

# Regional Outlook Forum 2021: Power, Politics, and Policy in a Post-COVID World

## Event Highlights

### Welcome Remarks

The Director of the ISEAS-Yusof Ishak Institute, **Choi Shing Kwok**, delivered the welcome remarks to the 2021 Regional Outlook Forum. He began his remarks outlining the effects of the COVID-19 on the globe, arguing that, in future, the pandemic will be seen as a 'critical juncture' demarcating a 'before' and 'after', with a 'rearranged order' with far-reaching implications for governments, business, and individuals.

The pandemic has reconfigured the nature of state power, requiring governments to redeploy 'hard' power through increasing border controls, surveilling the movements of individuals and groups, and organizing large-scale health campaigns. Yet, it has also required the development of 'soft' power, through encouraging people to alter their behaviour and cooperated in new ways.

COVID-19 has also altered politics, as new interest groups have formed and are now seeking to defend their interests. Traditional divisions between, say, outward-oriented and inward-oriented economic sectors have been blurred, as the pandemic has boosted some and gutted others. Different demographic groups have been affected in distinct ways, with younger workers facing limited prospects and older citizens highly vulnerable to the ravages of the virus.

And, policy-making has been severely tested, as governments have had to cope with simultaneous health and economic emergencies. Decision-makers have had to retain a long-term perspective on issues, whilst using economic, political, and economic capital to deal with immediate priorities.

Mr Choi stated that the 2021 ROF sought to analyse the immediate implications of the changes wrought by COVID-19, as well as examine the impact of other key geostrategic and economic trends, including the recently-concluded 2020 US Presidential election.

With this as a backdrop, Mr Choi proceeded to lay out the structure of the ROF and the composition of its various panels, thank the sponsors of the event, and introduce the Keynote Speaker, Professor Wang Gungwu.

### Keynote Address: The Geopolitical Panorama Facing Southeast Asia

In his Keynote Address, **Professor Wang Gungwu** (University Professor, National University of Singapore) laid out the salient trends in Southeast Asia and challenges facing the region.

Professor Wang began his speech arguing that geopolitics within the region remains dynamic, and the chronological sequence of events reveals a geopolitical shift within Southeast Asia. In recent decades, there have been momentous events which, in his

opinion, have had immense consequences for the region. These include: the end of the Cold War; the failed United States intervention in Afghanistan and Iraq; the 2008 Global Financial Crisis; and the rise of China.

Professor Wang commented that the end of Cold War ushered in widespread optimism that the United States, as the world's sole remaining superpower, would leverage upon its hegemonic position to pursue global peace and security. Professor Wang noted that Southeast Asia came under a single entity for the first time during the Post-Cold War era, as the Association of Southeast Asian states (ASEAN) was enlarged to include countries previously aligned with the communist bloc. Since the late 1990s, ASEAN has transformed and has incorporated all ten states within the region. The establishment of a single entity accorded Southeast Asia with substantial autonomy, which was an unprecedented development in the history of the region.

Professor Wang opined that the invasion of Afghanistan and Iraq became the barometer to gauge if United States was a competent superpower to deliver global peace and security. However, as the United States became mired in protracted wars in the Middle East, it gradually lost credibility as a superpower. Simultaneously, China rose to become a major economic powerhouse, whilst increasing its engagement with Southeast Asia. Unlike imperial China, which was primarily concerned with its northern and western borders, Professor Wang commented that Southeast Asia has gained much attention among Chinese policy makers in recent decades. China has since expanded its presence in the region through its maritime network and trade made possible by a globalised neoliberal economy. Similarly, India was also expanding its presence into Southeast Asia during the same period, albeit to a lesser extent than China.

The rise of China has provided Southeast Asia an alternative capitalist model – premised upon state authoritarianism – against the conventional neoliberal capitalism propagated by the United States. Despite widespread scepticism during the early 2000s, Professor Wang argued that the Chinese capitalist model has proven to be a credible challenger and alternative to neoliberal capitalism, given that the former has generated tremendous economic growth and stability for China. Southeast Asian states are presently faced with two competing economic models, with each country seeking to find an optimal balance between both systems for their respective economies.

The 2008 Global Financial Crisis (GFC) exposed the fragility of the neoliberal global economy, while exacerbating domestic economic inequalities within the developed Western states. Professor Wang argued that developed states have witnessed serious social conflicts since the GFC and have, as a result, turned increasingly inwards. He highlighted that the developed states have lost some of their past economic dynamism, while the driver of economic growth has shifted from the West Atlantic to Asia. Southeast Asia, apart from reaping economic benefits, also stands to gain centrality as countries in the region place more attention on their Asian counterparts instead of the former Western-centric approach. However, Professor Wang cautioned that the region is not immune to populist forces such as those which have led to severe political polarisation in the liberal democracies of developed states.

## **Session 1: Navigating US-China Tensions: Where to from here?**

The first session of the Regional Outlook Forum 2021 discussed the future prospects for the US-China bilateral relationship and its implications for the region. Moderated by **Professor Chan Heng Chee** (Ambassador-at-Large, Ministry of Foreign Affairs, Singapore and Chair, Board of Trustees, ISEAS-Yusof Ishak Institute), the session featured a panel of three speakers who each shared the Chinese, American and Indian perspectives.

Articulating the view from China was **Professor Dong Wang** (Professor and Executive Director, Institute for Global Cooperation and Understanding, Peking University), who emphasised the agency-focused factors driving contemporary US-China tensions. Explanations which frame tensions between the powers as the inevitable result of the structural features of the bilateral relationship, he argued, are unable to account for the particular timing of the deterioration in ties.

For him, it is the change in the subjective positions of the Americans and the Chinese - rather than any fundamental shift in the objective capacities of the two great powers - that has precipitated the bilateral breakdown. In particular, he highlighted the mindsets of American hawks who advocate immediate decoupling to avert a more difficult confrontation with China down the road and of Chinese nationalists who, convinced that the US is intent on containing China, counsel an aggressive posture against the Americans. He also identified the tendency for “attribution bias” on the part of US policymakers. During the Cold War, American strategic planners took for granted that the US had the right to establish its own sphere of influence, while Soviet attempts to do the same were seen as dangerous. Professor Wang believes that the US is currently repeating this “cognitive error” when it ascribes aggressive intentions to Chinese actions, even though China is merely adhering to similar strategic calculations in following the examples of the US, its European allies and Japan to establish bases and supply chains overseas.

Professor Wang however remained “cautiously optimistic” that a new equilibrium in Sino-American ties can emerge in the next five to ten years, especially with the restoration of a new trade relationship based on mutual reciprocity and respect for rules. He saw the establishment of the Regional Comprehensive Economic Partnership (RCEP) and China’s interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as encouraging signs that China is willing to address its contentious policies of subsidising and protecting its state-owned companies. Moreover, the victory of President-elect Joe Biden provides a narrow window of opportunity for a rapprochement, although Professor Wang recognised that the atmosphere of fear, prejudice and paranoia towards the other in both countries and the rising trends of populism in the US and nationalism in China are significant constraints to improving relations. He also emphasised that Sino-American bilateral competition is ultimately not about contending for global dominance, but should be about “being a better self”, especially since both countries urgently need to address their domestic challenges, improve their political institutions and deliver better policy outcomes.

In delivering the US perspective, **Dr Zack Cooper** (Fellow, American Enterprise Institute, United States) affirmed Professor Wang’s assertion about the importance for the US and China to focus on their internal challenges. Other countries are becoming

increasingly aware that neither country is able to govern effectively, let alone to lead internationally. The COVID-19 pandemic in particular has revealed that the US and China are “not the centre of gravity”, which suggests that a more multilateral system is more likely to ensue. Dr Cooper also pointed out that the decreased standing of both the US and China were largely self-inflicted—President Trump’s tenure has substantially damaged the reputation of the US, while President Xi Jinping has hurt global confidence in China with his pursuit of ‘wolf-warrior’ diplomacy.

