Chapter 1

The Land and Its History

For forms of Government let fools contest;
Whatever is best administered is best.
Alexander Pope, *An Essay on Man: Epistle III*

Objectives

✓ Point out the similarities and differences among Southeast Asian countries.
✓ Describe the geographical attributes of the region.
✓ Highlight the common colonial past.
✓ Explain the formation and evolution of ASEAN.
✓ Identify some potential challenges to the region.

Introduction

Scholarly interests in Southeast Asia increased after World War II. This is reflected in the proliferation of published works on the area. Several factors contributed to the lack of interest before the Second World War. The minimal role Southeast Asia played in world affairs in the past is one explanation. Another reason was the lack of economic development in the region. The colonisation by the Western powers is another raison d'être. Interests in individual countries were confined to the colonising powers, as other countries had no incentive to contribute to the knowledge of these colonies. However, all these are fast changing.

Brunei, the last colony in Southeast Asia, achieved Independence from the British in 1984. The market-oriented economies in Southeast Asia were turning in spectacular economic performances. They went through a successful industrialisation process. For decades, economic growth rates of these economies have been much higher than those achieved by developed nations. Furthermore, some countries in the region are taking on more and more international responsibilities. Besides, during the Cold War era, Southeast Asia was a hot-bed of struggle for supremacy and dominance between anti-communist and non-communist forces on the one hand, and communist forces on the other, with the Western powers deeply involved against the spread of communism. Today, after the 2001 September 11 terrorist attack in the United States and the Bali attack exactly one year, one month and one day later; and the pre-emptive detention of terrorist members in Malaysia and Singapore, Southeast Asia, especially maritime Southeast Asia, has become a hot-bed of conflict between Muslims of good standing and militant Muslims.

Southeast Asia, which is located south of China and east of India, can be divided into two main sub-regions, mainland Southeast Asia, which comprises Cambodia, Laos, Myanmar, Thailand and Vietnam, and maritime Southeast Asia, which comprises Brunei, Indonesia, Malaysia, the Philippines and Singapore. Such a categorisation, although simple, is at times useful. The classification can be used as a dividing line to separate Southeast Asia physically and culturally, if not also economically. While mainland Southeast Asia is contiguous, maritime Southeast Asia is fragmented. Indonesia, for example, is made up of more than 13,000 islands, while the Philippines has over 7,000 islands. Most of the world's great religions are found in Southeast Asia. Mainland Southeast Asia is dominated by Buddhism. On the other hand, Islam found its way to some of the countries in maritime Southeast Asia, namely Brunei, Indonesia and Malaysia, as early as the 13th-century. In the Philippines, Catholicism was introduced to the Filipinos by their colonial master, the Spaniards, in the 16th-century. Notwithstanding the presence of a dominant religion, small pockets of followers of other religions exist. For example, in the southern islands of the Philippines, there is a very large Muslim community. Similarly, in Irian Jaya and Bali, two of the many islands in

the Indonesian Archipelago, Christianity and Hinduism are the principal religions respectively. Economically, in 2001, mainland Southeast Asia had a weighted-average real GDP per capita of US$1,300 while countries in maritime Southeast Asia had a weighted-average real GDP per capita of US$1,700, a slightly higher level. The three countries that have the highest levels of per capita income in Southeast Asia, namely Brunei, Singapore and Malaysia, are located in maritime Southeast Asia, but the per capita income weightage for maritime Southeast Asia as a whole is largely determined by Indonesia, a far larger entity. If the canal at the Isthmas of Kra in Southern Thailand is cut, the separation between mainland and maritime Southeast Asia would become more distinct.

Other significant differences among Southeast Asian nations include population sizes and the political systems. Southeast Asia contains one of the most populous countries in the world. With a population of 209 million in 2001, Indonesia is just after China, India and the United States of America in terms of population size. Interestingly, one of the smallest countries in the world can also be found in Southeast Asia. With a population of only 344,000 in 2001, Brunei is considered relatively small. The political system differs greatly among the Southeast Asian countries. For example, Indonesia, the Philippines and Singapore are republics, while Laos and Vietnam are communist states, and Brunei, Cambodia, Malaysia and Thailand are constitutional monarchies. In Myanmar, a military regime is running the country.

Diversity juxtaposes with commonality. Anthropologists segregate the human race into three distinct groups, namely Caucasoid, Mongoloid and Negroid. Under this system of classification, all the people in Southeast Asia fall under the category of Mongoloid, which in anthropological jargon, refer to the group of people native to Central and Eastern Asia. However, such a classification is now outdated and has condescending connotations. The term Mongoloid has come to mean demented physical and mental developments, features similar to the Asiatic race. A more appropriately neutral, modern term would thus be the East Asian race, from Mongolians, Koreans, Chinese and Japanese in the North to Burmese, Laotians, Cambodians, Vietnamese, Thais, Malaysians, Singaporeans, Filipinos and Indonesians in the South.

Southeast Asia, because of its geographical proximity, has fairly homogeneous climatic conditions. All the countries, partially or wholly, lie in the path of the monsoons. Southeast Asian countries are mainly agricultural-based (except for the city-state of Singapore), and the cultivation of wet rice is a common sight when travelling in the region. Countries in Southeast Asia also have a part of their history in common. All the countries except Thailand were not too long ago colonies of Western powers. Brunei, Malaysia, Myanmar and Singapore were colonised by the British, Indonesia by the Dutch, the Philippines by the Spaniards and later by the Americans. Cambodia, Laos and Vietnam were colonised by the French. Although Thailand was not colonised, it lost some of its territories to the Europeans. The present states of Perlis, Kedah, Kelantan and Terengganu in Peninsular Malaysia were ceded by the Thais to the British in 1909. During World War II, these states were returned to Thailand by the victorious Japanese Imperial Army. When World War II ended, these states were taken back as a part of British Malaya.

Another commonality observed in Southeast Asia is the emancipation of women in the region after World War II. Over the years, the status of women has improved, most noticeably in Malaysia, the Philippines, Singapore and Thailand. Progress in women's education has been substantial. The closing of the adult illiteracy gap between the sexes in most Southeast Asian countries signifies equal educational opportunities. The employment prospects for women have also become better and more numerous. This is evident in the increased female participation rate in the labour force. However, there have been some fears in recent years that Muslim women might be forced back to the old traditional role in some Muslim societies in Southeast Asia.

A milestone achieved in the history of Southeast Asia is the formation of the Association of Southeast Asian Nations (ASEAN) in 1967. The original motive was political. However, over the years, ASEAN has evolved into a more economic-oriented organisation. In 1999, ASEAN admitted its tenth and final member, Cambodia; thus fulfilling a long-standing wish of its founding fathers. Southeast Asia has indeed come a long way. However, a more meaningful exercise would involve finding the answer to the question of what lies ahead. What are some of the challenges facing Southeast Asia and the problems that each country

must overcome to achieve greater prosperity and at the same time greater cohesion with each country. The road for Southeast Asia to catch up with the developed economies is still a very long one, and some might say, a very winding one. However, opportunities arise in the midst of adversities. With increasing challenges, a vast horizon also awaits. Much remains for Southeast Asia to rise to this occasion.

