

PERSPECTIVE

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Southeast Asia Outlook 2017

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EXECUTIVE SUMMARY

- The South China Sea could become more than ever the centre of heightened US-China strategic rivalry.
- The politicization of race and religion is likely to be a key divisive feature of national politics in Malaysia and Indonesia.
- The governments in Myanmar, the Philippines and Thailand in 2017 will face serious consolidation challenges.
- ASEAN's golden jubilee will be marked by a mix of opportunities and challenges.

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Most prognostications for the world in 2017 contend that major disruptive political trends from 2016 will largely determine the course of events for the coming year, and that this is a source of concern more than hope.

The outlook for Southeast Asia for 2017 reflects more than challenges this broader view. 2016 saw changes to major power interests in the region as well as disruptive political dynamics in five of the six most populous Southeast Asian countries. These will play out in 2017 and beyond.

THE EAST/SOUTHEAST ASIAN GEOPOLITICAL SCENE

Daljit Singh

There were two major developments in 2016 which will shape the geo-politics of this region in 2017 and beyond. One was the election of Donald Trump as the next President of the United States. The other was China's continued strategic expansion in the South China Sea despite an adverse ruling by the Arbitral Tribunal under the United Nations Convention on the Law of the Sea (UNCLOS).

The Trump presidency

President-elect Trump, through his statements and his nominees to key positions in his administration has signalled major changes to come in US foreign policy under his stewardship. His trade protectionist rhetoric and opposition to the Trans-Pacific Partnership alarmed countries in the region as did the isolationist streak in his campaign rhetoric reflected in his criticism of America's military alliances and in his "America First" slogan. Since America plays a crucial role in the region, all this raises important questions about the future of international relations in East and Southeast Asia – about trade, the US rebalance to Asia, US-China relations, how engaged the US will be in the ASEAN-based regional security architecture, and how Southeast Asia will feature in Trump's scheme of things. At the time of writing, US-China relations seem headed for rocky times both in trade and strategic terms, with potentially significant spill-over effects on Southeast Asia. Overall, there is much uncertainty and this may clear up only slowly after the new Administration takes office.

The South China Sea

In 2016, China completed its reclamation work on several features of the Spratlys and has been developing civilian and military infrastructure on these man-made islands. The ruling of the Arbitral Tribunal on the case between the Philippines and China on 12 July 2016 was a big and embarrassing defeat for China. It declared that none of the features in the Spratlys were islands capable of generating an EEZ and that China's historic rights claim to the resources within its nine-dash line was incompatible with UNCLOS.

China vehemently rejected the ruling, and undertook a feverish diplomatic effort with other states in advance of the ruling and after it to mitigate its impact. Pressure was applied on ASEAN and on its members not to come out in support of the ruling. China has flown long-range bombers over the South China Sea and sent its aircraft carrier Liaoning into it to show its determination to protect its gains.

China's actions in the South China Sea increased tensions between the US and China and led the US Navy to mount three Freedom of Navigation Operations (FONOPs) during 2016 to register the point that much of the South China Sea was international waters. They also raised concerns among countries in and outside the region about freedom of navigation and about China's evident placing of power above international rules concerning a sea through which over US\$5 trillion of trade passes annually. Trust in China as a neighbouring great power has been further eroded among most Southeast Asian states.

More aggravation of the situation was prevented by the Obama Administration's reluctance to confront China more forcefully and the unanticipated election of Rodrigo Duterte as President of the Philippines who decided to seek rapprochement with China instead of exploiting the advantage conferred to Manila by the Arbitration Tribunal's ruling.

The South China Sea problem will continue to fester in 2017 and beyond. China almost certainly wants to turn the artificial islands into forward military bases and this work could be completed in 2017. Beijing's apparent aim, as part of its anti-access/ area denial strategy, is to make it more difficult for the US Navy to operate in the South China Sea. It may also want to use its dominance of the South China Sea to increase psychological pressure on Southeast Asian maritime states to align themselves further with China.