Dr Cooper highlighted that the possible full control of both houses of Congress and the presidency by the Democratic Party would represent a repudiation of Trump as well as “a window of opportunity for Biden to shift the debate about US role in the world and Asia”. In particular, while Southeast Asia was generally neglected by the Trump administration, such a disengagement is unlikely to happen under Biden. For one, Antony Blinken, Biden’s choice for Secretary of State, has already signalled that the region will be a priority. Moreover, given Trump’s unpopularity, Dr Cooper believes that there will be an “outpouring of support” for Biden, similar to what greeted the transition from George W. Bush to Barack Obama.

However, Dr Cooper advised the Biden administration to pursue a “positive vision” that offers benefits for both Southeast Asia and the US, rather than relegating the region into a strategic function of containing China. He also discussed how Biden could potentially re-assume the mantle of American global leadership by carving four different coalitions organised around the issues of security, economics, technology and governance.

The first would be focussed on the geopolitics of the Indo-Pacific region and the security implications of China’s rise in particular. The Quadrilateral Security Dialogue, or the ‘Quad’ of the US, Australia, Japan and India, is a step in this direction. The economics coalition, which would push back against practices such as state subsidies and corruption, will be harder to build and require European support. This second coalition is not necessarily directed against China specifically, but more generally against unfair trade and economic practices. The technology coalition would seek to preserve an open and free internet, particularly to enable democracies to protect their system of governance. The fourth coalition is concerned about establishing rules of global governance that guide how countries should interact with one another. However, Dr Cooper warned that even if American leadership can be restored, it will not be a return to the old days: in a more multilateral world, the US must get used to devolving power and giving a greater say to its allies.

**Mr Shivshankar Menon** (Distinguished Fellow, Brookings India) shared the view from New Delhi, pointing out that the pandemic has diminished the two great powers and directed their attention inwards, while increasing the risk of the fragmentation of the global economy into separate bubbles.

On Biden’s electoral victory, Mr Menon was sceptical about the prospects of a “liberal restoration”, remarking that much will depend on how quickly the new administration can grapple with today’s geopolitical and economic realities. In particular, the world will remain dependent on China for the post-pandemic economic recovery. Moreover, the politics of the region has become “more fraught” in the sense that many geopolitical fault lines are no longer susceptible to Sino-American-brokered solutions.

According to him, even if China and the US were able to resolve their differences or find congruence on North Korea, for instance, it is very unlikely that Kim Jong-Un would surrender his nuclear weapons. In sum, the Biden administration will encounter a world in which multiple actors are able to exercise their agency and the capacity of the two great powers to dictate proceedings is diminished.

Overall, Mr Menon expressed his optimism about the global economy although he was less sanguine about its geopolitics. Attributing the current slowdown to a “demand shock”, he expects a quick economic recovery once demand is revived as countries emerge out of the pandemic. The economic recovery will also be boosted by improved US-China ties, which Mr Menon opined are likely since Biden has stated that he does not see China as a threat, but as a competitor. However, certain political trends, such as the rise of nationalism and populism, could hamper such developments. Moreover, given the increasing multipolarity of the world, the reduced capacity of the two great powers and the emphasis by countries on self-reliance, Mr Menon ended by stating his pessimism about the prospects for the world order.

In the Q&A session, Professor Wang and Dr Cooper discussed the Chinese and American views about what a “well-managed” bilateral relationship would look like. For Professor Wang, a healthy Sino-American relationship is pragmatic and not ideologically-driven. More importantly, this relationship must feature “constructive competition”, in which clear limits are drawn and both sides understand the importance of avoiding needless escalation. Additionally, Professor Wang pinpointed the pressing need to resolve outstanding differences in the economic and trade domains. In contrast, Dr Cooper identified a more fundamental split separating Beijing and Washington. While issues such as intellectual property theft and state subsidies are important to the US, the Americans are increasingly of the view that the two great powers are divided on their core values. In particular, the US believes that Chinese action in Hong Kong and Xinjiang as well as on Taiwan and the South China Sea indicates that China does not merely have different views about the security and global order, but holds fundamental different core values. As such, there is likely to be more talk about human rights and democracy under a Biden administration.

Responding to a question whether India would align with Beijing or Washington, Mr Menon stated that New Delhi will not choose a side. Other than to avoid polarisation, it is not in India’s interest to choose either power — its ideal position is to maintain good relations with both. In addition, Mr Menon commented that peaceful coexistence between the US and China remains possible in so far as neither power stand to gain from an outright conflict or feel that they are “boxed in”. There will, however, be low-level proxy conflicts similar to the Cold War. The aim, for Mr Menon, is to establish a competition with “limits and boundaries”, as Professor Wang has mentioned.

An audience member, Maryelle Demongeot asked about the prospects for bilateral cooperation on climate change under Biden. Describing climate change as a “positive-sum” issue, Professor Wong highlighted that climate response, even at the expense of short-term economic growth, has been “internalised” as an important cause in China at both the public and elite levels. Dr Cooper explained that some observers believe climate cooperation is very likely given Biden’s appointment of former secretary of state John Kerry as his climate czar. Since Kerry is expected to be influential within the administration and China is eager to find areas of cooperation, both countries will

find themselves open to striking a climate deal. However, Dr Cooper cautioned against hopes that a climate agreement would lead to a broader reconciliation. He stated that the climate discussion will likely be segmented off from other issues, meaning that the US will not pursue a grand bargain where it yields some of its concerns on the economy, technology and human rights in return for Chinese concessions on climate change.

Mr Menon responded to a query by Kevin Chan about the likelihood of technological decoupling by suggesting that the risk of that happening has “gone down”, especially since technology is expected to play an important role in the post-pandemic global economic recovery. He noted that technological decoupling has already occurred to some extent, but remains at a limited and manageable level. However, he conveyed his worries about “a fundamental breakdown of trust” and the creation of “separate multiverses” in the long-term.

Danny Quah asked about a possible historical analogy to draw lessons for the current geopolitical situation. Recommending neither the examples of 19<sup>th</sup> century Europe or the post-colonial non-aligned movement, Mr Menon argued that a better approach would involve searching for norms and rules of the road among “coalitions of the willing and able”. He also characterised the current situation as “a world between orders”, which means that a return to a single overarching architecture is difficult and that the world must learn to develop coalitions on different issue areas that remain open to any country that is interested in engaging. For Dr Cooper, a similar historical parallel is the years following the Nixon Doctrine announced in 1969, which involved the US withdrawing from Asia and devolving responsibility for regional security issues to the countries in the region themselves. Subsequently, these countries found themselves pursuing more autonomy from the US, augmenting their regional relationships and accommodating to the new balance of power. While Dr Cooper conceded that this may not spell the ideal outcome for the US, it remains the strategic situation that countries will have to adapt to. He concluded by recounting how Lee Kuan Yew recognised that the shock of the Nixon Doctrine was ultimately crucial in forming ASEAN.

Following the panellists’ speeches, an online poll was conducted. The questions sought to identify what the audience thought was the biggest challenge confronting the US, China, and India, respectively as they seek to formulate a successful policy towards Asia. On the US, 38 per cent of those polled indicated that it was most important for the incoming Biden administration to avoid being overwhelmed by the country’s pressing domestic challenges. A further 31 per cent thought re-establishing confidence in the US in the region would be Biden’s most pressing task. For China, a clear majority of 65 per cent identified President Xi’s biggest challenge as establishing trust in China in the region, though 25 per cent of the respondents opined that the primary issue would be engaging cooperatively with democracies with significant economies, such as Japan, Australia, India and Indonesia. Regarding India, 46 per cent of the audience believed that Modi’s biggest challenge would be retaining a global perspective in the face of the many issues India faces in its immediate neighbourhood, while 35 per cent saw re-establishing confidence in the country’s commitment to regional economic integration as more important.

