

MONITOR

SPECIAL ROF ISSUEA BI-MONTHLY SURVEY OF SOUTHEAST ASIA

ISEAS MONITOR is a socio-political survey of Southeast Asia which examines current events to identify trends in specific countries and in the wider region. E-mail: monitor@iseas.edu.sg

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INTRODUCTION

Internationally, the year started with volatility in China's financial market, escalating tensions and sectarian strife in the Middle East, and North Korea claiming to have tested a hydrogen bomb. In particular, because China accounts for more than 30 per cent of global growth, a severer than expected slowdown in China has impacted not only the world economy but also Southeast Asia, with which it has strong trade and economic links.

Great political and security challenges thus lie ahead for the Southeast Asian region. The Islamic State of Iraq and Syria (ISIS) is extending its reach beyond the Middle East, and within Southeast Asia, local ISIS supporters and returning ISIS veterans pose dangers to security and safety. Meanwhile, China-US contestation in the region is increasingly pushing Southeast Asian countries to support their different positions on the South China Sea.

In Indonesia, the Jokowi administration may still be struggling to translate election victory into effective rule, but now with more apparent success. In Malaysia, Prime Minister Najib's government continues to face pressure domestically and internationally. Laos and Vietnam had in the past weeks concluded their party congresses and firmed up their line of leadership. In Myanmar, there is optimism about the National Democratic League (NLD) carrying the momentum of its landslide electoral victory into the governing of the country.

In his opening address, ISEAS-Yusof Ishak Institute Director, Mr Tan Chin Tiong shared that in spite of these challenges, the region remains economically resilient and enjoys good long-term prospects. The establishment of the ASEAN Community will enhance ASEAN cohesion and encourage further economic integration as well as raise the organisation's international profile.

Major power competition in the region also means that we can expect more intense courting of Southeast Asia with offers of aid and investments. China's 'One Belt, One Road' (OBOR) initiative, together with the Asian Infrastructure Investment Bank (AIIB), can provide a much-needed boost to infrastructure development in the region. Finally, major power competition is turning to be a boon for the region as Japan seeks to step up its infrastructure investment in Southeast Asia, following on the heels of heightened Chinese outreach.

SESSION 1: IDENTIFYING REGIONAL ECONOMIC AND POLITICAL TRENDS AND MARKERS IN 2016

This panel discussion featured Mr Manu Bhaskaran, Partner at Centennial Group International, and Emeritus Professor Dr Carlyle A. Thayer from the Australian Defence Force Academy, The University of New South Wales. The panel was moderated by Dr Francis Hutchinson, Senior Fellow and Coordinator of the Regional Economic Studies Programme at ISEAS-Yusof Ishak Institute.

Mr Manu Bhaskaran viewed the outlook for Southeast Asia's economies in 2016 positively. He also assessed the key drivers and impediments to growth in the ASEAN economic landscape for the year ahead. The recovery of the G3 (the United States, Europe and Japan), in addition to the drop in oil prices will spur global demand, benefitting ASEAN exports. This will hopefully offset the detrimental effects of the dampened level of Chinese demand for imports.

A downside of US recovery will be the curtailing of the easy-money policy it had maintained over the last seven years. Low interest rates following the 2007 global financial crisis had led to a massive circulation of capital and a jump in the valuation of bonds, equities and real estate worldwide. The US Federal Reserve Bank has begun to raise interest rates from late-2015, and this will induce other central banks to follow suit. A contraction in capital flow will cause the re-allocation of capital from emergent markets such as ASEAN, to developed markets. Global liquidity will tighten over time, increasing the risk of asset price corrections.

Within ASEAN, local impediments to growth will be easing up. In 2014-15, several ASEAN economies engaged in policy reforms that hurt economic growth in the short-term, but will have a salubrious effect in the long-term.

