Malaysian Government’s investment in the Iskandar Development Region (IDR) and the Northern Corridor Economic Region (NCER) could partially cushion the possible impact of a global economic slowdown. However, much work would need to be done on how to formulate the right approach in developing these two economic corridors. For instance, it would make more economic sense for the IDR to complement rather than compete with neighbouring Singapore, especially in the manufacturing and services sectors. There were also political minefields to deal with. Meanwhile, the NCER in north Peninsular Malaysia was a more challenging project because it would cover the poorer and less developed part of the country. The post-election Badawi administration must be seen to put greater effort in ensuring that the necessary

conditions for growth in these parts of the country are conducive to investment, particularly in education and infrastructure development.

In “Developmental States and Economic Growth at the Sub-national Level: The Case of Penang”, Francis Edward Hutchinson explores the whys and wherefores of the rise of Penang as a relatively successful producer of manufactured electronic goods in a span of three dozen years. He contends that Penang’s economic model is unique and could be understood by “applying a Developmental State framework at the sub-national level” which he proceeds to examine in a three-period chronological order. The first period from 1969 to 1980 was ushered in by a change in Penang’s politico-economic configuration resulting from the rise of Gerakan as the ruling party and the initiatives of its party leader who became the Chief Minister. The Penang Development Corporation (PDC), a provincial statutory body, played a pivotal role in fostering a viable electronics manufacturing base. PDC quickly “came to approximate the ideal of a ‘developmental’ pilot agency” that transformed the moribund manufacturing sector into a dynamic export base. The second period from 1980 to 1990, dubbed the era of “maturity and consolidation”, saw the establishment of Penang as Malaysia’s leading region in the electronics industry. However, the Penang State Government found itself reaching the limits of its capacity and autonomy as the reach of the central government expanded into the state and premier Mahathir’s federal initiatives were not favourable to its economic model. In the third period under study spanning from 1990 to the present, the author ponders whether an eclipse is in the making, as the basic developmental state model of Penang increasingly encountered structural and other constraints brought about by changes in the political environment, the deepening and broadening of federal interventions, the rise of alternative centres elsewhere in Malaysia and shifting technological imperatives of the electronics industry.

Robert H. Taylor in “Myanmar in 2007: Growing Pressure for Change but the Regime Remains Obdurate” explains that neither the demonstrations in September by Buddhist monks (the largest since the fall of the one-party socialist government in 1988) nor the international outcry, mediation initiatives and pressure that followed the government’s crackdown had succeeded in moving the ruling State Peace and Development Council (SPDC) towards opening the political process and adopting a more liberal approach to democracy. The grip of the military regime remained as firm as ever. The junta had been equally obdurate in its meticulous pursuit of its seven-step road map through its new constitution, the draft of which was completed in September after some fourteen years of deliberations by the state-sponsored National Convention. The appointment of a new prime minister, General Thein Sein, formerly Secretary 1 on the SPDC,

following the passing away of his predecessor, also saw no apparent change in government policies. Meanwhile, the economy “continued to fail to generate jobs and improve living standards for most of the population” despite registering double-digit GDP growth according to government statistics. Tourism suffered heavily in the prime season due to adverse circumstances caused by the suppression of the September demonstrations. Continued sanctions and a “faltering economy” seriously constrained efforts to tackle Myanmar’s large and growing humanitarian issues. Moreover, the United States and the European Union increased the scope of sanctions as punitive measures against the SPDC after the violent September crackdown, which provided grist to the mill of opposition at home and abroad. This led to a shuttle diplomacy by the UN Secretary-General’s special advisor Professor Gambari who managed to persuade the SPDC to appoint a liaison minister for dialogue with opposition National League for Democracy (NLD) leader Daw Aung San Suu Kyi (under house arrest since May 2003). However, with the latter refusing to relent to the regime’s demands for forswearing sanctions and ending confrontation, no substantive progress was made. In conclusion, the author contends that almost nothing had changed during the year, while “the member states of the international community had once again failed to find a common approach to Myanmar and its myriad issues”.