## **Session 2: Vietnam in 2021: Looking Beyond the CPV's 13th Congress**

Moderated by **Dr Le Hong Hiep** (Fellow, ISEAS – Yusof Ishak Institute), the second session of the day focused on Vietnam's political and economic prospects in 2021. The year is set to be a crucial one for the country, as the Communist Party of Vietnam's (CPV) 13<sup>th</sup> National Congress will take place at the end of January. The Congress will elect the country's new national leadership and adopt a new socioeconomic development plan for the next five to 10 years. Many of Vietnam's targets, such as its aim to become a developed economy by 2045, will depend on the implementation of these plans.

**Ambassador Ton Nu Thi Ninh** (President, HCMC Peace and Development Foundation) noted that party congresses are crucial milestones in Vietnam. For instance, the CPV's 6<sup>th</sup> National Congress in 1986, ushered in the *Doi Moi* reforms. While these reforms were largely economic in nature, widely felt socio-political effects were also produced. The upcoming 13<sup>th</sup> National Congress, thus, should also be studied with the same perspective.

Political processes in Vietnam, Amb Ninh stressed, are very incremental. For instance, while there are no formal separation of powers in Vietnam, the country's legislative branch has been gradually asserting itself. The National Assembly is now able to submit bills for consideration, and also recently blocked the proposed transfer of oversight over transport and communication matters from the ministry of construction to the ministry of public security. Ministers, deputy prime ministers, and even the prime minister also now participate in live 'question time' television programmes, where they answer questions posted by their constituents and National Assembly members.

Amb Ninh also noted that a continuing challenge in Vietnam is attracting talent. Both the party and the state have championed meritocracy and sought to attract talent into their ranks for many years. However, actual progress has been at a slow pace. One solution, Amb Ninh suggested, would be to encourage open candidacy, which is currently not part of the official process.

Internal debate within the CPV is another important issue which needs to be addressed, Amb Ninh argued, noting that the amount of internal debate within the CPV is a good indicator of the state of 'democracy' in Vietnam. At the same time, the collegial structure of political leadership in Vietnam acts as a safeguard against autocracy by diffusing political power across multiple portfolios and appointments, avoiding the concentration of power in one or two individuals. In general, Amb Ninh acknowledged that the political process in Vietnam needs to show greater responsiveness, and that opportunities should be made more available to the broader public.

Corruption in Vietnam, Amb Ninh stressed, is of existential significance – combatting corruption is not merely a tactical move, but rather a fight against an existential threat to the party and regime. This is similar to the *Doi Moi* reforms initiated in 1986, which in addition to being economic reforms were also an existential measure needed to move the CPV forward. The COVID-19 pandemic, Amb Ninh noted, has aided the CPV's efforts at enhancing public trust in the regime. Nonetheless, the broad public remains largely wary of how public resources, in particular land, are being utilised. Amb Ninh also observed that the political culture in Vietnam is less confrontational and

violent, and more collegial and incremental than its mainland Southeast Asian neighbours.

Amb Ninh noted two major issues which Vietnam's foreign policy will have to grapple with moving forward. Firstly, Vietnam will have to effectively manage the push and pull between the US and China. Vietnam, even more so than any other country in Southeast Asia, needs to effectively balance its interests between the two powers. Secondly, Vietnam will have to further anchor itself within the regional framework. Amb Ninh noted that Vietnam's joining of ASEAN in 1995 was a strategic move which occurred in the midst of the country's normalisation of ties with China and the US in the early 1990s, with Vietnam actively supportive of ASEAN centrality and neutrality from the start. Amb Ninh added that regional mooring or anchoring is particularly important to Vietnam vis-à-vis the South China Sea issue, helping the country avoid being trapped in a bilateral framework when dealing with the issue. While Vietnam has been making the most of multi-track diplomacy, Amb Ninh argued that Vietnam could make better use of Track II diplomacy.

Amb Ninh concluded by noting that continuity and managed adaptiveness are likely to characterise Vietnam's politics moving forward. One is unlikely to see any dramatic shift or change in Vietnam, but rather 'managed' change. Nonetheless, Amb Ninh added that further development in the country would not be possible with just economic success, but also would require greater liberalisation and a broader participatory approach.

**Mr Nguyen Xuan Thanh** (Senior Lecturer, Fulbright University Vietnam) noted that, as Vietnam approaches the end of its five-year economic plan and its current political cycle, its economic policies have been focused on macroeconomic stability and a rapid economic expansion.

The outbreak of COVID-19 brought about what has been termed the government's "dual objectives" – firstly, controlling the spread of COVID-19 and minimising its impact on domestic economic activities; and secondly, the continued pursuit of economic growth. For instance, Mr Thanh noted that the strict quarantine of international arrivals as well as selective lockdowns enabled Vietnam to resume a significant degree of its activities. Being an export-dependent country, Vietnam ensured that its factories and ports remained open even amidst strict lockdowns, to avoid major disruptions to manufacturing and trade in goods. Instead of extensive quantitative easing, the country implemented a series of moderate policy rate cuts and continued its focus on boosting public investment to stimulate local growth. This has produced results – the government announced a week ago that the country's 2020 GDP growth was 2.9 per cent, making Vietnam possibly the only economy above US\$100 billion to achieve positive growth in all quarters of 2020.

A key driver of this growth has been exports. Mr Thanh pointed out that reforms over the last 30 years have significantly diversified Vietnam's export markets to include the US, China, EU, ASEAN, Japan, and South Korea.

Another key driver of Vietnam's economic growth has been public investment, which increased by 34.5 per cent. Vietnam pushed out its largest-ever public investment programme in 2020, which was enough to compensate for the decline in private

investment and domestic consumption. Retail sales, however, has slowly recovered as a 'new normalisation' of economic activities takes hold.

Mr Thanh also noted that capital inflows have remained positive, despite the slowing down of FDI disbursement and some capital outflows, due to the impact of COVID. 2020 FDI inflows include not only greenfield projects, but also M&As, particularly in the greater Ho Chi Minh City area.

Vietnam's exchange rate management was also thrust into the spotlight in the lead-up to 2020. The loosening of monetary policy in the US weakened the USD against almost all major currencies. The State Bank of Vietnam, however, maintained a tight USD-VND exchange rate and increased its foreign exchange reserves in the face of continued capital inflows. Vietnam has risen from being America's 5<sup>th</sup> largest trade surplus nation to the 3<sup>rd</sup> largest during Trump's administration. This increase in exports, coupled with a tightly managed exchange rate and huge increase in international reserves, led the US to start a currency manipulation investigation against Vietnam.

Mr Thanh concluded by noting that significant recovery in economic activity had already been observed in Q3 and Q4 2020, and that growth is likely to rebound in 2021. Vietnam is likely to achieve a 6.8 per cent growth rate for 2021, above the conservative 6.5 per cent government target. To hit its growth target of 6.5-7 per cent for 2021-2025, Vietnam aims to leverage its recently implemented FTAs, such as the EU-Vietnam FTA and RCEP, to support its structural reforms and develop market-supporting institutions. There will also be a continued focus on developing and improving systemic infrastructure like expressways and airports, as well as scaling up efforts to build up the country's domestic private sector. Externally, it is unlikely that the incoming Biden administration will focus on the US-Vietnam trade deficit. Instead, Mr Thanh expects the US and Vietnam to cooperate in sustainable development sectors such as renewable energy and investment in LNG infrastructure.

Dr Hiep kicked off the Q&A session asking Amb Ninh to what extent she thinks the CPV is interested in political or institutional reform, and what sort of reforms should the party undertake in the next five to 10 years. Amb Ninh replied that public intellectuals and experts in Vietnam have, for several years now, noted the need for a second *Doi Moi* and for the broader public to have more initiative and say in public affairs. Amb Ninh also noted that the CPV and the Vietnamese state have come under increasing pressure from social media. While the regime has attempted to monitor and control this sphere, it has also been savvy in its approach to social media, at times using different platforms to analyse and understand public sentiment.

