



ASEAN

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REGIONAL AFFAIRS

ASEAN Concern Over Growing RP Insurgency

The Association of Southeast Asian Nations (ASEAN) is becoming concerned over the growing communist insurgency in the Philippines. ASEAN's concern stems from its prolonged observation that President MARCOS' 20 year administration had caused widespread dissatisfaction among the people. Marcos' poor record on human rights, and his administration's handling of the economy have given the communists much scope to exploit a troubled situation. But the president has also attempted to divert this public antagonism by harping on the communist bogey. This also serves as an attempt to ward off the challenge from Mrs AQUINO when Marcos accuses her of collaborating with the Communist Party of the Philippines (CPP) to topple him.

ASEAN's concern seems to center on the eventuality of the United States, the Soviet Union and China becoming directly involved in the Philippines should the communists attempt to seize power. In ASEAN's view, a deteriorating Philippine political situation would adversely affect long-term stability in the Southeast Asian region when the Russians dispense military aid to the insurgents and the U.S. counters by propping up right-wing regimes. That would have threatened ASEAN's concept of a zone of peace, freedom and neutrality (ZOPFAN) in the region.

Russian involvement likely

Given the intention of China to cultivate close economic ties with ASEAN countries in line with DENG XIAOPENG's modernization program, the possibility of the Russians supplying arms and financial aid to the insurgents in the Philippines is greater. However the Russians have to date officially denied any possible involvement or intention to do so.

Recently the outgoing Soviet Ambassador to the Philippines, YURI SHOLMOV, reportedly told Labor Minister BLAS F OPLE that Moscow had turned down requests for aid allegedly made by representatives of the 16,500-strong New People's Army (NPA), the militant wing of the CPP, to the Soviet embassy in Manila. He added that acceding to such requests would adversely affect the existing cordial relations between the Soviet Union and the Philippines. But a more cogent reason for the Soviet rejection appears to be the Maoist orientation of the NPA although the CPP claims that its ideology is based on Marxist-Leninist-Maoist thought. The Soviet

denial is greeted with skepticism in many quarters.

Whatever Russian motives to involve itself in the growing communist insurgency have been for the present couched in economic forays into the Philippines. To what extent the supply of Soviet military aid to the insurgents will follow later remains to be seen. On its part the Marcos administration appears to encourage trade relations with the Soviet Union. Last October, Mrs IMELDA MARCOS signed an agreement with the Russians in Moscow on behalf of the Philippines government. The agreement allows Soviet vessels to be repaired in Philippine shipyards. Soon after the first Soviet vessel, the M/V Argun, a 7000-ton deadweight general cargo vessel, was cleared for dry-docking at the Batangas Shipyards of the Philippine National Oil Co. (PNOC). According to the Philippine Ports Authority, 11 Soviet cargo vessels called each month in Manila after the signing of the agreement.

ASEAN measures

Meanwhile ASEAN itself appears poised to shed its previous passive role in favor of a more active one against the communist insurgency in the Philippines. In the past, some ASEAN leaders had merely voiced their concern that Marcos was incapable of dealing with the growing communist threat. But in January 1986, Indonesia, ASEAN's staunchest anti-communist member and ostensibly its spokesman, deployed two transport planes on loan to the Philippines for logistics purposes in the fight against the communists. The two CASA 212 planes were handed over to Gen FABIAN VER in Manila by the visiting Indonesian Armed Forces Chief, Gen BENNY MURDANI. The delivery of the planes came after Philippine Labor Minister Ople had met President SUHARTO in Jakarta last December and briefed the Indonesian president on the communist insurgency problem. Indonesia's desire to help the Philippines in the counter-insurgency movement stems from its own bitter experience with the communists in the 1965 aborted coup and also President Suharto's belief that the U.S. should support Marcos for the sake of long-term political stability in the Philippines.

Meanwhile the other ASEAN states are monitoring the growing insurgency problem in the Philippines with a view to devising new counter-strategies should their prevailing strategies prove ineffective. □

Strong Action Against Dissidents

Former ASEAN Secretary-General and army retiree, HARTONO REKSO DHARSONO, was sentenced to 10 years imprisonment on two counts of subversion after a marathon 5-month trial which ended in January. Although he maintained his innocence by stating that he was only articulating the legitimate grievances of the people, Dharsono had been found guilty of co-authoring a "White Paper" which sought to dispute the government's version of the Tanjung Priok riots last September and attending an unlawful assembly meeting which had planned the bombing incidents in Jakarta a month later. The Prosecutor BOB NASUTION had successfully argued that Dharsono's guilt lay not so much in his co-authorship of the "White Paper" *per se*, but that the publication's contents had led to the spate of bombings.

The "White Paper" had launched a scathing and emotional attack on the government for not only grossly understating the number of fatal casualties in the riots, but that troops had indiscriminately shot the rioters. Dharsono had also made fiery anti-government speeches calculated to incite violence in the unlawful assembly organized by an ulama, ANDI MAPETAHANG FATWA. Dharsono's actions after the riots, argued the prosecution, had predictably whipped up emotions among the fundamentalist *santri* Muslims leading to a spate of bombings on targets resented by the *santris* such as the Bank Central Asia (BCA) owned by tycoon LIEM SIOE LIONG and the Marines' ammunition depot at Cilandak, South Jakarta. Though Dharsono has appealed against conviction and sentence, the prosecution has filed a cross-appeal, demanding a heavier sentence of 15 years.

Warning to instigators

Dharsono's conviction and sentence was part of a larger trial of several dissidents, the majority of whom were either fundamentalist Muslim orators or semi-intellectuals making use of *santri* grievances to attack the policies of the secular-oriented *abangan*-based government of SUHARTO. That all those put on trial have so far been found guilty and received heavy jail sentences – Fatwa (18 years), TONY ARDIE (9 years), MOHAMAD SANUSI (19 years) and ROBBY PANTOUW (10 years) – demonstrated the government's firmness that there were limits to which it would tolerate agitation against its efforts to secularize the country through the national ideology PANCASILA to attain national unity. It was a warning to Muslim extremists that they were going too far.

