

REGIONAL OUTLOOK FORUM 2019

Disruptions, Re-alignments, Opportunities

9 January 2019, Island Ballroom, Shangri-La Hotel Singapore

Session 1: U.S.-China Strategic and Economic Rivalry and Implications for the Region

The first session analysed the increasingly fractious Sino-American relationship, the prospect for reconciliation and rapprochement between the two powers, and implications for Southeast Asia. Helmed by **Dr Joseph Liow Chin Yong** (Dean, College of Humanities, Arts and Social Sciences and Professor of Comparative and International Politics, S. Rajaratnam School of International Studies, Nanyang Technological University), he was flanked by a panel comprising **Ms Bonnie Glaser** (Senior Advisor for Asia and Director of China Power Project, Center for Strategic and International Studies), **Dr Zha Daojiong** (Professor, School of International Studies, Institute of South-South Cooperation and Development, Peking University), and **Mr Peter Varghese** (Chancellor, University of Queensland).

Ms Bonnie Glaser observed that the relationship between the United States and China has become “increasingly contentious” over the past years, marked by “strategic competition” between the two powers. Under the Trump administration, China has been labelled “a strategic competitor, a rival, and a revisionist power”. Furthermore, US Vice President Pence has explicitly accused China of “employing a whole-of-government approach, using political, economic, and military tools, as well as propaganda, to advance its influence and benefit its interests in the United States”.

Ms Glaser gave a historical overview of Sino-American ties in order to explain the emergence of this “strategic competition”, arguing that the post-Nixon American policy consensus on China was “shattered” by the June 1989 Tiananmen Square incident and the collapse of the Soviet Union. The latter was particularly crucial since the lack of a common adversary “diluted the glue” between China and the United States. Ms Glaser also shared how bipartisan support for economic engagement with China waned over time. America initially welcomed China’s ascension into the World Trade Organisation (WTO) in the belief that global competition will force China to liberalise its economic system, with President Clinton describing Chinese membership in the WTO as a “one-way street” that will advance U.S. economic interests. However, this optimism seems to be unfounded, especially with President Xi’s insistence that foreign investments in China should involve the transfer of technology and his preference for state-owned enterprises as well as the fact that U.S. businesses have “never gained unimpeded access” to the Chinese market. Ms Glaser also explained how the modernisation of the People’s Liberation Army was prompted by the flexing of American military power during Operation Desert Storm in 1990-91 and during the 1996 Taiwan Straits crisis. As a result of

these efforts, China now has anti-access and area denial capabilities, thus posing significant risks to U.S. strategic positions in the First Island Chain as well as the defence of Taiwan. American anxieties were further heightened when President Xi broke his promise not to militarise the Spratly islands.

For Ms Glaser, China's "proactive and assertive" foreign policy is intended to weaken American influence in Asia, thus enabling Beijing to assert its pre-eminence in the region. President Xi gestured towards this in 2014 when he remarked that matters in Asia "ultimately must be taken care of by Asians, Asia's problems ultimately must be resolved by Asians, and Asia's security ultimately must be protected by Asians". Current Chinese negotiations with ASEAN on a Code of Conduct for the South China Sea also reveal similar intentions, as China has tabled a provision that prevents any joint military exercise with countries from outside the region from being held unless agreed upon by all the signatories—effectively handing China a veto over the conduct of military exercises in the South China Sea. China's growing assertiveness has however provoked bipartisan American support for a "tougher stance", even amongst the business community. Although sceptical of tariffs, U.S. businesses welcome the increased pressure on China to allow U.S. companies to compete in China on an "equal footing" and for "fair access" to the Chinese market. This broad support for a tougher line on China "will last beyond the Trump administration".

Ms Glaser observed that "Chinese mistrust of the West runs deep", especially given the United States' avowedly "anti-communist stance" and Chinese suspicions about American involvement in the Color Revolutions in East Europe and the Arab Spring. Furthermore, in the eyes of the Chinese, the international order in the aftermath of the 2008 Global Financial Crisis is one in which "multipolarity is rising and U.S. power is in decline". As such, while Beijing may be ready to compromise in some areas to the United States, it will not concede on what it regards as its core interests, especially those involving "national security and the preservation of Communist Party rule".

Ms Glaser outlined three potential futures that could emerge out of the current impasse. The first was "strategic hedging", where there would be a "more even balance between competition and cooperation". In this scenario, both countries would "cooperate where their interests overlap and manage areas of friction through dialogue", while seeking "to tamp down friction and prevent tension in one area from spilling over into other arenas". The second possible future was a new Cold War, in which the United States and China would "posture their military forces against the array of threats posed by the other side". Other than the deployment of military assets, there would also be efforts at "decoupling" the U.S. and Chinese economies as well as the return of an ideological competition between Western democratic capitalism and the Chinese model of communist authoritarianism. This could also lead to both countries developing "separate coalitions of countries that support their respective leadership". The third future was a "grand strategic bargain" between the two powers, a scenario which, for Ms Glaser, is "unlikely" to happen during the current administration. Such a bargain would involve a "strategic understanding" that will help to ensure a "peaceful and stable transition to a genuine balance of power in the Western Pacific and selective accommodation of China's demands for adjustment of the international system".

