

## SOUTHEAST ASIA BULLETIN



## CSIS SOUTHEAST ASIA INITIATIVE

The CSIS Southeast Asia Initiative is a project of the International Security Program, Asia Group. CSIS launched the initiative in January 2008 to provide a venue for greater focus, examination, and analysis of Southeast Asian affairs within Washington's policy community. The initiative includes regular roundtables, conferences, studies, and forums to spotlight developments in the region. CSIS will also seek to partner with other interested organizations and individuals within and outside Washington to maximize the flow of information, analysis, and outreach on Southeast Asian affairs in the United States.

An important component of the initiative is the monthly *Southeast Asia Bulletin*, which provides a timely overview of key developments, events, and facts about the region and offers a forum for short essays by official and unofficial commentators on regional affairs.

Derek Mitchell, director, Southeast Asia Initiative, and Brian Harding, research associate, welcome your feedback on the *Southeast Asia Bulletin* at [dmitchell@csis.org](mailto:dmitchell@csis.org) and [bharding@csis.org](mailto:bharding@csis.org) respectively.

Other projects & reports from the International Security Program's Asia Division can be found at [www.csis.org/isp/asia](http://www.csis.org/isp/asia).

## Feature Article

## SOUTHEAST ASIA IN 2009

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With its memory of the 1997-1998 financial crisis still raw, Southeast Asia enters 2009 with great trepidation. Singapore has already dipped into recession, and several other Southeast Asian economies will likely join it there in the new year. Slow or negative growth will be a major challenge for the stability of Southeast Asian governments and societies. It will influence elections, leadership transitions, and party politics throughout the region in the coming year, particularly in Malaysia, Indonesia, Thailand, and the Philippines. Meanwhile, the advent of a U.S. president with personal ties to the region has raised hopes of fresh engagement of the United States in Southeast Asian affairs.

**Malaysia**

Current deputy prime minister Najib Razak is scheduled to become Malaysia's sixth postindependence leader in March when current prime minister Abdullah Badawi resigns as head of the United Malays National Organization (UMNO). Najib has promised reforms and enhanced relations with the United States but will be focused on domestic politics as he seeks to repel opposition leader Anwar Ibrahim's bid to peel away enough members of Parliament from UMNO's Barisan Nasional (BN) coalition partners to form a new government. With an economy that is highly export dependent, growth is projected to dip to approximately 2 percent in 2009.

**Indonesia**

Indonesia will be consumed with domestic politics throughout much of 2009 as it gears up for parliamentary elections in April, presidential elections in July, and an expected presidential runoff in September. Current expectations are that current president Susilo Bambang Yudhoyono and former president Megawati Soekarnoputri will square off again as they did in 2004. While Yudhoyono remains a favorite for reelection, Megawati Soekarnoputri's (PDI-P) party will likely emerge with the largest bloc in Indonesia's Parliament (DPR). Golkar, Yudhoyono's Democrat Party, and the moderately Islamist Prosperous Justice Party (PKS) will also be key players within the DPR. While the Indonesian economy faces challenges in the coming year, it looks better positioned to weather the current crisis than most of its neighbors due to its consumption-driven economy.

(continued on pg 2)

## The Philippines

The Philippines will enter an even more politically charged season than normal as 2010 presidential and legislative elections approach. In the background will be a debate over President Arroyo's push to rewrite the constitution—dubbed “charter change” or “cha-cha”—to change the Philippines' bicameral presidential system into a parliamentary one. Renewing peace efforts in Mindanao will also be a priority after the collapse of peace negotiations in 2008 and a return to violence, but the outlook in the fallout of the collapsed 2008 accord looks bleak despite a recent pledge to resume peace talks. (See *September 2008 Southeast Asia Bulletin* for background.) Economic growth is expected to slow to around 2 percent in 2009.