Mr Dien Nguyen An Luong (Visiting Fellow, ISEAS – Yusof Ishak Institute) then asked Amb Ninh if there is any room for the National Assembly to become a truly independent branch of government. Amb Ninh replied that 'independent' does not particularly apply in Vietnam's political context. Instead, there is room for the National Assembly to become more 'assertive'. This stems from Vietnam's collegial and consensual – rather than confrontational – approach to governance. More members of the National Assembly, in this sense, need to be 'tannoy voices' which are able to attract public support.

Dr Hiep next asked Mr Thanh, in the event that the incoming Biden administration chooses to focus on the trade deficit issue, what would the consequences be for Vietnam and how should the government respond to this challenge. Mr Thanh replied that the worst-case scenario would be for the current Trump administration to impose punitive tariff measures on Vietnam, which would then be hard for the Biden administration to abolish.

Dr Jayant Menon (Visiting Senior Fellow, ISEAS – Yusof Ishak Institute) then asked Mr Thanh to what extent could the increase in Vietnam's exports to the US be the result of transshipment from China. Mr Thanh replied that official trade figures have shown that items which experienced a huge increase in exports from Vietnam to the US are not the same items which have experienced a huge increase in imports from China to Vietnam. Mr Thanh added that the US has also been very active in investigating suspicions of transshipment, including through field visits to manufacturing sites in Vietnam. This, however, has not produced any evidence of large-scale transshipment.

Mr Richard Borsuk (Researching Southeast Asia Pte Ltd) then asked what factors, if any, could slow or end Vietnam's success at attracting investment and increasing exports. Mr Thanh replied that the main challenge in the next five years will come from infrastructure bottlenecks, particularly congestion in the greater Ho Chi Minh City area and the failure to build sufficient airports and seaports.

The first question in the audience poll for the session asked: "What do you think will be the primary direction of Vietnam's foreign policy over the next five years?" The option of "Seeking to reconcile the demands of both the United States and China" was the most popular at 45 per cent, followed by "Deepening engagement with ASEAN and other regional bodies" at 40 per cent. Amb Ninh noted that Vietnam has actively pursued a combination of both options, rather than one or the other, in its foreign policy. The second question asked: "What do you think is the most serious challenge for Vietnam's economic development in the next five years?" The leading option "Corruption, red tape, and unclear business regulations" garnered 58 per cent, although Amb Ninh noted that Vietnam's recent anti-corruption campaign has somewhat mitigated the issue of corruption in the country since the issue was spotlighted at the last party congress five years ago.

The third question asked: "In what ways can Vietnam benefit from the US-China trade war?" The option "Increased diversity in investment across sectors and skill levels" garnered 44 per cent, with Mr Thanh concurring that Vietnam will not be economically competitive if it only engages in low-skill manufacturing. Rather, an upgrading of infrastructure and the work force is needed.

### **Session 3: Protests and Pandemic: Challenges to Thailand's Political and Economic Orders**

The third session of the Forum featured the views of **Dr Pitch Pongsawat** (Assistant Professor, Director of the MA program in Government, and Associate Dean of the Faculty of Political Science, Chulalongkorn University) and **Dr Kirida Bhaopichitr** (Director, Economic Intelligence Service, Thailand Development Research Institute). **Dr Michael J. Montesano** (Visiting Senior Fellow; Coordinator, Thailand Studies

Programme and Co-coordinator, Myanmar Studies Programme) moderated the session.

Dr Pongsawat opened the session with an overview of important political developments in Thailand in 2020. Last year, the monarchy, army, the technocratic-bureaucratic state, big business, and the conventional Buddhist and patriarchal social structure were heavily shaken by the unprecedented “youthquake” phenomenon. Sources of conflict include the country’s constitution and constitutional institutions such as the appointed Senate, the Constitutional Court, and the National Anti-Corruption Commission; the disbanding of the Future Forward Party; the incompetence of the military and other security forces; and struggles over the true meaning of “constitution” in Thailand. Dr Pongsawat noted that the COVID-19 pandemic was not the cause of political turmoil, but acknowledged that it was the most important factor deepening the political legitimacy crisis in Thailand. Against this backdrop, Dr Pongsawat did not hold an optimistic view of Thailand’s political outlook in 2021, anticipating more gridlock with no signs of compromise.

Dr Pongsawat outlined the Thai government’s response to the first wave of COVID-19, including the delay in its decision to lock down the country; the over-centralisation of power under Prime Minister Prayuth Chan-ocha through the invocation of the Emergency Decree on 26 March 2020; and the slow, ineffective, and non-inclusive recovery policies.

Next, Dr Pongsawat remarked that the “youthquake” phenomenon started at the end of 2019 before the COVID-19 pandemic hit. In February 2020, the uprising was spurred by the dissolution of the Future Forward Party, leading to a wave of flash mobs by students across the country. Gatherings were moved online when protests were halted by COVID-19 restrictions. Dr Pongsawat noted that those involved in the uprisings were mainly the youth, including anti-coup activists, first-time voters in college, high school students, the LGBT community, and others fed up with Prayuth’s administration. He described the movement as “leaderless” or one existing under a new form of leadership due to the anonymous online network of organisers and influencers.

Following that, there were many proposals for change, including calls for the end of political suppression and intimidation, the dissolution of parliament, a rewriting of the constitution, the resignation of Prayuth, and monarchical reform. This led to backlash from the state in a myriad of forms. Dr Pongsawat addressed the government’s response to the COVID-19 pandemic, describing its reluctance to acknowledge the present “second wave”.

Dr Pongsawat concluded with predictions that there will be a second wave of political crises without compromise, as well as the delay and eventual denial of constitutional reforms resulting in more political engagement and conflict outside the Parliament.

Dr Bhaopichitr began by explaining that the COVID-19 pandemic is the most important determinant of economic performance, not only for Thailand but globally as well. As Thailand is heavily dependent on exports and international tourism, its economy is unlikely to return to 2019 levels until the global economy picks up in 2022. Surprisingly, the Thai Baht has appreciated against the US dollar owing to two reasons: first, the

US dollar has been depreciating over the past three to four months due to quantitative easing, and second, Thailand's current account has continued to be in surplus. However, other major regional currencies are also experiencing an appreciation trend, and the Baht will strengthen against the US dollar by less than that of major currencies such as Singapore's and the Philippines'.

On the downside, Thai exports fell by 8% in 2020 and will likely only grow by 4-5% in 2021. Though many export products are performing better than during the lockdown in Q2/2020, more are contracting compared to in 2019. Additionally, though Thailand was hoping for a rebound in domestic travel since international tourism has stalled, tourism receipts are only half of last year's despite the government's domestic tourism stimulus. Also, while sectors such as e-commerce, delivery services, and insurance have displayed positive growth, a majority of Thai businesses are not performing as well as during the pre-COVID period. She acknowledged that different sectors show varying paces of employment recovery, with the most notable rise in employment and average hours worked in the education sector.

Regarding Thai citizens' purchasing power, Dr Bhaopichitr expressed that domestic consumption is almost back to its 2019 level. Household debt stands at 84-85% of GDP and is expected to increase as education loans rise with the re-opening of schools from the lockdown and from the fall in incomes. With debt rising and incomes falling, household debt will pose constraints on future consumption.

Currently, investments are largely led by the government, while private investment remains subdued and will likely recover to pre-COVID levels in 2022. Looking ahead, private investment will likely expand as the Board of Investment certificates issued in 2020 were higher than that in 2019. Dr Bhaopichitr also expressed confidence in the government's resources, as only 30% of its 1 trillion Baht loan package has been disbursed so far. Public spending is expected to reach up to 4.4 trillion Baht in 2021 and there is room for another 465 billion Baht in loans before public debt reaches 60% of GDP.

The Q&A session kicked off with a question from Mr Daryl Lim on how protests would play out for both the protesters and the Thai government. In the same vein, Dr Termsak Chalermphanupap (Visiting Fellow, ISEAS-Yusof Ishak Institute) sought clarification on the lack of "compromise" between both parties as earlier mentioned by Dr Pongsawat. Dr Pongsawat explained that the use of the term "compromise" was derived from the King's description of Thailand as a "country of compromise" in an interview. In his view, "no compromise" referred to the absence of intention from both parties to lower their demands, whether in terms of maintaining power or accepting a middle ground. He noted that there is a long way to go for substantial structural change, and expects the intensity of protests in the coming year to be based on the progress and pace of constitutional reform.