In her closing remarks, Ms Glaser believes that ASEAN—reluctant to have to choose between China’s “economic benefits” and “security relations with the United States”—would be able to “successfully navigate between the two great powers” with effort and “smart policies”, especially in the event that a trade deal between the United States and China ushers in a period of strategic hedging.

Dr Zha began with a reminder that we should be mindful of the “gap between rhetorical clarity and actual action”, stating that there remains an underlying sense of “pragmatism and spirit of compromise” in the practice of Chinese foreign policy. He outlined three significant sources of “ideological disconnects” between the United States and China. The first “dis-connect” revolves around the issue of American acquiescence to China’s one-party communist state system. In Dr Zha’s view, the Chinese believe that the 1972 détente brokered by President Nixon and Henry Kissinger indicated the “buying-in of the Chinese political system”. However, for the Americans, the U.S.-China rapprochement was merely a “Cold War-era necessity” without any promise for America to deviate from its commitment to establish a U.S.-led international liberal order or its expectations that China would reform its domestic system accordingly. The second “dis-connect” concerns China’s economic rise as it coincided with “the decline in American manufacturing”. While the United States would like to claim credit for allowing China’s ascension into the WTO and thus facilitating China’s economic expansion, China would however point to the significant concessions it has had to make to join the WTO. Furthermore, in China’s view, the relocation of manufacturing away from America and into China is better explained by “technology and forces of globalisation”. The third “dis-connect” is a disagreement about the global responsibilities that should be borne by China in tandem with its growing power and status. China believes that, despite its remarkable growth over the past decades, it still faces daunting domestic challenge such as overcoming the middle-income trap. As such, it subscribes to the principle of common but differentiated responsibility in terms of its international commitments. However, the United States would like China to shoulder more responsibility, especially given the sheer size of China’s economy and the enormous outlays of the investment projects under China’s Belt and Road Initiative (BRI).

However, Dr Zha remained sanguine about the possibility of a “re-connect” between the United States and China. Debunking the idea of a Thucydides trap—that rivalry between an incumbent power and an ascendant power will likely lead to war—as “a lazy concept”, Dr Zha argued that the current Sino-American relationship does not resemble the strategic dynamic that characterised the British-German relationship in the run-up to the First World War. Furthermore, the idea of “strategic enmity” is not “a political necessity for nation-building” in either the United States or China. The fortunes of both America and China will “rise and fall under their own weight”, rather than be determined by the outcome of their mutual antagonism.

Dr Zha opined that the two countries should view this crisis as a “trial-and-error moment” as both pursue the recalibration of their relationship. He also argued that treaty-based dispute management mechanisms could furnish a possible way out of the impasse. Additionally, citing how “ASEAN centrality works”, he articulated his hope for ASEAN to re-asset its role as a convening power to help ameliorate the contagious effect of big-power instinct towards rivalry.

Mr Peter Varghese shared an Australian perspective on the current US-China dynamics. Describing the Sino-American relationship as “poised at quite a precarious point”, he sought to reaffirm engagement as the only viable course of action for U.S.-China relations and to highlight the need to create a “new strategic equilibrium” in the Indo-Pacific which reflects a more stable balance of power in the region.

Mr Varghese argued that multi-polarity in Asia is only going to get stronger as China has already overtaken the United States to become the world’s largest economy in purchasing power parity terms. While China may still face significant domestic challenges, the sheer size of its economy means that the long term security of the Indo Pacific cannot “simply rely on the maintenance of US strategic predominance”. This is due to the fact that the United States has global interests, which thus “dilutes the attention it can pay to particular regions”. China, however, “as a resident Asian power”, will have the region as “its geopolitical priority”. Furthermore, China will “ultimately define its own strategic settling point”, rather than “be forced into someone else’s view of what it should do or become”. Mr Varghese concluded that “the process of adjusting to shifting power balances in a multipolar Asia will be incremental and organic.

Mr Varghese did not think that China will behave like a classic revisionist power because it has been too much a beneficiary of the existing system, although it will seek to change certain elements of the current international system to give the country a greater say.

Mr Varghese added that while there is nothing new about the American determination to retain its strategic primacy, he is dismissive of the suggestion that this can be achieved by “blocking or thwarting China”. Firmly stating that “there is no sensible alternative to engaging China”, he described a policy of containment—similar to the Cold War policy of containing the Soviet Union—as “a policy dead end” given the degree that China is already enmeshed in the international order. Furthermore, Mr Varghese debunked the idea that “global technological supply chains could be divided” into separate Chinese- and American-led systems as “both economic and geopolitical folly”. He also warned that a strategy anchored in blocking China is a “dangerous course” as it will only serve to have China’s “worst fears confirmed”. As such, Mr Varghese expressed his hope that the United States will strive to assert its leadership “by lifting its game, not spoiling China’s”.