Geographical Attributes

Southeast Asia, which spans from 29° N to 11° S latitudes and from 92° E to 141° E longitudes, covers a total land area of 4,500,000 square kilometres. Lying within the Tropics of Cancer and Capricorn (except for a small portion of Myanmar), the region has climatic conditions similar to those in tropical countries. Temperatures vary slightly, both across the region and throughout the year, although differences in altitude can result in great climatic disparity.

Southeast Asia experiences two periods of monsoon each year. From November to March, the North-East monsoon prevails. High atmospheric pressure caused by the winter season in the northern hemisphere forces cold, dry air to flow towards the Equator, which in that season has a lower atmospheric pressure. As the cold, dry wind blows across the South China Sea, it absorbs moisture along the way. When it reaches maritime Southeast Asia, the moisture-laden air will result in heavy rainfall. On crossing the Equator, the wind is deflected to the left as a result of the Earth's rotation. So, the wind arrives as the North-West monsoon in the southern hemisphere. Thus, during the season of the North-East monsoon, mainland Southeast Asia (except for some coastal areas in Vietnam and parts of Southern Thailand) experiences very little rainfall. On the other hand, there is a wet season for most countries in maritime Southeast Asia.

The South-West monsoon reigns from the months of May to September. During this period, the atmospheric pressure in the southern hemisphere is higher due to the winter season and this causes the air to move towards the Equator in a south-easterly direction, carrying a lot of moisture with it. This wind brings plenty of rain to the Indonesian Archipelago. On crossing the Equator, the wind is deflected to the right

due to the rotation of the Earth. The wind, which now moves in a south-westerly direction ultimately, brings plenty of rainfall to countries in mainland Southeast Asia after blowing across the Indian Ocean.

The periods from April to May and from October to November are transitional periods for the North-East and South-West monsoons. Although rainfall in mainland Southeast Asia is determined largely by the South-West monsoon, relief rain also plays a role in determining the local climatic conditions. In maritime Southeast Asia, evergreen rainforests thrive. Conversely, due to an uneven rainfall and a longer dry season, tropical rainforests are more common in mainland Southeast Asia.

Agricultural systems in Southeast Asia can be divided into three main types, namely shifting cultivation, wet rice cultivation and plantation crops agriculture. Shifting cultivation (also known as slash-and-burn agriculture or swidden agriculture) is found in the forested highlands in all countries in Southeast Asia, except for the city-state of Singapore. In East Malaysia, for example, shifting cultivation is commonly practised by the Dayaks (hill tribes) of Sarawak. Currently, the Dayaks make up 65% of Sarawak's population, of which 30% or 550,000 are Ibans. The main crop cultivated is dry paddy. The land is first cleared by burning, and the ash is used to fertilise the soil. This is followed by short periods of cultivation. Once the soil becomes exhausted, the shifting cultivators abandon the land so as to allow secondary forest to regenerate. After an interval of five to twenty or more years, the land goes through a new cultivation cycle. There are two types of shifting cultivators. The first type is settled shifting cultivators. Once the land loses its fertility, these shifting cultivators will move on to cultivate a new piece of land without relocating their settlement. On the other hand, migratory shifting cultivators will relocate their settlement once the land becomes exhausted.

Another form of agricultural system that can be found in Southeast Asia is the cultivation of wet rice (sawah agriculture). Wet rice cultivation in most Southeast Asian countries is for own consumption. Only Thailand, Vietnam and to a lesser extent, Myanmar grow rice for the export markets. In mainland Southeast Asia, the deltas that were formed by nutrient-rich alluvial deposits brought by the rivers in the region, such as Irrawaddy, Chao Phraya and Mekong, provide excellent ground for wet rice cultivation. Similarly, in Central Java of Indonesia and Luzon in the

Philippines, the rich volcanic soil is very suitable for the planting of rice. However, the uneven rainfall in mainland Southeast Asia restricts the cultivation of rice to one crop per year. To overcome this problem, sophisticated irrigation systems have been constructed to ensure a stable supply of water. In some countries, the presence of an irrigation system allows farmers to practise double cropping, thus greatly enhancing the productivity of these rice farmers. Another significant development in the cultivation of wet rice in Southeast Asia was the introduction of HYVs (high yielding varieties) of rice. The use of higher yielding rice strains and chemical fertilisers, coupled with better irrigation systems, has been termed the "Green Revolution".

The cultivation of cash crops in plantations was only introduced to Southeast Asia during the period of colonial rule. It was a lucrative source of income for the colonial powers. The cash crops, which are grown mainly for export markets, can be divided into food crops such as coffee and sugar cane, and agricultural raw materials such as rubber. Some cash crops fall under both categories. For example, oil palm can be further processed into edible cooking oil, or it can be used to manufacture non-food products such as soaps and diesel substitutes. For decades, Malaysia had been the main producer of natural rubber in the world. However, the law of comparative advantage has since enabled Malaysia to move into oil palm cultivation instead. In recent years, the same law of comparative advantage has also resulted in Thailand succeeding Malaysia in becoming the world's most important producer and exporter of natural rubber, followed by Indonesia. Compared to wet rice cultivation, planting of cash crops has certain advantages. The perennial nature of these crops allows continuous harvest, thus providing income and employment throughout the year. In Southeast Asia, cash crops are also cultivated by smallholders. Smallholdings are family businesses that cultivate cash crops but on a smaller scale.

It was said that before the post-Independence industrialisation of Southeast Asia, much of Southeast Asian life was dominated by the three Rs: Religion, Rice and Rubber. The importance of rice for subsistence farmers and the importance of rubber as an export crop have necessitated the need for a full separate chapter on rice and another chapter on rubber in this book. Please see Chapter 3: Agriculture: Rice; and Chapter 4: Agriculture: Rubber, Oil Palm and Other Crops.

A Common Past — Colonisation and Its Legacy

A similarity shared by Southeast Asian countries is their colonial past. Documentation on Western colonisation of the region dates back to as early as the 16th-century. The rationales for colonisation were mainly economic. The Industrial Revolution in Europe had given rise to the need for raw materials. Given its richness in natural resources, Southeast Asia was a good target for colonisation. The colonies also provided ready markets for manufactured goods of the colonising powers. The desire to protect and secure the trade route between India and China through the strategic Straits of Malacca was another reason.

Colonisation brought about significant changes to Southeast Asia. Whether these changes benefited countries involved remains controversial. The most conspicuous impact was the introduction of a money economy by the colonial rulers. Farmers in the region began to sell their produce for money; either from a surplus production of subsistence crops such as rice or from the cultivation of cash crops such as rubber. Furthermore, the "new economic environment" also encouraged farmers to increase their production by clearing more land for cultivation.

To facilitate the movement of goods and resources, the colonial powers built ports, railways, and roads. The development of inland infrastructure, however, also benefited the locals. People from remote villages could now easily communicate with those in the cities, thus allowing expansion of social and economic activities. But, as the purpose of the network of roads and railways was to link up the various areas of export commodity production and distribution, a characteristic pattern emerged. This pattern of selective transport development in the region meant that some areas were incorporated into the modern capitalist economy while other areas not affected by the production for exports remained relatively undeveloped. Hospitals and schools were also established by the colonial powers but investment in human capital was very low compared with post-Independence achievements. All over the world, including Southeast Asia, the colonising powers followed the divide-and-rule policy. A great deal of colonial legacy has yet to be satisfactorily resolved in the post-Independence states.