Dr Udai Bhanu Singh (Senior Research Associate, Institute for Defence Studies and Analyses, New Delhi) asked Dr Bhaopichitr about the prospects for The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and Thailand's role in it in post-COVID-19. He also questioned if the completion of the Trilateral Highway would create any positive outcomes. Dr Bhaopichitr stated that there has not been much development on BIMSTEC, in part due to the COVID-19

crisis. She believed that the infrastructure project would be useful if completed as planned.

Mr Daniel Moss (Bloomberg Opinion columnist) noted that Thailand was recently added to the US Treasury's "Monitoring List" for possible currency manipulation and wondered how seriously this is being taken in Thailand. He sought Dr Bhaopichitr's perspective on the consequences of this inclusion. Dr Bhaopichitr noted it was being considered seriously, with the Bank of Thailand recently announcing long-term measures to reduce the appreciation of the Baht. However, this was a tricky issue to navigate. While continued appreciation would be detrimental to exports, the US would be more in favour of an appreciating, rather than depreciating, Baht.

Mr John Bitzan (Country Risk Analyst, Economics Department, Export Development Canada) asked Dr Pongsawat how broad support is for youth protesters among older middle-class Thais, and how likely it is for Thailand to see a return to the violence in its 2010 protests. Dr Pongsawat believed that the older generation's support for the People's Democratic Reform Committee (PDRC) has waned in recent times due to many of their children being charged under lèse-majesté. Dr Pongsawat also explained that the violence seen in 2010 was unlikely to happen again as gatherings have moved mostly online. This was a good sign as street clashes are considered the pretext to a coup.

In response to Mr Wataru Fujishita's (Bureau Chief, NHK) query on the possibility of the King initiating dialogues with protesters to avoid political crisis, Dr Pongsawat noted that while the King has visited temples and greeted subjects, it is unlikely that there will be opportunities for dialogues with sceptics.

Mr Robert Fox stated that Thailand has missed opportunities for digitalisation, especially in terms of its digital government strategy. He expressed that digitalisation would reduce corruption and enhance the ease of doing business, which would in turn improve FDI. Dr Pongsawat agreed, noting that the digital ministry set up during former Prime Minister Thaksin Shinawatra's tenure to provide economic incentives and infrastructure for digital opportunities had unfortunately become politicised. Dr Bhaopichitr noted that Thailand has long embarked on digitalisation initiatives, however, progress has been slow.

Mr Victor Mills (Chief Executive, Singapore International Chamber of Commerce) wondered if the panel would agree that the economic impact of COVID-19 will only increase social tensions and, therefore, unrest. Dr Pongsawat stated that the economic impact, as well as the effectiveness of the recovery plan, will be important for establishing the legitimacy of the government. Dr Bhaopichitr commented that a lot of SMEs have not received assistance from the government, which might exacerbate grievances.

Mr Albert Wai (Editor, Digital News, Mediacorp) asked for elaboration on the scepticism surrounding Thailand's vaccination plan. Dr Pongsawat explained that there was a lot of debate surrounding the priority for vaccines. The government announced on 5 January that vaccine supplies have been secured from China, however, Dr Pongsawat was of the opinion that this decision was made in haste.

Three survey questions sought the audience's views on key issues facing Thailand in the immediate and long-term future. First, audience members were asked how Thailand can most effectively solve its political crisis. The overwhelming majority (75 percent) of respondents believed that undertaking an inclusive and orderly process of constitutional reform is most important. Second, the audience shared their thoughts on what the most important focus of Thailand's recovery from the economic crisis caused by COVID-19 should be, with 37 percent thinking the rapid restoration of the tourism- and export-dependent economy of the recent past to be most pressing. Not far behind was the option to foster innovative sectors of the economy, which garnered 29.5 percent of responses. Finally, the audience responded to a question on what the most promising response to calls for the reform of the Thai monarchy would be, with the top choice of creating a commission to design a role for the monarchy appropriate to the challenges and needs of the twenty-first century receiving 67 percent of votes.

#### **Session 4: Searching for Equilibrium: Indonesia and Its Diverse Challenges**

Moderated by **Dr Siwage Dharma Negara** (Senior Fellow, ISEAS – Yusof Ishak Institute), the fourth session of the ROF analysed Indonesia's capacity to withstand political and economic turbulence amidst the COVID-19 pandemic.

**Dr Yanuar Nugroho** (Former Deputy Chief of Staff, Executive Office of the President of Indonesia & ISEAS Senior Visiting Fellow) argued that Indonesia's political landscape after the COVID-19 pandemic remains the same despite many changes made by President Joko Widodo's administration. He asserted that the latent problem with Indonesian politics is to balance ideas and reality. This implies a lesser room for ideas – including contestation of ideologies, yet much room for the pursuit of power and resources. In illustrating this, Dr Nugroho quoted Khrisna of Mahabharata, "When you are in power, everything may seem inevitable, but don't make a show" (Javanese: *ngono yo ngono, ning aja ngono*). Consequently, there is a lack of checks and balances from the legislative authorities and civil society of President Jokowi's executive power.

Dr Nugroho noted that the state of the political party and civil society organizations (CSOs) are in limbo in terms of ideological foundation, let alone their willingness to pursue the common good. This happens, to a large extent, because of transactional politics, dynastic politics, and the failure of political regeneration. In this situation, he speculated that the government could exercise power, resembling a tyranny without the control of the parliament. Dr Nugroho gave examples such as: the Anti-Graft Law; Omnibus Law; pushing for simultaneous regional elections despite the COVID-19 pandemic; and disbanding the Islamic Defender Front. In all these cases, civil society made objections that went unheard.

In explaining the policy changes under the current administration, Dr Nugroho touched upon the issue of the cabinet reshuffle. Especially in the time of pandemic crisis, he asserted that the reshuffle has little value, as the President did not possess adequate political power necessary to impose required policies. Despite the pandemic uncovering the weaknesses of the cabinet's business process, Dr Nugroho mentioned that the reshuffle would remain a contestation of interests. He predicted, for example, that President Jokowi will maintain the number of ministers coming from different political parties. This is due to the anchored power distribution between the executive

power and political party, in this case, the Indonesian Democratic Party of Struggle (PDI-P) which is Jokowi's main political promoter.

Other than the cabinet reshuffle, the COVID-19 pandemic in Indonesia has increased the influence of the military and police in governmental affairs. Dr Nugroho observed that President Jokowi relies heavily upon the manpower and resources of the military and police in executing policies that require massive mobilization. In this case, the armed forces would be the most systematic, best-organized groups for the COVID-19 contact tracing and vaccination program. Ergo, Dr Nugroho predicted, their growing presence presages their quest for power in politics.

Overall, Dr Nugroho stated that the Indonesian government's response to the COVID-19 crisis has been slow and cumbersome. For instance, the current regulatory and institutional frameworks have been inadequate to address the immediate risks of public health and longer-term socio-economic consequences. Besides, poor data governance and weak information management processes have hampered crisis response in the public health sector and hindered the delivery of social protection programs. As Dr Nugroho has consistently argued that the government is driven more by interests rather than by ideas or ideals, the state capacity to build coherent strategies and improve preparedness for the 'new normal' era would be challenging. He concluded that a successful vaccination programme would be game-changing. People would start to rethink their personal and social lives, the country's development progress, and President Jokowi's legacies. Dr Nugroho noted that this will affect power contestation among elites in the 2024 Presidential Elections.