Ultimately, the rise of China has to be “managed not frustrated”, “balanced not contained”. According to Mr Varghese, constructing this balance and anchoring it in a new strategic equilibrium in the Indo Pacific is the “big challenge of our time”. Mr Varghese explained that this is not merely a military balance of power, but takes economic heft into account as well. Furthermore, it will not be a “classic balance of power grouping”, but rather an “organic” and “evolving” arrangement. Here, Mr Varghese surmised that ASEAN as a grouping may remain on the side-lines of the strategic balance, although its individual member-states—with some exceptions such as Singapore—will feel themselves compelled “into China’s orbit” given the high “economic cost of opposing China’s agenda”.

During the Q&A, Dr Wong Chin Huat (Penang Institute) asked whether the Chinese were committing a mistake with their treatment of the Muslims in Xinjiang, given how the decline of

the Soviet Union could be traced back to its misadventure in Afghanistan and how the United States is struggling with its preoccupations in the Middle East. In reply, Dr Zha described the situation in Xinjiang as complex and a “challenge of internal integration”. He explained that the minorities were initially granted certain exemptions in terms of bilingualism and the one-child policy, but this has resulted in their inability to “compete or gain employment”. He however conceded that there may be a sense of “bias” and “elements of racial discrimination” in China arising from the 2014 Kunming attack, which could have been prevented if there were more efforts to prevent “the vacuum of information” that allowed such suspicions to fester.

Professor Kishore Mahbubani (Lee Kuan Yew School of Public Policy) asked Ms Glaser about how, if she were in a position of power, she would “stand up to China”. Ms Glaser responded by highlighting the importance for the United States to work with other countries to strengthen the international order, while calling for multilateral deliberations to address Chinese concerns about reforming international institutions such as the WTO. She also affirmed that containment is not the right policy and that engagement must be part of American strategy, although warning that the United States has to be careful to not allow engagement to devolve into a protracted process of “negotiations without outcomes”.

Ms Glaser also addressed questions about Taiwan in light of recent remarks by Chinese President Xi and Taiwanese President Tsai Ing-wen about the prospect of reunification. Recognising that cross-strait relations is the “most sensitive” of U.S.-China issues, she explained that the U.S. approach has been guided by the “framework” of the Taiwan Relations Act for the past 40 years. She observed that there is nothing significantly “new” about President Xi’s remarks given how the notion of Chinese sovereignty is important in burnishing his legitimacy. She opined that the one country two systems policy is something that Taiwan will not accept.

On the prospect of a trade deal being struck between China and the United States, Ms Glaser shared her belief that there is a growing desire for a deal given the worsening global economic condition and the volatility of stock markets. In her view, Trump “wants to win and tariffs are not a win”. To this, Mr Varghese added that, beyond the trade deal, China also has to ask itself whether it can continue to turn its back to structural economic reforms, as President Xi seems to be “walking away” from his promise of economic reforms in 2013. Dr Zha also saw the need for structural reforms, arguing that China should adopt Deng’s aphoristic pragmatism that “it doesn’t matter whether the cat is black or white, as long as it catches mice”—that as long as a firm can innovate, it matters little if it is a private enterprise or a state-owned entity.

Mr Varghese provided some clarification about the multipolar balance of power in the Indo Pacific. When asked about the “strategic concessions” that the United States and China would have to make, he explained that the balance of power “does not have to rest on concessions” since it is more about “shaping and limiting and constraining behaviour”. Furthermore, he mentioned that there is nothing inherently “illegitimate” about the American and Chinese “aspirations” to maintain and secure strategic predominance respectively, but what is of concern is the means used to achieve these ends.

Session 2: Political and Economic Outlook for Vietnam

Moderated by **Mr Manu Bhaskaran** (Director, Centennial Group International and Founding CEO, Centennial Asia Advisors), the second panel of the day reflected on the political and economic inflection points at which the country of Vietnam finds itself, three decades after the 1986 *doi moi* reforms.

Dr Alexander L. Vuving (Professor, College of Security Studies, Asia-Pacific Center for Security Studies) stated his belief that *doi moi*, although intended to be a correction course for the Communist Party of Vietnam (CPV) to maintain its legitimacy, inadvertently steered the country into a rent-seeking state. This outcome was contrary to the configurations of authoritarianism and capitalism that had emerged in other Asian countries, where developmentalist states were formed instead. By the mid-2000s, according to Dr Vuving, rent-seeking became the most important policy current in Vietnam, above even regime preservation and national modernisation. Most of the rent-seeking activities are centred around four key networks/personalities: (1) former Prime Minister Nguyen Tan Dung, (2) the Ministry of Defense, (3) the Ministry of Public Security, and (4) the local party-government in Ho Chi Minh City.

Presently, a new correction course can be discerned, comprising an anti-corruption campaign and economic reform measures. In Dr Vuving's opinion, the efficacy of such moves were limited, given their present inability to address structural issues. Taking the anti-corruption campaign as an example, Dr Vuving acknowledged that it has had its share of victories, particularly in dislodging Dung during the 12th Congress of the CPV. In 2018, the campaign successfully led to the arrests of former Minister of Transport Dinh La Thang and former head of the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) Tran Bac Ha, amongst others. However, not only are the bosses of the rent-seeking empires still untouched, but incentives for rent-seeking also remain. Dr Vuving attributed this to General Secretary Nguyen Phu Trong's cautious approach of "not breaking the vase while beating the rats" and his reluctance to deviate from his primary aim of ensuring party longevity.

