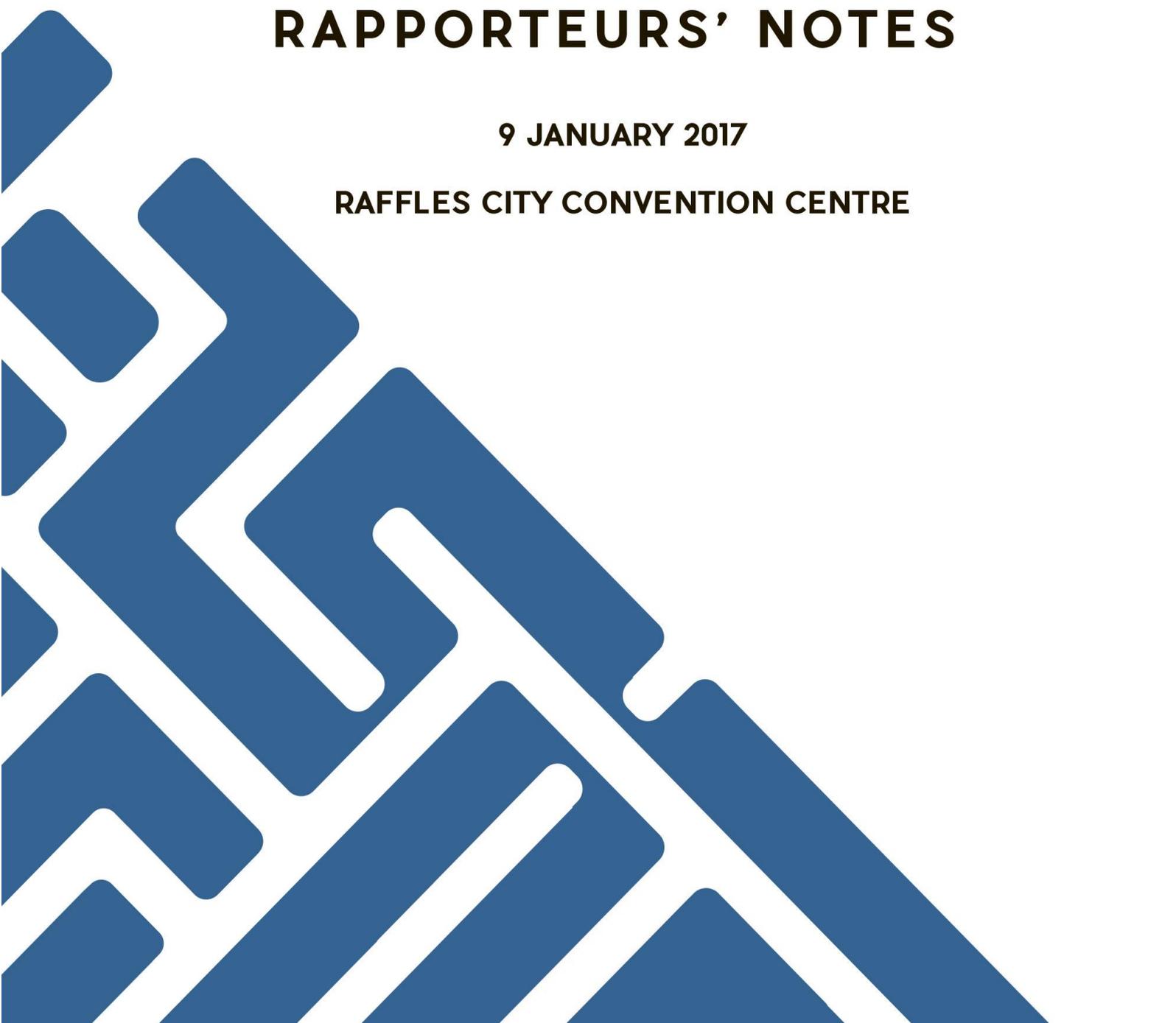


**REGIONAL OUTLOOK
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RAPPORTEURS' NOTES

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**ISEAS-YUSOF ISHAK INSTITUTE
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Session 1: Asia Pacific Backdrop: Political and Strategic Trends

In the first session, panellists discussed the implications of international geopolitical changes in the Asia Pacific in 2017. In her opening remarks, the moderator, Professor Chan Heng Chee, observed that even before Brexit and the Donald Trump's election in 2016, regional dynamics in the Asia Pacific had already been in flux as the region tried to adjust to China's economic rise and growing assertiveness in the South China Sea. Also, many states in the region had to contend with domestic political transitions.

In their presentations, both Professor Francois Godement and Dr Malcolm Cook painted a grim picture for the region. Professor Godement noted that 2016 had been a year of geopolitical shocks, which had begun to echo in 2017 with unpredictable effects. In his view, the 'Cold Peace' between China and Japan was over, making it imperative for the world to take both populist leaders and China's growing assertiveness more seriously. The world had seen a surge in defensive nationalism (or populism) – largely originating from Western developed countries – and a decrease in global leadership due to the rise of personality-based leadership, both of which had amounted to the end of the post-World War liberal order and an increased potential for violence. It remained to be seen how the Asia Pacific would respond to the Arbitral Tribunal award of July 2016. While Brexit will have minimal impact on the region, Donald Trump's victory implies an increased focus on US domestic interests, which means that the region will face the growing possibility of US isolationism. Going forward, it would be imperative for Europe and East Asia to improve trade ties, even though it is probable that Europe, like the US, would enforce some anti-trade measures in response to domestic pressure.

