The political future of ASEAN
after the Asian crisis

ZAKARIA HAJI AHMAD AND BALADAS GHOSHAL

Today … the overwhelming impression of East Asia’s enduring strength and of ASEAN’s efficacy has been cast aside and forgotten. The same commentators who used to assume a future of continuous growth for ASEAN now seem to believe that ASEAN can do nothing right—or can just do nothing … This mass shift in perception is perhaps understandable. After all, the economic disaster that has engulfed Southeast Asia, together with much of the rest of East Asia, has wiped out many of the gains of the region’s tiger economies, with no quick end in sight. An environmental disaster arising from forest and peat fires has swept large parts of Southeast Asia. The frustration and bewilderment over the sudden reversal of fortunes of the region have led many, including some in Southeast Asia itself, to raise questions about ASEAN’s effectiveness and utility and about the validity of the very idea of ASEAN. (Rodolfo C. Severino, Jr, Secretary-General of ASEAN, speaking at the University of Sydney, Australia, 22 October 1998)¹

ASEAN as a group is being seen as helpless and worse, disunited … In our summits in 1997 and 1998, we failed to convince the outside world that ASEAN was tackling the crisis with determination and decisiveness to regain its high growth. (Goh Chok Tong, Prime Minister of Singapore, in Brunei, April 1999)²

The effects of globalization and the region’s economic and financial crisis have not only caused outsiders to doubt our efficacy, but also forced us to rethink our role … On the one hand, we have the Vision of 2020, which talks about ‘a stable, prosperous and highly competitive ASEAN Economic Region in which there is free flow of goods, services and investments’, yet, on the other hand, we seem to be unable to agree on the sectors to be liberalized. (Surin Pitsuwan, Thailand’s foreign minister, at the post-ministerial conference meeting in Singapore, July 1999)³

Within and outside our subregion, sources of fear and unease fester (Domingo Siazon, the Philippines’ foreign secretary, at the PMC, Singapore, July 1999)⁴

² Quoted in Michael Richardson, ‘ASEAN struggles to change its reputation as weak, helpless and divided’, International Herald Tribune, 22 April 1999.
Two years after the onset of the 1997 Asian financial and economic crisis, there is on the eve of the third millennium a prevailing sense of despair about the future of ASEAN among scholars, observers and, importantly, the leaders of the region, as the statements quoted above make plain. This mood first found official expression at the informal summit in Hanoi in December 1998, where ASEAN leaders, in a mood of apparent depression, lamented how far they had fallen and mourned their loss of clout in regional and international affairs. Indeed, the primary victims of the Asian financial crisis, besides South Korea, are Thailand, Indonesia and Malaysia and, to a lesser extent, the Philippines and Singapore—all founding members of ASEAN. Each has been affected, in varying degrees, by a shrinking economy, a weaker currency and reduced purchasing power. And to the extent that they have been individually weakened, ASEAN as a whole is also affected.

**Economic crisis and its effect on ASEAN unity**

It is perceived both inside and outside the region that ASEAN is now in a much weaker position in dealing with the outside world, particularly in dealings with China on disputed islands in the South China Sea. Moreover, the members of ASEAN, which are supposed not to interfere in each other’s internal affairs, have been more ready to comment on and criticize each other in public than ever before. Disputes that are supposed to be dealt with behind closed doors, such as those between Malaysia and Singapore, Malaysia and the Philippines, or Thailand and Burma, have erupted into the open. More importantly, aside from the crisis itself, the disparate responses to it between 1997 and 1999 by members of ASEAN caused many to question the group’s methods, effectiveness and relevance—a reaction only exacerbated by its visible unwillingness or inability to take timely and concrete cooperative steps during 1991–4 and again during 1997–9 to tackle the problem of haze arising from the massive forest and peat fires in Indonesia, which affected three countries in the region—Malaysia, Singapore and Brunei—very severely.

ASEAN Secretary-General Rodolfo Severino, however, has defended the association by saying that criticizing ASEAN for its failure to act on such issues is ‘something akin to blaming the OAS [Organization of American States] for the financial crisis in Mexico or for forest fires in Brazil, or the OAU [Organization of African Unity] for Africa’s recent sorrows, or the EU for the

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5 Even a recent editorial in *Jakarta Post* has expressed scepticism about Indonesia’s ability to handle the problem of haze: ‘this recurrence of the 1997 environmental disaster sends out a clear signal that much more serious attention must be given to the preservation of our environment . . . while logging companies, plantation owners and others must be held responsible for the proper management of our environmental resources the main responsibility rests with the government. Foreign companies recently have threatened to boycott Indonesian palm oil product, and Brunei had threatened to sue Indonesia for the haze problem, and other fellow members of ASEAN are complaining so much that it is not too far-fetched to imagine it could erode ASEAN’s cherished principle of non-interference.’ *Jakarta Post*, 7 August 1999.
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problem of the Balkans’. Even so, Severino could not help but give an unusually blunt warning, at the end of May 1999 in Singapore, stating that members of the group must resist the temptation to turn away from regionalism at a time of economic and political stress in South-East Asia. He urged instead intensified efforts to hasten integration, including moves by members to coordinate their economic and industrial policies more closely. Noting that ASEAN provided its members—most of them small or medium-sized countries—with collective bargaining power, Severino said there would be only two alternatives if regionalism in South-East Asia broke down. One would be ‘domination by more powerful states and mighty corporations’; the other would be the rise of ‘narrow nationalism’ in a fragmented region. He rejected forecasts of doom for ASEAN, saying the group had actually deepened and accelerated the move towards regional integration since the onset of the economic crisis. ‘The idea is to create, within a fairly short time, a zero-tariff market of half a billion people with a regional GDP today of $700 billion,’ he declared. He further asserted: ‘As with goods, so will it be with services. Rather than unravelling the fabric of ASEAN cooperation, the region’s economic troubles have pushed ASEAN to cooperate much more closely in dealing directly with the financial and economic weaknesses that the troubles have exposed.’ Indeed, in the summer of 1999 a new sense of solidarity was apparent, resulting from awareness on the part of the countries involved that they are in this together. There is a realization that the return to economic recovery of any one country will help other countries in the region emerge from the economic doldrums. To quote Ali Alatas, foreign minister of Indonesia: ‘We have now come to realize because of the crisis how interdependent we are, how interconnected our problems are. Now we see that it cannot remain Thailand only having a problem, it inevitably would infect us. So our problems are interconnected, our interdependence towards one another has grown, and we realize in times of crisis we must be able to show the world that we are able to cooperate even more closely with each other.’