## Thailand

Newly elected prime minister Abhisit Vejjajiva will face the monumental task of holding together and managing an unwieldy coalition, confronting economic challenges that threaten to push GDP growth below 2 percent, and maintaining social cohesion amidst continued domestic division. Prime Minister Abhisit has expressed a commitment to pursuing a new approach to the problems of southern Thailand, but progress in this arena over the heads of the military will remain a distinct challenge. As always, the health and influence of King Bhumibol on Thai politics and society, and the future of the monarchy in general as the king ages, will continue to hang over Thai politics.

### SOUTHEAST ASIA AT CSIS

The CSIS Southeast Asia Initiative has published a **conference report** from its major conference in September entitled “The United States and Southeast Asia: Toward a Strategy for Enhanced Engagement.” Eighteen prominent Southeast Asian diplomats and scholars, and several senior U.S. government officials and other specialists, spoke at the event. Audio recording from the conference can be found **here**.

## Questions about U.S. Policy in Southeast Asia in 2009

The Obama administration will enter office to find a Southeast Asia whose member nations in general are eager for greater U.S. attention and engagement in regional affairs—whether economic, military, political, social, etc. Statements that the United States has ignored the region during the Bush administration are vastly exaggerated. Nonetheless, the failure of senior U.S. officials to attend the right meetings at the right protocol level in recent years has left an impression of absence, disinterest, and/or disregard that the region hopes will be corrected by the new U.S. team.

Among the issues that the new administration will need to consider include whether to sign ASEAN's Treaty of Amity and Cooperation (TAC); initiate a U.S.-ASEAN summit process; and deploy U.S. officials, including Secretary of State Hillary Clinton, to regional meetings such as the ASEAN Regional Forum Ministerial. The administration will need to consider how to organize its Southeast Asia-related personnel, including who should serve as U.S. ambassador to ASEAN and U.S. special coordinator and envoy on Burma, both mandated by Congress. The Obama team will need to balance its commitment to deepening ties with a newly chartered ASEAN with opportunities for making new strides in bilateral relations with nations such as Indonesia and Vietnam, in addition to good friends Singapore and Malaysia and treaty allies Thailand and the Philippines.

Given Southeast Asia's predominant interest in economic development, its greatest concerns regarding the United States will include whether the U.S. market will remain open to its products or erect barriers in response to U.S. economic distress, and whether the United States will remain actively engaged in regional security affairs to maintain a balance of power and address a host of transnational threats. Lastly, the 2009 Asia-Pacific Economic Cooperation (APEC) summit will take place in Singapore from November 14–15, offering President Obama his first opportunity to visit the region as president.

## DECEMBER TIMELINE OF EVENTS

**December 2, 2008:** ASEAN postpones its scheduled December 14–17 summit until February 2009 due to unrest in host country Thailand. The summit had previously been moved to Chiang Mai, in northern Thailand, after Bangkok was deemed too unstable. The ASEAN foreign ministers meeting, which normally immediately precedes the summit, was relocated to Jakarta, Indonesia, and took place on December 15.

**December 2, 2008:** Thailand's constitutional court rules that the People's Power Party (PPP) and two of its coalition partners committed election fraud in the December 2007 parliamentary elections, leading to the dissolution of the PPP and the resignation of Prime Minister Somchai. See Major Regional Developments

**December 2, 2008:** Vietnam announces a \$1 billion stimulus plan. High inflation and external economic shocks have threatened both growth and social stability as economists expect Vietnam's growth to slow to around 5 percent in 2009 after more than 8 percent annual growth from 2004–2007 and 6–6.5 percent growth in 2008.

**December 3, 2008:** Iran and Malaysia sign a \$6 billion deal for Iran to build a petrochemical refinery in Malaysia. The facility will manufacture fuel oil, gasoline, jet fuel, liquefied natural gas, and petrochemicals and is projected to be built within six years. Malaysia announces that it will invest a similar sum in oil fields in Iran.