Dr Cook warned of increased tensions between the US and China and that this will impact geopolitics in Southeast Asian in 2017. Major power rivalry had provided Southeast Asian states with arbitrage opportunities to increase their influence and secure benefits. Most Southeast Asian states, such as Singapore, had engaged the major powers in order to conserve their own autonomy. Southeast Asian states had tried to achieve a geopolitical 'sweetspot' unilaterally through balancing and hedging, and collectively through upholding ASEAN unity and centrality. Going forward, major power relations would be characterized by continuity and change, which would make it challenging for Southeast Asia to maintain its geopolitical 'sweetspot'. Dr Cook added that China would *continue* its policy of seeking recognition as the paramount power in the Asia Pacific, and US

policy would *change* under the Trump administration. US policy would change in three major ways: the Obama administration had shown early willingness to assuage Southeast Asian concerns about US ability to maintain primacy in the region while current appointments show that the Trump administration will be preoccupied with the Middle East and that its Asia policy would focus on the major powers and Northeast Asia; the Trump administration would probably favour unilateral and bilateral approaches, which would clash with ASEAN's approach to international diplomacy; and US constants may be made contingent as demonstrated by the Trump team's early attitudes toward the One-China Policy and regional alliances. If the Trump administration focused less on maintaining the US' strategic position in the region, then the Chinese would have freer rein at the cost of Southeast Asian states' autonomy. If the Trump administration decided to confront China, then major power tensions could turn into conflict and any potential for Southeast Asia to take advantage of major power rivalry would be reduced.

The **Q&A** section focused on the region's responses to increased major power rivalry, cross-strait tensions, US-China relations, and the nature of Chinese aggression.

In his analysis of state-by-state responses to increasing US-China rivalry, Dr Cook stressed that Singapore, followed by Vietnam, is most likely to be at risk of isolation in geostrategic decisions within Southeast Asia and ASEAN. The other maritime states had signalled that they would move closer to China for short-term gain. President Rodrigo Duterte of the Philippines would continue his nationalist policies, which include moving *away* from the United States, and not *toward* China as most people believed. Malaysia and, to an even lesser extent, Indonesia, did not appear to have a single coherent cross-government response to major power rivalry. Professor Godement added that the era of benign regional rule was over for ASEAN. The peace that had prevailed in the region for so many years had come under stress today.

Both Professor Godement and Dr Cook expressed doubt that the US would change its position on the One-China policy. Professor Godement opined that President-Elect Donald Trump's decision to break protocol and speak with the Taiwanese President was designed to make China sit up and react, rather than an attempt to overturn traditional US policy. The Taiwanese themselves doubted that Trump's actions indicated any serious change in policy. Rather, Trump would focus on domestic politics while using Taiwan as a bargaining chip in his government's engagement of China. Dr Cook observed that the incident had shown China's increasing sensitivity due to the 2016 Taiwanese election of the China-sceptic Democratic Progressive Party (DPP). This, coupled with Donald Trump's actions, reinforced the view that China could no longer determine the parameters of the One-China policy and how it should be applied.

Professor Godement and Dr Cook also agreed that China's actions in the region were offensive and aggressive rather than defensive attempts to recover its historical role in the region. Professor Godement warned against any acceptance of irredentism, pointing out that modern law had been shaped to counter such behaviour. Dr Cook drew parallels between China's current behaviour and Indonesia's aggressive actions during the Konfrontasi period, when it espoused irredentist rhetoric. The region would benefit if, like Indonesia, China adopted an enlightened approach to the South and East China Seas and abandoned the view that it should dominate the region because of its historical rights.

With regard to a stronger US-Russia relationship under the Trump administration, Dr Cook predicted that such an improvement could enhance US-Japan-Russia relations, US-Vietnam-Russia relations, and US-Russia-North Korea relations. Prime Minister Abe had already shown a keen interest in improving Russian-Japanese ties and the US and Russia were both important partners in Vietnam's bid to balance China. The US and Russia could also strike a deal, which would put pressure on North Korea. At the same time, however, Dr Cook stressed that an embrace of Russia would be tantamount to dismissing international law as being irrelevant to international relations. Russia was by far the weaker power and it would send the wrong message for the US to reach out without demanding any change from it. Professor Godement concurred that while Russia was a strong regional power, it was no longer a superpower. Its recent hostility toward the US and Europe had been driven by the need to enhance the government's domestic legitimacy in the midst of bleak economic conditions. The Trump administration would have to craft a coherent policy with European allies in its approach to Russia; otherwise, President Putin could successfully play one side against the other.