Indonesia's removal of fuel subsidy in 2015 caused inflation to spike and consumer confidence to fall. However, the diversion of capital to infrastructure spending will support growth in the long run. It is unlikely that Singapore, Malaysia, and Thailand will expand on policies introduced in recent years to curb household debt and/or to cool property markets. This will help to steady declining prices in property assets. Several countries have suffered from falling prices of raw materials and farming produce. Export metals and coal prices in Indonesia have fallen sharply. Farmers in Thailand as well as smallholders of crude palm oil and rubber industries in Malaysia and Indonesia have registered a decline in income. However, crop prices are expected to stabilize, if not improve.

Finally, the drag on economic growth from political stresses or uncertainties in the past year will ease in 2016 in some countries. In Malaysia, the leadership appears to have contained the allegations of mismanaged state investment funds and the stresses from various ethnic and political tensions. In Indonesia, President Jokowi appears to be gradually overcoming resistance from various interest groups as his administration pushes through policies that support foreign investments and infrastructure spending. Vietnam's leadership line-up will be decided in January 2016, giving greater clarity to policy and economic strategies. The political prospects in Thailand and the Philippines are more uncertain.

In conclusion, Mr Bhaskaran argued that how each ASEAN country will fare in its economy depends on the balance of several key factors: exposure and access to the uplift in demand from US, Eurozone and Japan; the presence of inherent financial vulnerabilities such as high corporate or household debt which could amplify an external shock; the credibility in the country's monetary policy, which is quite often the anchor that provides stability to currencies and business confidence; the state of the country's domestic economic cycle (being on the upside gives an extra lift to the economy); and political risks that are anti-recovery. On these criteria, most of ASEAN is in reasonably good shape.

Professor Carlyle Thayer assessed the political landscape of Vietnam, Thailand, Myanmar and the Philippines and Thailand. Vietnam's new national leaders will emerge from its 12th National Congress and corollary National Assembly elections on 22 May 2016. On the whole, there should be no major changes to Vietnam's one-party system, but there will be continuing reform of local government. In domestic policy, there should not be any surprises. A draft of the Political Report and Socio-Economic Plan, 2016-2020 was circulated for public comment in September 2015. At the tail-end of his two-term limit, Prime Minister Nguyen Tan Dung is aiming for the party Secretary General post. If elected, he will bring to the appointment substantial experience and knowledge of international economic issues. Nguyen will continue his support of the Trans-Pacific Partnership and its goals on international integration, continue engagement with China, and develop deeper overall relations with the United States. An important marker will be whether or not the incoming Prime Minister is a protégé of the outgoing Nguyen Tan Dung. It is uncertain who will assume the Minister of National Defence portfolio while the next Prime Minister is believed to come from one of the current five Deputy Prime Ministers. While there are two contending factions for key leadership posts, Vietnam's political system is one of equilibrium. Should Nguyen Tan Dung succeed to the post of party Secretary General, the opposing group led by Nguyen Phu Trong will take seats in the Politburo and Central Committee.

In Myanmar, the landslide victory in November 2015 of the National League for Democracy (NLD), led by Daw Aung San Suu Kyi will usher in a new phase of political contestation. The military's prerogative over 25% of the seats in the upper and lower houses, the state assemblies and appointment of the minister in three government ministries is safeguarded by the Constitution. It remains to be seen if the Military will approve of Daw Suu Kyi's declaration that she will "govern from above." Some markers to observe are how the NLD will find balance between itself and the old political elite, the military and the Buddhist nationalists. How will

the NLD promote reconciliation between the Burman majority and the ethnic minorities? Will the NLD prioritise the ceasefire and peace process with armed ethnic minorities? How will the NLD resolve the question of citizenship rights for the Rohingyas?

The Philippines will hold presidential elections on 19 May 2016. There are three markers to look out for. The Supreme Court will decide if Senator Grace Poe, one of the top three popular candidates, will be eligible to run for the presidency. If she is out, who her supporters will vote for is of interest? Polling shows that the top three candidates are neck-to-neck in popularity, so it remains to be seen who will break forward from the pack. The incoming president and government will have to match up to outgoing President Benigno Aquino's legacy of high growth, anti-corruption ambitions and reconciliation with the Muslim South.

