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PREFACE

This year proved to be a particularly challenging one for Asia. Issues of global, regional and domestic concerns drove home invaluable but hard lessons about regional co-operation and solidarity. Two key events which happened in the first quarter of 2003 are the Iraqi war and the outbreak of Severe Acute Respiratory Syndrome (SARS).

The far-reaching impact of the US-led war in Iraq resonated in Asia, threatening to disrupt the harmony of Asians living in close proximity to large populations of Muslims. In many Asian societies, there is a constant fear of creating a rift between Muslim extremists and moderates as some view the Iraqi war as an action against Islam. Asia has to deal with this issue sensitively to avoid marginalising either side of its large Muslim population. This is especially crucial as there are Muslim militants and extremists involved in terrorist networks like Al-Qaeda and Jemaah Islamiah that are active in the region.

The outbreak of SARS caused a more direct impact on Asia, especially in East and Southeast Asia. The flu-like bug originated in Guangzhou but wreaked havoc all over Asia, spreading through airline routes, healthcare clusters and the community at large. SARS infected over 8,000 people worldwide, leaving about 800 dead in its wake, and dealt a heavy blow to the already sluggish Asian economy. SARS also placed Asian governments under intense scrutiny with regard to their ability to deal with healthcare crises. Certain nations gained accolades for their swift and effective action, while others faced heavy criticism for their lack of transparency and delayed response.

This issue of Panorama examines these events in closer detail, and sheds some light on the lessons learnt. Noel Morada gives us a panoramic view of the impact of the Iraqi war on the fight against terrorism in Southeast Asia. He highlighted the different responses from major ASEAN states, and examined the politic, social and economic factors that contributed to their unique stance.

Eric Teo notes that SARS is not just a healthcare scourge but also serves as the latest wave of transformation for Singapore. Apart from the process of globalisation and liberalisation and the Asian financial crisis, SARS has etched a new line of maturity on Singapore's political face. He looks at the impact of SARS in East Asia and Singapore, and how SARS has transformed Singapore in areas of economics, politics and society.

These are trying times not only for the region but for the world at large. Such events further emphasise the need for regional and global co-operation against a common threat.

On the issue of international co-operation, we will look at two papers that focus on economic aid.

Yeo Lay Hwee discusses the pervasive problem of corruption in the administration of development aid. She looks into some measures that can be adopted by donor countries to ensure that the aid dispensed does not end up lining the pockets of the corrupt, and how the developing countries should fight corruption within their own society.

Kwon Wul's article on Korea's foreign aid policy recommends that Korea enlarges its aid contribution befitting of its status as a leading newly-industrialised country.

He suggests that the current aid policy undergo reformation by increasing the scale of co-operation and the systemisation of aid policy.

A big step forward for co-operation in the economic front is the historical signing of a Free Trade Agreement between Singapore and the US, the first of its kind between an ASEAN member and the US. The salient points of this FTA are summarised in the "Documents" section of our current issue.

Only in times of trouble can true mettle be proven. As the SARS outbreak in Asia has clearly shown, no crisis can be contained within the political boundaries of the nation. International co-operation and dialogues, as well as mutual understanding provide the best solutions, and the Konrad-Adenauer-Stiftung continues to uphold these beliefs through continuing its work in Asia.



Dr Colin Dürkop
Singapore, August 2003



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How SARS Has Changed Singapore in a Third Wave of Transformation

Eric Teo Chu Cheow

Singapore and East Asia have been in the throes of an important process consisting of three major waves of monumental transformation since the late 1980s. Each wave of change and transformation moulded East Asia and Singapore substantially, but in incremental steps. Like the rest of the world, East Asia was first profoundly affected by the trends of globalisation and liberalisation, which "opened up" East Asia and Singapore by liberalising their economies at the behest of the United States and Western powers.