Colonisation also changed the social fabric and racial composition of the colonised countries. This was especially striking in some parts of

Southeast Asia. The new mines and plantations required large numbers of skilled and unskilled labourers. Troubled by labour shortages, the colonial powers had no alternative but to import labour from neighbouring over-populated countries, India and China, to work in the tin mines and rubber plantations. However, in the process of development, Thailand, not under colonial rule, also had an influx of immigrants who were escaping from the extreme poverty and political turmoil in China. Nonetheless, most of the unstable parts of Southeast Asia today, such as Aceh in Indonesia, Pattani in Thailand and Mindanao in the Philippines have nothing to do with the new immigrants to Southeast Asia. Indeed, it is said that in Southeast Asia the higher the proportion of these newer immigrants and their descendents, the higher the level of economic development in the country.

Colonialism also brought in the modern public service structure, the modern legal system and the rule of law other than the colonial export-oriented primary producing economic system. The economic system was based essentially on the utilisation of extensive tropical land and cheap labour other than markets for manufactured goods from the metropolitan powers. The increase in affluence in the opened up areas plus much improved general public health and public order also resulted in population explosion. If colonialism in Southeast Asia were to be judged in terms of exponential increases in native populations, it would be considered a great success.

Nevertheless, in the march towards Independence by the subject peoples, it was natural that colonial legacies and systems received particular condemnation. Each Southeast Asian group wanted to govern itself, not to be governed by European colonial rulers from London, Paris, Amsterdam or Washington D.C.. The basic issue was political, was human dignity, not economic, although economic issues also featured in the disparagement of colonial rule. Even today, 46 years after Malayan and later Malaysian Independence, the very able and outstanding Malay and Malaysian leader, Dr Mahathir Mohamad still speaks of neo-colonialism when he perceives that Malaysia is badly treated by Western powers.

The development of colonisation, not surprisingly, gave rise to nationalism. The paradox, however, was that the nationalist movements were led mainly by local intellectuals that were trained in the West or in

schools established by the colonial powers and were inculcated with Western values. Furthermore, the nationalist movement, in most cases, was not due to oppressive rule but was because of exposure to the more open and liberalised political system in the West. The Japanese interregnum accelerated the nationalist movement in Southeast Asia by shattering the myth of Western supremacy. Except for Thailand, each Southeast Asian nation had to cope with attempts by the colonial powers to regain their lost colonies. The struggle for Independence from the colonial powers ranged from peaceful negotiation to bloody warfare. For example, Indonesia and Myanmar were fighting for Independence immediately after the Second World War. Indonesia proclaimed Independence in 1945, but it was only in 1949, after four long years of fighting the Dutch, that the country became a sovereign nation. The struggle for Independence was even longer for Myanmar and Vietnam. The French only withdrew its troops from Vietnam in 1954. In contrast, except for the armed revolt of the Malayan Communist Party, Malaysia and Singapore did not engage in a war for Independence. Instead, the two countries negotiated with the British over a period of more than a decade.

There were residual effects from Independence. For example, in Indonesia, the Dutch did not put in place an effective group of Indonesian officials to run the public sector. On the other hand, in the Philippines, the system of taxation and tributes that was established by the Spaniards served as a model for the landlord system which eventually became an important element in the political and economic life of the Filipinos. Notwithstanding this, the public sector became a handicap rather than a blessing in the subsequent economic development of the Philippines. Malaysia, Singapore and Brunei inherited from the British a respectable civil service structure. In Singapore, in particular, this civil service structure has been further improved since Independence as a vehicle for national economic development.

Of all the Southeast Asian nations, Myanmar is still unable to leave the colonial legacy of divide and rule and still has a military regime. Before Independence, as part of the divide-and-rule policy, the British Government did not allow the majority ethnic group, the Burmans, to join the army and the Civil Service, which had to be staffed by Burmese ethnic minorities and Indians. After Independence, the majority Burmans

re-exerted their rights, expelled the economically and educationally very important group of Indians and went to war to seek unity with other ethnic minorities.

Malaysia, however, has a much more encouraging story to tell. Affirmative action by the Malay majority with enough freedom given to ethnic Chinese and ethnic Indians has enabled the country to develop national unity with ethnic diversity. Much of this success in this Malay-dominated multi-racial society must be attributed to the statesmanship of several generations of Malaysian Prime Ministers, from the great Founding Father, Tunku Abdul Rahman, to Tun Abdul Razak, to Tun Hussein Onn, to Tun Dr Mahathir Mohamad, and to the present Prime Minister Abdullah Ahmad Badawi.

Myanmar has not been so fortunate. Many of its first echelon of leaders headed by Aung San Suu Kyi's father as Prime Minister were assassinated. This great tragedy appears to have had a long-term crippling effect, particularly in terms of national unity. Obviously, post-Independence history has unfolded differently in each country in Southeast Asia, much like the historical diversity in European colonisation history in the region.

The Formation and Evolution of ASEAN

One of the most significant events in the history of Southeast Asia after Independence has been 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 at that time had 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 1962–1966. 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 Philippines 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-controlled 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 were against the alliance. Some minorities were uneasy over the political dominance of the Malay people 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 launch 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 that had arisen 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, President Suharto. 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 Malays National Organisation, UMNO) and it retaliated with similar activities amongst the Malays in Singapore. The atmosphere in the two countries was tense and the 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 disruptive developments and particularly the common fear of communism 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 insignificant one of the two major reasons for forming ASEAN. 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%. By 2001, the amount of intra-regional trade had increased to approximately 23%. 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, prospects for the more recent projects look 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. If successful, a much bigger ASEAN-wide market will emerge. This may act as a partial counter-weight to the much bigger market in China, located just north of Southeast Asia. As of January 2001, 90% of commodities traded within the region by Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand under the CEPT Agreement were in the tariff range of 0 to 5 percent. The target date for Vietnam to reduce tariff rates to 0 to 5 percent range is 2006, for Laos and Myanmar 2008 and for Cambodia 2010. Further elaboration on Southeast Asian cooperation and ASEAN are discussed as a separate chapter: Chapter 8: Economic Regionalism.

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 improve the quality of life of its people is to abolish abject poverty and to lessen lopsided development within individual countries. Another challenge faced by Southeast Asia concerns the productivity improvement of the agricultural sector. This is of paramount importance, as most Southeast Asian countries are primarily agricultural economies. The quagmire faced by shifting cultivators also warrants special attention. There is also the pressing need for Southeast Asian countries to address the issue of proper utilisation of the region's natural resources. Proper exploitation of natural

resources can be and has been used to jump start the process of economic development. However, any economic progress must not be achieved at the expense of environmental degradation. To take on the intense competition posed by an increasingly globalised economy, Southeast Asian countries must develop their human resources to the fullest. This involves not only the provision of education and training especially in the field of science and technology, but also the proper management of the country's population size and growth, and the all important employment opportunities. Finally, a country's economic development must not be hampered by internal political and social instability.

