

PERSPECTIVE

RESEARCHERS AT ISEAS – YUSOF ISHAK INSTITUTE ANALYSE CURRENT EVENTS

Singapore | 2 January 2018

Southeast Asia Outlook 2018

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EXECUTIVE SUMMARY

- The directions of US-China and China-ASEAN relations are likely to diverge.
- Elections, and preparations for elections, will determine politics in Malaysia, Indonesia and possibly Thailand.
- Political transitions in Myanmar and Thailand face serious legacy challenges.
- 2018 could see the nationwide extension of martial law in the Philippines.

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In 2017, geopolitical concerns about an unpredictable US under the Trump administration and a more assertive China under Xi Jinping were predominant themes in Southeast Asia which will remain very relevant in 2018. However, domestic political developments largely divorced from these major power dynamics in five of the more populous Southeast Asian states also warrant close attention.

GEOPOLITICAL SETTING

Daljit Singh

2017 saw President Trump's America First philosophy and policies shake confidence in US willingness to provide international leadership and uphold the rules-based international order that it had set up in the 1940s. But no other power has both the legitimacy (based on wide acceptance) and the means to do so. The world, including the Asia-Pacific, will become a more contested place between rival powers and hence more prone to tensions and disorder.

With this unsettling backdrop, what can one expect in East/Southeast Asia in 2018-19? The difficult (and dangerous) issue of North Korea's nuclear and missile capabilities will feature prominently. How it plays out can have major implications for peace and stability and for major power relations.

Even more important, also featuring prominently will be the crucial US-China relationship that will face testing times over North Korea and over economic and strategic issues. There is growing unease in American policy circles about China's perceived challenge to US interests in Asia. The National Security Strategy document released in Washington in December 2017 identifies China as a competitor and a 'revisionist' country, with the President even making a reference to China's "economic aggression". So US-China relations will be more difficult and it is not beyond President Trump to stir up anti-China nationalistic sentiments in the US.

Sino-Japanese relations may improve, in part because both will be hedging against a less predictable America. China will also have an interest in influencing Japanese public opinion with friendly gestures at a time when the Japanese government seeks public support to revise the 'peace constitution.' Japan for its part wants to reduce tensions in the bilateral relationship, but without compromising on its close and strengthening security alliance with the US.

China will continue efforts to increase its presence and clout in Southeast Asia through diverse means including the Belt and Road Initiative and efforts to influence public opinion and interest groups. This will be contested by a loose maritime coalition comprising Japan, US, India and Australia, which will present Southeast Asian states with both opportunities and risks.

There will be moves by Japan, Australia, the US and India to step up military cooperation to develop an informal balance against China's growing power and perceived assertiveness.

With North Korea and economic issues dominating US-China relations, the South China Sea is likely to feature less prominently. China will continue the militarization of its reclaimed features, US will continue with Freedom of Navigation Operations (FONOPs), while ASEAN and China start to negotiate a Code of Conduct. However should US-China relations deteriorate, the South China Sea issue may flare up again.

ASEAN

Tang Siew Mun

Singapore takes over the ASEAN chairmanship for the fourth time in 2018, and will focus on “strengthening resilience and expanding [ASEAN’s] innovation capacity”. Some of the initiatives that Singapore will spearhead include implementing the ASEAN Single Window – which would improve trade facilitation measures, expand e-commerce across the region, and creating a network of smart cities across ASEAN.

2018 will undoubtedly be a busy year for ASEAN. ASEAN leaders will travel to New Delhi in January for the second ASEAN-India Commemorative Summit. For the first time in its history, India will have more than one chief guest at its Republic Day parade when the ten ASEAN leaders join President Shri Ram Nath Kovind at the reviewing podium. In March, the leaders will head to Sydney for the ASEAN-Australia Special Summit. One key question for ASEAN’s 7th largest trade partner is its role in the emerging Quadrilateral (Quad) security cooperation with the US, Japan and India. ASEAN will have to do its own homework on the impact of ‘the Quad’ and the concept of a free and open Indo-Pacific on ASEAN centrality and ASEAN-led regional processes.