The crisis has caused ASEAN to consider measures to knit the member countries together more closely. The idea of a common currency is being given serious consideration. On finance, ASEAN is hoping to set up a surveillance process to keep an eye on macroeconomic trends and short-term capital flows, to quote Alatas again, ‘in the hope that it will become something like an early warning system to signal possible trouble, so we’re not caught again by surprise’. On the whole, ASEAN countries were driven by circumstances to forge closer links, ‘to the extent that there is a strong realization of the need to be more

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6 Severino, ASEAN at a time of change, p. 91.
7 Severino’s warning followed a rise in bilateral disputes between ASEAN members over issues of sovereignty, human rights, pollution and the pace of economic integration. It came at a time when Philippines officials said in early July 1999 that they would reject calls by ASEAN to abolish tariffs on 60 per cent of the country’s imports by 2000 as part of the group’s commitment to a free trade area, a move that some saw as a retreat from regionalism amid mounting pressure to protect domestic markets.
8 International Herald Tribune, 2 July 1999.
regional, because of the nature of economic problems. We can not operate any more as individual states.10 ASEAN finance ministers and central bankers are also meeting more frequently to improve surveillance of economic and financial policies in member countries. At the 1999 Singapore meeting, the members agreed to organize ‘ASEAN roadshows’ overseas to attract investment to the region. The hope is that such events will both help economic recovery and show that ASEAN can act in concert.11

The mood among the leaders of ASEAN at the 1999 meeting was similar: speaker after speaker reasserted the association’s unity and looked with cautious optimism to the new millennium. The communiqué issued at the conclusion in Singapore of the first meeting of foreign ministers of all ten reflected the same tone, foreshadowing a better, brighter, bolder ASEAN. ‘Signs of recovery are everywhere’, asserted the Filipino foreign minister Domingo Siazon.12 Indeed they are; but the meeting could not remove outstanding problems and divisions among the members. The meeting itself highlighted a sharp divergence between the Philippines and Malaysia over a proposed code of conduct for ASEAN members and China, covering a host of issues ranging from search and rescue to joint exploration, in the South China Sea, where conflicting territorial claims threaten peace and stability in the region. The Philippines, which has recently been involved in serious altercations with China over several islets and disputes over the Mischief Reef leading to sinking of two Chinese fishing boats, drew up the draft code together with Vietnam, setting rules for the ASEAN states, with an addendum on how and when China, as a claimant nation, might be brought into the process. However, Malaysia, recently accused of building structures on one of the reefs, objected to the inclusion of China, and insisted that the draft go for further study to a working group to be convened in Thailand in October.13 This led to suspicions that Kuala Lumpur had done a deal with Beijing. China later said it would be amenable to a ‘guideline’ on the Spratly Islands, though not a full treaty. This showed clearly that, despite the protestations of unity, there remained problems, and cautionary notes were sounded in some quarters—most succinctly by the pragmatic host, the Singapore Prime Minister Goh Chok Tong. Opening the meeting, he acknowledged that the worst was over but warned: ‘We cannot be complacent. Our nascent recovery can be easily derailed. Many internal weaknesses remain.’14

ASEAN’s internal weaknesses relate not only to economic matters, but to political divisions among its members and between its dialogue partners, including the United States, China and Japan, as well as to structural problems

10 Ibid.
11 For other measures ASEAN has undertaken since the onset of the economic crisis to facilitate integration of the region, e.g., acceleration of AFTA and further promotion of industrial cooperation, see Severino, ASEAN at a time of change, pp. 96–8; also Severino, ‘For an efficient Southeast Asia’, International Herald Tribune, 15 December 1998.
12 Quoted in Asiaweek, 6 August 1999.
14 Quoted ibid.
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arising out of the expansion from the original five to ten members, lack of formal institutional mechanisms to deal with multi-faceted issues and the difficulties it encounters in coping with ‘new regionalism’. With signs of economic recovery in the region, particularly with surging stock markets throughout the region and the restoration of economic fundamentals resulting from institutional reforms in banking, finance and some measures of bankruptcy laws, it may still be possible for ASEAN to overcome some of the difficulties it is now facing in its attempt at economic integration. The process will nevertheless be gradual. ASEAN’s future problems will arise more from its political underpinnings, which have given the association stability and status. Essentially, these political foundations were based in sound and friendly relations between Indonesia, Malaysia and Singapore, forming the geostrategic core of ASEAN. This is not to understate the role of countries like the Philippines and Thailand in contributing to ASEAN identity and stability, but to emphasize the historic role played by Indonesia in bringing the ‘fulcrum’ (Indonesia, Malaysia and Singapore) together, from a relationship of hostility in the period before 1965 to friendship and understanding, and providing the necessary support on which the lever of ASEAN turned. Considering the backdrop against which ASEAN emerged, it could not have been possible without the improvement in the triangular relationship between these three countries. In the course of its subsequent evolution, while other countries of the region also played important roles, the bedrock of the association continued to be Indonesia, Malaysia and Singapore; and the political future of ASEAN accordingly rests on a normal and stable relationship among these countries.

The economic crisis has affected (though not to the same degree) internal political developments in Indonesia and Malaysia, which in turn have affected interstate relationships within the trio. Relations between Malaysia and Singapore have always blown hot and cold, but the economic crisis undoubtedly exacerbated the tensions within that relationship, and has introduced an element of uncertainty as to whether they can be resolved amicably. The issues that have surfaced include those revolving around the CLOB (Central Limit Order Book) shares of Malaysian firms held by Singaporeans, the move by Singapore to have its CIQ (Customs, Immigration and Quarantine) complex for Malayan Railways shifted to Woodlands from Tanjong Pagar, the prohibition on Singapore military aircraft using Malaysian airspace, the supply of Malaysian water to Singapore, and even unflattering newspaper reports about glitches in the new Kuala Lumpur International ‘airport at Sepang’ and Malaysian Prime Minister Dr Mahathir’s tenure in office.