In Thailand, until a new Constitution is endorsed by public referendum, which will result in an election earliest in mid-2017, the country remains under military rule. There are three markers to look out for in 2016. Will the new Constitution be one that facilitate the military to continue to govern? Will it bridge the divide between the Red shirts and Yellow shirts? The second marker concerns the timing, management, and outcome of a public referendum on the draft constitution. Will it confer legitimacy on the electoral process? Third is the management of royal succession in the event of the passing of the current King.

Political change in these countries will affect the pace and scope of ASEAN community-building in 2016. Generally, the trends look positive. Political change also raises questions about how these leaders will balance their relationship with China and the United States. ASEAN community-building could be affected by the increasing rivalry between these two major powers.

SESSION 2: MAJOR POWER INTERESTS AND CONTESTATION IN SOUTHEAST ASIA

This panel focused on the relationship between Southeast Asia and the major powers in the region - China, Japan, and the US. It featured Professor Dr Jia Qingguo, Dean of the School of International Studies at Peking University, China; Dr Masashi Nishihara, President of the Research Institute for Peace and Security, Japan; and Professor Dr Susan Shirk, Chair of the 21st Century China Program at the University of California, San Diego, USA. The moderator was Ambassador Bilahari Kausikan, Ambassador-at-Large and Policy Advisor, Ministry of Foreign Affairs, Singapore.

Ambassador Kausikan observed a more-than-usual flux in the relationship between major powers and Southeast Asian countries. As the former adjusted relations with the latter, the latter responded with readjustments in their relations with the former. Ambassador Kausikan asked the panellists about the likelihood that US-China-Japan competition in Southeast Asia would turn into conflict. All three panellists, Professor Susan Shirk, Dr Masashi Nishihara, and Professor Jia Qingguo, responded that the risk was 'medium'.

Professor Shirk stressed that the Obama administration's increased attention to Southeast Asia is not a policy to balance China. She argued that it was increased Chinese assertiveness in its sovereignty claims in the South China Sea that had led Southeast Asian countries to approach the US with fresh proposals for joint-military exercises and deeper trade and investment relationships, with the hope that the US will make its presence felt in the region. China's rise has caused uncertainty in the region. Particular alarm was raised by its overlapping sovereignty claims in the South China Sea. Increasingly, Southeast Asian countries are finding it easier to build a coalition around the ideals espoused by the US, the rule of law and Freedom of Navigation (FON), rather than China's self-interested sovereignty claims in the South China Sea.

Professor Shirk argued that Southeast Asian countries should encourage China to pursue policies aimed at providing public goods through strengthening the regional multilateral architecture. This would lead to better integration of China into the region and shape its behaviour. She also remarked that OBOR and AIIB are excellent initiatives for China to pursue its ambitions while also providing public goods for the region.

Professor Jia argued that China placed a priority on cultivating a mutually beneficial relationship with the region. The bedrock of China's policy in Southeast Asia is President Xi Jinping's vision of a "community of common destiny". Both economic and political factors motivate this vision. Due to the rapid rise of production costs, China's comparative advantage in cheap labour has evolved into capital technology and managerial skills, which it hopes to export regionally through initiatives like OBOR. Furthermore, in order for China to cultivate an image as a benign world leader, and to convince the US that its proposed 'New type of Great Power Relations' will work, China must manage its relationship with its neighbours well.