Fundamentalist Muslim grievances

The sentences imposed on Dharsono, Fatwa and the others highlight the widespread simmering discontent bordering on fear among the *santris*. They feel that PANCASILA is in fact threatening the position of Islam in Indonesia particularly when Suharto has repeatedly suggested that the 5 tenets of PANCASILA were derived from native Javanese values. They tend to interpret PANCASILA's broad principles, especially those giving prominence to Javanese syncretism and parity to all religions as incongruent to the aspirations of a nation that is 90 per cent statistically Islam. Moreover Suharto's economic development programs while in part introduced lotteries and football pools whose proceeds are channeled towards welfarism and sports are viewed as obnoxious and morally sinful to traditional Islamic tenets which forbid gambling.

From a strictly economic perspective *santri* Muslims who belong to the lower strata of Indonesian society, such as petty traders and laborers, feel excluded from Suharto's economic development programs which they view as having benefitted the *abangan* upper and middle classes, the military and of course the Chinese *cukongs*. Understandably the *santri* Muslims have clamored for a purely fundamentalist way of life based on the *Koran* and the *Hadith* to rid the country of what they feel as material and moral corruption.

Government rejects fundamentalism

On its part, Suharto's administration feels that any inclination to a fundamentalist Muslim way of life would be disastrous to a highly diversified country such as Indonesia. The rigidity of KHOMEINI's Iran with its numerous upheavals would be utterly repugnant to Indonesia's majority *abangan* Muslims who still value their pre-Islamic Hindu/Buddhist/Animist beliefs which permits flexibility in their daily lives. This facilitates Indonesia's secularization and economic development under PANCASILA.

Thus if Suharto values political stability as a prerequisite to economic development, Islamic fundamentalism *ala* Khomeini would be the last thing that he would want. The government also feels that within the ambit of PANCASILA it has been fair to the Muslim religion in every possible way through welfare assistance to Muslims and repeated assurances that the armed forces (ABRI) was not anti-Islam as alleged by the *santris* in the wake of the Tanjung Priok riots.

New avenues of struggle

The major *santri* parties have lost much of their Islamic appeal when they were forced to accept PANCASILA. Young radical Muslims who feel that the parties had sold out their religious principles have increasingly turned to meetings at university mosques

where Islamic appeals have been articulated without inhibition. Such strident appeals inevitably attacked government secular policies and led to the Tanjung Priok riots and bombing incidents. It was within this context that Dharsono, Fatwa and the others had been convicted and given heavy jail sentences.

Dharsono's sentence has temporarily crippled the movement by fiery Muslim orators to exploit *santri* discontent. Many of those who would otherwise have been indulging in fiery rhetoric against the government are currently in hiding to evade arrest. For the moment *santri* agitation through violence has taken a back seat. The government is nevertheless faced with the long-term problem of understanding the roots of *santri* grievances with a view to meting out acceptable solutions to the *santris* themselves. □

April Elections Likely

Although the 5-year mandate of the ruling Barisan Nasional (BN) coalition government does not expire till April 1987, a "snap" general election is possible in April this year. Since Prime Minister Dr MAHATHIR MOHAMAD won a landslide victory in April 1982, many significant changes with portentous consequences have occurred in Malaysia. Events like the M\$2.5 billion BMF loans scandal, the Memali incident, the MCA leadership crisis and the attempted power grab in Sabah amidst the background of economic recession have placed Mahathir in an increasingly difficult and sometimes embarrassing position. Critics ranging from the opposition and pressure groups to the retired prime ministers, Tunku ABDUL RAHMAN and Tun HUSSEIN ONN have blamed Mahathir for either mishandling or not doing enough to alleviate a potentially explosive situation marked by racial, religious and class polarization.

So far Mahathir has been patiently monitoring the situation and keeping quiet. There however appears to be a limit to Mahathir's patience and he is likely to take the offensive against his critics. Despite the unpopularity of his policies, Mahathir's critics tend to overlook the massive support he still commands among the people. Being the man who takes on controversial challenges, Mahathir may decide to call a "snap" election to prove the point that he is still popular. With major problems like the MCA leadership crisis resolved and his confidence that others would be similarly settled, Mahathir envisages that his position would have been sufficiently consolidated by April this year to seek a fresh mandate from the people. □

Legal Battle In Sabah

Since its electoral victory last April, the Kadazan-based *Parti Bersatu Sabah* (PBS) has been confronted by a new determined challenge from the combined opposition of the Muslim-based United Sabah National Organization (USNO) and the Muslim-led *Bersatu Rakyat Jelita Sabah* (BERJAYA). Having failed in the political arena, the opposition resorted to court action in a bid to topple the PBS government. USNO President and former Chief Minister (1967-76) TUN MUSTAPHA is challenging the legitimacy of JOSEPH PAIRIN KITINGAN's chief ministership. Mustapha's challenge is based on a constitutional technicality in that the Governor of Sabah, under a particular clause in the State's constitution had legally appointed him as Chief Minister of Sabah on 22 April although his party USNO, and BERJAYA had failed to obtain a simple majority in the Sabah Legislative Assembly. He therefore contends that his dismissal by the governor, following a rejection of his "power grab" by the then acting Prime Minister MUSA HITAM, was unlawful. Mustapha's legal advisers have rated his chances of winning as even.

Part of an overall strategy

In any case, Mustapha's legal challenge is part of an overall strategy to harrass the PBS in order to prevent it from discharging its role of government effectively and efficiently. USNO and BERJAYA calculate that the complexities and time-consuming measures in legal wrangles not to mention the hassles involved will leave the PBS government no time to discharge its pledges of development to the electorate that had voted it to power. Mustapha also envisages that the war of attrition will eventually wear down the PBS and induce some of its disgruntled state assemblymen to defect. Within the context of Sabah politics it is common for elected representatives to defect if they are offered ministerial positions, favors and monetary rewards.

USNO's bitterness

Mustapha's determined challenge through the courts underscores USNO's bitterness at having been "betrayed" by the PBS. Both USNO and the PBS had made a secret electoral pact to form a coalition government should both fail to obtain a majority of seats in the state assembly after they had toppled BERJAYA. Tun Mustapha had allegedly provided funds for the PBS' campaign as part of this deal. That the PBS chose to rule alone on the grounds of its absolute majority victory in April did not understandably endear to an USNO that was anxious to regain political power at all costs.