Poverty and Inequality

The essence of poverty is captured by the World Bank (2000), which states that "Poverty is pronounced deprivation in well being… To be poor is to be hungry, to lack of shelter and clothing, to be sick and not cared for, to be illiterate and not schooled… Poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by the institutions of states and society and excluded from voice and power in those institutions." Such a description shows that poverty is a multi-faceted concept. However, in practice, poverty is often viewed from a purely economic perspective. A commonly used tool to measure absolute poverty in a country is the proportion of population living under the poverty line, which is generally computed based on a basket of minimum needed consumption goods per person. According to the World Bank (2000), of the 6 billion people in the world, almost half of them live on less than US$2 a day and 20% of these people live on less than US$1 a day. Further, a report by the Asian Development Bank estimated that there were 900 million Asians living on less than US$1 a day. The figure increased to two billion when the absolute poverty threshold of US$2 a day was used. As shown in Table 1.1, 36% to 39% of the total population in Cambodia, Vietnam, Philippines and Laos lived below the national poverty line defined in terms of minimum caloric requirement. In the more developed economies of Malaysia and Thailand, the percentages were 8% and 13% respectively.

The international absolute poverty line used has often masked the severity of the absolute poverty problem in rural areas. Table 1.1 shows the percentage of population living below the national absolute poverty line. In all the countries shown, the rural population has a higher percentage of people living in absolute poverty compared to its urban counterpart. There is a close link between poverty and unemployment as well as underemployment. Without employment and consequently the absence of a regular stream of income, the incidence of poverty rises. If this phenomenon of unemployment or underemployment persists, the gap between the haves and have-nots widens, contributing to growing income inequality.

Although economic growth is a necessary condition for reducing absolute poverty, it is not a sufficient condition. If the incomes of the rich are rising faster than those of the poor, then the rich will become richer and the poor will become poorer, in a relative sense. One key to the eradication of poverty is thus the creation of enough job opportunities to eliminate as much unemployment and underemployment as possible. This indirectly implies that for many turtle economies population growth must be moderated to help to ensure that jobs created are sufficient to absorb past surplus labour and new labour seeking employment.

Table 1.1

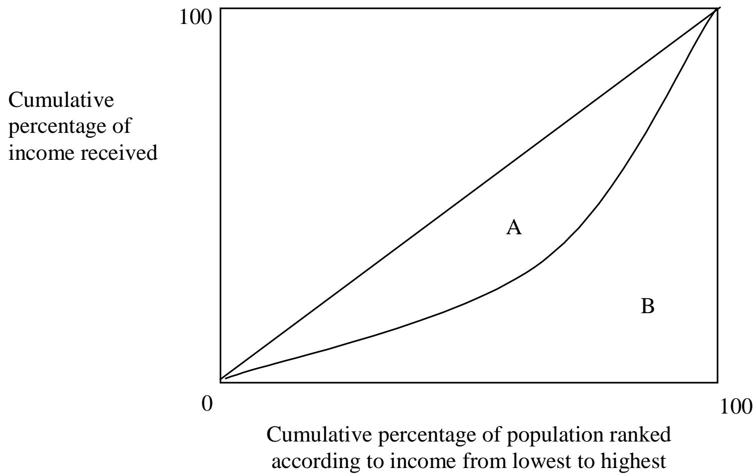
Percentage of Population Living Below National Poverty Line[a]

	Survey Year	National (%)	Urban (%)	Rural (%)
Malaysia	1998	8	n.a.	n.a.
Thailand	1998	13	2	17
Indonesia	1999	23	19	26
Cambodia	1997	36	30	40
Vietnam	1998	37	9	45
Philippines	1997	37	22	51
Laos	1998	39	27	39

Source: Asian Development Bank, *Poverty Statistics, 2001* (http://www.adb.org/Statistics/Poverty)
World Bank, *World Development Indicators Online, 2003* (http://publications.worldbank.org/WDI)

a: National Poverty Line refers to the level of income at which households satisfy their nutritional requirement (urban: 2,112 calories and rural: 2,122 calories)

Diagram 1.1
Graphical Presentation of a Lorenz Curve



When dealing with relative poverty, a common measure of income distribution is to divide the incomes received by the bottom 20% by the incomes received by the top 20%. This figure indicates the degree of inequality between the two extremes of the very rich and the very poor in a country.

Another way to measure income inequality is to draw the Lorenz curve. The curve shows the relation between the cumulative population proportion and the cumulative proportion of income received (see Diagram 1.1). The diagonal line is the line of equality. The area between the line of equality and the Lorenz curve is marked as A while the area outside the Lorenz curve is marked as B. When the distribution of income becomes less equal, the Lorenz curve diverges from the diagonal line. In other words, the area denoted by A increases. The more the Lorenz curve diverges, the greater the degree of inequality.

To facilitate comparison, a number derived from the Lorenz curve, known as the Gini coefficient, is used. A Gini coefficient of zero represents perfect equality while an index of 100 implies perfect inequality.

$$\text{Gini coefficient} = \frac{A}{A+B}$$

Table 1.2
Measures of Income Distribution

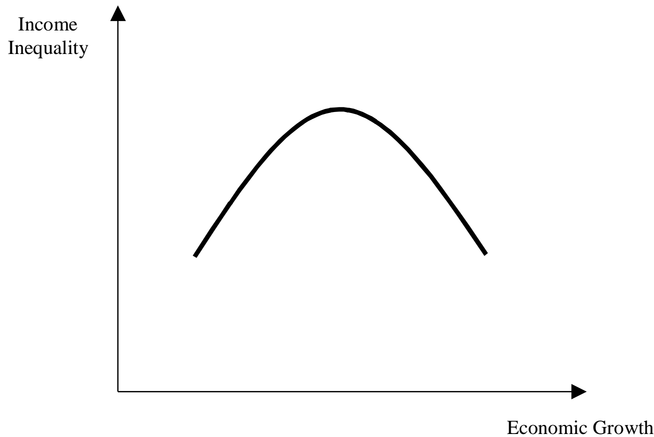
	Survey Year	Gini Coefficient	Lowest 20% Over Highest 20%
Indonesia	2000	30.3	0.19
Vietnam	1998	36.1	0.18
Laos	1997	37.0	0.17
Cambodia	1997	40.4	0.14
Thailand	2000	43.2	0.12
Philippines	2000	46.1	0.10
Singapore	2000	48.1	0.05
Malaysia	1997	49.2	0.08

Source: World Bank, *World Development Indicators Online, 2003* (http://publications.worldbank.org/WDI)
Department of Statistics, Singapore (http://www.singstat.gov.sg)

Table 1.2 shows the income distribution of countries in Southeast Asia. Indonesia has the lowest Gini coefficient of 30.3 while Malaysia has the highest. Dividing the incomes received by the lowest 20% by the incomes received by the highest 20% yields a similar conclusion. The top 20% earners in Laos are receiving six times as much income as the bottom 20%. In the Philippines, the disparity increases to ten times. However, one must take into account the time differences in between different surveys conducted and the different concepts used in estimating incomes in different countries.

Simon Kuznets (1955) postulated that at the initial stages of economic development, income distribution is relatively equal. However, as the economy grows, the distribution of income will become more unequal. But it will reach a point where any further economic growth will result in a decrease in income inequality. This is known as the Kuznets' Inverted U hypothesis and is depicted graphically in Diagram 1.2. The hypothesis, however, was not supported by empirical studies of Singapore and Taiwan. Rao (1996) showed that Singapore's Gini coefficient decreased from a high of 46 in 1973 to a low of 42 in 1978 before it increased to a high of 47 in 1993. This is a typical U curve, albeit a relatively mild one.