**December 3, 2008:** Border trade between Burma and Bangladesh resumes. Trade was halted for one month due to a maritime boundary dispute between the two neighbors. The dispute has not been settled, but their previously mobilized militaries have stood down, and negotiations are scheduled for early 2009.

**December 4, 2008:** King Bhumibol Adulyadej of Thailand does not deliver his annual birthday speech on account of illness. The royal family assures the nation that the illness is not serious, but it is the first time in his 62-year reign that he has failed to give the address. It had been hoped that his address would help ease the nation's ongoing political and social turmoil; instead, his absence raised questions not only about the king's health but also more broadly about the monarchy's ability to transcend the political situation to bring calm to Thai society.

**December 5, 2008:** Vietnam and China announce an agreement that calls for closer cooperation on the transfer and research of military technologies, the training of military staff, organizing search and rescue exercises, sweeping and defusing mines and torpedoes, and conducting joint sea patrols. The agreement came on a five-day visit to China by chief of staff of the Vietnam People's Army Senior Lieutenant General Nguyen Khac Nghien.

**December 8, 2008:** Cambodia slashes its military budget proposal for 2009 after a proposed increase is criticized by the International Monetary Fund (IMF) at a donors conference in Cambodia. Following hostilities with Thailand in 2008, the Cambodian government proposed increasing its military budget to \$500 million, from a 2008 budget of \$108 million. The parliament's adjusted proposal is \$160 million.

**December 9, 2008:** AsiaBooks, the Thai distributor of the Economist, preemptively bans the week's edition of the magazine due to an article critical of the Thai monarchy. Thailand has the world's strictest lèse-majesté laws.

**December 13, 2008:** Thousands march on Manila's financial district to protest a proposed constitutional rewrite that demonstrators say would allow President Gloria Macapagal-Arroyo to remain in office beyond her current six-year term, which ends in 2010. While many opposition lawmakers are among the protesters, notably absent are opposition figures who are expected to contend the 2010 presidential election.

**December 15, 2008:** The ASEAN Charter comes into effect at the ASEAN foreign ministers meeting in Jakarta, Indonesia. See Major Regional Developments

**December 15, 2008:** Singapore and the six-country Gulf Cooperation Council (GCC) sign a free-trade agreement (FTA). This is the first FTA for the GCC, which consists of Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates.

**December 15, 2008:** Thai opposition leader Abhisit Vejjajiva wins a special election to become prime minister. See Major Regional Developments

## DECEMBER TIMELINE OF EVENTS CONTINUED

**December 30, 2008:** Thailand announces that it will be ready to hold a rescheduled ASEAN summit from February 24–26, 2009, in Bangkok.

**December 30, 2008:** New Thai prime minister Abhisit delivers his first policy speech amid new protests. In the speech, Abhisit spoke about the economy, the violence in southern Thailand, and shoring up relations with Cambodia, among other topics. See Major Regional Developments

**December 31, 2008:** Vietnam and China settle a land border dispute dating from their 1979 border war. Demarcation is completed just hours before a year's end deadline. Disagreement over their maritime boundary persists.

## U.S. ENGAGEMENT IN THE REGION

**December 4–5:** Assistant Secretary of State Christopher Hill visits Singapore. While Hill's primary purpose in Singapore was to meet with North Korean representatives, he took the opportunity to discuss bilateral and regional issues with Singaporean officials as well.

**December 5, 2008:** The United States officially opens a defense attaché office at the U.S. embassy in Vientiane, Laos.

**December 11, 2008:** The Millennium Challenge Corporation (MCC) declared Indonesia eligible for large-scale grant funding after two years in its "threshold" program. More information can be found [here](#).

**December 17, 2008:** In a meeting with Vietnamese prime minister Nguyen Tan Dung in Hanoi, Senate Finance Committee chairman Max Baucus indicates his support for early granting of the Generalized System of Preferences (GSP) to Vietnam.