PBS gaining sympathy and support

The seemingly endless pressure mounted by USNO and BERJAYA has predictably led to growing public sympathy and support for the PBS. This is not only confined to Sabah but comes from Peninsular Malaysia as well. Many people feel that USNO and BERJAYA should respect the wishes of the electorate through the democratic process and allow the PBS its prerogative to rule in peace. This sympathy has led to a PBS victory against BERJAYA in a forced Parliamentary by-election in Ulu Padas last November when former BERJAYA President HARRIS SALLEH vacated his seat to retire from politics. Manifestations of growing sympathy and support for the PBS are the defections of USNO/BERJAYA MP's and party members to the PBS. The latest to defect are the ONGKILI brothers from BERJAYA and PBS sources state that it is a matter of time before BERJAYA advisor and Justice Minister Dr. JAMES ONGKILI joins the PBS.

Decision expected in February

With the month-long legal wrangle drawing to a close in February, many do not expect the matter to rest at the judge's decision. Irrespective of whichever party wins the lawsuit, the other is likely to appeal to the highest legal authorities. Many people feel that the Prime Minister Dr. MAHATHIR MOHAMAD should restrain USNO/BERJAYA so as to restore the confidence of the Sabah people in the Federal Government. But at the moment Mahathir seems hesitant, giving the excuse that he is busy with other matters. Observers read his remark as his continuing commitment to deposed BERJAYA President Harris Salleh: in the electoral campaign last April, Mahathir had pledged that he would "sink or swim" with BERJAYA. Thus unless and until the Prime Minister decides, political stability aggravated by endless legal wrangles, will be an elusive goal in Sabah politics. □

New MCA Cabinet Representation

The "re-shuffle" in Dr. MAHATHIR MOHAMAD's cabinet to admit the Malaysian Chinese Association (MCA) leaders belonging to the TAN KOON SWAN faction following the settlement of the party's 20-month crisis saw some changes to the MCA's representation in cabinet. Three deputy ministers, Dr. LING LIONG SIK, CHAN SIANG SUN and LEE KIM SAI were promoted to full ministerships. A fourth incumbent Minister, MAK HON KAM retained his ministership, albeit in a different portfolio. There were also changes to the MCA's deputy ministerial line-up with the appointment of three new

Tan Koon Swan second-echelon leaders. Two deputy ministers, Dr. TAN TIONG HONG and OO GIN SUN however continue to remain in their positions but in different portfolios while a third, ROSEMARY CHONG, retained her deputy Culture, Youth and Sports Ministership. In relation to the MCA's sole parliamentary secretary portfolio, the incumbent YEOH POH SAN from former acting president NEO YEE PAN's faction was replaced by a Tan Koon Swan man. The MCA has expressed satisfaction at the new cabinet changes.

Tan Koon Swan himself declined a ministership citing his need to rebuild the party after its long traumatic crisis. He stated that his primary aim was to make the MCA cooperate with the other partners in the Barisan Nasional (BN) coalition, especially in view of the next general election. Going by his pledge to the Chinese that he would make politics his full-time career, Tan Koon Swan is expected to be given a Ministership after the next general election.

Need to accommodate Neo and Mak factions

To the 3 deputy ministers promoted to full ministerial rank, it was a reward for their loyalty, dedication and hard work to Tan Koon Swan. Under Neo's presidency, Ling Liong Sik, Chan Siang Sun and Lee Kim Sai had seen others with a shorter period of cabinet experience being made ministers while they continued to "stagnate" as deputy ministers. Nevertheless, Tan Koon Swan was determined to ensure that as far as possible the practice of patronage in politics should not compromise his intention of accommodating his rivals who had lost in the MCA November polls. Hence he had decided to allow Mak, Tan Tiong Hong and Rosemary Chong to retain their cabinet positions.

Taking the cue from Mahathir that "winners should not take all and that minority interests (losers) should still be represented", Tan Koon Swan was anxious to make peace with the supporters of Mak and Neo. This was to prevent them from either being neutral or casting their votes for the Gerakan or the opposition Democratic Action Party (DAP) in the next general election. Already defeated Neo stalwarts like Yeoh Poh San and PETER CHIN were reportedly contemplating contesting as MP's under the DAP banner.

From another perspective, Tan Koon Swan's decision to accommodate his former rivals could also have stemmed from his reported negotiations with them to seek a satisfactory settlement of the protracted MCA crisis at a time when it reached an impasse. In the reported "coup" by Mak to topple Neo, ostensibly with the alleged blessings of Mahathir and the alleged connivance of Tan himself, Mak would have been made the acting president of the party. Mak had probably hoped that he could consolidate his position as acting president with a view to improving his chances in his bid for the presidency in the November polls. Apparently to

prevent Mak and his faction from "opening up the old wounds" of the November electoral fray which would be detrimental to all involved, Tan Koon Swan has agreed to let Mak and Tan Tiong Hong keep their ministerial and deputy ministerial portfolios. But to calm down his own supporters who were hostile towards the Mak faction, lesser important portfolios such as Health (Mak) and Prime Minister's department (Tan Tiong Hong) were conceded. The decision to let Rosemary Chong retain her non-key deputy ministerial portfolio was an extension of Tan Koon Swan's "olive branch" to the defeated Neo faction in order to present a "united MCA front" to the other BN parties.

Caliber of MCA ministers

Now that the "new" MCA representation in Mahathir's cabinet has been sworn in, several questions are raised as to how it would achieve the party's objective, i.e. to effectively represent Chinese interests in the government. That the ministers, deputy ministers and parliamentary secretary are from the ranks of professionals, technocrats and leaders with strong grassroots support leaves no doubt as to their capability and expertise. Tan Koon Swan has maintained that an effective way of safeguarding Chinese interests is to influence decision-making at the highest levels. On that score, it is presumed that so long as the top moderate UMNO leadership can be persuaded to pay attention to Chinese sensitivities, no amount of proposals detrimental to Chinese interests from the lower radical UMNO opinion can become policy.