Diagram 1.2
Kuznets' Inverted U Hypothesis



Similarly, in Taiwan, Lim (1991) showed that the Gini coefficient decreased from 36.2 in 1968 to 30.3 in 1980 before it increased to 31.7 in 1985, producing yet another U curve. Nevertheless, the challenge faced by Southeast Asian countries must be, first of all, the eradication of absolute poverty in their respective countries. There must, however, be countries where Kuznet's Inverted U curve holds.

Agricultural Issues

With the exception of Singapore and Brunei, all the other economies in Southeast Asia are agricultural-based. For example, countries in mainland Southeast Asia have more than two-thirds of their population employed in the agricultural sector. As mentioned earlier, there are three types of agricultural systems in Southeast Asia. The problems faced by the shifting cultivators are the most worthy of attention. It boils down largely to the question of how hill tribes and isolated families can be integrated into the modern, market-oriented, cash economy. The commercialisation and modernisation of the subsistence agricultural sector should thus be urgently looked into with a view to raise the standards of living and to enhance the quality of farmers' lives. Many have viewed the primitive nature of shifting cultivation not only as a waste of land but also as a threat to the

surrounding environment. Dry paddy, which is the main crop cultivated by these tribal people, has very low productivity. Although the amount of labour and manure applied are greater than those on wet paddy, the output is lower. Furthermore, dry paddy consumes much more nutrients from the soil than wet paddy. For that reason, land used to grow dry paddy has to be left fallow for a longer period of time before it can be used for cultivation again. Because of such low productivity, the standard of living of these tribal people never rises above the subsistence level. Shifting cultivation has also been identified as the one of the many causes of forest loss and soil erosion. The clearing of forest by burning is a major source of air pollution. Moreover, it adds to the greenhouse gases and thus contributes to global warming. The biodiversity of the country is also reduced as the clearing of land for cultivation destroys the natural habitat of wildlife. Shifting cultivators of some Southeast Asian countries are already under pressure from their Governments to cease this practice and switch to sedentary farming.

The tension between shifting cultivators and Governments over the use of land is expected to worsen especially when the countries require more land to develop their economies. For example in Sarawak, 1.5 million hectares of land were designated by the Malaysian Government as Native Customary Land (NCL). Under the concept of NCL, the land adjoining the dwellings of the Dayaks, marked by natural boundaries such as rivers, streams and mountain ranges belonged to the community. Furthermore, the Dayaks' rights to the land were recognised and protected by the Sarawak Land Code (SLC) of 1957. However, as the oil palm industry is expected to be Sarawak's next main engine of economic growth, the amount of land to be earmarked as oil palm plantations will also increase. Most of the land in Sarawak is found to be suitable for planting oil palm. The Sarawak State Government has already approved 350,000 hectares of land for such projects. Currently, the State Government refuses to recognise any land not continuously cultivated by the Dayaks as NCL.

The "Green Revolution" in Southeast Asia has increased the yield of wet rice cultivation. But compared to some developed and developing countries, the yield is still relatively low. This can be attributed to several reasons. For example, in some countries such as Thailand and Myanmar,

the rice farmers are reluctant to cultivate HYVs. In some other countries, the lower economic status of the farmers impairs their ability to grow HYVs, which require more expensive imported chemical fertilisers and pesticides. Another problem faced by the rice farmers is the difficulty in pledging their land as collateral to secure loans. This problem has its roots in the way land ownership in some Southeast Asian countries has been structured. The lack of credit thus inhibits the rice farmers from making the necessary productive investments. Although the rice farmers have the option of turning to informal sources for the required financial resources, the exorbitant interest rates charged greatly reduce the return of the undertaking. Most rice farmers run the risk of losing their land to money lenders. Many have already become landless farmers.

Small rubber estates also suffer from low productivity. In addition, they are not able to compete with the larger rubber plantations in terms of resources and manpower. These larger rubber estates are able to enjoy economies of scale because of their size; they also have professional personnel to oversee the daily operations of the plantations. In some Southeast Asian countries, the difficulties have caught the attention of the Governments. For example in Malaysia, agencies have been set up to improve the standard of living of these smallholders. One of these agencies is RISDA (Rubber Industry Smallholders Development Authority). Established in the 1970s, RISDA's primary objective is to help the smallholders by giving out grants to cover a significant portion of the replanting costs. Other agencies include FELDA (Federal Land Development Authority) and FELCRA (Federal Land Consolidation and Rehabilitation Agency), although the latter two agencies do not restrict themselves to helping only those smallholders in the rubber industry.

Natural Resource Development

Southeast Asia is one of the richest regions in the world in terms of natural resources. The resources can be broadly classified into three main groups, namely, minerals, oil, natural gas, and timber. Malaysia was, for many decades, once a leading producer of tin, both in the world and in Southeast Asia. However, the position of being the largest tin producer in Southeast Asia has been overtaken by Indonesia. Indonesia is now the

world's second largest tin producer. The country, which produces about 50,000 tonnes of tin in 1999, was estimated to have extensive onshore and offshore tin deposits of over one million tonnes. Other countries that are found to have tin deposits include Laos, Myanmar and Thailand. Besides tin, countries in Southeast Asia are also well endowed with other mineral resources. For example, copper can be mined in Indonesia, Malaysia, Myanmar and the Philippines, gold and silver in Indonesia, Myanmar and the Philippines, phosphates and manganese in Vietnam and Cambodia, and tungsten in Myanmar and Thailand. Lower-value minerals are also found in some Southeast Asia countries. Indonesia, Malaysia and Vietnam have known reserves of bauxite, a clay-like substance from which aluminium is obtained.

It has been estimated that Southeast Asia possesses 5% of the world's proven oil and gas reserves. The three largest energy developers in the region are Indonesia, Malaysia, and Brunei. For example, Brunei in 2003 produced on average 193,000 barrels of oil per day and extracted 22,000 barrels of natural gas per day. Myanmar has also been found to possess small quantities of oil and natural gas. Since the completion of two offshore gas fields, Yadana and Yetagun, gas has become Myanmar's largest export in 2001. From 59 billion cubic feet of natural gas produced in 1996, the volume increased five-fold to 299 billion cubic feet in 2000. One burning issue facing Brunei is that in about 20 years, the country's oil and gas reserves will be fully exploited. As an economy that has depended totally on earnings from the sale of petroleum, what are the options available to Brunei to sustain the growth of its economy? This illustrates the importance of proper natural and human resources management to achieve sustainable long-term economic development.

Similar arguments can be made about forest resources. About half of Southeast Asia is covered with forest. Thus, it is not surprising to note that all Southeast Asian countries except Singapore are producers of timber. Unlike non-renewable resources such as minerals and oil, forests can be replaced if given sufficient time to regenerate. However, this has not been the case. The timber export boom that began in the 1960s has resulted in an alarming rate of deforestation. But it would be unfair to blame commercial logging for all the deforestation. Other parties that are equally guilty include shifting cultivators, plantation owners and collectors

of wood for fuel. In Vietnam, for example, it has been reported that forest cover has shrunk from 43% in 1945 to the present day level of 28%. Similarly, Indonesian forests are shrinking at a rate between 600,000 and 1.3 million hectares per year. Six main causes for the deforestation in Indonesia have been identified. Subsistence farmers are clearing the forest to cultivate subsistence and cash crops. There is also widespread illegal logging organised by local civilian and military officials and influential businessman. Natural forests are being converted to large-scale commercial agriculture and timber plantations. In addition, forests have been cleared for transmigration settlements. Lastly, the expansion of mining, oil exploration and production and other forms of industrial development have reduced the size of forests significantly.