Professor Godement ended the session on a relatively positive note, pointing out that while the region faced several strategic and power struggles, the Asia Pacific was still in much better shape than many other regions. Adopting a different position, Dr Cook anticipated more regional disruption in the future, arguing that the Asia Pacific as a region had been purely defined by US "superpowerdom" and the Trump administration had created doubt about US willingness to upholding its commitments in the region.

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REGIONAL OUTLOOK FORUM 2017
Session 2: Southeast Asian Economic Outlook

The tumultuous events of 2016 have created much uncertainties over the year ahead. What are the economic prospects for Southeast Asia in 2017? Dr Chua Hak Bin (Economist, Maybank Kim Eng) and Mr Manu Bhaskaran (Partner, Centennial Group International and Founding CEO, Centennial Asia Advisors), the two panelists for the Regional Outlook Forum's "Southeast Asian Economic Outlook" panel, suggest that Singapore, Malaysia and Indonesia's economies are relatively well-equipped to handle the economic challenges of 2017 and beyond.

1. Profiting from Anti-Trade Sentiments

The most commonly talked-about economic challenge of 2017 is the growing protectionist mood around the globe. As the most trade-reliant economy in the region, Singapore is expected to be the hardest hit. Yet, Dr Chua noted that Singapore has also thrived on others' protectionism in the past. One instance was when Singapore established the Asian Dollar Market in 1968. Precisely by keeping its borders open, Singapore was able to absorb the demand for an offshore banking center while the rest of the region retained tight capital controls. Dr Chua suggested that similarly, Singapore's open policy could allow it to absorb the demands of the tech sector. He pointed out that some 40-50% of the population in Silicon Valley are foreigners.

Moreover, the decline in global merchandise trade in the last five years cannot be entirely accounted for by the rise of protectionism. Other factors include China's onshoring, the decline in global prices, and the shift in demand for services. Importantly, the services boom promises to offset the decline in merchandise trade. In fact, Dr Chua suggests that there is no evidence of de-globalisation in the services sector. For example, tourism has been growing at 12-13% in Southeast Asia. The services boom is facilitated by the growth of e-commerce, how travel costs have declined, and how there is freer movement of people. It is important not to underestimate the potential in the services sector. For example, the financial sector promises multipliers 3-5 times that of manufacturing. While Singapore, Thailand, and Philippines are net exporters of services, Malaysia and Indonesia are net importers of services.

2. Resilience to Economic Challenges

Despite various economic pressures, Indonesia, Malaysia, and Singapore promise to be resilient in 2017 and beyond. This owes to structural reforms – they lay the foundations for sustainable economic growth in the long-run, albeit with some short-run costs. Moreover, many Southeast Asian economies boast of unmet potential from resource endowments, youthful

populations, and growing consumer markets. Strong economic fundamentals are required to tap on these trends.

Some of the recent economic challenges stem from one-off shocks. For example, between 2014 and 2015, Indonesia had suffered bad weather, the sharp collapse of commodity prices in, as well as its decision to reduce fuel subsidies. Mr Bhaskaran suggested that economic indicators show that Indonesia is poised for recovery in 2017. He argues that the Rupiah's stability in spite of the global turbulence is evidence that Indonesia's economy is more resilient to external shocks than before. He also cites Indonesia's significantly improved ranking in the World Bank's 2016 "ease of doing business" report as evidence that Jokowi's good governance reforms are taking effect. Mr Bhaskaran suggested that it is the slow accumulation of reforms in good governance, such as shorter port-turnaround times and other less noticeable changes on the ground, which bode well for Indonesia. Moreover, Indonesia is well-positioned to absorb manufacturing activity from China as China moves up the value chain. Malaysia, too, faced a number of one-off negatives from restructuring efforts: GST reductions, removal of subsidies, and weaker commodity prices. Mr Bhaskaran suggests that these reforms will bear fruit in the long run and the short-term economic hardships will fade. Moreover, as the most open economy in the world after city states like SG and HK, Malaysia is set to recover as commodity prices increase.

Some of the external pressures reflect long-term structural changes, such as the threat of disruptive technology in Singapore. As Dr Chua points out, the effects are already felt today; while jobs have grown, the job market is at the weakest since the Global Financial Crisis. Yet, this is also symptomatic of Singapore's restructuring efforts in response to disruptive technology. This is reflected in the jobs data: the manufacturing sector (except for food, beverages and tobacco) was the hardest hit, suffering between 9-18% decrease in jobs, while some of the fastest growing sectors include IT with a 31% increase in jobs, legal, accounting and management services with a 39% increase in jobs, and other PMET jobs (Professionals, Managers, Executives and Technicians). The health and social services were also the third-largest growing sector with a 33% increase in jobs – a response to Singapore's ageing population. However, Dr Chua made it clear that the schemes to dis-incentivise hiring foreign labour and invest in technology and productivity has failed. Targets for productivity growth were not met: instead of the projected 2-3% growth, productivity grew less than 1%. Dr Chua argued that this is because domestic and foreign labour are complements rather than substitutes. Therefore, faced by difficulties in hiring labour, companies have chosen to not invest at all. This is reflected in the data: private investment has been contracting for 3 years straight.