On Nguyen Phu Trong's assumption of the state presidency in 2018, Dr Vuving cautioned observers against interpreting it as a manifestation of Trong's strongman tendencies. Unlike President Xi Jinping of China, Trong only has intra-party goals in mind and is extremely risk-averse. Constitutional term limits also mean that Trong will probably have to step aside in 2021, thus shaping up the main competition for the presidency to be between the conservative wing's Tran Quoc Vuong and the modernising wing's Pham Minh Chinh. It is only in the case of a stalemate that Trong will have the option of staying on.

Finally, Dr Vuving noted that with regard to the increased rivalry between China and the United States since the initiation of the 2018 trade war, Vietnam can be expected to see its longstanding stance of neutrality eroded over time. Vietnam's foreign policy since *doi moi* has been built on a pre-emptive strategy of ensuring a regional balance of power, demonstrated in its strengthening of ties with middle powers such as Russia, India, and Japan, and its support for ASEAN centrality. Yet, with the 2014 oil rig crisis in the South China Sea, Vietnam has gravitated more towards America, although with some reservations. Given the country's

Regional Outlook Forum 2019- Rapporteurs Report

All rights reserved. Please do not reproduce without prior permission.

strategic geographical location, Dr Vuving saw Vietnam's external environment becoming more constrained and articulated the need for a new and bolder political imagination to expand its external space.

On the economic front, **Dr Vu-Thanh Tu-Anh** (Dean, Fulbright School of Public Policy and Management, Fulbright University Vietnam) took the audience through the “new engines of growth” that have the potential to move the Vietnamese economy away from its current overreliance on cheap labour, natural resources, and foreign direct investment (FDI). The first is private enterprise, which will require the replacement of import-substitution policies with import-promotion policies, a move away from state-owned enterprises as well as the opening of markets. The second is promoting urbanisation and urban productivity, with remittance policies having to change to encourage intra-city investment. Presently, for example, Ho Chi Minh City has to give 82% of its tax revenue to Hanoi, which in turn distributes the monies to poor performing provinces, rather than using the revenue to stimulate further growth. The third and final engine is innovation and technology, although Dr Tu-Anh expressed doubts about whether Vietnam is ready for this direction at the moment. He suggested that the Vietnamese government should probably focus on “adoption” and “adaptation” of new technologies, rather than “invention” per se.

Dr Tu-Anh also assessed the possible economic effects the 2018 trade war might have on Vietnam. In the short run, the expected gain Vietnam may receive from trade diversion away from China is quantitatively modest, totalling less than 6% of Vietnam's total exports. In the medium term, however, Vietnam may be able to benefit from the reallocation of global supply chain functions and foreign investment away from China, the extent of which depends on Vietnam's ability to exploit these opportunities. Nevertheless, there are also risks involved. China and the United States are Vietnam's largest trading partners, accounting for more than 30% of Vietnam's total imports and exports. The trade war may affect these relationships. One also needs to consider the pressure to devalue the Vietnamese dong, as well as fears surrounding a lower remittance rate.

The Q&A session started with Dr Sojin Shin (Visiting Research Fellow, Institute of South Asian Studies, National University of Singapore) asking the speakers about Vietnamese state and society perspectives on official development assistance (ODA). Dr Tu-Anh responded by saying that ODA was not useful for the country going forward. First, as Vietnam moves into middle-income territory, ODA is likely to shrink. Second, ODA serves as a convenient excuse for the government not to push ahead with the much-needed economic reforms. The primary challenge concerning foreign aid, according to Dr Tu-Anh, revolves around FDI and how to integrate it into the local Vietnamese economy.

Dr Michael J. Montesano (Visiting Senior Fellow, ISEAS-Yusof Ishak Institute) asked Dr Tu-Anh how the Vietnamese higher education sector fits in with the country's growth prospects. Dr Tu-Anh replied that the Vietnamese higher education sector has been in crisis for the past twenty years, and the lack of effective reforms in the sector is ultimately due to unresolved political issues.

Lastly, Liu Shih-Chung from the Taiwan External Trade Development Council, asked Dr Tu-Anh if Vietnamese second- and third-tier cities are capable of accommodating Taiwanese companies, as the latter are beginning to relocate to the country in light of the US-China trade war. Dr Tu-Anh responded by commenting on how Vietnam seemed to talk more about ‘smart city’ policies than actually implement them. Successful implementation of ‘smart city’ initiatives, in his view, depends upon having a favourable infrastructural environment, which in turn necessitates changes in politics. That being said, he would recommend the Quang Ninh and Binh Duong provinces as the two best performing second-tier provinces in Vietnam which potential investors should look at.