If this objective of influencing the top moderate UMNO leadership is to be successfully achieved by the MCA, its cabinet representatives must really enjoy the confidence of the top moderate UMNO leadership. Qualities like pragmatism and the ability to compromise when necessary, not to mention self-reliance which the new MCA representatives no doubt possess, are a plus point which Mahathir looks for. Already Ling Liong Sik has demonstrated such qualities when as Deputy Education Minister, he was able to forge close rapport with Education Minister ABDULLAH AHMAD BADAWI to persuade the latter to be aware of Chinese sensitivities and come up with an acceptable solution to Chinese educationists in implementing the integration for schools program.

However, whatever degree of success the new MCA cabinet representatives can demonstrate in respect of pragmatism and self-reliance can be offset by the lingering factional rivalry. The Neo and Mak factions will always harbor resentment against Tan's faction and this resentment would be understandably reciprocated. And at a time when their cooperation is needed "to strengthen the Chinese voice in cabinet", the Neo and Mak factions might just withhold it. Thus factional rivalry will always be a major weakness in the MCA to present a united front. □

Marcos May Re-impose Martial Law

President MARCOS has warned of impending trouble in the Philippines should he lose the snap presidential polls on 7 February. His warning comes in the wake of increasing popular support for his challenger, Mrs CORAZON AQUINO as the campaign intensifies and his fear that he would be put on trial for alleged responsibility in Senator BENIGNO AQUINO's assassination in 1983. Already Mrs Aquino is reportedly heading for a landslide victory and she has pledged that if elected president, she would bring Marcos and all those acquitted by the special *Sandiganbayan* to justice. In sounding his warning, Marcos has painted a picture of violence and political unrest over the next 10 years and the possibility of the communists seizing power in the country. He has charged Mrs Aquino with collaborating with the Communist Party of the Philippines (CPP).

Many read his warning as a veiled threat to re-impose martial law in the country should he face defeat in the elections. Going by the intense campaign polemics between the supporters of Marcos and Mrs Aquino, a crisis seems imminent irrespective of the outcome of the elections. The crisis can occur in two possible ways.

Firstly, polling in certain critical areas where tension runs high can lead to a clash between the radical supporters of both Marcos and Mrs Aquino. Should acts of exuberance on the part of supporters intensify when they respond to either victory or defeat, violence is likely to erupt, followed by acts of terrorism. Then the Elections Commission would be forced to either declare the results null and void or suspend such results altogether.

Secondly, violence could occur if the election results are tampered with. Marcos is then likely to direct the military to take over on some flimsy pretext such as the Election Commission's incompetence or partiality.

The above scenarios would justify Marcos' decision to re-impose martial law in order to quell the anticipated civil disorder. Already Marcos appears to be making preparations in anticipation of trouble. He sees the armed forces, strongly represented by the Ilocanos, his political support base, as his trump card. General FABIAN VER whom he has reinstated as armed forces chief, is currently reorganizing the top military command. Although the counter-insurgency program is cited as the obvious reason, Gen Ver is in fact taking the opportunity to "Ilocanize" the top military command by weeding out "reform-minded" officers opposed to Marcos and replacing them with officers loyal to the president.

Public response

Would those who are against Marcos rise up in arms if

Mrs Aquino were to be cheated of an anticipated well deserved victory by circumstances orchestrated by Marcos to create a crisis and its justification for martial law? There is likely to be mass demonstrations and violence, but this would not be sustained for long. Those who support Mrs Aquino's campaign for change would eventually have to mount a passive resistance. The private sector may refuse to join in Marcos' economic recovery program. The majority of Filipinos would condemn Marcos openly and await international pressure to discipline him. A rightwing guerilla force may come into being.

But for the moment, the whole nation is keeping its fingers crossed and hoping that any change in political leadership on 7 February will be achieved peacefully. □

Another Coup?

In early January, KUKRIT PRAMOJ founder of the Social Action Party (SAP), resigned after heading the party for 11 years. The 74-year old Kukrit, had attributed his resignation to charges that the non-cooperation of his SAP ministers and MP's had been responsible for the party losing two parliamentary by-elections in Bangkok last December. Kukrit's resignation *per se* may be insignificant, but it certainly has reverberating implications. Veteran politician Kukrit, who was Prime Minister in 1974-75, had been primarily responsible for maintaining the delicate balance of conflicting interests between the political parties and the military since General PREM TINSULANONDA became Prime Minister in 1980. With Kukrit's departure from the political scene, this fragile balance of conflicting interests is in danger of being upset. To aggravate an increasingly unsettling political situation, another prominent SAP politician, Commerce Minister KOSOL KRIARIKSH, has also resigned, following the failure of his scheme to raise the price of rice which had led to the demonstration of thousands of farmers against the Thai government. The resignation of Kukrit and Kosol may also result in the remaining 14 SAP ministers resigning *en masse*, a move that could cripple the four-party coalition government.

Political instability

Political stability in Thailand rests precariously on a power base of 3 complementary arms, the political parties, the military and the monarchy. Their complex interaction has so far guaranteed the nation's political stability since absolute monarchy was abolished in 1932. While the political parties satisfy the norms of democracy, the military maintains law and order and the monarchy attaches legitimacy to the ruling government. Should one of the 3 arms lose its effectiveness, an unsettling situation predictably ensues.

What the current turmoil in the SAP portends is yet

another predicament in a land which has experienced 16 military coups since 1932. The SAP is the largest party in Thailand's fragile coalition of four parties holding 101 of 324 parliamentary seats and 15 of the 43 ministerial positions. As some of the 15 SAP ministers hold important portfolios such as commerce, agriculture and foreign affairs, etc., their *en masse* resignation would disrupt the business in certain key areas of government. Public disorder such as the previous demonstration by farmers against the government is likely to ensue. If this escalates (and the chances are that it will in the wake of the economic recession) the military might be compelled to intervene to restore law and order. The military intervention would presumably see the ouster of General Prem, but its ultimate success would have to depend on the quality of the military leadership, not to mention viable logistics support, and more significantly the monarch's sanction.

General Prem's position

However if General Prem can successfully ensure that the replacement of the 15 SAP ministers do not destabilize the political situation, he may yet prevent a military intervention. Short of some personal grudges against General Prem, the military would not have the legitimate grounds to stage a coup. Thai history is replete with examples (the latest being the unsuccessful coup last September) of failed coups whose excuses rested mainly on personal grudges against the ruling incumbents.