**Ms Shinta Kamdani** (Deputy Chairperson, Indonesian Chamber of Commerce and Industry) contextualized the current outlook of Indonesia's economy amidst the global pandemic. She argued that, though the pandemic has severely hit the Indonesian economy, the country fared better than most in the world. For instance, Indonesia's 2020 GDP growth was at -1.5%, which is still better than many other countries. Nonetheless, the COVID-19 pandemic relentlessly hit the income and employment sectors. Citing data from the National Statistic Board and Bank Indonesia, Ms Kamdani stated that about 29.1 million Indonesian workers were affected by the COVID-19 outbreak. It has weakened the country's consumption level to -4.04% in Q3 2020. Nonetheless, the overall economic conditions are getting better as shown by increased consumer confidence by November 2020.

Ms Kamdani mentioned seven main instruments in Indonesia's response to the pandemic, including health measures and protocols, income subsidies (*bansos*), fiscal stimulus, credit stimulus/quantitative easing, capital injection to State-Owned Enterprises (SOEs), the Omnibus Law for job creation, and accelerated digital transformation in government services.

The Indonesian business community, she noted, believes that investments will help to fasten the overall post-pandemic recovery. In light of the controversies on the Omnibus Law, Ms Kamdani argued that the Law, which she called the game changer of 2021, has given a significant boost to the economy during the pandemic and would be an accelerator for economic recovery and transformation in the forthcoming years. She explained that Indonesia has been overregulated and the Omnibus Law will accommodate to reduce, simplify, and harmonize regulations. It helps foreign

investors to invest in Indonesia by cutting red tape in licensing, developing business-friendly processes, giving certainties for incentives, and improving efficiency in special economic zones. Ms Kamdani asserted that the Omnibus Law is at the top of the list of priorities for improving Indonesia's investment climate in 2021. She stated that the business community has been looking forward to the full implementation of this Law which can help the country to recover from the pandemic.

Another innovation in Indonesia's investment climate in 2021 was the newly-formed sovereign wealth fund (SWF), namely the Indonesia Investment Authority (IIA). Ms Kamdani described this as a breakthrough to attract investors through focusing on infrastructure projects and integrating governmental efforts. The IIA focuses on six sectors, including infrastructure, energy, health, tourism, technology, and urban development.

The Q&A session kicked off with a question from the moderator to Dr Nugroho on the challenges faced by the Ministry of Health, especially the new Health Minister Budi Gunadi Sadikin (BGS), in the implementation of the vaccination program. Dr Nugroho argued that the main challenge for Minister BGS would be to ensure the efficiency of the vaccine supply chain.

In light of the tense mood in Jakarta surrounding the Omnibus Law, Dr Siwage asked Ms Kamdani about the likelihood of the Law being cancelled by the Constitutional Court and the implications of the Law for industrial relations in the country. Ms Kamdani explained that the COVID-19 pandemic has changed the structure of manpower; from around 55% in the informal sector before the pandemic to almost 70% after. Thus, she argued that the Indonesian government should focus on creating jobs in the formal sector by using the meet-and-match method to help people find suitable jobs. Ms Kamdani admitted that the Omnibus Law could not satisfy everyone and suggested looking at the bigger picture of recovering from the pandemic and revitalising the economy. As part of the team that drafted the Omnibus Law, Ms Kamdani stated that the government has been transparent and open in drafting the legislation. For instance, they have put the draft on the government website for people to provide feedback. Lastly, she encouraged unions to work together for structural reform in Indonesia.

Ms Lee Sue Ann asked Dr Nugroho to comment on how ideological rhetoric is used in the mobilization of political interests, as seen with the Anti-Ahok demonstrations, and whether this would have any impact on the tenor of politics and direction of Islamisation in Indonesia. Dr Nugroho argued that interests often compromise with ideology. He commented that the Ahok conflict was a result of transactional politics to secure resources after Jokowi left the Jakarta governorship for the presidency and Ahok took his place. In light of the Islamisation issue, Dr Nugroho argued that Islamization would not progress much when the country has strong civil society groups with solid ideological positions on Indonesian identity. He insisted that this would be the main reason for the rising of Islamisation or other ideological thoughts. Dr Nugroho concluded that these instances of political contestation can be used to understand the political dynamics in Indonesia today and towards the next Presidential Elections in 2024.

Several questions were addressed to Ms Kamdani about the newly-established Sovereign Wealth Fund (SWF). While Mr John Bitzan sought confirmation whether SWF would be raised through partnerships with pension plans and other SWFs, Mr Christian Bachheimer asked about the main goals of the SWF. Ms Kamdani mentioned that the technical details about the SWF's instruments and operations are currently being developed. Nevertheless, she argued that the priority was to open opportunities and invite more countries and institutions to invest in Indonesia, including the UAE, US, and Japan. The homework for Indonesia was to be competitive against other countries by increasing the target of actual return it can offer investors. By increasing the competitiveness of the country, Ms Kamdani argued, investors in the country will also improve their ability to succeed in the market.

The last batch of questions came from Mr Richard Borsuk and Ms Claudia Liao who asked about the challenges of the vaccination program in Indonesia. While Mr Borsuk questioned President Jokowi's near-impossible target of completing nation-wide vaccination in less than a year, Ms Liao asked about the impact of the government's strategy to include the elderly and the vulnerable in a post-COVID recovery. Dr Nugroho replied that the biggest challenge of the vaccination program was the distribution of vaccines due to geographical conditions. Ms Kamdani added that the size of the population and the availability of vaccines would also be some of the other challenges. In light of the vaccination priority, Dr Nugroho argued that the decision to prioritize the working population was likely to aid the economic recovery. Ms Kamdani argued that the government needs to open up the possibilities for pharmaceutical companies to provide vaccines privately in order to accelerate the vaccination process.

This session asked the audience to join a survey on the challenges for Indonesia's politics and economy in 2021. The first question was about the biggest governance challenge for the Jokowi administration in 2021. 55 percent of the respondents thought that dealing with pervasive corruption would be the biggest challenge for the administration this year. For the second poll question on the economy, 37 percent of the respondents predicted that the biggest challenge was to enable SMEs to withstand the COVID-19 fallout and contribute to job creation. The consistently rising number of cases in Indonesia has been worrying and could be a threat to Indonesia's development in 2021. 58 percent of the respondents agreed with this and thought that one or more waves of increased COVID-19 cases would be the biggest threat to the country's development.

### **Session 5: Myanmar after the Elections: What's New and What's Not?**

The fifth session discussed Myanmar's political and economic outlook following the re-election of the National League for Democracy (NLD) in the General Election held in November 2020. The session was moderated by **Ms Moe Thuzar** (Co-Coordinator of Myanmar Studies Programme) and featured **Dr Sean Turnell** (Professor of Economics, Macquarie University; Special Economic Consultant to the State Counsellor, Myanmar; and Senior Visiting Fellow, ISEAS – Yusof Ishak Institute) and **Dr Maung Aung Myoe** (Professor of International Relations, International University of Japan) as speakers for the panel.

Following Ms. Moe Thuzar's opening remarks, **Dr Turnell** began his discussion on the economic outlook of Myanmar by laying out the country's economic milestones. He

noted the tremendous progress made by the economic team in the previous NLD administration in pushing for reforms. He expected that the economic team will remain in the new administration. While this ensures a continuity in Myanmar's economic programmes, he projected that the team will push for bolder micro-economic reforms despite the country's strained finances.

Dr Turnell then discussed Myanmar's economy during the COVID-19 period. He recalled that the economy worsened during the second wave of COVID-19 due to lockdowns aimed at controlling localised clusters. Although Myanmar coped relatively better with COVID-19 when compared to other countries, the pandemic has caused severe macro-economic consequences. Myanmar's GDP growth dropped by five percent in 2020.

However, the World Bank estimated that Myanmar's GDP will make a strong return in 2021 and 2022 with a growth of two percent and eight percent respectively. Dr Turnell also highlighted that Myanmar's budget deficit has been increasing since 2018 due to increased expenditure on infrastructure. This is aligned with Myanmar's plan of attracting foreign investment. To tackle the impact of COVID-19, the administration has initiated short-term and long-term economic initiatives, such as the COVID-19 Economic Relief Plan (CERP) and Myanmar Economic Resilience and Reform Plan (MERRP). While the CERP consisted of relief packages such as concessional financing and lending to small enterprises, tax relief and rural employment schemes, the MERRP seeks to reconcile the CERP with the country's economic reforms in the long run.