While there is over-utilisation of several natural resources, there are also incidences of under-utilisation. Because of its active volcanic activities, Indonesia has many hot springs and these hot springs are ideal resources for developing the tourism industry and earning foreign exchange for the country. However, so far, few such projects have been undertaken.

Environmental Degradation

Some observers have pointed out that Southeast Asia's economic success has been achieved at the expense of its environment. Air and water pollution are the two most serious environmental problems cited. The increase in consumption of fossil fuel due to industrialisation, population explosion accompanied by increase in real income, and rapid urbanisation, are the main culprits for the worsening of air quality. Automobiles and industrial emissions are the two major contributors of air pollution. In major Southeast Asian cities such as Bangkok, Jakarta and Manila, the large motorcycle population produces tonnes of obnoxious fumes each day. The phenomenal economic growth over the past few decades has increased the number of people in the middle class, which has in turn increased the demand for private transportation, thus compounding the already severe problem of air pollution. The combustion of fuel releases toxic air pollutants such as sulphur dioxide, nitrogen oxide, and carbon monoxide. Thus, it is very common to see motorcyclists putting on masks to filter the air when they are on the road and to hear about traffic

police developing serious respiratory problems. The fast industrialising economies of Southeast Asia also hasten the burning of fossil fuel to generate sufficient electricity for offices and factories. Factories such as those in the petrochemical industry can also contribute to air pollution by discharging harmful gases into the stratosphere.

There is also a type of air pollution that is specific to Southeast Asia. Commonly known as the haze problem, the pollution is caused by deliberately-set fires to clear land for plantations to grow cash crops such as oil palm, rubber, timber and cocoa. Take Indonesia, for instance, where plantation owners see the burning of forests as a faster and cheaper way to prepare the land for cultivation. The problem is compounded by shifting cultivators who engage in slash-and-burn agriculture. To remedy the problem, the Indonesian Government has imposed fine and jail terms on the lawbreakers. Thus far, the measures have not been very effective in curbing the fire and preventing the haze from recurring. The haze problem has severe economic repercussions not only on the country involved but also on the surrounding countries. Businesses in the tourism industry are the worst hit, as tourists stayed away from the region. The health of the people is also affected. High incidence of absenteeism results in lower productivity. It has also been reported that the haze reduces visibility and sunlight hours. The latter has led to a decline in crop yields and fish landing.

Water pollution is also rampant in Southeast Asia. The most common water pollutant is sewage, which consists mainly of human excreta and domestic waste. As many parts of Southeast Asia have no proper sewage systems, rivers and streams are often used as toilets. Waste created by industrial production is another contributor to water pollution. Similar to air pollution, water pollution affects the health of the people. The effluent discharged by the factories is also detrimental to marine life and the marine ecosystem.

Another serious environmental problem faced by Southeast Asia is deforestation. The rapid rate of forest destruction as expounded earlier has had serious repercussions on the people. To ecologists, forests are nature's "lungs" responsible for recycling waste and purifying the air. They also help to prevent soil erosion that leads to landslides and flooding.

Human Resource Development

The development of human resources in Southeast Asia is another important issue that needs to be addressed. Three distinct but related areas, namely population growth, education and employment are identified. The population explosion observed in the region will compromise the increase in the quality of life, particularly in human capital formation. First of all, there is pressure on the land to produce more food to feed the people. In addition, more children born to a family also means each child will be allocated a smaller portion of the family's resources of money, energy and time. Children will have less opportunity to receive a proper education. Similarly, when population growth rate does not commensurate with growth of labour demand, unemployment and underemployment will result. The type of education affects employment too. A country may also train people not demanded by the labour market, thus contributing to unemployment and underemployment.

Between 1975 and 2001, Southeast Asia's population grew at 1.8% per year. This was faster than the world's average of 1.6% per year. One of the most serious problems associated with population explosion is overcrowding, especially in the bigger urban areas. The movement of people to the cities, especially to the primate cities, has resulted in severe congestion and the mushrooming of slums. Thus, a challenge to Southeast Asia is to have small, high quality families. The challenge is to mobilise resources, particularly in education and health care, to enhance the quality of life.

During colonial days, the literacy rate was very low in Southeast Asia. In 1960, all the countries had less than one-third of their secondary-school-going children enrolled in secondary schools. The colonial powers had very little incentive to build up the human capital of their colonies. They only wanted the population to be "hewers of wood and carriers of water". However, since Independence, the educational situation has improved over the years. Among the various fields of knowledge, science and technology must be emphasised. Technology has been a major driving force behind industrial and economic progress. Countries are known to be able to expand their output due to higher productivity. Thus, their competitiveness is enhanced through the application of technology. However, although the educational level of the population in Southeast Asia since Independence has increased significantly, it is still much lower

compared to other nations. For instance, in 1999, only the Philippines (82%) and Singapore (75%) had relatively high combined primary, secondary and tertiary gross enrolment ratios among Southeast Asian countries. The ratios are marginally comparable to Japan (82%) and United States (95%). The rest of the Southeast Asian countries have ratios ranging from 55% in Myanmar to 67% in Vietnam.

The attainment of full employment is another challenge for the Southeast Asia countries. Unemployment is common in the urban centres, while underemployment is prevalent, especially in the rural areas. These "spare" human resources can be better utilised to eradicate poverty and to achieve higher standards of living. Many of the themes addressed in this chapter are further elaborated and discussed in subsequent chapters.

National Unity

Another serious challenge faced by some Southeast Asian countries is how to achieve greater national cohesion among their people in a polyglot nation. Notably in Myanmar, Indonesia, the Philippines and Thailand, separatist groups are asking for greater autonomy if not total Independence. The two major fault lines that have been dividing the people are ethnicity and religion. That these people also live in separate parts of the country compounds a separate identity problem.

For the past 50 years, Myanmar has been plagued by insurgency activities by the various ethnic minorities in the country demanding greater autonomy or complete Independence. The problem dates back to the colonial days when the British followed the divide-and-rule policy. They did not allow the majority Burmese to be in the Army or Civil Service. After Independence, the position took a different turn. The ethnic minorities of Chin, Kachin, Karen, Karenni, Mon and Shan were marginalised politically and economically. Throughout the 1960s, Government troops were fighting the ethnic separatist movements. In 1989, following the break-up of the Communist Party of Burma, the Government negotiated a series of cease-fire agreements with the ethnic minorities. In all, 15 cease-fire agreements and three "surrender in exchange for immunity from prosecution"- type deals were officially made across the country. The only minority group that had not signed a cease-fire agreement with the State Law and Order

Restoration Council (SLORC) was the Karens. However, the cease-fire agreements, which were observed initially, started to unravel in 1996. Following the defection in part of his Mong Tai Army in 1994 and an ongoing battle for control over key areas of the Myanmar-Thai border, Khun Sa signed a surrender deal with Yangon in January 1996. But one of Khun Sa's commanders refused to accept the deal and resurrected the long-defunct Shan United Revolution Army to fight the Government. The cease-fire agreement with the Karenni Nationalities Progressive Party (KNPP) also started to fall apart. Arguments over profit-sharing of logging deals on the Thai border with local Myanmar Government military commanders spilled over into full-scale fighting between the Karenni force and the Myanmar Army.