In his attempts to maintain political stability, General Prem forges close rapport with Marshal SIDDHI SAVET-SILA, Kukrit's successor who is much respected among the different factions in the SAP, and is thus in a position to mediate successfully in party differences. External pressure could also provide General Prem with the excuse to discipline errant politicians whose actions can lead to political instability. Recently President RONALD REAGAN has threatened the withdrawal of U.S. military support from Thailand should another military coup occur. At a time when the communist threat looms from Indochina, General Prem has warned that Thailand cannot afford a withdrawal of U.S. military aid. Notwithstanding the factor of external pressure, General Prem enjoys the confidence of King BHUMIPHOL. This may be regarded as his trump card in the event of any coup against him since the monarch is not likely to give his blessings to generals intending to depose General Prem.

An imminent coup

Thus Kukrit's resignation may lead to another military coup in Thailand, but its success seems unlikely. Unless General Prem makes a serious mistake, his ability to respond favorably to the interplay of complex factors governing the three arms of the Thai power base will always ensure that military coups against him always fail.

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Brunei's Development Plan Unveiled

In November last year, a two-day international conference on "Doing Business In Brunei Through Joint Ventures" was held at the Hassanal Bolkiah National Stadium. Foreign participants attending the conference went away disappointed after receiving little information about the country's next development plan. (ASEAN FORECAST sources understand that details of the plan would only be made public just before January 1986.)

On 23 December, however, the Minister of Development Pehin AWANG ABDUL RAHMAN MOHAMED TAIB unveiled the much awaited new 5-year development plan for the period 1986-1990 which will cost the government B\$3.7 billion. The main thrust of the new plan is to continue vigorously the government's diversification of its oil-based economy and to boost investment. The new plan emphasizes investment promotion which will be accelerated by a system of inter-agency cooperation. A development bank and the monetary authority will be among the agencies involved.

The creation of a monetary authority is essential to develop Brunei into one of the region's banking and financial centers as envisioned in the plan. At present, there are only nine banks providing full banking services in the country, the majority of which are branches of foreign banks. There are only two locally incorporated banks. The establishment of a monetary authority has for some time been constrained by the lack of an adequate pool of local financial experts.

Besides banking, the insurance sector will also receive much attention in the new plan with the setting up of national and local companies to control the outflow of domestic currency.

Priority areas

In the diversification program, the plan attaches great importance to agriculture. It will focus on efforts to reduce the import of foodstuffs and try to achieve self-sufficiency in a number of agricultural products for domestic consumption as well as for export. At present, the country is almost self-sufficient in vegetable production, chicken and eggs. It aims to produce locally 30 per cent of the country's total rice needs by 1990. It will also promote the cultivation of fruit crops and develop aquaculture. Moreover, it will look into ways of improving its forest management, logging and sawmilling and at the same time increase its forest reserves from about 230,000 hectares to 320,000 hectares. Another area which will receive much attention is the manufacturing sector. The plan has identified nine areas for development including food processing and manufacturing,

chemicals and dyes, plywood and wood paneling, glass, furniture, potteries and tiles, a cement factory and measures to export high value-added garments.

Emphasis will be placed on human resource development with the creation of a more comprehensive national training scheme in line with the government's policy on Bruneization. An important element of the training scheme includes the secondment of public officials in the private sector in order to foster a more harmonious relationship between the two sectors. At the same time, the plan states that the country will continue to need more foreign workers over the next five years. From a current figure of 86,000 comprising the total workforce of the country, it is projected that the figure will increase to about 110,000 by 1990. Foreign workers number about 33,300 at present and are estimated to rise to about 37,600 by 1990. By 1990, the sultanate's population is estimated to reach 256,000 from a figure of 222,000 in 1985.

Meanwhile, the country's oil and gas sector will continue to play its dominant role in the national economy, but this dominance will progressively decrease in future. Oil production will be maintained at its current level of 150,000 barrels per day until 1988.

Social services has biggest allocation

Of the B\$3.7 billion 5-year development budget, social services will continue to receive the biggest allocation, about 29 per cent share. This figure simply suggests the high priority the government places on providing continuous subsidies and personal tax exemptions to ensure the economic well-being of its citizens. In broad estimates, the budget allocations for the 5-year period are broken down into:

Brunei: Development Plan, 1986 – 1990

Social services	B\$ 1,068 million
Transport and communication	746 million
Public utilities	746 million
Industry and commerce	373 million
Public buildings	373 million
Security	373 million
TOTAL BUDGET	B\$3,679 million

Sultan HASSANAL BOLKIAH has however stressed that the plan is not restricted to a time horizon of five years but caters for development plans that will extend until the year 2005. This is in line with a 20-year Master Plan of the sultanate which will coordinate existing plans and policies and cover almost every aspect of Brunei life with emphasis on town planning, agriculture and forestry. Huszar Brammah and Associates, an urban and regional consultant from the United Kingdom, was commissioned early last year to lead a consortium of four other consultancy firms in mapping out this most comprehensive and forward-looking long term strategy for the sultanate. □

Suharto's Austerity Budget

On 7 January 1986, President SUHARTO presented to the Indonesian Parliament a smaller budget than the previous year's allocation. Compared to the 1985/86 allocation of Rp 23,046.0 billion, the 1986/87 allocation of Rp 21,421.6 billion was in fact 7 per cent smaller. There would be no plans for new projects this year and even for those projects whose tenders have been completed, efforts would be made to renegotiate them with a view to postponing their implementation.

The smaller budget allocation is based on the decline of oil prices in the world market from the current US\$27 per barrel to an anticipated US\$25 per barrel by the end of the budget year. As the Indonesian government drafts its budget using the price of oil as a yardstick, a budget allocation on the basis of US\$23 per barrel would have been more realistic. But the government appears not to want to pre-empt the oil market by officially quoting a price lower than US\$27 per barrel. Nevertheless the Minister of Mines and Energy and ex-President of OPEC, Prof SUBROTO has indicated that the government "is prepared" for an even lower oil price than stated in the draft budget, if the situation so requires.

Routine expenditure

Routine expenditure in the 1986 budget is not decreased compared to 1985. Any cut in the salaries and pensions of government officials and the provision for welfare services, not to mention debt servicing, will have adverse social implications. As Indonesia has a big external debt, debt servicing (repayment of principal sum plus interest on an installment basis) is an essential continual process despite the prudent policy pursued by the Indonesian government which seeks to avoid taking on too many commercial credits in preference for concessional soft loans.