However, China's sovereignty claims in the South China Sea, while enjoying the support of the majority of the Chinese people, sometimes eclipses its intentions to maintain a good relationship with Southeast Asia. Nevertheless, Professor Jia pointed out, China is not the only country to build islands in the area; it has a good track record of settling territorial disputes with its neighbours through negotiation; and it has never challenged the principle of FON although it was concerned about US reconnaissance activities in the area. China has become more proactive in the South China Sea in recent years, and securing access to sea lanes is more important to Beijing than settling territorial disputes. Professor Jia urged all claimant states to work towards the prompt conclusion of the Code of Conduct (COC).

On Japan's role in regional developments, **Dr Nishihara** praised Prime Minister Abe for his active role in strengthening ties with Southeast Asian countries. Maintaining access to oil and import routes through the Straits of Malacca and the South China Sea is key to Japan's economic security and national interests. Outstanding issues such as China's sovereignty claims to the Senkaku islands and its growing presence in the East and South China Seas continue to mar Sino-Japanese relations. In light of this, Japan considers ASEAN an important partner for hedging against China.

Dr Nishihara also noted that China has often played up Japan's aggression in WWII to hurt Japan's image in the region and this impedes improvement in Sino-Japanese relations. Sino-Japanese rivalry also extends into the economic dimension. This is expressed in Japan's refusal to join the AIIB, followed by Prime Minister Abe's announcement of Japan's intention to contribute US\$110 billion to infrastructure projects in the Southeast Asian region. The Abe administration, more so than previous Japanese governments, has been interested in expanding Japan's regional security role. We can expect Japan to play a larger non-combat military role in the region in the future. Dr Nishihara emphasized that Japan will work towards ensuring Southeast Asia's economic viability and political stability.

SESSION 3: THE ASEAN ECONOMIC COMMUNITY: REALISING GAINS AND EXPANDING COMMUNITY

This panel assessed the successes and challenges of the ASEAN Economic Community from a variety of business perspectives. It featured Mr Sam Cheong, Head of the Group Foreign Direct Investment Advisory at United Overseas Bank, Singapore; Mr Robert Yap, Deputy Chairman & Executive Director of Y3 Technologies, Singapore; and Mr Junichi Sasaki, CEO, ASEAN & South West Asia Bloc, Itochu Corporation. The moderator was Tan Sri Dato' Dr Mohd Munir Bin Abdul Majid, Chairman of Bank Muamalat Malaysia Berhad, Malaysia and the ASEAN Business Advisory Council.

The establishment of the ASEAN Economic Community (AEC) on 31st December 2015 was a major milestone in the long-term integration of ASEAN. Nevertheless, the top priority remains the implementation of the uncompleted measures of the AEC Blueprint 2015. Nevertheless, the 2025 Blueprint has identified new targets for the next ten years: the development of SMEs, the promotion of good governance, labour migration, and environmental protection. The panel discussed the economic gains from the nascent AEC, shared their perspectives on the expanding opportunities, and suggested the challenges that may hinder businesses from realising the full benefits of the AEC.

Mr Sam Cheong observed that ASEAN has surpassed China to become the top Foreign Direct Investment (FDI) recipient in Asia. Accumulated investment in ASEAN is expected to triple from an estimated US\$1.8 trillion currently, to US\$5.2 trillion in 2030. Mr Cheong argued that the realisation of the AEC will spur the region's growth momentum and attract more FDI. As China rebalances its economy towards a model driven by domestic consumption, we will observe a new growth trend in Chinese outbound direct investment (ODI) to ASEAN countries, half of which represent Chinese private-owned enterprises (POEs). Investment from POEs will be the key Chinese investment in ASEAN. Given the rising trend of FDI in the region and the diversity among ASEAN economies, Mr Cheong argued that ASEAN economies must have their domestic priorities better aligned with the regional initiative so that a consistent message is given to foreign investors. Although banking services are currently not a necessity for FDI, comprehensive information on new markets and policy interpretations will help companies connect with these markets.

Mr Robert Yap argued that the AEC creates opportunities for the private sector to leverage on technologies and services. The integrated community incentivises firms to expand and move abroad, resulting in connectivity improvement and supply chain solutions to manage logistics activities. Nevertheless, even as businesses in ASEAN continue to grow, talent cultivation and Research & Development must continue, in order to achieve a sufficiently well adapted workforce in the next decade.