3. Politics in Economics

Although there are short-term challenges, the restructuring efforts and strengthened fundamentals suggest that Southeast Asian economies promise to be resilient in the long run. Nevertheless, politics loom in the background of reforms. For example, as Mr Bhaskaran points out, “the Najib factor” in Malaysia’s economic policy is both uncertain and opaque, and his coalition appears both strong and fragile. While Jokowi’s political will and reforms have increased business confidence, the 1MDB scandal undermined foreign confidence leading to capital outflows and a depressed Ringgit.

On the other hand, the relationship between politics and economics is not a one-way street. As Mr Bhaskaran notes, while high commodity prices help to rake in quick growth, it encourages policy makers to get lazy about economic reforms. By contrast, the economic challenges of low commodity prices have pushed policy makers to pursue productivity-driven growth.

4. The ASEAN Economic Community

Whither the ASEAN Economic Community (AEC)? As Kishore Mahbubani asked, will 2017 be the year that the positive effects of the AEC will be felt? Mr Bhaskaran admitted that business surveys show that there is disappointment with the AEC and that many companies do not feel that it is relevant to them. The Greater Mekong Sub-region (GMS) initiative, not the AEC, has been of greater immediate interest to the business community. However, he also suggested that most companies understand that the AEC is still a work in progress. Tellingly, many companies have a business strategy for ASEAN, indicating confidence that the AEC will develop over time.

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REGIONAL OUTLOOK FORUM 2017
Session 3: Extremist Threat in Southeast Asia

This panel featured Dr Greg Fealy, Head of Department of Political and Social Change, The Australian National University, and Dr Steven Rood, Country Representative, The Asia Foundation. The discussion was moderated by Professor Joseph Liow, Dean of the S.Rajaratnam School of International Studies, Nanyang Technological University.

Professor Joseph Liow initiated the discussion by highlighting the changing trends in violent extremism or terrorism in Southeast Asia. He pointed out the drastic changes in the appeal of extremism and the mode of recruitment have been witnessed in recent years, a trend spearheaded by the rapid rise of the transnational Islamic State (ISIS) terrorist group.

Dr Greg Fealy addressed the ISIS issue in his presentation. He argued that there is no prospect of a substantive caliphate being established in Southeast Asia, but the likelihood of ISIS-aligned groups seizing some form of territorial control as their springboards for jihadist operations is present. This can be attributed to a change in strategy from the central ISIS leadership in Syria and Iraq where the focus is no longer to mobilise Southeast Asian militants to fight in the two countries. 2016 appears to have been a tipping point for such a strategic shift, as seen in attacks occurring in Southeast Asia, most notably the Sarinah attack in Jakarta in January, as well as the appointment of Isnilon Hapilon of the Abu Sayyaf Group (ASG) as a regional emir by the ISIS leadership in June.

Nevertheless, Dr Fealy also highlighted the fact that even prominent militant groups such as the Mujahidin Indonesia Timor (Eastern Indonesian Holy Warriors, or MIT) led by Santoso (recently killed by the Indonesian security forces) and the ASG could, at best, only maintain a loose hold over their territories. This served as evidence that their current capacity to establish a Caliphate in Southeast Asia is rather limited. Therefore, greater concern should be placed on how the symbolic significance of having a regional emir, Hapilon, will facilitate more effective organisation and better coordination of jihadist groups in the region, which may increase the level of terrorist threat in Indonesia, Malaysia, Singapore and the Philippines. This is not forgetting the discursive appeal of the caliphate as the "ultimate form of Islamic governance" to many Islamists, including non-militants, even though most of them rejected ISIS's vision of it.

Dr Steven Rood continued the discussion by focusing mostly on the challenges of extremism and terrorism in the Southern Philippines, which was informed by his extensive field experience. Dr Rood started by pointing out one of the challenges as "somewhat uncontrolled" territories in the Philippines, as evidenced by the number of jailbreaks that occurred there, as well as the ongoing kidnapping operations. While there appears to be no

direct command and control from ISIS central, he stressed that some form of communication was, nevertheless, maintained. Dr Rood then steered the presentation towards his three major concerns. First, despite some literature portraying the ASG as a group of banditry, its ideological component, especially within the Basilan faction, should not be underestimated. Also, the appeal of the Caliphate extended beyond both the ASG, and the rural areas. Dr Rood highlighted the fact that recruitment is now done in secular campuses in urban areas, including Manila, and that new groups such as Maute Group and the Ansharul Khilafah Philippines (AKP) have pledged allegiance to ISIS and taken up the mantle as active jihadist groups in the Philippines. The ideological appeal of ISIS is also seen in the replenishing numbers of the militants, in spite of the casualties suffered from security operations.