According to the Governor of Bank Indonesia, Dr ARIFIN SIREGAR, Indonesia's outstanding government loans consist of 80 per cent concessional loans with soft terms and only 20 per cent commercial loans. But in spite of this the amount budgeted for the repayment of foreign loans at Rp 4,183.2 billion exceeds the inflow of foreign aid as reflected in the Development Revenue of Rp 3,589.1 billion. This means that in 1986/87 there will in effect be a net capital outflow of government funds which is to increase in the coming years. The main criterion to gauge the economy is not the net outflow of government funds, but rather the composition of the outstanding foreign loans. By the same token an increase in capital outflow is even a favorable sign, since this means that the country is taking fewer new loans. The major question in this context is of course the extent in which the loans have been utilized productively in the

past to finance the country's development.

Development expenditure

In contrast to routine expenditure which continues to increase slightly, the development expenditure will decline considerably by 22.1 per cent from Rp 10,647.0 billion in 1985/86 to Rp 8,296.0 billion in 1986/87. The bulk of the 45.2 per cent cut in the development allocation will come from the ministries and government agencies. The development allocation of the Department of Public Works is expected to go down by around 50 per cent.

A very important change introduced in the management of the development allocation will be the abolition of the so-called "SIAP" system in which unused development funds are carried forward each year. That policy was introduced when there was an abundance of funds from the oil sector. But over the years the SIAP system has led to much abuse, involving foreign aid funds which could not be disbursed because of administrative and other delays and the non-existence of rupiah counterpart funds, etc. The abuse was so glaring that during the last few years the IGGI donor countries and other agencies have resented the system. The issue has become even more urgent in relation to the conditions governing the use of the development funds. While billions of dollars were needed to help the poor nations in Africa etc., SIAP funds had been piling up by the billions of dollars. According to the latest estimate by the Minister of State Planning, Dr J B SUMARLIN, SIAP funds to-date stand at about Rp 2,500 billion.

As in 1985/86, out of the 18 sectors the biggest amount of development funds will be allocated to Education/Younger Generation/Culture/Belief in God. The four sectors which will receive over Rp 1,000 billion in development funds will be 1) Education/Younger Generation/Culture/Belief in God, 2) Agriculture/Irrigation, 3) Communication/Tourism and 4) Mining and Energy. But their development budget (and that of 14 other sectors) will be cut by an average of 22.1 per cent.

Pessimism

A pessimistic mood prevails in Indonesia on the grounds that the austerity budget for 1986 which will become effective on 1 April 1986 will aggravate the ailing economy which in 1985 registered a small growth rate of 3 per cent compared to 5.8 per cent in 1984 (based on 1983 constant prices). However there is confidence in business circles that the 1986 growth rate will be higher than its 1985 counterpart provided that the central bank pursues expansionary monetary policies to attract private sector investments. But as yet the central bank which controls US\$5.7 billion foreign exchange reserves (out of a total estimate of US\$10.7 billion) appears reluctant to do so to avert foreign exchange speculations. □

STATE BUDGET FOR 1985/86 AND DRAFT STATE BUDGET FOR 1986/87
(in billions of rupiahs)

REVENUE	1985/1986	1986/1987	Δ %	EXPENDITURE	1985/1986	1986/1987	Δ %
A. Domestic Revenue	18,677.9	17,832.5	- 4.5	A. Routine Expenditure	12,399.0	13,125.6	5.9
I. Crude Oil and Natural Gas Revenue	11,159.7	9,738.2	-12.7	I. Personnel Expenses	4,117.3	4,212.6	2.3
- Oil	9,479.6	8,145.5	-14.1	1. Rice allowances	482.5	482.5	—
- LNG	1,680.1	1,592.7	- 5.2	2. Salaries/pensioners	3,115.8	3,211.1	3.1
				3. Food allowances	313.3	313.3	—
				4. Other domestic personnel expenses	116.6	116.6	—
				5. Overseas personnel expenses	89.1	89.1	—
II. Non-Oil and Gas Revenue	7,518.2	8,094.3	7.7	II. Goods expenditure	1,529.9	1,366.5	-10.7
1. Income Tax	3,074.0	2,880.5	- 6.3	1. Domestic goods purchases	1,451.8	1,296.7	-10.7
2. Value Added Tax on Goods and Services and Sales Tax on Luxury Goods				2. Foreign goods purchases	78.1	69.8	-10.6
3. Import Duty	1,666.4	2,143.3	28.6	III. Autonomous Regions Subsidies	2,590.4	2,639.7	1.9
4. Excise	717.1	580.0	-19.1	1. Personnel expenses	2,349.0	2,374.3	1.1
5. Ipeda	963.3	1,054.8	9.5	2. Non-personnel expenses	241.4	265.4	9.9
6. Property Tax) PBB	167.4	284.0	47.2				
7. Export Tax)	25.6			IV. Interest/Debt Instalments	3,559.1	4,223.2	18.7
8. Other taxes	101.7	78.8	-22.5	1. Domestic debts	30.0	40.0	33.3
9. Non-tax revenue	70.8	119.0	68.1	2. Foreign debts	3,529.1	4,183.2	18.5
	731.9	953.9	30.3				
				V. Food Reserves Financing	—	417.4	—
B. Development Revenue	4,368.1	3,589.1	-17.8	VI. Other Routine Expenses	602.3	266.2	-55.8
I. Program Aid	70.9	81.4	14.8	1. Fuel oil subsidies	532.3	142.4	-73.3
				2. Others	70.0	123.8	76.9
II. Project aid	4,297.2	3,507.7	-18.4	B. Development Expenditure	10,647.0	8,296.0	-22.1
				I. Rupiah Financing	6,349.8	4,788.3	-24.6
				1. Ministries/agencies	3,249.1	1,782.0	-45.2
				2. Defence & Security	396.2	305.7	-22.7
				3. Ipeda/PBB	167.4	255.6	52.7
				4. Inpres projects	1,467.3	1,315.2	-10.4
				5. East Timor	8.8	7.2	-19.2
				6. Fertilizer	557.8	671.5	20.4
				7. PMP	255.6	207.4	-18.9
				8. Others	248.6	243.7	- 2.0
				II. Project aid	4,297.2	3,507.7	-18.4
Total	23,046.0	21,421.6	- 7.0	Total	23,046.0	21,421.6	- 7.0

Public Savings: State Budget for 1985/1986 = Rp 6,278.9 billion.
Draft State Budget for 1986/1987 = Rp 4,706.9 billion.