Session 3: Outlook for Thailand and Myanmar

The third session was moderated by **Dr Michael Montesano** (Visiting Senior Fellow and Coordinator for Myanmar and Thailand Studies Programmes, ISEAS-Yusof Ishak Institute), and featured presentations by **Mr Matthew Wheeler** (Senior Analyst for Southeast Asia, International Crisis Group, Thailand) and **U Min Zin** (Founding Member and Executive Director, Institute for Strategy and Policy, Myanmar).

Speaking on the political outlook of Thailand, Mr Wheeler pointed out that Thailand's military regime has created a political order known as 'Thai-style democracy', which has shaped Thailand's political history over the years. First coined in the 1950s to describe the dictatorship of Field Marshal Sarit Thanarat, Mr Wheeler noted that 'Thai-style democracy' represented the notion that Thailand was not ready for democracy and thus needed a strong leader which could effectively respond to the needs of its people. After the 2006 coup, this concept has made a comeback with renewed efforts for a 'Thai-style democracy'. Although the notion of a political system which reflected society may seem reasonable, 'Thai-style democracy' is in reality an euphemism for authoritarianism and paternalism.

In November 2012, a retired army general and his allies called for a coup d'état, with the aims of toppling Yingluck Shinawatra's government and freezing democracy for five years in order for true democracy to flourish. This coup was eventually staged in May 2014, and the National Council for Peace and Order (NCPO) came into power. The NCPO created a system that sought to control the consequences of popular elections, thus consolidating their own power. This is evident in the 2017 constitution, which disadvantages large established parties like the Pheu Thai and the Democrat Party. The 2017 constitution also allowed the NCPO to fully appoint all 250 Senate members, while providing broad powers for the judiciary and its 'independent agencies'. The NCPO also designed a binding 20-year national strategy which aims to turn Thailand into a high-income country by 2037. In reality, however, such actions seem designed to offer a pretext for the junta to get rid of any future elected government which does not conform to the demands of the former. This political order is thus a throwback to 'Thai-style democracy', with its powerful appointed senate, heavy constraints on elected politicians, and the reservation of military prerogatives. Mr Wheeler noted that all these are underpinned by the conviction that popular sovereignty is dangerous and needs to be contained.

However, Mr Wheeler also observed that times have changed from the period when 'Thai-style democracy' held strong sway. Thai voters have become more educated and better informed. There has also been a change in the monarchy with a new king who seems more willing to exercise his authority. Furthermore, the economy is no longer growing by double digits like in the 1980s. Speaking about the prospect of Thailand's next election, Mr Wheeler pointed out that the paradox of the 2017 constitution is that when the popular vote becomes unfrozen, the election results will be significant despite the fact that the system is designed to minimise the impact of popular vote. Mr Wheeler also noted that this election will be a referendum on the junta and its five years of military rule. Another paradox of the 2017 constitution is that the pro-military party needs to engage in a significant amount of deal-making (including money politics) to form the new government, and that even if the junta does

succeed in this task, it would itself be saddled with the constitutional constraints of its own creation. Mr Wheeler observed that the Thailand of the past, where the military and outstanding senators could govern a docile and grateful population without an elected prime minister, is no longer able to work in the 21st century. Ultimately, it remains to be seen how Thailand will achieve a consensus on political legitimacy.

Mr Min Zin discussed the democratic transition taking place in Myanmar. He noted that there has been some progress under the National League for Democracy (NLD) as the new president, Win Myint, has brought more energy into the office. For instance, he has launched anti-corruption and anti-narcotics campaigns. There has also been a transfer of the military-controlled General Administration Department (GAD) to a 'civilian-run' Ministry of the Office of the Union Government. Win Myint has also placed more pressure on regional chief ministers to be more sensitive to the plight of ordinary citizens. However, Mr Min Zin conceded that power remains primarily and ultimately vested in State Counsellor Aung San Suu Kyi.

On the ongoing peace process in Myanmar, Mr Min Zin stated that there has been a deadlock in the 21st Century Panglong peace process as the two major ethnic groups who signed the nationwide ceasefire, the Karens and Shans, have announced their withdrawal from the peace process. The Tatmadaw (military) has also imposed non-secession provisions on ethnic armed groups in Myanmar in return for allowing them to draft their own state constitutions. According to Mr Min Zin, the underlying problem hindering the peace process is an incomplete process of nation-building, made further complicated by the military dictatorship. This deadlock in the peace process is also caused by differing visions among the key stakeholders, notably between the Tatmadaw and the ethnic armed groups, especially since the latter views the peace process as a way of building a new nation separate from Myanmar.