ASEAN’s relations with China have improved markedly after weathering the storm following the 2016 Arbitral Tribunal ruling. China has made good on its promise to follow through on the Framework on the Code of Conduct (COC), and both sides are expected to commence talks on the COC in the first quarter of 2018. In the meantime, ASEAN and China are working to operationalize the Code for Unplanned Encounters (CUES) in the South China Sea, which ASEAN hopes will be expanded to include non-military shipping (i.e., coast guard and para-military forces). Both sides hope to take advantage of this goodwill to hold their first joint naval exercises, which would signal broadening strategic ties.

While ASEAN-China relations has stabilized, there is no guarantee that this positive state of affairs would continue. Substantive progress on the COC is yet to be seen, even as China continues to develop and consolidate its position in the disputed South China Sea features.

Meanwhile, Singapore will assume the coordinating duties for ASEAN-EU relations in August, and many will be watching to see if it will make headway toward the elusive ASEAN-EU FTA. Closer to home, the volatile situation in the Rakhine State of Myanmar may yet put ASEAN again in an uncomfortable position, especially if the humanitarian crisis escalates. The Rohingya issue will test ASEAN’s credibility and capacity in managing intra-mural conflicts.

INDONESIA

Leo Suryadinata

Four issues will be prominent in 2018. First will be the local government elections (*Pilkada*) to be held in June 2018. Second will be the economic performance of President Joko “Jokowi” Widodo’s government, which has been seen as the source of its legitimacy and also an important factor in his 2019 re-election prospects. Third is the rise of extremist groups that gained strength after Anies Baswedan’s victory in the 2017 gubernatorial election in Jakarta, and the imprisonment of the former governor Basuki Tjahaja Purnama alias Ahok for “blasphemy against Islam”. Last but not least will be the preparations for the 2019 presidential election.

On 27 June 2018, *Pilkada* will be held simultaneously in 17 provinces, 115 districts and 39 cities. Many will watch these local government elections for indications of how well political parties and candidates will do in the 2019 general and presidential elections. Should candidates from parties in Jokowi’s coalition parties perform badly, this might affect his re-electability in 2019.

Indonesia’s economic growth next year has been estimated at 5.3%. The growth in 2017 was estimated to be 5.1%, slightly better than the 5.02% recorded for 2016. Nevertheless, retail trade has been slow, purchasing power has declined, and the gap between rich and poor continues to widen. This has been used by certain groups to strengthen their advocacy for “pribumi-ism” (indigenism). Jokowi’s popularity is still high (about 60%), but lackluster economic performance could change this.

Groups opposed to Jokowi, including Prabowo Subianto’s Gerindra party, continue to use religion, race and the PKI (communist) issue as populist weapons against him. At the same time, Islamic extremism has grown, and there is no sign that the opposition will stop using divisive tactics against Jokowi.

MALAYSIA

Norshahril Saat

The 2018 general election could be a watershed event in Malaysian politics. It must be held before August 2018, but likely to be held in March or April.

2017 has generally been a good year for Prime Minister Najib Razak. He has been able to mute his critics and completely remove his opponents from the dominant UMNO (United Malays National Organisation). The 2017 UMNO General Assembly was organized as a demonstration of solid party support for him.

By contrast, the opposition coalition, Pakatan Harapan (PH), is in disarray. Led by former Prime Minister Dr Mahathir Mohamad, it has yet to be registered as a single coalition by the Registrar of Societies (RoS). Its unity is also questionable apart from the common call for an end of kleptocracy. Moreover, some Malaysians are uncomfortable seeing Mahathir sharing the same stage with his long-time nemeses Lim Kit Siang of the DAP (Democratic

Action Party) and Wan Azizah Wan Ismail (Anwar Ibrahim's wife) of PKR (People's Justice Party). On the other hand, PAS's (Islamic Party of Malaysia) position is ambivalent: it remains an opposition party, yet is outside of PH, and seems to be forging ties with UMNO. The 2018 election could witness three-cornered fights, which would benefit the ruling National Front (BN) coalition.