Priority For Regional Development

Despite the austerity in President SUHARTO's 1986/87 budget, (see preceding article), regional, village and city development will continue to receive generous allocations. This reflects the intention of the 1986/87 budget to give the highest priority to regional development. An indication of such intention is the fact that of the Inpres (Presidential Instruction) projects which are budgeted at Rp 1,315.2 billion, allocation for road building will increase from Rp 87.5 billion to Rp 130.0 billion, while most of the other expenditures will be kept more or less at the same level. Most of the roads to be constructed by Inpres funds will be those in the new transmigration areas and in the nucleus estates-cum-transmigration projects. The purpose is to help the marketing of the products by the transmigration projects and the nucleus estates. All these projects are located in the remote peripheral regions of the country.

Rp 417.4 billion has also been allocated to finance food reserves. After Indonesia has achieved self sufficiency in rice production in 1985, the government plans to build up stocks to meet any contingencies. At present, according to the chief of Bulog (Logistics Agency) BUSTANIL ARIFIN, the government rice stocks amount to some 3.5 million tons, of which 1.5 million tons are used for market operations (to regulate the market price of rice) and are distributed to government civil servants and members of the armed forces. The other 2 million tons are the "iron stock", of which 1 million tons are being financed from the budget and 1 million tons with credits from Bank Indonesia, on which interest has to be paid. The financing of all these and for the construction of warehouses is budgeted at Rp 417.4 billion for 1986/87.

Efforts to maintain self sufficiency in rice will be kept up, as reflected from the increase in fertilizer subsidies from Rp 557.8 billion to 671.5 billion. The efforts will not only be limited to increasing the production of rice, but also other food crops as well, like soya beans, corn and other "secondary crops". Fertilizer subsidies are the only item in the rupiah expenditures of the development budget which increased, amidst all other items that will be reduced. □

BMF Controversy Rages

Since the completion of the 1075 page Bumiputra Malaysia Finance (BMF) M\$2.5 billion scandal report, the Prime Minister, Dr MAHATHIR MOHAMAD, has faced increasing pressure to make it public. The

opposition parties, pressure groups like ALIRAN, and the Malaysian Trades Union Congress (MTUC), former Prime Ministers Tunku ABDUL RAHMAN and Tun HUSSEIN ONN and the powerful UMNO Youth want the Barisan Nasional (BN) government to be accountable for the actions of a public body such as the BMF. In view of the prevailing economic recession with its adverse consequences such as falling productivity and high unemployment, not to mention the enormous sums of public funds involved, the move to make the government accountable seems all the more imperative. The critics believe in the government's amenability to public pressure following its decision to release a white paper on the November Memali tragedy after a police-made video of it had been televised to the nation in early January.

Various measures proposed

Aware of the dire consequences faced by the government, mainly libel suits, the critics suggested in several ways as to how it can circumvent the consequences when making the report public. Tunku Abdul Rahman and the opposition parties have proposed a "white paper" to be tabled in parliament as in the case of the 1979 Bank Rakyat M\$150 million scandal white paper. This measure would invariably immunize the government from libel suits. While opposition leader LIM KIT SIANG offered to make the report public and indicated his willingness to bear the adverse consequences, UMNO Youth leader ANWAR IBRAHIM suggested that libelous sections of the report could be edited out. Finally Auditor-General AHMAD NOORDIN who headed a three-man committee to prepare the report dwelt on the technicalities of avoiding the prospect of facing libel suits, presumably after a long consultation with a Queen's Counsel.

Mahathir's response

Not surprisingly, Mahathir has rejected the various proposals by his critics. Indicating that the government had studied the report in great depth and had carefully considered its wide implications and repercussions, Mahathir stated that the report would only be made public "at the appropriate time." Mahathir was quick to stress that the government was not running away from its function of accountability. Obviously ignoring the other critics, Mahathir sent a curt memorandum to Ahmad Noordin, reprimanding him for having gone beyond his terms of reference in wanting to make the report public. Though Mahathir appreciates Ahmad Noordin's previous tireless efforts to rid inefficiency in the public service, the Prime Minister nevertheless feels that the Auditor-General's over-emphasis on the accountability factor would aggravate matters in an already complex situation.

The BMF controversy continues as more significant developments await to be unfolded. □

Positive Measures To Overcome Recession

Singapore had never been so badly hit by the economic recession as in 1985. Its open economy and lack of natural resources with a small infrastructural base had made the republic extremely vulnerable to adverse international economic pressures. The grim statistics of 1985 revealed a minus 1.7 per cent economic growth rate and a 2 per cent decline in the external demand for Singapore's products compared to a rise of 1 – 2 per cent for that of the other newly industrializing countries (NIC's) such as Hong Kong, Taiwan and South Korea. Notwithstanding the above, the Pan-Electric corporate debacle and its consequence of a temporary suspension of the Stock Exchange's activities last December had jolted the confidence of investors, both foreign and local. Against this background it was not surprising that Prime Minister LEE KUAN YEW predicted a gloomy outlook for 1986 with a zero growth rate in his New Year message to the nation.

Identifying the root causes

Even before the full adverse effects of the recession were felt, the government had directed the Economic Committee chaired by Minister of State for Trade & Industry, Brigadier-General LEE HSIEN LOONG to study the impact of the economic recession on Singapore as part of the wide ranging measures to chart an economic course for the country for the rest of the 1980s. To date, the sub-committee on local businesses, one of the eight sub-committees helping the Economic Committee, has come up with some wide ranging findings.