Mr Junichi Sasaki argued that the AEC does not significantly alter the business environment. Tariff elimination is the biggest achievement of the AEC Blueprint, as it promises to make ASEAN more attractive for manufacturing and trading businesses. However, there has been little progress in elimination of non-tariff measures, liberalisation of the service sector, integration of the financial sector, and facilitation of skilled labour mobility. Given the varying business interest areas of the different ASEAN economies, and their different domestic issues, Mr Sasaki expressed scepticism toward the implementation of the 2025 Blueprint. On the Trans-Pacific Partnership (TPP), Mr Sasaki suggested that the growing interest among several ASEAN economies in this agreement may demonstrate an effort to implement the 2025 Blueprint. He also offered a new model of doing business that involves a strategic alliance between a Japanese corporation and an ASEAN partner, that together engage in a business relationship with a Chinese company.

The panellists also shared that the key obstacles for attracting FDI to the region are often the perceived lack of comprehensive information and transparency for foreign investors, and the complicated licensing application processes for FDI projects in some ASEAN economies. Going forward, non-tariff barriers remain an unresolved issue. A strong focus on the simplification and harmonization of customs procedures, as well as the removal of technical barriers to trade, will significantly lower the impediments to trade. The panel agreed that infrastructure development remains a priority for the region in the next decade, and that financial institutions such as the AIIB and the Asian Development Bank (ADB) are expected to help in the financing of such projects.

SESSION 4: UNDERSTANDING ISIS EXTREMISM AND ITS CONSEQUENCES IN SOUTHEAST ASIA

This panel assessed the consequences that Southeast Asia may face as a result of the ascendancy of ISIS extremism elsewhere. It featured Ms Sidney Jones, Director at the Institute for Policy Analysis of Conflict, Indonesia; and Dr Maszlee Malik, Assistant Professor, Faculty of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia. The moderator was Professor Dr Joseph Liow Chin Yong, Dean, S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore.

Dr Maszlee Malik and **Ms Sidney Jones** pointed out that the number going in support of the Islamic State (IS) to Syria is low in Indonesia and Malaysia compared to those going from European countries. Ms Jones observed that many of the men going to Syria for this reason would be working in relatively menial jobs. She estimated that between 200 and 250

Indonesians have travelled to Syria to join IS. There has also been a high proportion of women and children under the age of fifteen caught attempting to travel to Syria. The appeal of IS to women is under-studied and not sufficiently addressed in de-radicalisation programmes. Ms Jones argued that there is potential for cross-regional alliances when widows of Indonesian and Malaysian fighters killed in Syria re-marry non-Southeast Asian IS men.

The panellists emphasised that policy responses to de-radicalisation should account for not only security, but also social implications. Ms Jones observed that the biggest at risk group in Indonesia were deportees caught trying to enter Syria. Some were under the poverty line, having sold all their possessions in order to pay for the trip. There is a need to monitor this group and provide them with new and alternative networks to re-integrate into society. Crowdsourcing can be leveraged upon instead of only reliance on government policy to create counter-narratives to radicalisation. Youth and active social media users can be key players in creating and promoting alternative narratives to radicalization.

Dr Maszlee pointed out that it is problematic to assume that the primary motivation behind the turn to extremism is Wahhabism or any particular school of thought. Motivations appear to vary and can range from poverty, fighting for social justice, wanting to take part in the experimental Caliphate, wanting a fresh start, being faithful, among many other reasons. Both panellists emphasised the need for more understanding of the various factors that lead to extremism. Ms Jones also pointed out that those who go to Syria are different from those who went to Afghanistan in the past. The latter group went there with the intention to receive training and then return to Southeast Asia to continue their work, whereas those who now go to Syria seek to relocate there more permanently.