15 Leszek Buszynski has identified ‘new regionalism, a recognition of the inadequacy not only of the sovereign state but of past efforts at regionalism, incapable of satisfying the enhanced political and economic demands of the past–Cold War era’, as one of the future challenges ASEAN faces. See his ‘ASEAN’s new challenges’, Pacific Affairs, Spring 1997.

The strain in Indonesia–Singapore relations has more to do with anti-Chinese riots during the political upheaval in Indonesia in 1998, triggered by the economic crisis, and with a mutual distrust between Lee Kuan Yew, the senior minister in Singapore, and the Indonesian President Habibie, successor of Suharto. The strained relations between Malaysia and Singapore in recent years, and the coldness in relations between Indonesia and Singapore—likely to persist at least while President Habibie continues to hold the presidency—together with the political uncertainties in Indonesia arising from a hung parliament and, to a lesser extent, political fissure in Malaysia as a result of the Anwar Ibrahim episode, will impose major constraints on ASEAN’s future evolution as a political and security community.

The economic crisis reviewed

It is essential briefly to review the nature of the 1997 economic crisis and the factors that contributed to it. The crisis began in July 1997 when, taking advantage of financial distortions and the massive external debt of both government and private sectors, currency traders attacked the Thai baht. Before long, the currency crisis had spread across South-East Asia like a contagious disease. From this one event, panic spread through the financial market of Asia and beyond. Banks became insolvent or just stopped lending, and the bewildered people of the region were plunged almost overnight from an atmosphere of plenty into what amounted to an instant depression in Indonesia, South Korea and Thailand. The Philippines was next to be caught in the contagion. Manila tried its best to fight it by spending hundreds of millions of dollars defending the peso before finally giving in and floating it. Then came Malaysia, where the central bank raised interest rates to 50 per cent and spent billions of dollars before surrendering. The ringgit promptly plunged to its all-time low against the dollar. The next country to be affected was Indonesia, whose falling currency not only brought all economic activity to a virtual standstill, but also created social turmoil resulting from skyrocketing prices, shortages of food and other essentials, massive inflation and unemployment, leading to the downfall of Suharto, Indonesia’s ‘strong man’ for 32 years. One offshoot of the economic crisis and the resultant unrest was major riots against the Chinese minority, together with a series of ethnic and religious conflicts in many parts of Indonesia. In East Asia, the country most affected by the economic crisis was South Korea which, along with Thailand in South-East Asia has been relatively more successful in recent months in recovering from the crisis, through the economic reforms and political changes prescribed by the IMF.

The root of the financial crisis was unsustainably rapid growth and the manner in which most ASEAN countries approached globalization, a process in which the level, pace and scope of economic activities taking place across national boundaries have expanded considerably in recent years, alongside the increasing integration of financial and capital markets of different countries,
leading to a considerable volatility in capital flows, particularly those relating to bank lending and portfolio investment. The massive flow of short-term foreign investment had not only exposed the inability of these countries' financial systems to absorb such loans in non-productive areas (especially the property sector), but also made them vulnerable to a sudden, dramatic collapse from the withdrawal of investment. Thus, private net capital flows to Indonesia, Korea, Malaysia, Thailand and the Philippines declined from US$93.8 billion in 1996 to negative US$6.0 billion in 1997, and are estimated to have declined further to negative US$24.6 billion in 1998. Closely linked to the over-supply of short-term foreign credit was the insistence on keeping exchange rates tied to the US dollar. As a result, as the difference between the actual value of Asian currencies and their pegged rates grew, 'the effect was similar to a catapult being stretched further and further back. When governments were finally forced to release their currencies, the sudden plunge in currency values was dramatic.'

Inadequate financial management and supervision also played a part. Their very success in achieving economic development and prosperity over the last two decades gave these countries a sense of complacency and made them quite indifferent to institutional and regulatory concerns and to economic efficiency considerations in investment decisions. The contagion effect has been such that the financial crisis, once begun, could adversely affect even those countries where economic fundamentals are such that an attack on the currency is unwarranted.

The Asian economic crisis will be remembered in the history of the region as a watershed, possibly a turning point, when the people and leaders of the Asia-Pacific countries were jolted into soul-searching, and in so doing sent a clear message for change. Never before, not at least in recent history, had a crisis of this magnitude occurred affecting each and every aspect of the social, political, economic, diplomatic and strategic activities of the states and societies of the region. The near-breakdown of all economic activity due to a drastic fall in currency and stock market values in certain countries wiped out all their gains and achievements of the previous two decades, turning the World Bank’s characterization of the Asian ‘miracle’ into a ‘mirage’. The intensity of the crisis and its effects, however, were felt differently from country to country. While there has been a general fall in the rate of growth and a shrinking of national wealth in all the countries of the Asia-Pacific region, along with high rates of inflation, growing unemployment and a sharp decline in currencies and asset

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17 One commentator has reviewed dozens of academic papers, official reports and a handful of books and suggested that no coherent and clear explanation exists of what went wrong. However, policy-makers and academics have made some progress on three crucial points. While much disagreement remains on these issues, that disagreement is much less than prevailed a year ago. First, commercial bankers are the most dangerous animal in the financial jungle because they always follow the herd. Second, the inflow of foreign capital—especially short-term loans from commercial banks—should be monitored closely and, if necessary, regulated or limited by taxes or other barriers. Third, over-investment is just as bad as over-consumption. See G. Pierre Goad, ‘Reasons for Asian economic crisis start to emerge’, Asian Wall Street Journal, Weekly Edition, 29 March–4 April 1999.

values, the social and political implications of these phenomena vary according to the individual countries’ systems of governance and financial regulatory mechanisms, as well as distributive aspects of development in terms of its reach to the poorer sections of society through social safety-nets, the size of domestic markets and therefore their ability to absorb shocks in the export sector, and finally the capacity to innovate, to switch to new areas of economic activity.

Political and social effects of the economic crisis

Among the countries of ASEAN, the political and social effects of the economic crisis were felt more severely in Indonesia and Thailand compared to Malaysia, where the crisis had more impact at the corporate level than on the mass of the population. Its effects on the Philippines and the states of Indochina, consisting of Laos, Cambodia and Vietnam, were marginal as it did not trigger any major economic and political turmoil. Thus Indonesia’s economy, ASEAN’s largest, shrank by 14 per cent in 1998, with inflation running at about 70 per cent. The country’s per capita income fell from US$1,200 to about US$400. Poverty and unemployment levels have soared, shattering the dreams of many urban middle-class individuals. The Indochinese states of Vietnam, Laos and Cambodia—the new members of ASEAN, which hoped to benefit from the rapid growth of the old members—were naturally affected by the contagion and the economic difficulties of the latter.