Second, Dr Rood expressed concern in the stalling of the Bangsamoro peace process, fearing that its non-advancement would have pushed more factions from the Moro Islamic Liberation Front (MILF) into violence, as was the case with the Bangsamoro Islamic Freedom Fighters (BIFF). He paraphrased the MILF by saying that, the peace process can be a “vaccine to the ISIS virus”. Third, echoing Dr Fealy’s point about enhanced cooperation, he made the case that this already happened in the Davos City bombing on September 2, 2016. Evidence has shown that it was an attack carried out by the Maute Group under the orders of Hapilon of the ASG, with assistance from both the AKP and BIFF. The presence of fighters from other Southeast Asian nations, including Singapore, in Mindanao also brought attention to the transnational dimension of the jihadist operations.

The **Q&A** section saw many pertinent questions being raised, the first regarding the actual seriousness of the terrorist problem by Professor Kishore Mahbubani. Dr Fealy, while acknowledging alarmist tendencies in political speeches, maintained that terrorist attacks can pose a challenge to democracy for it challenges public confidence towards the government, as seen in the case of Turkey. Dr Rood also added that if an attack breaks out, the social fabric will be compromised as the public, especially in nations with Muslim minorities, may fail to distinguish between terrorists and Muslims that do not support them. The session also saw a discussion of the situations in Southern Thailand and Rakhine State, Myanmar. While agreeing that no explicit connection to ISIS was uncovered in both these regions, the panel expressed concern about the vulnerability of communities being subjected to extreme deprivation, such as the Rohingya, towards radical ideologies as these give “intellectual substance to their struggle”, as Dr Fealy articulated. Dr Rood added that one of the key motifs in extremist narratives is the “ability to take revenge”. Nevertheless, both Professor Liow and Dr Fealy maintained that the militants in Southern Thailand still have not shown any interest outside of a local agenda.

REGIONAL OUTLOOK FORUM 2017
Session 4: Outlook for Philippines / Myanmar Politics

Dr Mahar Mangahas presented on the approval ratings of past and present presidential administrations of the Philippines. The findings presented were derived from survey data gathered by Philippine non-profit social research institute, Social Weather Stations (SWS). The data concluded that President Duterte's reasonably high approval rating follows similar approval rating trends of past presidents during their inaugural year in office. Therefore, current approval ratings for President Duterte, while positive, should not be exaggerated at such an early juncture as all past presidents, with the exception of Gloria Macapagal Arroyo, had enjoyed what Dr Mangahas coined a "honeymoon period", which typically lasts for a year. As such, it remains to be seen if President Duterte's approval ratings will hold steady heading into his sophomore year in office. Elsewhere, SWS survey data suggest that contrary to public perception, President Duterte attained a poorer popular mandate than his predecessor, Benigno Aquino III, based on the proportion of popular votes won in their respective presidential elections. Furthermore, the Aquino administration had achieved the highest assessment score by the public for its effectiveness in boosting economic performance, decreasing poverty, as well as in fighting corruption and crime, thus defying critical performance assessments of the Aquino presidency. In contrast, Dr Mangahas noted, President Duterte has contradicted his anti-corruption stance by allowing former president Ferdinand Marcos, who was widely considered to be corrupt, to be buried in the Heroes' Cemetery in Manila.

Dr Pedersen presented on the political progress made and challenges encountered by the new Myanmar government led by the National League for Democracy (NLD) since its election to power in April 2016. Given growing worries over resurgent fighting between the Myanmar military and various ethnic minority groups, conflict and security issues have begun to hinder the political effectiveness of the NLD government. Simultaneously, domestic and international popular support for the NLD have deteriorated and the reputation of its leading figure, Aung San Suu Kyi, have been sullied following the party's lacklustre efforts to secure peace negotiations between military forces and ethnic rebels, in addition to its failure to curb persistent attacks and abuses against ethnic minorities. On more positive fronts, the transfer of power from a military junta to a military-civilian hybrid government has been remarkably peaceful, while relations between the military and the NLD have been notably stable with the exception of military opposition against an amendment of the constitution that would have allowed Ms Suu Kyi to assume the presidency. Nevertheless, it remains unclear how far the military will be willing to cooperate with the NLD government given its current relationship, which Dr Pedersen had termed a "co-habitation based on an uneasy division of labour".

Q&A

When queried on President Duterte's recent policy actions, Dr Mangahas opined that President Duterte's refusal to enforce the Philippines' territorial claims against China over the South China Sea, after the Permanent Court of Arbitration had ruled in its favour, was a wasted opportunity.

Dr Pedersen stated that it is unlikely that the Myanmar military will vie for political power under the pretext of a military coup due to the international flak it would receive in toppling a newly elected democratic government headed by a prominent political figure like Aung San Suu Kyi. However, Dr Pedersen believed that the military will take steps to intervene only if significant social or economic instability occurs, even though this would be done in accordance with the powers prescribed by the constitution, which currently curtails its ability to hold onto power indefinitely.

Dr Pedersen noted further that the NLD has remained a highly personalised party following the 2015 general election, with little effort dedicated to the grooming of successors for the NLD leadership. Dr Pedersen expressed his concern for the NLD's deficit in foresight to cultivate the party's next generation of leaders. However, Dr Pedersen also felt that because the NLD is seen as a progressive party, more positive initiatives should be expected in the coming years, if it continues to enjoy a strong mandate from its electorate.