The First Wave of Transformation: Liberalisation and Globalisation

Although the twin trends of neo-liberalism and liberalisation took the world by storm with the collapse of the Soviet Empire in the early 1990s, the Reaganite and Thatcherite revolutions also brought sweeping changes to the mentality of the post-World War order. When the Soviet Empire ultimately collapsed under the weight of inefficient communism and China became progressively engaged in a successful "*socialism à la chinoise*" experiment, liberalism's final triumph was hailed and communism's demise ultimately sealed. An award-winning television series,

"Commanding Heights", based on a book of the same name by Daniel Yergin, emphasised that the most important phenomenon and transition in post-War modern times was undoubtedly the free market revolution that changed the world.

Neo-liberalism and liberalisation then engaged the world in a frantic race towards the globalisation of four key elements, viz the massive and rapid circulation of goods and services, capital, ideas and human resources. The information technology (IT) revolution was instrumental in effectively "partnering" the liberalisation trend in enhancing globalisation. In fact, the massive and rapid circulation of these four elements of globalisation had been a world phenomenon itself; never had there been such a rapid exchange on such a large scale before in the history of humanity! The rapid international exchange of goods and services was realised with the development of worldwide transport, logistics and IT, as well as the deregulation of commercial exchanges, thanks to the previous General Agreement on Tariffs and Trade (GATT), and the present World Trade Organisation (WTO) arrangements. On the other hand, the rapid transfer of capital (in terms of both investments and speculative short-term capital flows) had its roots in the rapid development of financial liberalism, and

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thanks to IT, there is now no need for the physical movement of capital across the globe. The interdependence of stock and capital markets made capital flows more rapid, fluid and uncontrollable. In this context, Singapore was actively engaged in this first wave of liberalisation and globalisation of goods, services and capital, but was also much better prepared for this "opening up" than most of its neighbours, which suffered enormously during the Asian Crisis.

In parallel, the circulation of ideas and information was also mooted. We are all plugged into the world information web now; no information can be deliberately hidden or denied for long, as media giants, although still dominated by the West, feed information by the seconds across the globe. Singapore and its society have been "forced" to open up to the world progressively. Worldwide, it can be discerned that the rapid flow of information has helped ensure better governmental and corporate accountability and transparency, which in turn has promoted an acceleration in the flow of goods, services and capital. The Singapore economy is no exception in this global information phenomenon. However, only the flow of human resources has yet to be truly globalised. The more developed and richer countries are still resisting any free flow of human capital across the globe for obvious reasons, and Singapore is no exception within Southeast Asia. Though talents and professionals are now criss-crossing the world without too many problems in search of better value and profit creation (and Singapore has indeed benefited from this trend in its ardent search for "foreign talents"), lower levels of labour and mass migration of

population in search of a better life are still strictly monitored and controlled. Singapore's tight and effective control of foreign labour is an example of limited labour flows in its immediate region, but it has prided itself in not having created unwarranted social and labour problems in the country, unlike in Europe.

The Second Wave of Change and Transformation: The Asian Crisis

The Asian Crisis of 1997-98 was the second wave of change and transformation in East Asia. It has in fact left many important political, economic, financial and social consequences on most of the ASEAN (Association of Southeast Asian Nations) countries and South Korea. Singapore was comparatively less affected because its economic and financial liberalisation were better planned and regulated than its neighbours. Unlike the plunging currencies around it, the Singapore dollar, which has always been fixed to a trade-weighted basket of currencies, adjusted downwards automatically in sync with those of its neighbours and the Republic was thus spared of any economic or social panic experienced by its neighbours then. The Crisis however provided force and impetus to the whole region's transition process and changed the basic foundations of East Asian societies much more than the effects of liberalisation and globalisation; these changes and transformation were certainly more profound and dramatic than the first wave.