In combination

A key question for 2017 is how the new Trump Administration will respond to China's strategic advances in the South China Sea given Trump's apparent hawkish stance towards China and the fact that he has already, even before taking office, made the South China Sea an issue in US-China relations. How will China and other interested parties react? As and when tensions between the US and China escalate in 2017, the South China Sea could become a potential flashpoint.

Each one of the issues mentioned above—trade restrictions, the US rebalance, US-China relations, the value of Southeast Asia in the eyes of the new US Administration, and developments in the South China Sea—is worrying for Southeast Asia. Combined, they are much more so.

POLITICISATION OF RACE AND RELIGION IN MALAYSIA AND INDONESIA*Norshahril Saat*

Malaysia and Indonesia in 2016 saw political exploitation of race and religion, and in the process the raising of tensions. In Malaysia, the ruling political party played up these issues in order to stay in power and increase its chances of winning the general election that is expected to be called in 2017. In Indonesia, on the other hand, it is not the political parties of the governing coalition that are involved in such agitation, but radical Muslim NGOs apparently supported behind the scenes by certain political figures who want to destabilise the Joko Widodo government.

Malaysia

During its annual general assembly, Malaysia's ruling party UMNO (United Malays National Organisation) made the protection of Islam and Malay rights its priority. Prime Minister Najib Razak, who is also UMNO's President, warned delegates that if UMNO loses the next general elections, the country would be ruled by the secular, Chinese-dominated opposition DAP (Democratic Action Party) and Islam would then lose its special position in the country. Mr Najib also criticised his mentor turned nemesis, former Prime Minister Tun Dr Mahathir Mohamed, calling him a "traitor" for joining the opposition. Dr Mahathir is leading a campaign to oust Mr Najib for the 1MDB (1 Malaysian Development Berhad) saga and the alleged misappropriation of RM 2.6 billion (US \$700 million). Dr Mahathir's new party PPBM (Malaysian United Indigenous Party) is open to cooperating with other opposition parties such as the DAP and the PKR (People's Justice Party) to contend against the ruling coalition in the next elections.

UMNO has also been wooing PAS (Islamic Party of Malaysia) in order to consolidate Malay/Muslim votes for the election. Najib supported a private member's bill tabled by PAS President Abdul Hadi Awang to allow a big increase in the maximum punishment that syariah (Islamic) courts can levy. At the UMNO assembly, Najib pledged that the government will take over Hadi's proposal and present it to parliament as a government's bill. This move has angered UMNO's non-Malay partners in the BN (National Front) coalition, such as the MCA (Malaysian Chinese Association), the MIC (Malaysian Indian Congress) and Gerakan (The Malaysian People's Movement Party).

UMNO's drumming of race and religious issues can be expected to continue into 2017 until the next general election. There is no clear indication yet that this strategy will draw more support from the electorate. While BN performed well in the 2016 Sarawak state elections and in two by-elections in peninsular Malaysia—in Kuala Kangsar and Sungai Besar—these victories do not represent voting patterns at the national level, where some different factors come into play. Too much reliance on race and religion will marginalise non-Malay component parties in the BN coalition. Based on the country's demographics, parties seeking to govern Malaysia cannot rely on Malay/Muslim votes alone but need some

support from non-Malays, and non-Malay Bumiputeras (sons of the soil) from East Malaysia.

BN has the upper hand if elections are held sooner rather than later because the opposition is presently fragmented. The outcome depends on three factors: whether the opposition can unite under Mahathir's leadership; the extent the international investigations on 1MDB impact Malaysia's domestic politics; and how Sabah and Sarawak will respond politically to UMNO's decision to play the racial and religious card.

Indonesia

Jakarta saw two massive demonstrations in November and December 2016 calling for the arrest and prosecution of Jakarta Governor Basuki Tjahaja Purnama's (popularly known as Ahok) for blasphemy. Ahok, a Chinese Christian, is bidding for re-election in a three-cornered gubernatorial contest, which will be held in February 2017. During one of his campaign speeches he had remarked that Muslims should not be confused by the Quranic verse 51 of the *Al-Maidah* chapter that forbids Muslims from electing non-Muslims as their leader, an argument apparently used by some of his political enemies. Some Muslims considered his remark to be insulting to their faith. Ahok's opponents have since used Muslims' anger to mobilise demonstrators, and President Joko Widodo, a close associate of Ahok, has been under pressure to act against Ahok.