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REGIONAL OUTLOOK FORUM 2017
Session 5: Outlook for Indonesia / Thailand Politics

Indonesia

Now in his mid-term, Jokowi — the first Indonesian president without family wealth or roots in party leadership, the military, or the bureaucratic elite — has remarkably consolidated his power. He enjoys the formal support of the majority in the parliament, as well as high public approval ratings. The country has had a relatively robust macro-economic (and investment) policy team in the past few years. They have consistently applied budget discipline, avoided deficits, with sound monetary policy and a transparent and well-managed banking system. Since 2014, there has been a huge budget increase in healthcare — now almost 5 per cent of the State Budget. Indonesia now has the world's largest — and cheapest — National Health Insurance Program, with over 180 million members to date. Under Jokowi, Indonesia has also seen perhaps the largest sustained infrastructure spending increases in Indonesian history, up to 57 per cent. Now, under Sri Mulyani, there is also a renewed focus on tax reform. While Indonesia's economic growth looks outstanding among many emerging markets, it still lags behind Vietnam, India, and China. Jokowi has made bold efforts to reverse a decade-long drift towards self-defeating economic nationalism with modest progress. However, it is undermined by the absence of fundamental bureaucracy and legal reform, along with long-standing hostility towards foreign direct investment. Late last year, however, the use of ethnic and religious identity politics has increased, manipulated by the political elites jostling for the Jakarta gubernatorial seat. The influence of the mainstream Islamic groups (NU and Muhammadiyah) seems to be weakening, while new Islamic political leaders, such as Habib Rizieq Shihab, seem to be emerging. However, this has been a culmination of a long-growing trend of intolerance against minority groups, including Shi'a, Ahmadiyah, Christians, Chinese, and the LGBT, which began in the Yudhoyono period.

Thailand

The Thai general elections would be delayed until mid-2018 due to Prime Minister Chan-o-cha announcing that the legislative bodies would need another fifteen months to pass the law in preparation for elections, and the junta wanting ensure a proper royal cremation for the late King Bhumibol in October 2017. New rules from the constitutional draft allow the junta to stay on top of the new political architecture with the help of appointed bodies. The new electoral system would make it difficult for the big political parties to win and bias the results towards small and mid-size area-based parties, which would likely form a multiparty coalition government. Five forces stand in the way of the junta's aspirations: the monarchy, political parties, businesses, organised movements like the red and yellow shirts,

and ordinary people, of which only the political parties were supportive of the junta's plan. The new monarchy meant that one of the key missions of the coup to manage royal succession was already fulfilled. The businesses felt increasingly discriminated due to crony capitalism. The red and yellow shirts faced dilemmas in supporting the junta as the yellow shirts, though ideologically happy with the junta, wanted economic growth while the red shirts wanted agricultural subsidies and cash transfers for the poor in return for putting up with an unfavourable regime. The ordinary people were concerned for Thailand's economic future. In the long term, Thailand could expect to have frequent regime changes because neither a military nor civilian government could deliver both economic growth and social stability at the same time. One of the key issues that could be managed was unequal public budgeting in terms of the "Bangkok bias" where almost three-quarters of the total budget was spent on Bangkok, leaving less per capita for health and education for the rest of the country. These figures feed the vicious circle of Thai politics and explain why people in Bangkok protest against redistributive policies while most people in the provinces vote for populist leaders who propose them.

Q&A

On the high inequality between the rural and urban areas in Thailand and the sociological trends underlying these differences in Thailand and Indonesia: In Thailand, Dr Veerayooth said that the junta wanted to keep fiscal discipline and that policies were becoming more redistributive due to political discontent in rural areas. However, with the exception of universal healthcare, there were no other truly transformative policies implemented. On Indonesia, Dr Ramage observed that the absence of deep social cleavages in Indonesia showed the success of decentralisation that began in 2001. He added that surveys showed that Indonesia had a relatively even distribution of resources across the country and that voter satisfaction surveys for the government showed that the rural electorate and middle class had roughly the same issues.

What does the focus on domestic politics for both countries mean for their regional growth and ASEAN, especially with regard to Indonesia's foreign policy and Thailand's relations to its neighbours like Cambodia? For Indonesia, Dr Ramage replied that President Jokowi's foreign policy equated to foreign economic policy and it was relatively successful. He observed that the most immediate development dimension depended on the outcome of Ahok's blasphemy trial. The growth of identity politics might have implications for other countries in Southeast Asia. For Thailand, Dr Veerayooth said that Thailand's political situation was driving away foreign direct investment, which was flowing into its neighbouring countries. He observed that Thailand's lack of industrial structure and reliance on cheap labour meant an unhealthy situation of importing mostly illegal immigrants.

On the ties between the current Thai king and former Prime Minister Thaksin Shinawatra, an attendee commented that they were seen to be close previously and asked if it was possible for the king to pardon Thaksin and invite him back. He also asked how the dynamics brought on by the newly crowned king would affect Thailand. Dr Veerayooth replied that the new king used to be close to Thaksin but this was no longer the case. He added that coordination between the military junta and the monarchy was getting stronger as indicated by the new Privy Council being populated by members of the junta.