During the Crisis, Indonesia, Thailand and Malaysia (within ASEAN) bore the

brunt of the "assault" and faced a "total crisis" of huge financial, economic, social and political proportions in 1997 and 1998. Beginning as a financial crisis, it soon became an economic one. The Crisis then engendered a social crisis, which then automatically spilled over into the political realm as well. The economic and social fabrics of their societies were savagely torn apart during the Crisis, as plunging currencies, bad loans, shaky financial systems, corporate bankruptcies, rising unemployment and social instability engulfed them. The Crisis had also aggravated ethnic and religious tensions, as well as the uneven distribution of wealth within countries and between ethnic-cum-religious communities like Indonesia or the Philippines, but to a lesser extent, Malaysia or Thailand. Indonesia and Thailand were also "forced" into new political upheavals and reforms, just like crucial political and social reforms are now still affecting the Philippines and Malaysia. Like its ASEAN neighbours, Singapore had to contend with profound economic and social reforms and a serious rethink of its own future, as a result, directly or indirectly, of the Asian Crisis.

When the Asian Crisis developed from a financial crisis to a full-blown economic one in all the affected countries, Singapore was still a stable and safe haven in the storm. With the withdrawal and flight of capital in the affected countries, the economy and industries - not only the big conglomerates, but especially the SMEs (Small and Medium Enterprises) - ground to a halt. Interest rates doubled or tripled over a matter of weeks while corporate and consumer confidence plunged dramatically. The Asian governments most affected then

appealed for monetary infusion of aid from the International Monetary Fund (IMF), related financial agencies and other governments. Thailand was pledged US\$17.5 billion, South Korea took US\$55 billion and Indonesia had US\$43 billion in bailouts. However, under supervision from the IMF, the affected governments had to impose austerity, reduce the government deficit and seek to increase efficiency in the economy, in both the real and financial sectors, while loosening liquidity with the arrival of bailout packages. These measures were accompanied by efforts to restore health to the financial sector, viz adjustments in fiscal, monetary and exchange rates policies, as well as structural reforms in the real sector, such as tariff reduction, domestic deregulation, end of subsidies and some fiscal policies. The forced closure of banks created a panic, with the sudden withdrawal of savings threatening healthy banks as well, which then forced the economy into a tailspin when industries and factories stopped functioning and austerity forced consumers to tighten their belts severely. Only Malaysia decided against any IMF aid and intervention, whereas the Philippines was then still under IMF infusion and assistance.

All this while, although Singapore was weathering the storm relatively well, it also suffered economically and financially when its neighbouring economies dived, thereby depriving Singapore of its key role as the logistics and servicing centre in ASEAN. More importantly, the Asian Crisis was to change Singapore's regional hub and economic role to an extent that sets the Republic thinking seriously about its own future regional vocation, while awaiting

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the third wave of change which later hit the Republic with the Severe Acute Respiratory Syndrome (SARS) epidemic and radically change this economic strategy.

Unemployment had then increased dramatically and the Asian Crisis soon became a social crisis too, as forces of reform were unleashed in many of the affected countries. Democracy and reforms had become key words in these countries by 1998. In fact, the nexus of the Asian political economy was shifting from the previous duopoly of big government-big business to a new triangular nexus of government-private sector-civil society. These conservative Asian societies were changing fast, as civil society began to emerge in Thailand, Philippines, Indonesia and South Korea, proof that the Asian Crisis had indeed given civil society a push in the right direction, as democracy and reforms took root in Asia. As unemployment and the lack of social safety nets threatened the social harmony in many affected countries, there was an obvious rise in people's power, after years of centralised decisions by powerful autocratic governments. Civil society, comprising lobby groups (including labour unions, student groups and human rights groups), NGOs (non-governmental organisations) and environmental lobbies then began taking their governments to task openly on an array of issues; there then appeared a real need to redefine the *contrat social* (social contract) *à la Jean-Jacques Rousseau* in these societies, between the governed and the governing. The old social order was crumbling and a new had to be founded!

Although the Singaporean society was not torn apart during the Crisis, the

Republic has witnessed a rise in people's aspirations and civil societal needs since 1999. The Singaporean society began to become more sophisticated and vocal, and was demanding a greater say in decision-making and taking, especially at the grass roots level. A new *contrat social* was mooted within the Singaporean society, especially in the run-up to and after the November 2001 general elections, when campaigning was more active, controversial and even exciting!