While the demonstrations have been organised by extremist Muslim groups like the FPI (Islam Defenders Front) and can lead to more religious and racial tensions, the stakes may be even larger as this could be an effort by Jokowi's political rivals and enemies to destabilise his government. Interestingly, before the December demonstration, the police arrested 10 activists, including Rachmawati Soekarnoputri—daughter of founding president Soekarno, and sister of former President Megawati Soekarnoputri—for treason.

Extremist Islamic civil society groups, such as the FPI, will continue to play up religious and racial sentiments into 2017 with the aim of toppling Ahok, a dangerous enterprise in view of Indonesia's history of racial and religious violence. If, as speculated, Jokowi's political rivals are using these groups to destabilise the government and discredit Jokowi, then the issue becomes one about the future stability of the Jokowi administration, and this concerns not only the Indonesian people but also neighbouring countries. It will therefore be important to watch how this drama unfolds in 2017.

POLITICAL CHANGE IN MYANMAR, THE PHILIPPINES AND THAILAND

Malcolm Cook

1 April, 30 June and 13 October 2016 were momentous days politically for Myanmar, the Philippines and Thailand respectively. The ramifications of each day and the changes they

brought about for the respective countries and Southeast Asia as a region will become much clearer in 2017.

Myanmar

On 1 April, the National League of Democracy-led government took office ending more than five decades of non-democratic rule. Aung San Suu Kyi's global political stardom has heightened international, particularly Western, interest in Myanmar's nine-month-old political transition. The NLD's landslide victory in the November 2015 elections, winning 87% of elected seats in the House of Nationalities, reflected the nationwide desire for political change and guaranteed the party a strong parliamentary majority.

Both fears and hopes have been dashed since. Worries that the new civilian government and the Myanmar armed forces, Tatmadaw, would be unable to co-exist have subsided. Likewise for hopes that Aung San Suu Kyi's long-frustrated rise to power would lead to rapid progress towards sustained peace between the central government and Myanmar's manifold ethnic minorities, and a new, more humane approach to the Rohingya issue. In December, an Amnesty International report concluded that recent Tatmadaw actions against the Rohingya community may "amount to crimes against humanity".

2017 promises to be a period of consolidation both for the Myanmar government and foreign expectations towards this government. The necessary balancing of power between the civilian NLD government and Tatmadaw, with the armed forces in control of Myanmar's internal security, will continue to determine the approach to the Rohingya issue and the peace process. The Rohingya issue will likely remain a major point of contention with Western governments, international organizations and Muslim-majority states in Southeast Asia. Any renewed isolation of Myanmar over this issue would detract from the country's goal of diversifying its regional and major power relations away from China.

Philippines

On 30 June 2016, Rodrigo Duterte was inaugurated as the 6th post-Marcos president of the Philippines. The first six months of his single six-year term have seen the upending of many assumed certainties about Philippine domestic politics and foreign policy. His bloody war on drugs, with over 6,100 deaths associated with it so far, and unprecedented support for the reburial of Ferdinand Marcos Sr. in the Cemetery of Heroes is fomenting growing domestic and international concern. Likewise with President Duterte's public pronouncement in Beijing of his separation from the United States economically and militarily, and advocacy for closer and more dependent relations with China.

2017 promises more domestic political turbulence on two fronts at least. Currently, there is a recount of the May 2016 vice-presidential election won narrowly by Leni Robredo, whom President Duterte banned from all Cabinet meetings from December 5, and lost by Ferdinand Marcos Jr, a close friend of the President. If the recount delivers the vice-presidency to "Bongbong" Marcos, deep political divisions that have defined post-Marcos

Philippine politics will be aggravated with mass political demonstrations being the likely result. President Duterte's admitted serious health problems and his continued refusal to release his health records pose another serious political risk in 2017. In December, he admitted to suffering from serious spinal issues, daily migraines, gastroesophageal reflux disease and Buerger's disease.