Would the anti-Chinese sentiments in Indonesia affect Singapore, which had a majority Chinese population and much investment in Indonesia? Dr Ramage clarified that Indonesians writ large were not necessarily anti-Chinese. An anti-Chinese dimension was used in political campaigning by extremist groups who used race and religion to crush their opposition, creating a broader impact on citizens. Yet, a recent survey by the Wahid Institute showed that the Chinese were only in the fifth or sixth place among the 'most disliked' groups. He said that the reverberations from the Ahok blasphemy trial already has an impact on trade between Indonesia and China. The Indonesian government went to great lengths to emphasise President Jokowi's visit to India to improve trade ties with different ethnic groups.

One attendee commented that for the "Bangkok bias", the larger budget allocated to Bangkok was also due to government bureaucracy and national defence, whose institutions were located in Bangkok. He said the percentage of government tax revenues from Bangkok should also be taken into account. Dr Veerayooth replied that even with the additional expenses in Bangkok, more was spent per head in terms of health and education in Bangkok than the rest of Thailand, even though he agreed that direct tax still came from Bangkok. He opined that the indicators used to reallocate the national budget to a particular region should include the number of corporations from the region and the amount of national output it produces.

What are the main electoral issues were for the next General Election? Dr Veerayooth opined that if the current constitutional draft was followed, politicians would seek to serve their own provincial constituency instead of looking out for national interests.

How much of this identity politics concern was really non-Muslim or Western fear about identity politics and how much of this notion was really felt by the majority of Indonesians given they are the largest Muslim country in the world and yet are largely secular? For example, *Kompas* was a liberal progressive newspaper with many articles on political problems, while in the *Pikiran Rakyat*, this issue was hardly mentioned at all. Dr Ramage replied that he did not have good survey data on what people believed and on what the divisive issues were. He observed that it was no surprise that

Kompas would be concerned about the denigration of progressive values as it was a liberal progressive voice. He added that research from social weather stations, such as the Saiful Mujani Research & Consulting (SMRC), and other good research organizations show that Indonesians are not particularly concerned about the growth of identity politics. However, this was also partly because people were increasingly intolerant. Dr Ramage added that it was beneficial to look at the longitudinal research that was carried out every two to three years since 1999 by the state Islamic university in Jakarta on public levels of intolerance. He highlighted that President Jokowi and the government were very worried about this narrowing of what Indonesians thought was permissible in society. He added that this trend has been going on for some time, citing the 300 persecutions for blasphemy under President *Susilo Bambang Yudhoyono*.

How would the new king handle the issue of Muslim separatism in South Thailand? Dr Veerayooth replied that the need to solve the problem of the Southern insurgency was always used as part of claims to legitimacy made by the junta. Although the junta had made some structural changes to manage the insurgency issue, this did not seem to be successful as the conflict and violence seemed to be escalating.

Since the coup, had there been a change in the balance of power between the army and palace? What about the ideology that the army uses to justify its senior role in the partnership and would likely replace the royalism based on King Rama IX? Dr Veerayooth replied that the army and palace were symbiotic and depended on each other, even though who was dominant could reverse. In the early years, the junta was more powerful, but over time the monarchy came to be on top. In terms of ideology, he opined that that which drove the military would change from being the servant of the king to the guardian of the king.

On the significance of the quantity, identity, and motivations of protestors trucked in to protest against Ahok, and their bearing on rising intolerance. It is important to identify who perpetuated it, and the different layers of participants. Most Jakarta liberal elites dismissed the thousands of demonstrators as being mostly “bought” and paid to do so. However, he opined that he had heard different reasons why people demonstrated and that this did not reflect the actual view of voters from Jakarta and therefore needed to be closely studied.

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REGIONAL OUTLOOK FORUM 2017
Session 6: Malaysia: Key Issues Leading Up to Next General Election

Dr Chandra viewed the upcoming 14th General Election through the lenses of the two principal political actors in Malaysia: the Barisan Nasional and the opposition.

The BN coalition's main selling point is that it is the coalition that can guarantee peace and stability (given the real threat of terrorism and radicalisation), and has contributed to development and progress (having built the massive public transport programme across the peninsula and Sarawak as well as attending to the problem of public housing), all this while achieving a growth rate of 5%. BN is also creating the impression of earnestly fighting against corruption by arresting high-profile figures in spite of the accusations against them. The cohesiveness of BN also stands in contrast to an opposition in disarray. Dr Chandra said that they would be unable to establish a viable government without an organised Islamic party in PAS, and the leaders of the opposition had been at loggerheads with each other at various times in the past. Ultimately, the UMNO-dominant coalition "makes more sense" because of its Malay leadership as opposed to the opposition, which is dominated more by the Chinese-dominated DAP – this playing of the ethnic/religious card will become more telling if UMNO makes clandestine arrangements with PAS. The key problem for the ruling coalition is a trust deficit that it definitely has to overcome in order to perpetuate itself and stay firm. The PM has to act decisively, but collective self-interest may overwhelm all else in the end.