On the Rakhine Crisis, Mr Min Zin suggested that the government's handling of the situation has driven Myanmar to international pariah status, as well as into China's embrace. With the slow decline in investment from the West, Myanmar has become desperate in luring Chinese investments, particularly through the China Myanmar Economic Corridor. He further posited that the undemocratic design of the 2008 constitution has crippled NLD's capacity to make new constitutional amendments. However, under the NLD, there has been an increase in arrests under the telecommunications law as well as crackdowns on the freedom of association and assembly. This has led to Freedom House continuing to list Myanmar under the category of "not free", and the Rule of Law Index ranking Myanmar at 100th out of 113 countries. Mr Min Zin contended that the leadership has failed to offer a clear moral and political compass to its people, while nurturing a form of paternalistic and personalised leadership by urging the public to trust Aung San Suu Kyi. Furthermore, there has been an extremely narrow interpretation of democratic representation, which has marginalised civil society and other political parties. Weak federal commitment has also meant that many ethnic minority groups have felt that they have not been treated well under the new government. Mr Min Zin recommended that a stronger attention to economy, along with regularly-held elections, was more likely to lead to a peace process in the long run. In addition, the Nationwide Ceasefire Agreement should be maintained as it is the only institution, apart from the 2018 constitution, that could bind the Tatmadaw and other ethnic armed forces.

Regional Outlook Forum 2019- Rapporteurs Report

All rights reserved. Please do not reproduce without prior permission.

During the Q&A session, Dr Termsak Chalermpanupap (Fellow, ISEAS-Yusof Ishak Institute) asked Mr Wheeler if social media could play a significant role in the upcoming Thai elections, and whether there would be a political tsunami as had happened in Malaysia. Mr Wheeler responded by discussing recent social media trends that demonstrated that younger voters are aware of Thai political history, and are not apathetic to it. He cited the recent YouTube rap video against the junta's dictatorship which had garnered over 50 million views, as well as trending hashtags on Twitter which described the Thai people's outrage by the delays in elections. He acknowledged that there is a wide variety of political views in Thailand, and that he could not give an answer as to whether there would be a political tsunami. However, he suggested that Thai people are probably ready for something different after five years.

Ms Moe Thuzar (ISEAS-Yusof Ishak Institute) asked Mr Min Zin how ASEAN featured in Myanmar's peace and economic processes since the current Myanmar administration seems to have a less 'ASEAN-first' focus than the previous administration. Mr Min Zin replied that the Myanmar government does not use all its available options both regionally and internationally. He contended that Myanmar is moving towards China not because of structural constraints but because it is not savvy enough to diversify and approach other partners such as ASEAN and the United States, which might be tempted to accommodate Myanmar based on practicality and thus overlook Myanmar's human rights and democracy record.

Session 4: Indonesia: Gearing Up For 2019 Presidential Elections

The fourth panel of the day featured **Mr Endy Bayuni** (Senior Editor, Jakarta Post) and **Mr James Castle** (Founder, CastleAsia). **Dr Leonard C. Sebastian** (Coordinator of Indonesia Programme, S. Rajaratnam School of International Studies, Nanyang Technological University) moderated the discussion on the forthcoming 2019 Presidential Election.

Dr Sebastian initiated the discussion by laying out Indonesia's transformation over the past 20 years. The country went through *reformasi*, not revolution, which created a new constitution and political system. Social movements and civil society groups in the society are getting stronger.

Since the end of the New Order era in 1998, the April 2019 elections will be the fifth time that Indonesians are able to elect their leaders through free and fair elections. Mr Bayuni addressed five crucial elements in the upcoming election, contrasting it to the previous contest in 2014. First, the presidential race will be a repeat of 2014 election with the same two candidates but different political dynamics. Most surveys have consistently given incumbent President Jokowi the lead by a considerable margin over his contender Prabowo since political campaigning started in September 2018. In 2014, Prabowo managed to cut Jokowi's massive lead through an aggressive campaign but eventually still lost the election by 5%. In his view, there remain as much as 15-20% of survey respondents who are undecided voters who could swing the outcome on election day.

Second, Jokowi has managed to muster a new coalition of political parties that is more significant than Prabowo. In 2014, Jokowi only had the support of four parties against Prabowo's six; this year, he has succeeded in corralling together a coalition of nine parties while Prabowo only has four. Third, the vice presidential candidates may have a limited impact on candidate's electability, but, in a tightly contested race, as in 2014, they could prove to be decisive. This year, the choice of Ma'ruf Amin, current chairman of the *Majelis Ulama Indonesia* and thus considered as the preeminent *ulama* in Indonesia, as Jokowi's running mate has defused earlier concerns that Prabowo might use religion as a campaign tool. Meanwhile, Sandiaga Uno as Prabowo's running mate is popular among housewives and millennials.

Fourth, with Islam no longer a significant factor, the economy has become the central issue in the campaign. As incumbent, Jokowi has to defend his economic record, while Prabowo is trying to expose and criticise Jokowi's shortcomings. Fifth, both camps are using the internet effectively for their political campaign purposes. In every subsequent election, the campaigns have gotten uglier with harsh words and fake news. Last but not least, Mr Bayuni also discussed how the legislative elections, which will be held simultaneously in April, may have unintended consequences for the political system. The legislative coalitions arising from the elections may be smaller and simpler, but not necessarily easier.