To conclude, Dr Turnell discussed other economic aspects beyond the MERRP undertaken by the government such as building infrastructure and accumulating the Myanmar Kyat reserves, given the strong exchange rates. While acknowledging that pursuing economic reform will remain a challenge for the NLD administration, Dr Turnell remains optimistic with the progress as the plans are tangible and concrete.

The session continued with Dr Maung Aung Myoe's discussion on Myanmar's political outlook for the next five years. He began by discussing the electoral outcomes and providing insights on the underpinnings of NLD's landslide win. For many observers, the overwhelming success of the NLD was unexpected, given public discontentment with the Party's performance. The 2020 election saw a higher voter turn-out of 71% as compared to the 2015 elections. Following the election, the NLD secured 259 out of 315 seats in the House of Representatives and 138 seats out of 161 seats in the House of Nationalities. As compared to 2015, the NLD's electoral performance was based on stronger support from the public.

Dr Aung Myoe identified two possible factors that resulted in NLD's winning. First, the Tatmadaw Commander-in-Chief's meeting with some political parties prior to the election sparked a concern regarding the possible return of the military to power. Second, popular politician Aung Sann Suu Kyi's initiative to utilise Facebook to communicate with the public during the pandemic and campaign for her party managed to quell public discontentment towards the NLD administration and mobilise support.

Dr Aung Myoe noted that, with stronger mandate and legitimacy, there is greater public expectation for the NLD in the months ahead. He highlighted four key areas of focus for the NLD in its second term. Some areas of continuity include amending the Constitution, especially regarding the military's role in politics and pursuing the daunting task of establishing peace with ethnic rebel organizations. The third agenda is national reconciliation with ethnic parties, which is already underway following the invitation to 48 ethnic parties to participate in talks. The move to engage with ethnic parties is unprecedented, as the NLD had earlier expressed its disinterest in creating a coalition government. Although it remains to be seen whether the talks will materialise, Dr Aung Myoe noted that it would provide an opportunity for ethnic parties to cooperate with the NLD. Fourth, the NLD will expand its reform agenda to include the police force to tackle corruption, restore order and justice, and strengthen the rule of law in the country.

To conclude, Dr Aung Myoe discussed civil-military relations in Myanmar, as well the country's foreign policy. He noted that there remains no change in Myanmar's civil-military relations as the armed forces remain the guardian of the state. Currently, the military continues to have an overwhelming presence in the NDSC where six out of 11 members are unelected military members. Friction also occurred recently between military members of parliament and NLD MPs, when the former named several military personnel as MPs without discussing their nomination with the NLD.

Regarding foreign relations, Dr Aung Myoe stated that China, which has mentored Myanmar's Peace Process, will remain important to the country. Hence, the Sino-Myanmar relations will continue to be prioritised. However, Dr Aung Myoe noted that Myanmar will also need to balance its relations with the United States.

The Q&A session drew interesting questions from the audience. Mr Paul Chew (Research Analyst, Philip Securities) kicked off the Q&A with a question on the outlook of Myanmar's foreign investment. Dr Turnell replied that foreign investment will remain of highest priority and that capital market reforms and Project Bank, will be pursued actively by the NLD administration. Geographically, Myanmar is at disadvantage as it is located between some of the most vibrant markets in the world. However, Dr Turnell is optimistic about the prospect of Myanmar's foreign investment, given that they have made significant economic progress in the past few years.

Mr. Felix Haas (Independent Researcher and Consultant) asked about Myanmar's global positioning between the "East" (China) and "West" (United States). Dr Aung Myoe noted that Myanmar wants to maintain a balance between the East and West. China remains important in facilitating Myanmar's Peace Process and it is likely that United States' policy towards Myanmar will not shift drastically under the newly elected Biden administration. Myanmar has been sanctioned on many issues such as human rights and the Rohingya conflict. Dr Aung Myoe emphasised that the most important in determining Myanmar's foreign relations is the coordination between the NLD government and military in their stances. Currently, the government is interested in prioritising its relations with China, whereas the military is trying to move the country towards becoming an Indo-pacific power.

Dr Udai Bhanu Singh (Senior Research Associate and Coordinator of the Southeast Asia and Oceania Centre, MP-IDSA), Mr. Fujishita Wataru (Bureau Chief, The

NKH) and Mr. Saiful Ramlee asked Dr Aung Myoe about Myanmar's prospects for peace process and ethnic reconciliation in the short term. Dr Aung Myoe noted that Myanmar is a weak state, with a fragile and divided nation. The society is divided across three fault lines: civil-military, majority-minority and ethnic fault lines. Hence, it is a daunting task for the NLD government to address the peace process and ethnic reconciliation. Even though progress has been slow in both areas, Dr Aung Myoe opined that the current arrangement and effort in addressing these issues are the most feasible as it allows all stakeholders to be involved in the process.

Ms Sarah Lim Shu Hui (Undergraduate, National University of Singapore) directed a question to Dr Turnell on what some of the foremost challenges would be for the NLD government. Dr Turnell stated that there are many challenges facing the administration both in domestic and international politics. Ultimately, a fundamental challenge would be addressing the Rohingya issue since the heart of economic reform is related to individual freedom and rights. A second challenge would be implementing economic reforms. He noted that the government inherited a state apparatus that was not only ruled by 60 years of military rule, but which had socialism as its economic philosophy. Hence, implementing a liberal democratic economy is a huge task for the administration. To this, Dr Aung Myoe added that Japan has been financially supporting Myanmar in its administrative reforms via a five-year project where market regulations are being revised. He also cited the importance of educating to society the social norms of human rights as a step that complements Myanmar's economic efforts.

The Q&A session ended with a question from Fernando Pedrosa (Universidad de Buenos Aires) and Mr. Victor Mills (Singapore International Chamber of Commerce) on the outlook of Myanmar's politics post-Aung Sann Suu Kyi. Dr Aung Myoe replied that Myanmar has weak democratic institutions and Aung Sann Suu Kyi still has time to make improvements. However, there are many economic challenges that may impede progress. The government has to start discussing with the military to ensure a smooth and efficient succession plan during the post-Aung Sann Suu Kyi period. Dr Turnell concurred with Dr Aung Myoe that the challenge remains to strengthen institutions.

A poll was also conducted during the session. A total of 140 attendees participated in the poll. The poll consisted of three questions. For the first question "The National League for Democracy's second term in office should prioritise:", an overwhelming 76 percent of the participants voted for "Pursuing national reconciliation with ethnic nationalities and the military". Far behind was the second-most popular option of "Tackling socio-economic inequality" selected by only 13 percent of participants.

For the second question "The biggest challenge in continuing Myanmar's economic reforms will be:", 48 percent of the participants voted for "Reconciling COVID-19 relief & recovery efforts with reform measures", while the second most voted option of 32 percent was "Negotiating new investments from international partners and financial institutions under heightened scrutiny over human rights concerns".

For the third question “Myanmar’s external relations for the 2021-2025 term should focus on”, 42 percent voted for “Re-establishing confidence in Myanmar’s commitment to address the Rakhine issue”. Meanwhile, a close 35 percent of participants voted for “Diversifying Myanmar’s external partnerships via the ASEAN platform”.

As compared to the first question which had a clear majority, participants were more divided in their responses to the second and third questions. Commenting on the poll results, Dr Aung Myoe noted that interest in Myanmar’s reconciliation with ethnic groups and the Rakhine state. However, he suggested that such a task cannot be undertaken solely by the government and that civil society plays an important role in addressing the matter. On foreign relations, he reiterated the need for coordination between the NLD administration and military on their stances. Meanwhile, Dr Turnell concurred with the majority sentiment that reconciling COVID-19 relief efforts with reform measures remain the biggest challenge for Myanmar. Nevertheless, he remains optimistic about the country’s economic reform policies.

