

officials to run the public sector. On the other hand, Malaysia, Singapore and Brunei had a respectable civil service structure handed over by the British.

## **The Formation and Evolution of ASEAN**

One of the most significant events in the history of Southeast Asia was the formation of ASEAN in 1967. The objective of the formation was twofold. First, it was a means to promote peace and stability in the region. At that time, Southeast Asia was divided by ideological conflict and war. Coupled with territorial disputes and racial tensions between neighbours, there was a possibility that the differences could degenerate into a full-blown armed conflict, leading to a prolonged fragmentation of Southeast Asia. Another motivation for the formation was to contain the spread of communism to Southeast Asian countries. China then openly adopted a policy to export revolutions to Southeast Asia and had supported a number of local insurgency movements led by the communist parties in Indonesia, Malaysia, the Philippines, Singapore and Thailand.

ASEAN was not the first regional grouping created to act as a forum for dialogues between leaders of the various countries. The Association of Southeast Asia (ASA), comprising the Federation of Malaya, the Philippines and Thailand, was formed in 1961. However, the organisation became defunct one year later, after the Sabah dispute between the Federation of Malaya and the Philippines. Diplomatic ties between Kuala Lumpur and Manila were severed during 1962–66. The confrontation launched by Indonesia's late President Sukarno also led to the demise of Malphilindo, which included Indonesia, the Federation of Malaya and the Philippines. The concept of Malphilindo was mooted by former Philippine President Macapagal.

The political stability of Malaya (then a collective name for Singapore and the Federation of Malaya) was threatened by the militancy of the Communists. In the Federation of Malaya, the Communists carried out insurgent activities purportedly to free the country from British rule. Singapore was also in danger of being taken over by a Communist-backed faction of the ruling party. A series of leftist-inspired strikes and a wave of student demonstrations rocked the Singapore economy in the

late 1950s and early 1960s. The fear instilled by a Communist-control Singapore contributed to the proposition of forming an alliance comprising Brunei, the Federation of Malaya, Sabah, Sarawak and Singapore. However, an important minority of people was against the alliance. Some minorities were uneasy over the political dominance of the Malays in the new Federation. In 1962, referendums conducted by the Cobbold Commission in Sabah, Sarawak and Singapore showed that a majority of people were in favour of joining the new Federation of Malaysia. Brunei, on the other hand, had rejected the idea of joining the Federation, as the country would lose control of its vast oil reserves after joining the new Federation. Thus, in 1963, the Federation of Malaysia, which consisted of only Singapore, Sabah, Sarawak and the Federation of Malaya, was formed.

The formation of the Federation of Malaysia was not viewed positively by some surrounding countries. In 1963, President Sukarno ordered the Indonesian paratroopers to instigate a military attack on Malaysia and to initiate acts of sabotage in Singapore. His intention was to direct attention away from the severe internal discontent arose due to Sukarno's mismanagement of the economy and the implementation of guided democracy. However, Sukarno's pretext was that the new Federation of Malaysia was a neo-colonial plot to surround the Republic of Indonesia. The confrontation ceased in 1965, after an abortive coup that led to the overthrow of President Sukarno and the subsequent reaching of an agreement between Malaysia and Indonesia under the new Indonesia's President. The Philippines also refused to recognise the new Federation, because of its dispute with Malaysia over the claim of Sabah.

Shortly after forming the Federation of Malaysia, the ruling party in Singapore (People's Action Party, PAP) began to expand its activities into Peninsular Malaysia. The leaders were aggressively pushing for the concept of a "Malaysian Malaysia". Under this concept, national interests would precede communal interests. This greatly alarmed the Malay-dominated ruling party in Malaysia (United Malay National Organisation, UMNO) and it retaliated with similar activities amongst the Malays in Singapore. Atmosphere in the two countries was tense and eruption of massive racial riots seemed imminent. It was under these circumstances that Singapore was asked to leave the Federation of Malaysia in 1965.

All these developments led to the formation of ASEAN. Although all the countries in Southeast Asia were invited to join the organisation, Brunei, Cambodia, Laos, Myanmar and Vietnam declined. In 1984, Brunei joined ASEAN as its sixth member. This was followed by Vietnam in 1995, and Myanmar and Laos in 1997. Cambodia was not admitted until 1999 because of unresolved internal political issues.

Although the main impetus for the formation of ASEAN was political in nature, economic co-operation was also high on the agenda of the organisation. The fall of the Berlin Wall in 1989 marked the end of the Cold War. This dramatic change in political environment rendered one of the two major reasons for forming ASEAN insignificant. ASEAN has since evolved into a more economic-oriented organisation. When ASEAN was established in 1967, intra-regional trade was a mere 12% to 15%. In 1997, the amount of intra-regional trade increased to 21%. Examples of earlier economic co-operation included the ASEAN Industrial Project (AIP) scheme and ASEAN Industrial Complementation (AIC) scheme. Under the AIP scheme, each member country was allocated an industrial project. Indonesia and Malaysia were each to have a urea plant; phosphate fertiliser was to go to the Philippines, soda ash to Thailand and diesel engine to Singapore. The AIC scheme was launched in 1981. The first project under the scheme was the production of the 'ASEAN car'. However, these earlier projects failed to take off successfully. Notwithstanding earlier disappointments, prospect for the more recent projects looks more promising. These include the SIJORI growth triangle which covers Singapore, the Riau Islands of Indonesia and the Johor state of Malaysia. The ASEAN Free Trade Area (AFTA), whose objective is to increase the region's competitive advantage as a single production unit, was mooted in 1992 at the Fourth ASEAN Summit in Bangkok. The plan of AFTA was to remove all existing tariffs by means of the Common Effective Preferential Tariff (CEPT) scheme by January 2002.

## **Future Challenges**

In spite of the excellent economic performances of the original ASEAN-5 countries, Southeast Asia's progress is still hindered by several unresolved issues. One major obstacle Southeast Asia must overcome in order to