The political impact of the crisis was equally significant. It first triggered a loss of confidence in the leadership of the Thai Prime Minister, Chaovavlit Yongchauidh, forcing him to resign; this was followed by a change of government in that country through a democratic election and subsequent amendment of the constitution making it obligatory for all Thai prime ministers to be elected by the people, along with the abolition of an undemocratic power of veto on the part of the non-elected Senate, dominated by military leaders. In Indonesia, social unrest manifested itself on a systemic scale. President Suharto suddenly stepped down from power, bringing to an end his 32 years of authoritarian and autocratic rule, and ushered Indonesia into democratic transition through relatively free and fair elections. In South Korea, the autocratic government of Kim Young Sam was replaced by the relatively untainted regime of Kim Dae Jung. In Malaysia, the already growing differences between Prime Minister Mahathir Mohammad and his deputy Anwar Ibrahim deepened, and a so-called reformasi (reform) movement grew up, on similar lines to the Indonesian reform movement, with the ostensible purpose of cleaning up the country’s administrative, political, economic and judicial systems. However, in the face of a government onslaught on political dissent and the signs of economic recovery, the Malaysian reformasi movement appears to have run out of steam.

The model of political and economic development that brought about such spectacular and unprecedented growth and economic prosperity in the Asia-Pacific region over the last two decades was a state-directed and market-friendly
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capitalist economy with strong bureaucratic–authoritarian regimes guiding development in an atmosphere of limited political space, and promoting a political culture of government by wise men rather than rules and institutions, of loyalty and deference to authority for the sake of harmony and stability in polity and society. This model has now, after the economic crisis, come under severe strain and has been the object of strong criticism. The shock of the crash prompted widespread challenges to the political and social status quo, with a bolder and better-educated middle class challenging the paternalistic order of the past. There is now a strong demand everywhere in the Asia–Pacific from an emergent and assertive middle class for increased popular participation in economic and political decision-making, as well as a craving on the part of the elite for better and more humane governance, not only through transparency and accountability of the regimes in power, but also through better communication between the state and its sectarian and ethnic minorities, and cultural tolerance and fairness in the form of constitutional safeguards for the disadvantaged. Politicians and bureaucrats who have been in a position to impose their rule from above now have to contend with increasing public expectations and rising public pressure. A strong authoritarian government may have been beneficial and therefore desirable at the initial stages of development to infuse a certain rigour and discipline both in the work ethic and in policy planning.19 But with the passage of time a preoccupation with higher and higher rates of growth within the parameters of such political and economic systems inevitably led to a nexus between government, bureaucracy and business and gave rise to what in Indonesia today is known by its acronym KKKN for kolusi, korupsi, kronisme and nepotisme (collusion, corruption, cronyism and nepotism), believed to be one of the major causes of the recent economic collapse and the resultant miseries of a large section of the population. Politically and socially, the economic crisis only served to clarify the issues, sharpen conflicts and generate an impulse for political and economic reform. People are demanding more accountability. 20 In all the countries affected by the recession and economic collapse, especially Indonesia, Thailand and South Korea, reformers and political publics concluded that their political systems, characterized by rigidity, secrecy and corruption, contributed to their economic vulnerability.

Similarly, in countries as disparate as Singapore, Vietnam and Malaysia, calls for political change have grown more insistent. In Vietnam, demands for more transparency and democracy have received underground support, providing a


20 When Sumallee Limpaovart’s six-year-old daughter was rejected by an exclusive government school in Bangkok this year, she did something that would have been unthinkable only a few years ago. She challenged the decision, using a freedom-of-information law to demand the test score of the other children. In the end she found what she had suspected. Fully one-third of the students admitted had failed the entrance exam: they got in because of their families’ status or gifts to the school. See Seth Mydans, ‘Asian defying old rules: after financial crisis middle class speaks out’, International Herald Tribune, 11 August 1999.
stimulus to the peasants to riot openly against corruption. Even while arresting its critics and suppressing popular demands for democracy, the Vietnamese government was compelled to hold publicized trials of corrupt officials. In Malaysia, the dismissal and arrest in September 1998 of Anwar Ibrahim ignited a fairly large (by that country’s standards) and unexpected outpouring of support for the deputy Prime Minister, indicating a certain unhappiness with Mahathir Mohamed’s style of governing and his attempt at stifling political dissent. In Thailand, a long, slow struggle for democratic reforms took a big step forward in 1997 with the passage of a new constitution that is a blueprint for openness and human rights. This is not to say that much has changed in Thailand, in the sense that politicians still buy their votes and still represent wealthy and powerful families and interests; corruption remains very much a part of Thai political and economic life, with wealth and power dominated by a very small elite. And yet, primarily because of the new constitution as well as a vigilant public and mass media, the rules of the game have changed and the country’s traditional centres of power are being challenged. The once-powerful military has been virtually relegated to barracks and its special privileges have been drastically cut down. Its procurement activities and secret funds are now under close scrutiny. Its control over information and the broadcast media is increasingly being questioned by an ever-growing political public and an assertive middle class. The jurisdiction of the judiciary has also been enlarged, with the courts, rather than the police, now being entrusted with the power to issue search and arrest warrants, thereby curbing police abuse. An independent electoral commission has been formed, removing the power to manage elections from the ministry of the interior. Likewise, in Indonesia, although the fall of Suharto has not automatically led to the removal of all the distortions of the political and economic systems which eventually contributed to the collapse of the country, yet the very opportunity given to the people to exercise their choice in relatively free and fair elections has helped to build up pressure and momentum for political and economic reform. This was facilitated by the emergence of an unusually independent and vibrant press following the fall of Suharto. While the country’s armed forces continue to be an important actor, their political and civilian roles (dwi fungsi) have been reduced considerably. All governmental institutions are under close scrutiny by independent watchdogs, and a civil society is slowly emerging amid a thriving and chaotic democracy. The struggle for democracy and empowerment of the people reflects an unexpected fallout from the financial crisis: an autocratic and authoritarian system of governance is now believed to hinder development rather than facilitate it. Today, the popular slogan in all the countries affected by the economic crisis appears to be ‘remove corruption, cronyism, collusion and autocratic rulers’.