Even though ISIS is on the defensive and conditions in Syria have deteriorated and more Malaysians and Indonesians are getting killed at the front, this has not deterred new travellers to Syria. IS activities in the Southeast Asian region do not appear too widespread as the core leadership of ISIS does not seem to have a strong interest in this region, although this may gradually change. Ms Jones pointed out that other than IS supporters, there are other groups within Indonesia such as the Jemaah Islamiah that also need to be closely monitored. Should IS declare control over a province in Indonesia in the future, then Southeast Asian responses to the matter will have to change.

SESSION 5: INDONESIA: LOOKING OUTWARD, TURNING INWARD?

This panel discussed Indonesia's policy priorities in 2016. In particular, the panellists debated the balance in Jokowi's foreign and domestic policies. The panel featured Professor Dr Dewi Fortuna Anwar, Deputy for Government Policy Support, Secretariat of the Vice President of the Republic of Indonesia; Dr Edy Prasetyono, Executive Director, Center for ASEAN Studies, University of Indonesia; and Dr Jonathan Pincus, President and Executive Director, Rajawali Foundation, Indonesia. The moderator was Dr Hui Yew-Foong, Senior Fellow and Coordinator of the Indonesia Studies Programme at ISEAS-Yusof Ishak Institute.

Unlike his predecessor Susilo Bambang Yudhoyono (SBY), who had the foreign policy approach of “1,000 friends and no enemies,” Jokowi’s focus has been on domestic development. This raises concerns as to whether Indonesia is turning inward. The primary challenge of Jokowi’s first year has been the consolidation of his power and the parliament, particularly since he has been facing challenges from within his own party. A prime example of this challenge is the fact that, after a cabinet reshuffle, very few members now represent the winning party. Additionally, efforts to streamline the budgeting process through reforms to nomenclature have also created a slowdown in processes for the near-term. As such, doubts have been raised over his efficacy as a leader.

With increasing inequality and unemployment, Indonesia’s main priorities are in economic and infrastructure development. However, regional and global dynamics prevent the country from turning inwards. Indonesia understands the importance of keeping a regional balance; and that security and stability depend on the dynamic equilibrium between Southeast Asia and other regions. As such, the country is developing better relationships with China, but still remains prudent by not cutting ties with Japan, United States, and South Korea in defence and security.

The decline of the commodity boom forces Indonesia to diversify its economic base. This current situation shares some parallels to the 1990s. But unlike the 1990s, the country now has a decentralised administration, with local governments at the city level playing an important role. In the past, the central government had the power to enforce its policy and regulations, but decentralised conditions have brought about challenges to governance, namely fragmentation and overlaps in the administration processes such as licensing and permits. Therefore, economic reforms have to be specifically tailored for implementation either for national or regional governments.

In 2016, we can expect Jokowi’s government to deliver on its promises, focusing on maritime development (resource management, diplomacy, defence, and connectivity), the development of the periphery, and the strengthening of pluralism.

With the largest Muslim population in the world, Indonesia will focus on civil society and religious groups to develop counter-terrorism narratives and mitigation. Among various initiatives in this area is the government’s plans to build international Islamic institutions, where people from other countries can learn about Islam and inter-faith dialogues in Indonesia.

Unlike SBY or Soekarno, Jokowi is a lot less comfortable in the international arena, but he is dedicated to developing pragmatic bilateral relations. Individual coordinating ministers have been appointed for identified key countries, including Singapore (Luhut Pandjaitan) and Malaysia (Rizal Ramli). Indeed, its foreign policy priority includes the protection of national sovereignty, the protection of maritime resources, relations with neighbouring countries, and the protection of Indonesian workers abroad. Tourism is also a major sector that Indonesia plans to develop, creating less restrictive policies and a tourist- and traveler-friendly environment. In all of these plans, Indonesia is keen to look into its history to strengthen and project its identity.