## MAJOR REGIONAL DEVELOPMENTS

### ASEAN Becomes a Legal Entity

The ASEAN Charter came into effect on December 15, 2008, at the annual ASEAN foreign ministers meeting in Jakarta, putting the 41-year-old organization on legal footing for the first time. The occasion was meant to be marked at the ASEAN summit scheduled for mid-December in Bangkok but instead took place at the foreign ministers meeting, which was relocated to Indonesia due to continued political and social turmoil in Bangkok.

Formally proposed at the 11th ASEAN summit in December 2005, the principles of the charter were conceived by an "eminent persons group" comprised of one senior representative from each member country and then drafted by a senior task force that was also made up of one representative from each country. The charter was adopted and submitted to member states for ratification at the 13th ASEAN summit in November 2007. There was significant criticism of the text in some quarters, notably in the Indonesian and Philippine legislatures, for failing to alter ASEAN's consensus-based decisionmaking process and omitting terms of reference for a prescribed ASEAN human rights body. Nonetheless, all 10 ASEAN governments ratified the document in time for the scheduled summit.

Legally, the charter mandates the establishment of national secretariats for ASEAN in each country, the appointment of four ASEAN deputy secretary-generals, and the posting of permanent representatives from each country to the secretariat in Jakarta and increases the frequency of ASEAN Summits to twice each year. Organizationally, it creates three Community Councils, with representatives from each member state, to coordinate policy and action toward the realization of an ASEAN Political-Security Community, an ASEAN Economic Community, and an ASEAN Socio-Cultural Community. Additionally, the charter establishes that the working language of ASEAN is English and allows for amendments to the charter to be submitted after five years.

The charter legally enshrines key ASEAN principles: the centrality of ASEAN in regional cooperation, respect for territorial integrity and noninterference, promotion of a regional identity, the peaceful settlement of disputes, the encouragement of regional integration of trade, the development of friendly external relationships, and the promotion of good governance and social justice. Additionally, the charter aims to establish a single economic market by 2015.

The intention of the task force that drafted the charter was, in their words, to “grow a culture of action” by giving ASEAN a “rules-based nature.” Key remaining areas of contention include potential limits to the bloc’s noninterference policy and the terms of reference of the human rights body. The latter will be a topic of discussion at the rescheduled 14th ASEAN summit in February. The text of the ASEAN Charter can be found [here](#).

### **A(nother) New Thai Prime Minister**

Prime Minister Somchai Wongsawat resigned as prime minister when the constitutional court ruled that his People’s Power Party (PPP) had committed election fraud in the December 2007 election. Somchai had been Thailand’s prime minister since September 18, 2008. His resignation ended the occupation of the Government House and Bangkok’s two major airports by the opposition People’s Alliance for Democracy, which had stranded an estimated 300,000 travelers in Thailand in late November and early December.

The PPP, which had been forced to disband following the constitutional court ruling, immediately regrouped as the Puea Thai Party. Nonetheless, the opposition Democrat Party was able to peel away enough former PPP members of parliament to form a new government with party leader Abhisit Vejjajiva as prime minister. Abhisit is Thailand’s fifth prime minister since 2006. However, Abhisit, a 44-year-old, Oxford-educated politician, faces daunting challenges, not least managing his extremely delicate coalition. Thailand’s deep divisions, particularly between the rural poor and urban elite, remain extant as well and have found form in new protests by Thaksin/PPP supporters. Indeed, Abhisit was forced to change the location of his first policy speech due to the presence of hundreds of protestors outside the parliament building. In the midst of such political turmoil, and the global economic crisis, Thailand’s GDP growth slipped to 2 percent in 2008.

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### **EVENTS TO WATCH FOR IN JANUARY**

**January 11:** Thailand holds by-elections to replace 29 members of parliament convicted of vote fraud.

**January 17:** A by-election in the eastern Malaysian state of Terengganu takes place. Observers expect the election to provide an indication of the national political mood following the opposition’s significant gains in the March 2008 national election.