The economic crisis, and the popular demand for reform and a better deal for the poor, brought new governments with a stronger commitment to

21 Ibid.
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democracy to power in the Philippines, Thailand and Indonesia. These three
countries are in the forefront of moves to raise human rights issues in other
ASEAN countries, matters previously regarded as strictly the internal affairs of
the nations concerned. For example, the first Asian politician to criticize the
six-year prison term given to Malaysia’s former deputy Prime Minister Anwar
Ibrahim on four corruption charges was President Joseph Estrada of the
Philippines. The new leaders of the Philippines and Thailand, South-East Asia’s
two relatively robust democracies, want to spread democratic principles more
widely in ASEAN. And in Indonesia, the people have given their verdict in the
recent elections to the ideologically pluralist, reform-minded and democratic
parties, despite attempts by narrow-minded particularistic parties to exploit
religion in a predominantly Muslim country.

The ‘East Asian economic model’, praised and promoted by the international
financial institutions like the World Bank and the IMF, has come under severe
criticism. The IMF–World Bank model is perceived to have favoured only the
strong and the rich, marginalizing the weak and the poor. There is widespread
agreement now that an unrestricted free market can be unmitigated disaster for
the latter sections of society, and that, for any development to be meaningful for
the great majority of the population in these countries, it has to be accompanied
by ‘safety-net’ provisions for the poor. In fact, the IMF and the World Bank
have already woken up to this fact, and have been forced to modify their
strategies for structural adjustment and development aid to these countries,
focusing increasingly on measures for poverty eradication. As a result, there is
now a recognition in ASEAN of the need for political, institutional and
regulatory development, including more effective bankruptcy laws, adoption of
social safety nets, and addressing critical environmental management issues. The
social and regional turmoil in Indonesia following the economic crisis has also
brought into focus the need to restructure relations between the centre and the
provinces, particularly in financial matters. Aceh, Riau and West Irian are
becoming more and more conscious that their resources are being monopolized
by the central authority, and are demanding a greater share of them for their
own development. As one commentator aptly puts it: ‘The pre-crisis inequalities
within different provinces will therefore be increasingly difficult to sustain
politically and socially. Large income and wealth inequalities have also become
difficult to sustain, and could give rise to awkward political and social
problems.’

22 Surin Pitsuwan, the Thai foreign minister, suggested at the recent Singapore meeting that provision for a
social safety net and human resource management, particularly for the poorer ASEAN nations, should be
the main focus of the activities of the association in the coming years. Interview with Rodolfo Severino,
Secretary-General of ASEAN, 2 August 1999.
23 Mukul G. Asher, ‘Challenges before ASEAN after the economic crisis’, unpublished paper, Singapore,
1999.
ASEAN’s structural problems and future challenges

Even without the Asian economic crisis, ASEAN was facing numerous challenges, some structural and institutional, others situational. Structural problems related to ASEAN’s adjustment to the post-Cold War situation; away from an inward-looking, government-driven security and economic grouping to a new, outward-looking regionalism incorporating broader economic and business functions as well as the concerns of civil society. Situational challenges arose with the new developments in Cambodia in 1997, when ASEAN was about to celebrate its 30th anniversary with the inclusion of three new members, Myanmar (Burma), Laos and Cambodia. Nothing could have been more inauspicious for ASEAN at that happy occasion than the sudden developments in Cambodia, where the confrontation between the two coalition partners in the government reached breaking point. The then second premier Hun Sen ousted the first premier, Prince Ranaridh, throwing the country into another dance of death and destruction. Faced with the unpalatable situation of their best friend and a former ally, the ASEAN foreign ministers had to decide, much to their discomfiture, to postpone Cambodia’s membership.

The crisis in Cambodia called into question for the first time in an explicit manner ASEAN’s traditional policy of non-interference in the internal affairs of individual countries. By deferring Cambodia’s admission into the association and exerting indirect pressure on Hun Sen to restore the authority of Prince Ranaridh, ASEAN had departed from its established stance of non-intervention. Anwar Ibrahim of Malaysia called at the time for a change in ASEAN’s policy from one of ‘constructive engagement’ to ‘constructive involvement’ arising from the imperative to help new members integrate fully with the association. ‘ASEAN’s direct involvement in the affairs of its members’, he wrote, ‘is but the application of an ASEAN solution to an ASEAN problem.’ ASEAN had voluntarily, perhaps inevitably, taken on the responsibility of bringing back peace and stability to a strife-torn Cambodia. The international community then also found it useful and convenient to entrust ASEAN with the task of ensuring the full implementation of the Paris peace accords and finally paving the way for free and fair elections in the following year. A delegation comprising foreign ministers Ali Alatas of Indonesia, Domingo Siazon of the Philippines and Pracuab Caiasarn of Thailand formed the ‘ASEAN troika’ and attempted to mediate in the conflict, holding dialogues with all the major players. Their objective of resolving the Cambodian problem looked unattainable from the beginning, given ASEAN’s stated position and the demand for Hun Sen to surrender his power and authority. This was aptly stated at the time by the former Thai foreign minister Thanat Khoman, when he urged ASEAN

25 Quoted in The Hindu (Madras), 6 August 1997. See also Jusuf Wanandi, ‘A lesson for ASEAN’, Far Eastern Economic Review, 24 July 1997, p. 34. Wanandi pleaded then, as he does now, for a change in the ASEAN policy of non-interference.
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not to attempt to mediate in the conflict. ASEAN’s position on Cambodia was also complicated by China’s virtual endorsement of Hun Sen’s authority and the Cambodian King Norodom Sihanouk’s neutrality in the conflict between Ranaridh and Hun Sen. Even so, ASEAN persisted in its attempt at finding a solution to the problem, applying pressure on Hun Sen and making free and fair elections in which the opposition parties participated a precondition for Cambodia’s membership of the association. While Hun Sen did not have much option but to succumb to the international pressure, as his country could not live in isolation, ASEAN itself could not achieve a breakthrough in the political stalemate. The ice was finally broken with a Japanese plan that allowed Ranaridh to return to Cambodia from exile and contest the elections. Like their Western counterparts, ASEAN quickly declared the July 1998 Cambodian elections free and fair, and endorsed the installation of a new Hun Sen government with Prince Ranaridh as President of the National Assembly, despite charges of intimidation and fraud. Accordingly, at its informal summit in Hanoi in December 1998 ASEAN agreed to accept Cambodia as a member, though the actual admission took place only in April 1999.