2017 will also be the testing period for President Duterte's declared separation from the United States. The president has threatened to withdraw the Philippines from the 1951 Mutual Defense Treaty, the 1999 Visiting Forces Agreement and the 2014 Enhanced Defense Cooperation Agreement. Senate approval is required for the first two threats to be realized, and only presidential action for the last one. If no withdrawal happens, then the power of Duterte's rhetoric will be diminished. If one or more is enforced, the alliance will be in peril.

Thailand

The death of King Bhumibol Adulyadej on 13 October 2016 after more than seven decades on the throne is an epochal event. How the reign of his son King Maha Vajiralongkorn, now 64 years old, will affect Thai domestic politics and foreign orientation is much less certain. 2017 will witness the crowning of the new king after the cremation of his father and provide the first indications of Thailand's new political and social era. The last decade of Thai politics has been a particularly turbulent one featuring two coups and deep social and political differences with distinct regional and ethnic characteristics that have yet to be resolved. Many felt that King Bhumibol was an essential and irreplaceable source of national unity during this long period of political ferment.

Analysts foresee at least three major questions for Thai politics in 2017. The first is whether there will be a delay in the promised elections until at least 2018 given the current year-long period of national mourning. These elections, under the new electoral system established by the new Constitution voted for in August 2016, were previously scheduled to be held before the end of the 2017. The second is how the balance of power and relations between the royal household and the Thai army will change. Finally, King Bhumibol was the only king that the vast majority of the Thai population has ever known and he was widely revered. This is a hard act to follow.

ASEAN'S OPPORTUNITIES AND CHALLENGES

Tang Siew Mun

The Philippines assumes the ASEAN chairmanship at a momentous juncture in 2017 as ASEAN commemorates its golden jubilee. 2017 also marks the first anniversary of the ASEAN Community.

Economic integration remains a priority for ASEAN. Whether it can realise the goal of creating “a single market and production base characterized by free flow of goods, services, and investments, as well as freer flow of capital and skills” will rest on the ability of ASEAN member states to make hard compromises that will cause pain to domestic sectoral interests.

ASEAN’s leadership will also be tested in pushing the Regional Comprehensive Economic Partnership (RCEP) past the finishing line after several missed deadlines. The successful conclusion of RCEP will help lift the downcast mood brought about by the rise of anti-globalisation forces, especially with the Trans-Pacific Partnership (TPP) setback. The 17th round of negotiations scheduled from 27 February to 3 March 2017 in Kobe, Japan will provide an early indication whether ASEAN and its six Dialogue Partners (Australia, China, India, the Republic of Korea, Japan, and New Zealand) can muster the necessary political will.

On the South China Sea issue, ASEAN should experience a welcome lull in 2017 after a fractious year of trying to manage it - because the Philippines, seeking rapprochement with China, is unlikely to push the matter. ASEAN will seek progress on the framework on the Code of Conduct which could help ASEAN-China relations. With a forceful China, increased Sino-US rivalry, and likely reduced interest in ASEAN on the part of a Trump presidency, ASEAN’s ability to maintain its centrality in dealing with political-security issues involving the major powers in Southeast Asia is becoming more challenging. Still, it remains a strategic priority for ASEAN so that it can retain its influence on such issues within its own region by engaging all the major powers impartially. It befalls the 2017 ASEAN Chair to sustain the major powers’ interest and participation in various ASEAN-led processes, including the East Asia Summit.

Two other important developments to watch for is the initiative to update the ASEAN Charter and the expansion of ASEAN’s membership. How far will the update of the Charter go? Will the process also include discussions on making ASEAN more effective and functional by expanding the ASEAN “minus X” formula from economic issues to other domains? Will the golden jubilee also see Timor Leste’s admission into the regional organisation?

CONCLUSION

Two factors make the abovementioned major changes in 2016 more significant and more indeterminate for 2017 and beyond. First, most of them happened in the later stages of 2016. Second, how the dynamics unleashed by these changes interact will likely be more important for Southeast Asia as a whole than the individual changes themselves. 2017, the year ASEAN celebrates its golden anniversary, promises to be a pivotal year for Southeast Asia.

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