The findings dealt with five major sectors of the economy, namely the retail industry, trading, construction and property, transport and manufacturing. In all the sectors, the reports identified major weaknesses which had in part contributed to the gloomy economic outlook. These included the lack of incentives for the retail industry despite its major contribution to gross national income in recent years. The preference of many developing countries to deal directly with their suppliers coupled with excessive bureaucracy and government red tape had diminished Singapore's status as an entrepot center. Next the Urban Development Authority's (URA's) poor planning and understanding of supply and demand conditions had contributed to the over-supply of office space and hotel rooms forcing some construction and property firms to wind up. Finally freight forwarding and shipping companies were having trouble keeping afloat in the current business downturn while high production costs, under-used machines and cash flow problems plagued manufacturers of textiles, garments and machine tools.

Sub-committee's conclusions and recommendations

The sub-committee did not mince words when it held the government partly responsible for the economic woes of the five sectors mentioned above. Citing a 1977 memorandum of the Singapore Chinese Chamber of Commerce and Industry which was annexed to its main report, the sub-committee claimed that unfair competition from the government through its agencies had relegated local businesses into an unfavorable position. The cases of the then Housing and Urban Development Company (HUDC) and the government-operated supermarkets of the National Trades Union Congress (NTUC) were cited as examples of how preferential treatment and economies of scale were used to invade areas that were hitherto the domain of the private sector and profit from them.

In making its recommendations to the government, the sub-committee proposed measures which it held would alleviate the plight of local businesses and restore their confidence. Several proposals were put forward. Firstly, there should be closer rapport between the government and private sector since frequent policy changes without proper consultation were bound to create resentment among investors. Secondly, all existing laws and regulations, including a Companies Act ruling which barred a person from acting as a company director after two bankruptcies within five years of each other. Finally the private sector should where possible, be given a chance to invest and manage companies owned by the government. In sum the sub-committee had advocated a trimming of costs, lowering of taxes and provision of incentives to local businesses to restore confidence among investors.

Government's response

To date the government has indicated its positive response to the recommendations of the sub-committee. Last December, Trade and Industry Minister, Dr TONY TAN announced the government's decision to reduce CPF rates in a move to cut labor costs so as to inject more spending power into a depressed economy and encourage investments. This move surprised many people as they had not expected the government to compromise one of its core principles of extensive savings through high CPF contributions to encourage a home-owning population that would guarantee the republic's social stability. However Singapore's healthy reserves of S\$25 billion, the third largest in the Asia-Pacific region after Japan and China provides the leeway for CPF cuts.

Thus when the Economic Committee publishes its report in February or March, one can expect many of the recommendations by the sub-committee on local businesses to be incorporated as measures to revamp the ailing economy. □

The Indonesian Armed Forces (ABRI) is in the process of a leadership transition from the 1945 generation of President SUHARTO to the post-1945 generation. By the 1990s and beyond it is envisaged that the latter generation of ABRI leaders would have assumed the custodian role of the nation. In the transition process the role of the intermediary leaders – those who had served their apprenticeship under the 1945 generation leaders in one capacity while grooming the post-1945 generation leaders in another – assumes significance. It is the intermediary leaders who would impart the core values, perceptions and attitude of the 1945 generation leaders to their post-1945 generation counterparts. Aside from General BENNY MURDANI AND Lieutenant-General TRY SUTRISNO, a promising intermediary leader selected by Suharto for the task of “bridge-building” is General RUDINI POESPOHANDOJO.

Born in Malang, Java on 5 December 1929, General Rudini is a Muslim. After his SMA (equivalent to High School), the young Rudini opted for a military career at the Jogjakarta Military Academy. He proved himself capable and was selected for further training at the Breda Military Academy in Netherlands in 1951. Four years later, Rudini returned to Indonesia and began his first military commission as a Second-Lieutenant.

Since the mid-1950s Rudini has been exposed to several different tasks demanding heavy responsibilities in various parts of Indonesia. In the process he had risen from an obscure platoon Commander in a battalion in Brawijaya, Malang in 1955 to Commander of the Indonesian contingent to the United Nations Peacekeeping Forces in 1973. There were subsequent promotions to the commands of the Strategic Reserve Unit (KOSTRAD) and Army Chief of Staff (KSAD) in the 1980s. Finally he became a General.

In the “bridge-building” process, both the 1945 and post-1945 generation leaders can find common ground with Rudini and the other intermediary leaders. Rudini’s position was such that while ascending the military hierarchy in the “shadows” of the 1945 generation, he had cast his own shadow in the path of the post-1945 generation leaders. In his interaction with the 1945 generation leaders, Rudini demonstrated the qualities of loyalty, diligence and determination, and proved the faithful disciple. His role to the post-1945 generation leaders was to groom them on the different set of values and attitudes from that of the 1945 generation leaders. Thus having understood the needs, aspirations and temperament of both the 1945 and post-1945 generation leaders, Rudini is able to impart the rationale of the PANCASILA ideology, the 1945 constitution, the seven pledges and soldier’s oath. This is to ensure that the 1945 generation leaders’ principal objectives of political stability and economic development can be maintained and strengthened by the post-1945 generation leaders.

At a time when Islamic fundamentalism is posing a severe challenge to the secularization of the state, the role of Rudini and his contemporaries as “bridge builders” is imperative. Many of the post-1945 generation leaders are facing competing demands to practise their religion in a nation that is statistically 90 per cent Islam and adhering to a wide-encompassing national ideology, PANCASILA, which takes into account the role of all religions, including Islam, in a secular state. The task of Rudini and the other intermediary leaders is to reconcile the two roles in order to achieve stability in the nation.

In terms of the top ABRI leadership liaising with the people to demonstrate ABRI’s “oneness with the people concept”, the need for some symbolic identification is necessary. In other words if the Muslims could see an ABRI leader performing Islamic rituals in public, it would go a long way to reassure them that ABRI is one with the people. This would also presumably enhance ABRI’s positive tangible measures to the Muslims such as aid to the mosques and welfare to the people. In the wake of the Tanjung Priok riots in September 1984 such a gesture on ABRI’s part is compelling, the more so to dispel charges that troops had indiscriminately shot the rioters. As a Muslim, and one who had forged extensive rapport with the people, Rudini seems suitable for this role.

The only impediment to Rudini’s further rise is his age. Many feel that at 56 years, he has not many years to go before he finally retires. But as a bridge-builder, Rudini seems to have performed his role well to ensure that the transition process from the 1945 generation leadership to the post-1945 leadership would be smooth when completed. □



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