ASEAN’s problems were compounded as a result of the expansion of the association to include all the countries in South-East Asia. Internal weaknesses and tensions have been exposed as a result of its enlargement as well as by economic crisis. It has taken on the responsibility of absorbing newer members like Vietnam, Myanmar, Laos and Cambodia, with different systems, ideologies, capabilities, levels of economic development and international acceptance, at a time when its own house is not in good order. To quote Koro Bessho, a Japanese official spending a year at the International Institute for Strategic Studies, London, ‘Enlargement has increased ASEAN’s political and economic diversity … Given the organization’s principle of consensus, this will make it hard to reach decisions.’ Up to and including the admission of its sixth member (Brunei) internal harmony was much easier to attain, for all these six states pursued more or less similar political systems and economic development strategies, and were early practitioners of economic liberalization and integration of their economies with the global economy. The entry in 1995 of Vietnam, with its different political and economic system, introduced some new problems into the working of the association. For one thing, Hanoi is not as resource-rich as the other members and so is less able to participate effectively in the various groupings, sub-groupings and institutions that have proliferated over the last three decades. According to one estimate, ASEAN officials and non-officials (track 2, academics and businesspeople) meet on new fewer than 300 days in any year for some meeting or other. This is an extremely costly business and
involves much more expertise and skills than Vietnam possesses, and the country still needs to undertake major political and economic reforms to enable it to integrate with the ASEAN process. Vietnam has, however, accepted the challenge very boldly and acculturated itself fairly well, though slowly and in a low-key fashion, with the ASEAN way of doing things, and has shown its eagerness to accelerate the process of its integration with the regional grouping. Even so, the process is not going to be entirely smooth, and there are reports that, confronted with the economic slowdown in the region, Vietnam is looking beyond ASEAN.

The problem of integration is likely to be even more severe for Laos, Cambodia and Myanmar. Laos and Cambodia have neither the funds nor the human resources to set up and maintain national secretariats to handle ASEAN affairs and activities. Before the economic crisis set in, the rich member states of ASEAN had assumed the responsibility of helping their less advanced members and neighbours by organizing training programmes and study tours to overcome their difficulties and helping them to familiarize themselves with ASEAN practices. Now, the economic difficulties faced by the rich ASEAN countries have made them less able to help their poor neighbours in the same way. One big problem concerns the projected creation of a two-tier AFTA (ASEAN Free Trade Area), as the economies of Laos, Myanmar and Cambodia will not be in a position to begin implementation. While the ASEAN Six will have almost tariff-free economies for each other in 2000 (Vietnam in 2006), the other economies will have to be given a longer time to join in (possibly until 2010). This will strain national economies of the original six rich countries and the poorer four which were inducted later into the association. ASEAN will have to give a lot of assistance and support to enable Laos, Myanmar and Cambodia to catch up, and technical assistance in human resource development, in particular, will have to be substantial.

Myanmar, more than any other new member of ASEAN, is posing a much more serious problem for the association. By accepting Myanmar as a member despite Western opposition, ASEAN in effect accepted the responsibility of trying to bring about political change in that country. ASEAN is now faced with a dilemma, in that it is not only the West that is pointing to Myanmar’s bad record, including the military regime’s refusal to recognize the results of the elections of 1990 that were won convincingly by the opposition led by Aung San Suu Kyi. Significant domestic constituencies in ASEAN, such as the press and the NGOs, have also criticized Yangon for showing no willingness to improve the political situation. In their eyes, Myanmar’s military rulers lack decency and legitimacy.29 Myanmar is increasingly becoming a major embarrassment for ASEAN in its dealings with the association’s dialogue partners, for its lack of

30 Madeleine Albright, the US Secretary of State, at the recent ASEAN meeting in July 1999 openly called the Myanmar rights abuse a threat to Asian security. See Asian Wall Street Journal, 26 July 1999.
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Acceptability internationally is subtly—at first imperceptibly—altering the dynamics of interaction between ASEAN and its Western dialogue partners. Some believe that because of the Myanmar issue, there has been some downgrading of relations with ASEAN as a grouping and correspondingly greater emphasis on bilateral relations with individual ASEAN countries by the Western dialogue partners.

Indonesian political development and the future of the ‘fulcrum’ of ASEAN

We mentioned at the beginning of this article that the greatest challenge facing ASEAN is the maintenance of internal stability in the countries of the region, and more particularly in Indonesia. The second national democratic and free elections in Indonesia, held after 44 years of undemocratic rule under both Sukarno and Suharto, raised domestic expectations that the vote would bring about a government chosen by the people, one thus empowered to restore political and economic stability. But developments over the last year since the ousting of Suharto suggest that, as with the 1955 election results, the outcome of the most recent poll may disappoint the people. As in 1955, no single party has gained a majority in the parliament, and thus a coalition government, with all its inherent weaknesses and uncertainties, is inevitable. Even though Megawati Sukarnoputri’s PDI-P (Partai Demokrasi Indonesia-Perjuangan—Indonesian Democratic Party of Struggle) received the largest number of votes (34 per cent) with 154 seats in the parliament, it is far short of the seats required to form a government on its own. Megawati had entered into an informal arrangement in the pre-election period with Abdul Rahman Wahid’s PKB (Partai Kebangkitan Bangsa—National Awakening Party) and Amien Rais’s PAN (Partai Amanat Nasional—National Mandate Party) for power-sharing, but that has come unstuck since the election in the context of a hung verdict and a power struggle within the elite. What is more, the holder of the country’s top post, the President, is chosen not by the parliament (DPR) but by the MPR (Majelis Permuswaratan Rakyat—Supreme Legislative Council), which is composed of 500 members of parliament (462 elected and 38 nominated reserved seats for the country’s armed forces) and 200 nominated members, of whom 135 are chosen by the country’s 27 provincial assemblies, and 65 drawn from the functional groups chosen by the election commission. The mechanism and the constitutional provisions for electing a President are such that the outcome may bear no relation to the actual verdict at the polls, and may be influenced by extraneous considerations, horse-trading and money politics. So far the choice for the highest office of state is narrowed down to Megawati, who, if one goes by the voice of the people and the electoral verdict, should be given the chance to become President and form her government, and the incumbent President Habibie, who not only carries the stains of the past regime of Suharto but whose party received only half of the votes that Megawati’s party
Zakaria Haji Ahmad and Baladas Ghoshal

won. The Islamic political parties, stung by their rejection at the hustings, and desperate to regain their lost ground, are now trying to unite behind Habibie to prevent Megawati and her pluralistic and secular groupings from coming to power. While Megawati still has a chance to make it to the highest office with the support of the PKB and some other smaller parties, one cannot rule out the possibility of Habibie manipulating the constitutional provision in the MPR and eventually retaining the post. As a result, internal political developments in Indonesia are going to be quite uncertain, at least until November when the presidential election is scheduled to be held.