### **Session 6: Malaysia in 2021: Internal and External Challenges to Stability**

The sixth session of the 2021 Regional Outlook Forum discussed the systemic weakness within Malaysian politics, and the possible solutions to navigate through the manifest political challenges which have emerged in recent years. Moderated by Dr Lee Hwok Aun (Senior Fellow and Co-Coordinator of the Malaysia Studies Programme, ISEAS-Yusof Ishak Institute), the speakers **Datuk Seri Panglima Shafie Apdal** (Former Chief Minister and State Minister of Finance of Sabah) and **Dato’ Sri Nazir Razak** (Chairman of Ikhlas Capital) articulated perspectives drawn from their professional experiences and background.

Datuk Seri Shafie began his presentation with a brief overview of the political upheaval in Malaysia during the past year. He argued that Muhyiddin Yassin’s decision to withdraw his party Parti Pribumi Bersatu Malaysia (PPBM) from Pakatan Harapan (PH), coupled with the manoeuvring by former Parti Keadilan Rakyat (PKR) Deputy President Azmin Ali, culminated in the collapse of the PH administration in February 2020. Despite assuming power in March 2020, he argued that the present Perikatan Nasional (PN) federal government remains in a precarious state as its parliamentary majority is razor-thin. In addition, Datuk Seri Shafie believes that the deteriorating ties between PPBM and UMNO – the largest component party in PN – in recent months has indicated that the coalition is unlikely to remain viable in the medium to long term. He also identified the potential options on the table for Prime Minister Muhyiddin Yassin to either call for a snap election or agree to a temporary ceasefire. A snap election, in his opinion, would not resolve the infighting within PN as all three component parties (UMNO, PPBM and the Malaysian Islamic Party) are vying for rural Malay-majority constituencies.

Datuk Seri Shafie in his conclusion argued that a new political and economic system is required for Malaysia to move beyond the present political gridlock and stasis. He aspires for unity to prevail among Malaysians, for the government to be guided by values, for politics to transcend beyond personality and for marginalised groups to have greater political space.

Dato' Sri Nazir delivered his speech with a call to establish a new institutional arrangement in Malaysia. He argued that the present economic structure is shaped and driven by political considerations, which stifles economic growth. Based on his extensive experience in the corporate and banking sectors, he opined that the pervasive presence of governmental regulations and government-linked corporations (GLCs) have resulted in a sub-optimal allocation of economic resources.

Since the 1980s, money politics has intensified within the ruling regime with decision-making authority centralised under the Prime Minister's Office (PMO). Politicians have reaped substantial monetary gains since the implementation of the New Economic Policy (NEP) through preferential access to Bumiputra shares and capital, while non-politically-connected talented individuals are ignored. In addition, he opined that Malaysia is also plagued with identity politics which render national unity an elusive goal. Despite the defeat of Barisan Nasional (BN) in 2018, the Pakatan Harapan government during its 22 months in power failed to follow through its promises of reform to tackle money politics or dismantle racial inequality.

Malaysia, in his opinion, is experiencing a severe political crisis in a similar vein to the immediate aftermath of the 1969 race riots. A political reset is therefore required. He urged the government to convene a second National Consultative Council (NCC) which would establish a new institutional arrangement based on the collective aspirations of Malaysians. Dato' Sri Nazir highlighted his mybetterfuture.org initiative, which aspires to improve the democratic and governance structure of Malaysia. He concluded that Malaysia should pursue reforms in the following aspects: clear separation of government and businesses; electoral amendments for proportional representation; a new social contract for federal-state relations and civil society; and reviewing the role of Islam.

In the question-and-answer session, Datuk Seri Shafie and Dato' Sri Nazir discussed the possible avenues for Malaysia to move towards a politically stable and economically prosperous society. For Dato' Sri Nazir, the government should provide more space for private firms to participate in the economy by withdrawing GLCs from non-essential sectors such as property and oil palm plantations. Additionally, he opined that the present practise of appointing political appointees to head GLCs should be scrapped and replaced with professional managers to improve accountability. Dr Lee inquired whether corruption has extracted an actual cost from the economy as Malaysia's GDP continues to grow at a commendable pace during the past decade. Dato' Sri Nazir commented that government regulations have resulted in resources allocated in a less than optimal approach. The NEP was raised as an example where public resources were allocated to individuals and firms in an opaque manner. Ms Lee Sue Ann inquired about the upcoming economic prospects for Malaysia given the high levels of governmental debt. Dato' Sri Nazir praised the recently passed Budget 2021, apart from failing to include a windfall tax on firms that manufacture rubber gloves. Datuk Seri Shafie, however, expressed his concern that the government does not have a credible plan to restart the economy.

Mr Albert Wai (Mediacorp) followed up on Datuk Seri Shafie's idea that Malaysia needs new political leadership to transcend the personal rivalry between Mahathir Mohamad and Anwar Ibrahim. He inquired about the essential characteristics required within the new leadership for a successful political reset. Datuk Seri Shafie pinpointed

the importance of incorporating fresh faces in the political leadership to bring in new ideas. He lamented that the present institutional arrangement obstructs younger politicians from rising within the party ranks, stifling the process of leadership renewal. He opined that East Malaysians are under-represented in the national leadership, despite being equally competent as West Malaysians.

Mr Fadli Idris asked about the relationship between United Malays National Organisation (UMNO) and Parti Bersatu Pribumi Malaysia (PPBM) in the lead up to the 15<sup>th</sup> General Election. Datuk Seri Shafie opined that UMNO-PPBM ties are extremely fragile, as both parties aspire to become the dominant force in PN. However, he believes that UMNO has a difficult recovery path ahead.

Responding to Dr Lee's question if the fluid coalition dynamics would remain a permanent feature of Malaysian politics, Datuk Seri Shafie commented that the present institutional arrangement of organising parties along racial lines is unsustainable as multiple parties attempt to out-bid one another as the sole representative of their respective ethnic community. Instead, parties should adopt multi-racialism to facilitate compromise and consensus building across ethnic groups. Dr Yaacob Ibrahim (Singapore University of Technology and Design) and Dr Norshahril Saat (ISEAS-Yusof Ishak Institute) inquired about the potential avenues for a reformed Islam to emerge in Malaysia, as well as the possibility to restrain the growth of Islamisation. Dato' Sri Nazir commented that the status of Sharia law in Malaysia should be clarified. In addition, different social groups should engage in dialogue to arrive at a consensus on the role of Islam.

The question-and-answer session concluded with a question from Ms Lai Yanning if a snap election is on the horizon. Datuk Seri Shafie commented that a snap election is presently untenable due to the surge in COVID-19 infections. He opined that a snap election is necessary once the pandemic has subsided, as the present PN government only has a fragile parliamentary majority. Dato' Sri Nazir concurred that a snap election should be deferred. He cautioned however that a snap poll may not resolve the present political gridlock, and argued that structural reforms are required. Instead of the current practise where top bureaucrats are responsible to the Prime Minister, he suggested for institutional changes where agencies such as the Malaysia Anti-Corruption Commission (MACC) function independently.

A poll was conducted as part of the question-and-answer session. For the first question pertaining to "Muhyiddin's biggest headache in 2021", the most popular response "maintaining a majority in parliament and fend off no-confidence motions from the opposition" garnered 53 percent of votes while another 28 per cent voted for "negotiate peace with UMNO and keep Perikatan together".

For the second question pertaining to "Malaysia's foremost economic challenge" in 2021, the most popular response "economic growth and job creation in the wake of COVID-19" received 53 percent of votes while another 26 per cent voted for "corruption and institutional reform, including preserving the independence of judiciary".

For the third question pertaining to "if Malaysia will hold its 15<sup>th</sup> General Election soon", the most popular response thought that elections are likely to occur in the first half of

2021 as “the government cannot continue with such a narrow mandate” (47 percent) while a close runner-up (42 percent of respondents) feel that elections are unlikely due to the “public health emergency and King’s request to support the current administration”.