Three issues will define the 2018 elections:

First, the extent to which the opposition can convince the electorate that they can act together. Time may not be on PH's side, and it has to battle BN's coordinated party machinery and grassroots reach. Mahathir's ability in rallying Malay rural voters will determine whether PH can weaken UMNO.

Second, the extent to which international investigations on the 1MDB issue can persuade the electorate that Najib has mismanaged the economy. On the domestic front, the Attorney General has cleared the Prime Minister of any wrongdoing, and it now depends on the 1MDB-related investigations being carried out by US Department of Justice and in other foreign jurisdictions to bring charges against him.

Third, the extent to which voters accept Najib's and UMNO's Islamization campaign. This has paved the way for cooperation with PAS, but pushes non-Muslim support to the opposition coalition. If UMNO is not careful, its supporters in Sarawak and Sabah may also vote for the opposition if it pushes the Islamic agenda too hard.

MYANMAR

Moe Thuzar

Deep-seated legacy issues from previous administrations will continue to beset the NLD government, possibly even till the 2020 elections. How it deals with ethnic conflict and communal strife will be its foremost concern.

International attention has been focused on the largest exodus to date of Rohingya communities from Rakhine State (646,000, according to UN estimates) in the wake of harsh military operations against attacks by the Arakan Rohingya Solidarity Army (ARSA) in August 2017.

In 2018, attitudes and perceptions in and towards Myanmar will continue to be defined by how the NLD (National League for Democracy) government responds to the different dimensions of the Rohingya issue. Since gaining power, its top priority has been to end the decades-long civil war. But progress has appeared mixed at best, and the role of the military as the guarantor of state security has come to the fore.

At the same time, the NLD government is trying to emphasize a civilian-led role in coordinating responses to humanitarian needs in Rakhine State. The Union Enterprise on Humanitarian Assistance, Resettlement and Development in Rakhine was launched under the aegis of the State Counsellor's Office on 17 October 2017, with the Ministry for Social Welfare, Relief and Resettlement as the lead coordinator.

Myanmar continues to emphasise that the Rohingya issue is an internal affair, and seems to prefer dealing directly with interlocutors in a bilateral setting. While bilateral channels are certainly important for negotiating repatriation details with its neighbour Bangladesh, this will affect how regional organisations can work with Myanmar. With Myanmar's dealings with the UN presently at an impasse, ASEAN seems to be the only platform where Myanmar feels comfortable enough to talk about "the situation in Rakhine".

All this has added to the international criticism of the government's – particularly Daw Suu's – reluctance to deal with the Rohingya issue in accordance with humanitarian principles and recommendations. The criticism, which continues to mount, has resulted in a solidifying of domestic support for Daw Suu, and to a certain extent the military.

The NLD government's foreign policy actions and pronouncements will now be viewed through the prism of the Rohingya crisis. In November 2017, the governments of Myanmar and Bangladesh inked a bilateral agreement for "the Return of Displaced Persons in Rakhine State". The proof of commitment on both sides will lie in how repatriation is carried out in 2018.

PHILIPPINES

Malcolm Cook

The five-month siege of Marawi City by an alliance of local terrorist groups with regional and Islamic State support was the headline event for the Philippines in 2017. In 2018, Marawi could leave a bad nationwide legacy.

When President Duterte took office in June 2016, he reversed his predecessor's security policy. Finding political solutions to the long-running Moro insurgency in Muslim Mindanao and the nationwide Communist insurgency, and not the threat from China in the West Philippine Sea, became the top priority.

The siege of Marawi, which left much of the largest city in Muslim Mindanao in ruins, and the failure to make any tangible progress in the peace process with the largest Moro insurgent group suggest that 2018 will see no major improvement in relation to the Moro insurgency. The opposite is more likely. The 2017 decisions by the president to end peace talks with the Communists and label the Communist Party of the Philippines and its armed wing, the New People's Army terrorist groups, suggest that 2018 will see no major improvement in relation to the Communist insurgency. The opposite is more likely.