There are other problems, too, that make Indonesia’s political future uncertain. First, the country-wide unrest of the recent past—which persists in some provinces like Aceh and Ambon, troubled by problems that are social, ethnic and religious in nature, exacerbated by resentment at over-centralization—is a clear manifestation of the emotions and frustrations of a people long suppressed by an authoritarian machine and suddenly finding some space to give vent to their anger against anything that symbolized that autocratic machine. The rapid economic development of the last two decades has brought about a major transformation of Indonesian society, to the point where its people’s wishes and aspirations could not be accommodated within the suffocating political atmosphere prevailing during the Suharto regime. Once the lid was taken off, a volcano of emotions surged out and found expression in the ethnic, religious and social violence that has swept through the country. For the first time in the history of Indonesia, the subalterns are sending a signal that their voice needs to be heard and that they must be empowered. Even though Suharto has gone, his new order and many of his men are still present. Indonesians have lost their trust in both the government and the military leadership, which, with reports of abuses in handling Indonesia’s separatist and sectarian conflicts, has lost all its credibility in the eyes of the people. Religious riots in Ambon and the ethnic separatism in Aceh symbolize this total lack of trust in both these institutions.

Does this mean that Indonesia is experiencing a social breakdown? Such a scenario is remote. Arguably, what is happening in Indonesia is that freedom has begun to take hold in daily life and to break down layer upon layer of distress and cruelty that were inflicted by an authoritarian system. The result is messy, since the new freedom has given rise to a ‘million little mutinies’, the colliding trajectories of countrymen shaking off the old servile mindsets of unquestioned submission and conformity to the regime in power. This turmoil marks the road to progress. In such a situation, people’s faith and trust in the government can only be restored if after the elections a regime takes office which can empathize with the people and their aspirations—a government which has the courage to decentralize and devolve power to the provinces, undertake better communication between the state and its sectarian and ethnic minorities, and pursue cultural tolerance and fairness in the form of constitutional safeguards for the disadvantaged. But whatever the outcome of the presidential election in November, Indonesia is expected to witness a period of instability for a few
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years to come, simply because no government will be in a position to fulfil the rising expectations of its people.

Indonesia needs political stability and economic recovery to overcome its present predicament and uncertain future. Its stability is intimately connected with peace and regional order in South-East Asia, and thus with the political future of ASEAN. Indonesia has the fourth largest population in the world. It has immense natural resources and a strategic location, for it controls all or part of every major waterway between the Pacific and the Indian Ocean. The US Pacific Command patrols these ‘SLOCs’ (Sea Lanes of Communications) in order to support operations in the Gulf. The Japanese need these waterways for the passage of their oil tankers. More than half of international shipping trade traverses them. Indonesia made ASEAN possible: ASEAN’s formation was a result of Indonesia’s adopting a more cooperative approach to its neighbours. Over the last 30 years ASEAN has developed a pattern of cooperation, altering the geopolitics of East Asia. The cohesion among ASEAN countries in the past added to the stability of the East Asian region by allowing smaller countries to band together to form a counterweight to large regional powers. Though by far the largest member of ASEAN, Indonesia has been careful to ensure that ASEAN has remained an organization of equals. A blow to Indonesia would undermine the integrity of ASEAN as an institution, as well as regional security. A political and economic collapse in Indonesia would lead to a major exodus into the neighbouring countries, especially Malaysia and Singapore, and would undermine their social and economic stability. The post-Suharto transition, therefore, is not only a major worry for the people of Indonesia but also a concern for the countries of South-East Asia, and for the United States, which has a leading stake in the stability of Indonesia and of the region.

Conclusions

ASEAN’s experience of the 1997 economic crisis has reduced the regional grouping’s standing and highlighted its weaknesses—not so much in its own dynamics as in its member-state governments. Resolution of these difficulties is problematic, as there is no consensus as to what constitutes the ‘threat’ posed by an economic phenomenon such as the 1997 crisis. Responses to that threat among the association’s members have therefore been various, not fostering group coordination in the form of an indivisible and durable policy.

As economic recovery takes effect in the ASEAN states in mid-1999, however, political consolidation is likely to be robustly pursued in the grouping, leading very possibly to a ‘business-as-usual’ approach. It is likely even that ASEAN will regain its pre-1997 posture as a viable regional entity. Other challenges beckon over the horizon in terms of a more pan-Asian regional approach (an ‘East Asian vision’ mooted by Korea, Japan and China), inter-regional linkages in the Asia–Europe (ASEM) process, and the profound security challenges resulting from nuclear empowerment in India and Pakistan, the
emergence of China and great power relationships between the United States, China, Russia and Japan.

It may well be that the 1997 Asian crisis was a challenge posed by the nature of global economic and financial relations in a 'borderless world', in which national and regional boundaries offer little or no respite or defence, and that ASEAN’s poor response reflected the fragility and vulnerability of the societies of its member states, especially in the political and economic dimensions. At the 1997 ASEAN Ministerial Meeting (AMM) in Singapore, there were strong indications of greater rapport among its members (and a recognition of the need to galvanize understanding into action), but the grouping is more likely to pursue efforts to establish the AFTA and to use the evolving security architecture of the ARF (ASEAN Regional Forum), rather than to embark on bolder and more radical initiatives.