In a companion article entitled “Responding to Strategies and Programmes of Myanmar’s Military Regime: An Economic Viewpoint”, Ardeth Maung Thawnghmung focuses on the issue of economic reform which, the author believes, underpins the “current economic crisis”. Taking the September demonstrations as a point of departure, the article traces the trajectory of economic policy initiatives and relevant measures taken by the military regime in the past two decades and analyses their impact upon the economy, polity and the regime itself. The regime seemed to have been interested only in measures that brought concrete financial gains, were “less economically costly” or were directed against detractors and adversaries, resulting in piecemeal and ineffective efforts that yielded little improvement in the economic situation and business environment. While advocating a simultaneous implementation of political and economic reforms, the author’s suggestion for the international community include: a “gas for food” strategy regarding natural gas sales; convincing the regime to allow more space and scope for local and international humanitarian NGOs; and “promoting informal channels of support to” local self-help groups and the civil society at large. Lastly, pointing out that China and Vietnam “can intensify their efforts” in bringing about “some needed economic reforms”, more should be done to orient them towards a people-oriented approach in their economic relations with Myanmar.

In “The Philippines: Weak State, Resilient President”, Patricio N. Abinales, in seeking to explain why President Gloria Arroyo remained in power despite many attempts by her opponents to remove her, draws attention to an aspect of Filipino politics that is often ignored by observers, especially foreign observers and analysts. This is the strength of Arroyo’s ties with local politicians who control their local areas throughout the country and also wield power in the Lower House of Congress. By making sure that government funds continue to flow to provincial governors, city and town mayors, and village councillors, Arroyo has been able to frustrate efforts of opponents to impeach her in Congress or to remove her by a “people power” uprising. He says:

[anti-Arroyo opposition’s] vocal presence in Manila continues to attract the attention of the media and the metropole’s chattering classes ... The image of a president besieged by the opposition is then picked up by the international media outlets which portray the Arroyo regime as marked by political instability ... Academics elaborate with their bleak prognoses, perpetuating the idea of perennial political instability ... [But] the ruckus raised in the capital and the image of instability projected internationally do not conform with the remarkable stability of the regime as seen “from below”, *where Arroyo has faced not a single challenge since assuming the presidency ...*

This state of affairs, according to Abinales, accorded with a long-established tradition of Philippine politics. It was how most Philippine presidents ruled the country since the 1930s. Conversely, one reason why the opposition, whether political or insurgent like the Communist Party of the Philippines, Islamic separatists in the south, and certain mutinous pockets in the military, had found it so difficult to succeed was their inability to forge viable and enduring ties with the wielders of local power.

In “Singapore: Success at Home, Challenges from Abroad”, Bilveer Singh draws attention to the dangers of complacency in a country that to all outward appearances was prosperous and on top of its socio-economic and security challenges. He illustrates his concerns by pointing to a number of developments during 2007: the wrongful acts committed in the National Kidney Foundation, a charity linked to the government; cases of self-radicalization of local Muslims through the Internet; problems in relations with neighbours, especially, during 2007, with the largest neighbour Indonesia in which the vulnerability of the Republic was highlighted by Indonesia’s ban of sand and granite exports as a lever to extract concessions from the Republic in other areas. Singh also mentions two other challenges: that of managing the political opposition in

Singapore, noting that opposition voices can provide alternative views which can serve as an antidote to complacency; and that of maintaining social harmony amidst the threat of religious extremism and the widening income gaps in an increasingly globalized economy. Efficiency, while laudable, would not just by itself equip Singapore to deal with the dangers and challenges that lay behind the undoubted success of the country by many indicators, says Singh.