Given the centrality of the economy in the presidential campaign, Mr Castle started his presentation with figures outlining the current economic situation and the direction of the economy. In his view, Indonesia's economic direction is too inward-looking. Although the

Regional Outlook Forum 2019- Rapporteurs Report

All rights reserved. Please do not reproduce without prior permission.

macro-economic management of Indonesia has been good for the past three years, growth has remained stuck at 5%. Indonesia has also increased its trade barriers and decided to look inwards for drivers of economic growth. The state acquisition and ownership of PT Freeport is an example of such a trend, which have had the effect of diluting foreign direct investment in the country. Mr Castle also argued that it is increasingly difficult to label Jokowi for being too liberal and too friendly with foreign investors given how his administration has overseen the greatest takeover of foreign investor operations since the socialist expropriation of the Soekarno era some 60 years ago.

In the context of the presidential election, Mr Castle saw how both candidates have prioritised the economy as the primary focus of their campaigns, while promoting similar, highly populist, inward-looking policy prescriptions for Indonesia's future, with state-owned enterprises continuing to be the preferred engines of growth. Mr Castle pointed out that Jokowi has occasionally shown a mild liberal streak that Prabowo is trying to exploit. The president has made several attempts to open up the economy since taking office in 2014, and he seems to be more aware of the fact that the inward-looking policies of the past decade are hampering growth than most of his contemporaries, including those in his own coalition. However, Mr Castle perceived Prabowo as having a more dynamic public speaking style than Jokowi, but this is tempered by the fact that this dynamism often descends into hyperbole which can offend as many voters as it attracts.

During the Q&A session, Professor Kishore Mahbubani (Lee Kuan Yew School of Public Policy) asked Mr Bayuni whether more in-depth cultural ideas could explain the economic nationalism in Indonesia. Along similar lines, a Taiwanese attendee asked whether the discourses on resource nationalism and populism are still prevalent in Indonesia. In reply, Mr Bayuni cited the example of Jokowi reclaiming 51% of PT Freeport's assets from the foreign investor and transferring it to a state-owned enterprise as something that would not have happened under any other previous presidents. In sum, Mr Bayuni stated that nationalism and populism remains very strong in Indonesia, and that people do not yet have a liberal approach to economics.

A Channel NewsAsia journalist sought the panellists' assessment on social media discourse in the run-up to the presidential election. Both Mr Bayuni and Mr Castle argued that internet platforms have had both positive and negative impact on the election. Mr Bayuni said that, on one hand, social media campaigning have allowed for greater inclusion, thus making the election more transparent and democratic. However, on the other hand, hoaxes and fake news are prevalent as well.

Mr Zainul Abidin Rasheed posed a question about the vice presidential candidates including the issues and challenges they face. Mr Castle said that the current Vice President Jusuf Kalla is an active vice president not by the office of the institution per se but by the force of personality and practice. At the same time, Jokowi rocked the system not from the inside, but from the outside through influence exerted by individuals like Kalla. Kalla also has nothing to lose for the 2024 election but it will be a real battle for Sandiaga Uno. Uno is likely to use the 2019 race as a warm up phase in his bid for the presidency in 2024. Mr Bayuni agreed with Mr Castle and added that Kalla's role was significant for Jokowi's voting percentage in 2014.

Regional Outlook Forum 2019- Rapporteurs Report

All rights reserved. Please do not reproduce without prior permission.

Besides, in the current government system, the powers and functions of vice president is decided by the president.

Dr Sebastian concluded the discussion with two crucial points. First, it is vital to follow Gerindra's performance in the coming election to explore the various political possibilities in 2024. Second, the state of the economy (including openness to FDI) will continue to have an impact going forward.

Session 5: Malaysia: A New Beginning?

As moderator, **Dr Francis Hutchinson** (Senior Fellow and Coordinator for Regional Economic Studies Programme and Malaysian Studies Programme, ISEAS-Yusof Ishak Institute) commenced the session by alluding to some of the most significant political events Malaysia has seen in recent times: the change of government following the victory of Pakatan Harapan (PH) on 9th May 2018, and the abdication of the Agong on January 6th this year. What would these mean for Malaysia's political parties?

As the first panelist, **YB Khairy Jamaluddin Abu Bakar** (Member of Parliament, Rembau Constituency, Negeri Sembilan, Malaysia) began by observing that Malaysian politics today is in uncharted territory with the Barisan Nasional (BN) coalition being swept from power since independence in 1957. Despite the sea change, he noted that the peaceful transfer of power after the surprising 9th May election was a testimony to the coming of age of Malaysian democracy.

YB Khairy gave his take on what led to the loss of BN. First was the outright rejection of former Prime Minister Najib Razak by many voters due to the multiple scandals surrounding him, which culminated in the economic problems that affected the masses. PH had effectively campaigned on the premise that the Goods and Services Tax (GST) was instituted to offset the losses made by the 1Malaysia Development Berhad (1MDB) financial scandal. PH was also successful in capturing the people's frustrations over the rising costs of living. Hence, for voters, the choice of PH over BN was not merely rational, but also emotive.