In short, the 1997 crisis was a shock and a catalyst; but ASEAN is not about to become a supranational grouping in order to cope with the challenges that affected its members. Nor, on the other hand, is it likely to disintegrate in the light of the economic devastation of the past two years. Changes have taken place in the political arena, but such challenges are not systemic enough to justify the conclusion that a radical transformation has been effected. The ASEAN states will be more politically ‘open’, perhaps even transparent, and more receptive to contrary opinion within and without, but will still manifest ‘strong’ authority in governance even into the next century. In the final analysis, internal political developments in Indonesia and the future direction of its foreign policy will be crucial factors in the evolution of the political future of ASEAN.

Postscript

The events in East Timor since the end of August 1999 have cast a shadow over Indonesia that could yet bring to an end its own faltering steps towards democracy and its attempt to restore political and economic stability. The economic crisis had acted as a catalyst in bringing down Suharto which in turn weakened the central authority in Jakarta. In January 1999 this prompted his successor, President B. J. Habibie, to offer a referendum to the people of East Timor to decide either on autonomy or independence. On 30 August 1999 in the UN-organized referendum, 98.6 per cent of the eligible voters in East Timor cast their ballots and 78.5 per cent of them opted for independence, upsetting the calculation by Habibie and the Indonesian military that at most the East Timorese would vote for widespread autonomy. As the official results were announced on 4 September, murderous retribution by the Indonesian military-backed militiamen began against the pro-independence Timorese, throwing the territory into a ‘living hell’, to quote one of the UN ambassadors visiting East Timor on 11 September. The Indonesian government was a silent witness to the violence and mayhem for about two weeks. Finally, it agreed to a
UN-sponsored international peacekeeping force in a territory which is still claimed by Indonesia as its own and whose security was to be guaranteed by the Indonesian military, until the results of the ballot are approved by the country’s Supreme Legislative Council.

The developments in East Timor have implications on the one hand for Indonesia’s own internal political processes and national unity, and, on the other, for the peace and stability of the region itself. In the first instance, the fact that violence and mayhem could be perpetrated in the presence of UN observers who themselves became the target of the militiamen, and despite the Indonesian government’s commitment to guarantee security to both the Timorese and the UN observers, together with its agreement to abide by the results of the referendum, showed that President Habibie had no control over the situation in East Timor and that the Indonesian military, or at least some sections of it, were calling the shots. This also demonstrated that despite its poor image and declining legitimacy in recent months, the Indonesian military still wielded considerable power over the political process and that any president who decided to ignore its continuing influence would do so at his or her own peril.

The real battle in Indonesia, which has just begun, revolves around the Indonesian peoples’ tentative attempts to free themselves from military control over their destiny. The events in East Timor may complicate that battle and may even delay the process towards democratization of the polity.

Second, even while there are qualitative differences between East Timor and other Indonesian provinces such as Aceh, Irian Jaya and Riau, in the sense that Aceh had never identified itself with the Indonesian state, or for that matter the fact that its occupation by Indonesia was never formally accepted by the international community, the secession of East Timor will nevertheless surely embolden the leaders of other separatist movements in the country either to intensify their struggle for separate statehood or to extract as many concessions as possible and weaken the central authority’s control over the outlying provinces. This apprehension may have been one of the contributing factors leading the Indonesian military to aid and abet the violence on the East Timorese, thereby warning other rebellious regions not to dare to try to secede from the centre lest the same fate might befall them.

The outcome of the ballot in East Timor, however, has demonstrated that Indonesia cannot keep its constituent parts intact through violence; the only way to keep the country together, and avoid a repetition of the East Timor situation, is through decentralization and the devolution of power to the provinces with the centre retaining only a limited amount of power in order to maintain the semblance of unity. Unless Indonesia is able soon to restructure centre–state relations on the basis of wider autonomy for the provinces, it risks a repeat of the situation in East Timor in Aceh, Irian Jaya, Riau and Ambon.

With regard to East Timor’s impact on ASEAN, some member states have already expressed their readiness to participate in the international peacekeeping force. Indeed, Indonesia has made it clear that it would prefer ASEAN, or at
least Asian peacekeepers. At the same time, it should be pointed out that the
ASEAN position on East Timor has a certain ambivalence. While on the one
hand ASEAN countries could not remain indifferent to the developments in
East Timor, particularly when these attracted international intervention in the
territory of one of the member countries, on the other hand they were for the
first time confronted with a situation of participating in an operation against
elements who were perceived to be aided and abetted by the friendly armed
forces of a member country. ASEAN countries are hesitant about becoming too
involved in a situation like East Timor and in the affairs of their most important
member, Indonesia—quite a contrast to the enthusiasm they showed in the past
in the resolution of the Cambodian conflict.

Leaving aside the dilemmas faced by ASEAN countries in the participation of
peacekeeping operations, the resolution of the problem in East Timor and the
transition towards its self-rule will have a bearing on the regional security of
South-East Asia. The most dangerous phase of the peace-enforcement
operations, the attempt to take control of the area between Dili, the capital of
East Timor, and the border with Indonesian West Timor, is about to begin. As
the situation on the ground now stands, the peacekeeping operations will be
protracted with the militia leaders, many of whom are now sheltering in West
Timor and claiming to have as many as 50,000 fighters. It is not possible to
guarantee that the international force will be able to avoid a Rwanda-like
situation in East Timor, as the pro-Jakarta militia has already demanded a
partition of the territory so that it could remain part of Indonesia. There are
worries too about the hard-line elements in the Indonesian military, particularly
the special forces (KOPASSUS), which recruited, armed, paid and encouraged
the militia, trying to take revenge for their humiliation by organizing a guerrilla
war.

The problem now in East Timor is not just a politico-military one; it is also
humanitarian. Along with the destruction of the territory’s infrastructure, the
vast majority of the people have not only lost their properties, but they have also
been displaced from East Timor and have been forced by the militiamen into
refugee camps in the Indonesian part of West Timor. Rehabilitation of these
refugees alone, not to mention the restoration of East Timor as a functioning
society, will be an enormous task for the peacekeeping forces.

Compounding all these factors is the reality of the acute suspicion and hostility
from the Indonesian government, military and general public towards Australia’s
role in East Timor and the aggressiveness with which it has assumed the leader-
ship role in the peace-enforcement operations. Australia–Indonesia relations
have already reached their lowest point in recent times with the cancellation of
the security pact between the two countries. The longer it takes to resolve some
of these problems, the more uncertain will be East Timor’s future political
evolution. If East Timor’s transition to self-rule becomes protracted the chances
of its instability impinging on the region’s security as a whole will become all
the greater.