On the other hand, the opposition's most powerful argument is that there was a general sentiment among urban and semi-urban peninsular Malaysians that change is needed. The BN coalition's performance has been disappointing for three reasons. The government's inability to control prices has resulted in a rising cost of living that has affected every sector of society (not only the bottom 40%). Although the 1MDB saga has impacted the urban electorate more than their rural counterparts, it has shown that the government is not prepared to be honest and accountable, choosing instead to continue concealing the facts. Lastly, Sabahans and Sarawakians are increasingly feeling that their rights and autonomy have not been respected. With PAS out of the opposition, the opposition's reach to rural areas through PAS' grassroots network will be severely curtailed. Dr Chandra was unsure whether Mahathir, Muhyiddin, and Anwar will be able to fill the rural vacuum since they each have skeletons in their closets. If they are unable to deliver, it will result in a situation where the opposition-at-large (led by the DAP) will be painted in ethnic colours. The opposition would ultimately need to show that they are cohesive and that they can govern without disintegrating.

In conclusion, Dr Chandra felt that too much emphasis was being placed on electoral politics as the factor impacting Malaysia's destiny. The issues of integrity and trust go beyond electoral politics. The question of wealth disparity has been unaddressed and cannot be solved by handouts alone. Similarly, the question of religion in the public sphere and what this means for Malaysian identity and the place of the Islamic faith in a changing environment is something UMNO will have to tackle.

Dato' Zaid then launched into a speech outlining the various reasons why the opposition deserves to win against PM Najib and BN. To him, the issue of 1MDB is more than about money and has shamed the Malaysian people. He asserted that Malaysia must change, and that the old politics, the narrative of hegemony, the "kleptocracy", instilling fear in people, and charging people for sedition for giving opinions can no longer be tolerated. He made no bones of his support for the opposition and took this opportunity to vociferously advocate for a change in leadership in Malaysia. In contrast to Dr Chandra, he believed that the opposition is solid on the key issues, even as it appears to be in disarray. He believed that the opposition can make a difference this election and deliver the 6% needed to win. The most striking comment he made during his rhetoric-filled speech was that he hoped that Singapore and ASEAN would be happy when "we" (the opposition) won even if China is not.

In the Q&A segment, DAP MP Liew Chin Tong remarked that UMNO has 73 seats in the peninsula, 35 of which are marginal seats in the last election, which is almost a repeat of 2008. In Malaysia, 70% are urban residents, of which 65% of them are Malay. While the seats are gerrymandered and not distributed equally, Liew asserted that these 35 seats are up for grabs. Zaid agreed and said that more than 35 seats can fall. However, Dr Chandra said that electoral arithmetic is not as important as waves of anger and disgust that can bring down the ruling government. He gave the example of the Penang state elections in 1969, where all predictions made by observers and media were wrong, and ultimately 16 out of 24 seats went to the opposition. Dr Chandra also told the attendees not to underestimate PM Najib's reputation as a wily politician – firing Muhyiddin gradually, position by position, instead of what Mahathir did to Anwar in 1998.

Responding to a question by Mr Zainul Abidin Rasheed on the fundamental values about race and religion in Malaysian politics, Dato' Zaid replied that race and religion are used a lot more frequently now because BN has nothing else to offer. However, Dato' Zaid believes that the new generation understands the issues better and do not like it too. Dr Chandra feels that religion is becoming increasingly important as a form of social expression, and reminded the audience that the Islamic resurgence began among urban Malays in Kuala Lumpur. The reality is that a large proportion of the bottom 40% are Malays, and while their lives have improved, they still have much

less compared to those with much more. Religion impacts people in urban areas because they are surrounded by others with different identities.

Dr Vatikiotis highlighted the dilemma of whether the use of Islam as the lowest common denominator in politics does not have an impact on culture versus the other view that culture does inevitably change. Dr Chandra does not see the Arabisation of culture as the main challenge. In the case of Malays, there is a very strong nexus between race and religion. Identity in Malaysia is different from that in other countries, and there is a belief that identity has been compromised. There is a certain link between Malay identity and Islam, but what is important is that there is no intent to develop an alternative identity. Dato' Zaid took this opportunity to lambast BN for creating a forced manufactured identity among the Malays – something the Malays need to liberate themselves from. Dr Vatikiotis then asked about the future of Sarawak and Sabah's role in Malaysian politics. Dr Chandra felt that (the now late) Tan Sri Adenan Satem successfully fostered this sentiment of Sarawakian autonomy regardless of ethnicity.

Dr Vatikiotis also asked if there have been long-term fundamental damage done by the Sedition Act and the new National Security Council as a result of the 1MDB fallout. Dr Chandra opined that the security law has its potential for harm, but in the long term, there was still hope that the institutions could stand up to it, citing the judiciary's recovery in the post-Mahathir era as an example. What Dr Chandra was more worried about was how PM Najib was replacing certain office holders with others with the impression that they are capable, even though everything that is being done is to perpetrate the interest of one person. Dato' Zaid could only reiterate the need for the right policies alongside support for the opposition.

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