Secondly, PH successfully engaged in an exercise of historical revisionism in order to make current Prime Minister Mahathir Mohamad an acceptable candidate to lead the coalition, despite his fallout with Anwar Ibrahim 20 years ago. YB Khairy remarked that Mahathir's leadership of PH effectively captured the Malay votes, without which the coalition would not have won.

Thirdly, PH's campaign against the longstanding practices of BN politicians resonated well with many young voters. PH's message of hope and change amidst the scandals surrounding BN tipped the balance in its favour on May 9th. PH's unexpected victory comes with high expectations from the people, with the coalition's promise of a "New Malaysia".

In the initial months of the PH's administration, Malaysians have been quite forgiving when some of the coalition's campaign promises went unfulfilled – but not anymore. YB Khairy cited the weak Malaysian Ringgit and an unclear economic strategy, among other pressing issues, as sources of discontentment that the people currently have with the new government. He is also particularly concerned about the policy reversals by the current administration on certain issues, such as the railway projects with China which have been re-approved, and the use of public funds for the development of a new national car when the government had initially assured that the project would be privately funded.

Beyond that, YB Khairy pointed out that the rise of identity politics in recent months was also a cause for concern. The dissatisfaction of the Malays in the heartlands could be felt during

the street demonstration against the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), which was seen as impinging on the special privileges of the Malays as the natives of the land.

YB Khairy also expressed his immediate concerns about the political uncertainty within the current administration, seeing that Prime Minister Mahathir Mohamad is currently 93 years of age, and there remains no clear succession plan in sight. However, the reform of the United Malays National Organisation (UMNO) is the toughest challenge yet. YB Khairy opined that UMNO, at its core, should reclaim Malay politics in order to restore stability within the party and confidence from the Malay electorate.

The second panellist, **Dr Wong Chin Huat** (Head, Institutional Reforms and Governance, Penang Institute, Malaysia) offered a critique of Malaysia's permanent coalition system which has been in practice since 1955. Dr Wong stressed that the existing permanent coalition system does not allow internal competition due to the typical seat allocation agreement between the component parties of a coalition. This is usually done by assessing the ethnic composition of a constituency – hence a Malay-majority constituency will typically be fielded by a candidate from a Malay-based political party – as well as the past electoral records of the component party in that constituency.

Dr Wong also observed that PH's coalition model differs from that of BN's due to the absence of a dominant component party in the former. This had translated into a different way of allocating ministerial posts to candidates from the respective component parties; apparently, more ministerial posts have been assigned to candidates from Bersatu and Amanah than PKR and DAP. Dr Wong questioned whether PH's coalition model is going to be sustainable in the future.

However, Dr Wong stressed that the absence of a hegemonic party in PH is not necessarily a recipe for a stable multi-party coalition either. Dr Wong suggested that political parties need to break away from race- or ethnic-based parties to non-communal-based agendas by working on rights issues such as social class and environment preservation. At the same time, component parties within a coalition should also be allowed to compete with one another to ensure that every party can strive on a level playing field. To achieve that, Dr Wong also suggested looking at having a mixed-member election system, where voters get to choose for their member of parliament alongside choosing the political party they are supporting. This would mean that the Malaysian electoral system would cease adopting the British Westminster model, and perhaps provide an opportunity to examine the viability of following the German or the Indonesian models.

However, at this juncture, Dr Wong believes that these reforms are highly unlikely to take place. This is due to PH's immediate and imminent goal, which is to retain its power and continue winning the elections for the next term. Dr Wong outlined two ways that PH could undertake the pursuit of that end: either offering government contracts to PH's cronies, which is reminiscent of BN's way of doing things, or implementing irreversible changes to the electoral policies to ensure that PH is still able to consolidate or retain power in preparation for the next term.

The Q&A session saw several interesting questions from the audience. Professor Kishore Mahbubani asked YB Khairy what kind of political constellation he saw as possible for bringing UMNO back into power and for YB Khairy to be made the next prime minister. Mr Zainul Abidin Rashid asked whether YB Khairy was bracing himself for a future Malaysia with Anwar Ibrahim as prime minister. YB Khairy remarked that Anwar should become the next prime minister since he is seen as the only figure within PH who is able to address the issue of identity politics to hold the disparate coalition in PH together. Commenting that he would ignore the part about him becoming a possible future prime minister, YB Khairy suggested that UMNO could return to power by holding the middle ground and shoring up its Malay base. This could raise UMNO's share of seats in the parliament, and decrease the need for the party to work with the Parti Islam Se-Malaysia (PAS) due to the contending worldviews the two parties hold.

Dr Hutchinson also asked about prospects of change to the traditional concentration of power within UMNO to allow more grassroots members more autonomy, and whether there is a possibility for a formation of a three-coalition system. YB Khairy remarked that the current over-concentration of power in UMNO in the party president and its division chiefs have created an exclusive club that is detached from the grassroots, making it difficult for new and young candidates to thrive. He suggested that the party should consider stripping the party president of his conventional authority and decentralize it. On the formation of a three-coalition system, Dr Wong thinks that will be highly unlikely due to the presence of multiple ethnic-based political parties. He believes that moderation is key as multiple parties try to capture the support of their respective ethnic groups.