Emboldened by East Timor's success in 1999, the other restive provinces re-intensified their calls for Independence from Indonesia. Two of the main hot spots are Aceh and Irian Jaya. Aceh, a province in the northern tip of Sumatra island, is rich in natural resources. The Dutch took more than three decades of war to subjugate Aceh in the early 20th-century. To reward the Acehnese's effort in supporting Indonesia's struggle against the Dutch, Indonesia's late President Sukarno agreed to grant autonomy to the province. But the promise was not fulfilled. Aceh first rebelled against Jakarta in 1953. When Suharto took over as Indonesia's President, he promised to raise living standards and increase religious freedom. Instead, Suharto took control of Aceh's resources and sent his army to crush the rebels. In 1976, the Free Aceh Movement (Gerakan Aceh Merdeka, GAM) declared the province Independent. But by the early 1980s, the Indonesian army had recaptured the province and forced most of GAM's leaders into exile. In 1989, GAM re-emerged but was swiftly suppressed the following year. Ever since, the Acehnese have constantly demanded an Independence Referendum from Jakarta. Aceh's disdain for the Jakarta Government has been aggravated by two factors. First, the atrocities committed by the armed forces earned the wrath of the local people. Homes and even villages suspected of helping the separatist movement were set on fire, and individuals thought to be supporters of GAM were subject to arbitrary arrest, torture and execution. Second, the Central Government exploited the province's natural resources without benefiting the Acehnese. For example, most of the proceeds

generated by the Arun natural gas fields in northern Aceh went to the Central Government. After Abdurrahman Wahid became President, he attempted to make amendments by establishing a civilian-military tribunal to prosecute soldiers accused of human rights violations. Other goodwill gestures included appointing an Acehnese as deputy military commander, building a $60-million railway and allowing Aceh to keep 75% of its forestry, agriculture, oil and gas earnings. Despite efforts at maintaining peace, in May 2003, a major clash erupted between the Indonesian army and rebels in the Aceh province as a result of a failed negotiation held in Tokyo. Issues of autonomy and independence remain points of contention. Hostility ensued and sporadic clashes continued into June 2003, resulting in 10,000 Acehnese fleeing their homes.

The conflict in Irian Jaya dates back to 1945. The province still belonged to the Dutch when Indonesia became independent. In 1962, the Dutch ceded Irian Jaya to the United Nations, which in 1963 transferred the rights to the territory to Indonesia on a provisional basis. Indonesia was to hold a territorial referendum within five years. The referendum did not take place. In 1969, tribal leaders were brought together to agree to the integration with Indonesia. During the same period, the separatist group, Free Papua Movement (Organisasi Papua Merdeka, OPM) was born. In 1971, OPM announced the formation of an Independent Government of West Papua and stepped up the guerrilla resistance against the Central Government. However, repression under former President Suharto hounded the separatist movement to near extinction. The bombing of suspected rebel zones in 1984 caused nearly 20,000 Irians to flee to neighbouring Papua New Guinea. Similar charges of violence and exploitation were made against the Indonesian Government. Minor clashes with the Indonesian Army have continued to this day. It has been estimated that during the 30 years of Indonesian rule, tens of thousands to hundreds of thousands of Irians were exterminated. Irian Jaya has been estimated to possess one quarter of Indonesia's natural resources.

How successful will calls for Independence be, especially for Aceh? Unlikely say most observers. The rich endowment of natural resources makes it costly for Indonesia to give up the sovereignty of the two provinces. Besides, unlike East Timor, the international community has been silent on the issue. Several reasons have been put forward for this

impassivity. The breakaway of Aceh would further encourage Independence movements in other provinces such as Irian Jaya and Riau, leading to a "Balkanisation" of Indonesia, which in turn would destabilise Southeast Asia politically and economically. Another reason Aceh has not captured the world's sympathy is that the rebels have been equally guilty of many misdeeds. It has been reported that the rebels burnt uncooperative villages, turned villagers into refugees and moved them to camps in mosques in a bid to control the civilian population. Rebels also went from door to door to demand donations of money and supplies.

The existence of a Muslim community in the Mindanao region in the Philippines can be traced as far back as the 13th-century. Although the Spaniards colonised the country in 1565, they failed to occupy the southern Philippine islands of Mindanao and the Sulu Archipelago. Nevertheless, the colonial power was successful in converting the local people in other parts of the Philippines to Catholicism. A policy of direct rule was imposed shortly after the Americans took over the country from the Spaniards in 1898. It was at this time that the Moro province was formed and brought under the jurisdiction of the colonial Government in Manila. Several policies implemented by the Americans created widespread resentment among the Muslim community. The introduction of a secular education system and the appointment of non-Muslim teachers to the Moro schools were seen as a challenge to the authority of the religious teachers. As a result, the Moro people refused to send their children to the schools, leading to a high level of illiteracy. To further aggravate the frustration, the Americans encouraged non-Muslims to transmigrate to the Moro province by providing loans and increasing the amount of land given to these settlers. The Public Lands Act of 1919 allowed Catholic Filipinos to apply for land up to 24 hectares, while non-Catholics could only apply for no more than 10 hectares. Consequently, the Moro people lost much of their ancestral lands.

After the Second World War, the Muslim community started their struggle for Independence. The Philippines Government continued the discriminatory policy of its colonial master and encouraged a further influx of a Catholic population into Mindanao, making the Moro people a minority. Clashes between the Catholics and local Muslims were very common. The Jabaidah massacre led to the formation of the Muslim

Independence Movement (MIM) in 1968. The Government's reconciliation effort of giving top MIM leaders high positions in the administration led to the defection of younger MIM cadres and the subsequent formation of the Moro National Liberation Front (MNLF). Bangso Moro Army, the armed wing of the MNLF, frequently engaged in guerrilla warfare against the Philippine Army. In 1976, the Marcos Government and the separatists signed the Tripoli Agreement. The agreement provided the creation of an autonomous region in Mindanao consisting of 13 provinces and nine cities. In return, the MNLF had to reduce its demand for complete Independence. However, the Tripoli Agreement collapsed subsequently due to the denial of certain technicalities by the Marcos Government. Fighting resumed in late 1977. An internal discord in MNLF led to the establishment of the Moro Islamic Liberation Front (MILF). When Corazon Aquino became President, she granted autonomy to four provinces in Mindanao. The MNLF was still not satisfied, as it wanted autonomy in all the 13 provinces. The relationship between the separatists and the Government improved when Fidel Ramos allowed the MNLF to oversee economic development projects in all provinces in Mindanao for three years. The establishment of the Southern Philippines Council for Peace and Development with the leader of MNLF as the head also helped to restore peace and order in the southern islands. A cease-fire agreement was signed between the Philippine Government and the MNLF in January 1994. Despite these positive developments, the MILF continues to fight for complete Independence.