In “Thailand: State of Anxiety”, Duncan McCargo notes that 2007 was a troubled time for Thailand. The year saw the return of “messy and fractious multi-party politics” in a nation bitterly divided between supporters and opponents of former premier Thaksin Shinawatra. Despite a propaganda war against Thaksin by the coup leaders, who were assumed to have the backing of the palace, the dissolution of Thaksin’s Thai Rak Thai (TRT) Party and the banning of 111 executive members of the party from holding political office, Thaksin’s followers managed to stage a comeback through a new party named People Power Party (PPP) that gained almost half of the seats in the 23 December polls. The resilience and the strength of pro-Thaksin constituents were revealed in the August referendum by the low turnout and the small majority of the “yes” votes. Meanwhile, Thaksin remained “a newsmaker and power-broker”, apparently controlling the PPP (led by his loyalist Samak Sundaravej, a former governor of Bangkok) that rapidly gained ground in the second half of the year. The Democrat Party, which was the leading opposition party, failed to capitalize on the demise of TRT, while the emergence of new but weak parties aggravated the fractious nature of Thai political parties in the run up to the December elections. Although it was a triumphal year for the monarchy as the country celebrated the King’s eightieth birthday, McCargo believes that the inability of the palace to address public anxiety about the succession threatened to undermine the glory of the King’s reign. Moreover, “monarchical network” appeared to be powerless to change the course of electoral politics. On the economic front, the author observes that with intense regional competition and a strong baht Thailand’s performance was distinctly weak among the ASEAN-5. The budget was in deficit for the first time since 2003 and the average household debt stood at a historic high while political uncertainties regarding government longevity and royal succession did nothing to encourage inward investment. Meanwhile, there was no improvement in the security situation in Thailand’s troubled south, which, given the preoccupation with Bangkok politics and the stand-off between Thaksin and the government, seemed to be relegated to the backburner in policy terms.

In “Timor-Leste: A Year of Democratic Elections”, Jose Cornelio Guterres outlines developments in that country, focusing on the presidential and parliamentary elections which were on the whole conducted peacefully with the assistance of United Nations agencies and an international peacekeeping force. Guterres contends that the coalition government arising from the parliamentary elections, in particular the leadership of Xanana Gusmao, was good for the country, but he shows some unease about the future in view of the unwillingness of the Fretilin Party to cooperate with the government and the fact that Major Alfredo Reinado, an escapee wanted for murder, remained at large.

Alexander L. Vuving notes in “Vietnam: Arriving in the World — and at a Crossroads” that 2007 saw a GDP growth rate of 8.4 per cent and record levels of overseas remittances, official development assistance, and foreign direct investment. However, in view of the double-digit inflation rate, a relatively high budget deficit and continuance of chronic problems in education, infrastructure, energy supply, the legal system and the bureaucracy, the likelihood of the economy heading towards a bottleneck could not be discounted. There was a major reorganization of the ruling party’s central administration, followed, in July, by a Cabinet shake-up. Overall, according to the author, personnel changes in the Vietnam Communist Party (VCP) and in the government seemed to reflect a trend towards an “increase in number and influence of Southerners in the country’s leadership”. Vietnam’s foreign policy of “friends-to-all” continued, with emphasis on economic cooperation. However, seeking strategic relations with the great powers and a new international role were also two of the central themes pursued. Relations with the United States were marred by U.S. objections to the crackdown on Vietnamese pro-democracy activists while Sino-Vietnamese relations were fraught with tensions brought about by Chinese actions in the South China Sea, including Chinese attacks on Vietnamese fishing boats in disputed waters. China’s plan to create an administrative region for “three archipelagos, including the Paracels and the Spratlys” led to a series of unprecedented public protests in Hanoi and Ho Chi Minh City that brought thousands of demonstrators into the streets for three consecutive weekends in December. Faced with unrest expressing patriotic fervour in support of a cause that the government approved in principle, the authorities eventually cracked down on the second and third demonstrations, fearing Chinese retaliation and their possible transformation into anti-government protests. In his concluding remarks, the author contends that debates among the ruling elites on Vietnam’s accession to the WTO were not only about its economic implications but more fundamentally about “whether Vietnam was willing to change the way it organizes its social, economic, and political life”. As such, in 2007 the “tug-

of-war” between conservatives who oppose the “integration into the West-led system” and those who support it, continued but the “rise of nationalism and the pressures exerted by China and the United States, were driving the ruling VCP into a crossroads”. But choosing a “middle way”, he argues, “might erode both domestic and international support of the Party”.

The articles in this volume promise to be timely and relevant as they address regional and domestic political, economic, security, and social developments during 2007 and their implications for countries in the region and beyond.

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