At the beginning of the Marawi siege, President Duterte, with overwhelming legislative support, quickly declared martial law across all of Mindanao. He argued that the siege was an act of rebellion that permitted the declaration of martial law. The Supreme Court concurred and has provided a very permissive legal precedent for future declarations of martial law.

The end of the peace talks with the Communists could well provide President Duterte, who has frequently lauded the benefits of martial law and even a revolutionary government, the basis to extend martial law to the whole country. President Marcos used this same Communist threat as the main rationale for the declaration of nationwide martial law from

1972 to 1981. The Communist insurgency is active in a majority of the provinces in the Philippines. If the Marawi siege provided the legal basis for the declaration of martial law across all of Mindanao, New People Army attacks could provide the basis for the extension of martial law beyond Mindanao.

Many in the Philippines had hoped that nationwide martial law was a thing of the past, discredited as it was under the Marcos dictatorship. President Duterte, an admirer of Marcos, may disagree.

THAILAND

Pongphisoot Busbarat

The royal cremation of late King Bhumibol Adulyadej in October 2017 marked the transition of Thailand into a new political era. Potential uncertainties are gradually overshadowing the legacy of the late king who provided the kingdom with stability and predictability for seven decades. Power arrangements between the military, the palace, and the government still remain unsettled after the 2014 coup.

Foremost, it remains uncertain how the relationship between the military and the palace will evolve. The new monarch, Maha Vajiralongkorn, has adopted a more direct approach to convey how his wishes should be met, as exemplified by decrees that expand his power, especially in palace affairs and wealth and certain military matters. Although the relationship between these two power centres shows no conflict on the surface, it is unclear to what extent the military will accommodate this new approach.

To contain uncertainties, the military has designed a new political structure through the new constitution. It empowers the junta leaders to appoint members of the Senate with veto power and has opened several channels for the possibility of a non-elected Prime Minister. The military will undoubtedly be able to exercise its influence in the legislature after the next election, whenever this may be, through the Senate or directly through the position of the Prime Minister.

The court case against former Prime Minister Yingluck Shinawatra on the rice-pledging scheme and her surprising escape from Thailand in August 2017 has added another uncertainty for 2018, especially within the pro-Thaksin faction. It helps legitimize the military government and tilts political weight toward the anti-Thaksin group. Coupled with the new constitutional design, pro-Thaksin political parties, which have dominated elections over the last two decades, may not be able to either gain the majority or establish a majority government after the next election.

The Yingluck case will affect Thai politics in several ways beyond elections. Positively, it will inform future administrations that corruption can lead to a legal and political fate similar to what Yingluck and other government officials have suffered. On the other hand, judicial power will be more pervasive in relation to the executive branch. This could well lead to less innovative policies that are less responsive to the needs of the population, since policies must to be framed to suit the junta's long-term plan. This development would again place

Thai politics in the hands of the bureaucracy and the technocrats whose conservative institutional objective is to preserve the status quo.

Notwithstanding the attempts to achieve stability and reduce the Shinawatrats' influence, Thailand's decade-long political struggle continues. Since a widely accepted process of national reconciliation has not taken place, Thailand will have to suffer strong tensions between groups contending for control of the state in the foreseeable future.

<p><i>ISEAS Perspective</i> is published electronically by:</p> <p>ISEAS – Yusof Ishak Institute</p> <p>30 Heng Mui Keng Terrace Singapore 119614 Main Tel: (65) 6778 0955 Main Fax: (65) 6778 1735</p>	<p>ISEAS - Yusof Ishak Institute accepts no responsibility for facts presented and views expressed. Responsibility rests exclusively with the author(s). No part of this publication may be reproduced in any form without permission.</p> <p>© Copyright is held by the author or authors of each article.</p>	<p>Editorial Chairman: Tan Chin Tiong</p> <p>Managing Editor: Ooi Kee Beng</p> <p>Editors: Malcolm Cook, Lee Poh Onn and Benjamin Loh</p> <p>Comments are welcome and may be sent to the author(s).</p>
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