Like all Islamic countries in Southeast Asia, Islam was spread to Pattani, a southern state in Thailand, by the Arab merchants. When Siam (the former name for Thailand) captured Pattani in the 18th-century, the Siamese Government divided the state into seven provinces both for administrative purposes and to weaken Muslim power. Although there were intermittent rebellions, the Siamese Government was too strong to be overcome. To integrate the Muslims and to further weaken the Islamic identity, the Siamese Government introduced several measures. The measures, which caused great frustration to the Muslim community, included the replacement of the Islamic Shariah and adat laws with Siamese laws. Furthermore, education was made secular with the Thai language as the medium of instruction. In addition, local rulers were replaced with Thai

Governors. The locals were also not allowed to wear sarongs, use Muslim names or the Malay language. After the Second World War, Pattani came under the direct jurisdiction of the Bangkok Government.

In 1959, an underground separatist movement, Pattani National Liberation Front (Barisan Nasional Pembebasan Pattani, BNPP) was formed with the objectives of gaining complete Independence and establishing an Islamic state. Throughout the 1960s armed guerrilla warfare and sporadic clashes occurred between the Government and BNPP separatists. Subsequent separatist movements can be divided into those carried out by Islamists and those by secularists. The Islamists founded the organisation, National Revolutionary Front (Barisan Revolusi Nasional, BRN) with the aim of forming an independence Islamic country, while the secularists formed the Pattani United Liberation Organisation (PULO). Both organisations viewed the Thai Government as an internal colonial power. Compromise was impossible. The only option was to achieve independence through armed struggle. However, the two groups did not co-ordinate their activities, choosing to pursue their guerrilla actions independently. In response to the Pattani separatist movement, the Thai Government launched a series of military operations against the guerrillas while adopting a policy of accommodating certain demands. In 1961, the Government repealed the Thai Customs Decree and allowed pondok schools to continue, provided they offered both secular and Islamic education. The Pattani Muslims were also allowed to keep Muslim names. In the 1970s, the Government offered some special privileges to Muslims. These included quotas for admissions of Muslims to the universities and government bureaucracy, the establishment of National and Provincial Councils for Islamic Affairs, study tours to Bangkok for Muslims at government expenses, and the creation of the position of state council for Islamic Affairs. Finally, the Government initiated massive economic projects to construct roads, schools, colleges and universities in the Muslim majority provinces. With respect to agriculture, the rubber plantation owners were given incentives to replace old trees with high-yielding varieties. Irrigation systems and flood control projects were introduced to the region. The Muslims did not adopt an optimistic view of these programmes. Instead, many perceived such measures as tricks by the Thai Government to penetrate Pattani culture, economy, and society.

Guerrilla activities continued. In 1997, activists across the political spectrum united to form an underground organisation called the Council of the Muslim People of Pattani (MPRMP). Taking inspiration from the Moros' success, they sought to pressure the Thai Government to come to an agreement with the Pattani Muslims.

These separatist political problems in Southeast Asia are very difficult to solve, and yet they are there, and overall economic development has to take place with these problems as a part of the backdrop. A point to note is their confinement to particular regions these countries.

Economic Growth of China

As of 2001, Southeast Asia, with a population of 0.5 billion, is considerably smaller than China, with its population of 1.3 billion. Moreover, China has just one market while Southeast Asia has ten. Southeast Asia appears fragmented in relation to China. The growing importance of China as an economic power presents many opportunities as well as challenges for ASEAN.

With expectations of China's continued growth over the coming decades, Southeast Asia can look forward to increased export opportunities into China. In the 1990s, ASEAN countries' export share to China has shown steady increase. China's import share from ASEAN has increased from 6% to 9% over the last decade (World Bank, 2003). In the chapter on rubber, China imported 6% of the world natural rubber supply in 1960. By 1997, this had increased to 14%. Much of the imports came from Southeast Asia. The export of lubricant, fuel and oil from ASEAN-6 to China has grown by 200% over the last decade. Southeast Asia's exports of other primary commodities such as rice and cane sugar from Thailand and Vietnam, food and feed grain products from Malaysia and the Philippines will also benefit from the reduction of non-tariff barriers in China, a result of China's accession to the World Trade Organisation (WTO). This will help fuel growth in the Southeast Asian region. On the contrary, some ASEAN industries, such as the textile and garment industries that export to the United States and Japan will face stiff competition from China especially when quotas on textiles and apparel from China to Europe and North America are lifted in 2005.

Overall, the collective growth of Southeast Asian vis-à-vis the rise of China hinges on the ability of ASEAN countries to tap the huge and growing market in China. Southeast Asia can also benefit from factor inflow and the inflow of goods and services from China through the circular cumulative causation process. Even increased tourism from China can provide an additional fillip to the Southeast Asian economies. However, in the face of increasing competition from China, hollowing out of some manufacturing industries, particularly of the foot-loose varieties and the diversion of new FDI and tourism to China, is inevitable. This makes the challenge for ASEAN to have a single market a much more pressing issue than would otherwise be the case. The rest of this book deals in more detail with a comparative study of the economic growth and development of Southeast Asia, focusing on and evaluating some economic sectors and economic topics.

Key Points

1. Southeast Asia can be divided into mainland Southeast Asia and maritime Southeast Asia. The two sub-regions are different physically, culturally, if not also economically. Notwithstanding the differences, strong similarities exist. The countries have similar climatic conditions and shared a common colonial past, and much of economic backwardness.
2. There are three types of agricultural systems in Southeast Asia, namely, shifting cultivation, wet rice cultivation and plantation agriculture. Shifting cultivation is commonly practised by the hill tribes in the forested highlands in all countries in the region except Singapore. Wet rice cultivation is mainly for self-sufficiency but countries such as Thailand and Vietnam export part of their produce. Plantation agriculture was introduced by the colonial powers.
3. Western colonisation had significantly changed Southeast Asia, not only economically, socially but also politically. The retreat of the Western colonial powers from Southeast Asia was followed by the emergence of ten separate independent nations in Southeast Asia each seeking its own dream of the future and each inherited a different colonial economic, social and political past.

4. The original motive for the establishment of ASEAN was political in nature. However, with the dramatic changes in the world political environment, ASEAN has evolved into a more economic-oriented organisation. ASEAN Free Trade Area is an option ASEAN as a group has agreed to pursue and implement. This will help to enlarge the ASEAN fragmented markets into a larger single entity.
5. To achieve a higher standard living for its people, Southeast Asia must overcome several challenges. One major challenge is the eradication of abject poverty and the lessening of lopsided development within the countries. With an economy that is largely agricultural, Southeast Asia must also tackle a host of agricultural-related problems. In addition, the issue of proper natural resources management without suffering from environmental degradation must also be addressed. How to develop human resources to the fullest and how to achieve greater cohesion among people of a polyglot nation are the other two challenges facing Southeast Asia. These problems have been further compounded by population explosion in much of Southeast Asia.

Suggested Discussion Topics

1.1 "Although economic growth is a necessary condition for eradicating poverty, it is not a sufficient condition." Discuss this statement in relation to poverty in Southeast Asia. Besides poverty, discuss other challenging economic issues in Southeast Asia such as the modernisation of agriculture.

1.2 It is said that Southeast Asian nations do not have a common history except being colonised by the Western powers. Are all the major problems faced by Southeast Asia today the direct result of separate Western colonisations? Does post-Independence management have a lot to do with the well-being, especially material well-being of these nations? Discuss.

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