SESSION 6: MALAYSIA: A POLITY UNDER STRESS

This panel discussed Malaysia's political climate in 2016. In particular, it touched on three themes: growing religious intolerance, the controversial 'fundraising' tactics of Prime Minister (PM) Najib Tun Razak, and the cohesiveness and integrity of the Federation. The panellists were Mr Wan Saiful Wan Jan, Chief Executive, Institute for Democracy and Economic Affairs (IDEAS), Malaysia, and Associate Professor Dr Andrew Aeria, Department of Politics and International Relations, Universiti Malaysia Sarawak. The moderator was Dr Michael Vatikiotis, Regional Director, Centre for Humanitarian Dialogue.

Mr Wan Saiful Wan Jan noted that Najib started his term in 2009 with two new visions for Malaysia: '1Malaysia' as a concept to drive national unity and promote unity-in-diversity, and a New Economic Model (NEM), which sought to transform the economy such that it became market- and private sector-driven. However, these plans were short-lived; in his excitement to promote reforms, Najib was unable to convince his own party of his plans. The current political deadlock is between Najib and his party, the United Malays National Organisation (UMNO), especially with its dominant ethno-nationalist members. The party has pushed Najib towards ethno-nationalistic goals, causing the reformist agenda to fall to the wayside. Malaysia is at a crossroads; if the current trend continues, Malaysia may lose key institutions vital for it to achieve developed status. Certain decisions must be taken for the sake of economic progress and political stability.

Mr Saiful found UMNO's current state bewildering; the party has not asked the right questions with regards to the 1MDB scandal. He suggested that this could possibly be due to Najib's retained grip on power via patronage politics, and his use of legal mechanisms to suppress dissent. Also, from UMNO's point of view, replacing Najib may create fresh problems. He added that the opposition parties are in a shambles, and that while progress has been made with the Pakatan Harapan (PH) coalition, the Pan-Malaysian Islamic Party (PAS) remains out of it. Mr Saiful does not foresee PAS joining the PH. In spite of a PAS-UMNO partnership on certain issues, and UMNO approval for PAS activities in certain states, a formal merger is unlikely to take place between the two parties. The next general elections will see the Barisan Nasional (BN) coalition winning, provided no new surprises emerge. While Najib remains a liability, the opposition PH does not currently have anything better to offer. Even if PH wins, UMNO is unlikely to implode, because political competition in Malaysia is healthy.

Dr Andrew Aeria observed that most people tend to view peninsular Malaysia as separate from and superior to East Malaysia. While East Malaysia possesses different political powers, resource bases, and a greater multicultural population, the region also suffers from rising inequality and poverty. Migrant labour population is increasing, yet state institutions remain inefficient. East Malaysia's political culture has morphed into a parallel version of the mainland; local BN institutions are aligned with the federal government. Although UMNO vice-president Shafie Apdal was removed from the Federal Cabinet last year, Dr Aeria is optimistic that the fracture can be reversed. Sarawak has been seeing increasing demands for autonomy since 2008.

Although critical of the central government (to the point of being anti-UMNO and anti-Putrajaya), Chief Minister Adenan Satem has neutralised opposition parties and movements championing autonomy. Adenan has adopted the strategy of “elite play,” to place Sabah and Sarawak in strong positions to demand for the transfer of increased resources to their administrations, with the threat that BN may lose East Malaysia as its stronghold. In the upcoming Sarawak elections, BN can be expected to win comfortably again due to two factors. Firstly, Sarawakian bumiputeras possess a symbiotic relationship with the BN and maintain a subsidy-mentality. Secondly, the opposition in both states are in disarray and have no alternative proposal to rival the status quo. Collectively, these amount to a pessimistic view on political change.

Rapporteurs are Kathleen Mariska Azali, Danielle Hong, Vandana Prakash Nair, Veena Nair, Pham Thi Phuong Thao, Kenneth Poon, and Ten Leu-Jiun.