Finally, the Asian Crisis became a crisis in governance for many of the affected countries. Democracy was the new tool of governance and democratic aspirations were as strong as the ardent call for drastic economic and social reforms. Decentralisation became *à la mode* across Asia, from Indonesia to Thailand, as grass roots democracy took form across East Asian countries. Governmental accountability became the new code word for governance, as governments are now checked not only by a mushrooming of political parties and bolder politicians (and emerging opposition forces, which have since developed substantially), but also by the rising civil society and people's groups.

New power centres sprang up, as Asian democracies became more complex political entities with multiple political power centres. The Asian Crisis had therefore contributed to a reform of the political foundations of affected Asian countries. For example, political volatility had become the name of the new game in Jakarta after the fall of Suharto, whereas political power became democratically "normalised" in Seoul and Bangkok. Malaysia also went through a political whirlwind during the controversial Anwar

Ibrahim saga in 1998, which then resulted in a resurgence of the opposition Islamic PAS (Parti Islam SeMalaysia) in the 1999 general elections, thanks to the Asian Crisis.

In all these countries, the Asian Crisis had indeed provoked a crisis of government in some form, as incumbents were swept away from power. Nevertheless, as democracy was only being progressively installed, many of the affected countries did not manage to secure political and economic stability. For many, there were also crucial political and social institutions to build or re-build; these changes and transitions should however be generally considered irreversible today! However, even in countries, which had not been adversely affected by the Crisis such as Singapore, a new wind of political openness was also beginning to sweep through them. The "great affective divide", a famous phrase by Singaporean writer Catherine Lim in 1994 re-emerged to describe the growing gap between the government and the people, as the younger generation of Singaporeans expected a new political thinking and social reforms, which eventually ended up as the agenda and work of the current "Remaking Singapore" Committee.

Through the Asian Crisis, Singapore's economy, society and politics experienced significant changes, although the Republic was not severely or directly battered by the Crisis, unlike its immediate neighbours. Through the Asian Crisis, Singapore's economic vulnerabilities surfaced, civil society developed (albeit timidly) and Singapore politics "opened up" somewhat. These transformation processes were then poised to develop further in Singapore with the third wave, accelerated by the

SARS epidemic that took place between March and May 2003.

The Third Wave of Transformation: SARS

Five years after the tragic Asian Crisis, Singapore witnessed yet another huge transformation, thanks to the SARS epidemic. This transformation was very acute in Singapore due to the severity of the SARS situation in the Republic, which ultimately registered 32 deaths, hundreds hospitalised (but with many recoveries as well) and thousands on home quarantine at one stage. SARS had dealt a huge blow to the Singaporean economy, and left undeniable marks on its society and politics. In a way, SARS consolidated or aggravated the monumental transformations, which had begun in the first two waves of changes in East Asia (which had affected Singapore in varied and different ways); on hindsight now, SARS could be considered to have left even more profound sociological and political effects on Singapore than the first two waves.

SARS has in fact been pioneering this "third-wave revolution" in Singapore in the four critical areas of politics, economics, society and regional mindset.

1. Political Changes

Politically, SARS has transformed Singapore in three aspects, viz "opening up" the political space through greater governmental transparency and accountability; effective communication of the authorities or a new "communicative governance"; but reaffirming the place and

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role of the State and effective statecraft and governance of an emerging new leadership in the Republic.

Government transparency and accountability have indeed been highlighted by the SARS crisis. The Singapore government has been the unflagging advocate of this transparency and accountability in handling the SARS epidemic over three months. Being on top of the situation and in full control, the Singapore government systematically broadcasted the number of infected cases and deaths, and enforced the quarantine of thousands of suspected cases in order to "prevent, detect and isolate the virus".

It strongly advocated a thorough transparency in managing the epidemic, so as to rally the people fully behind the government in combating the scourge. The government also made the point to "come out clean" on the state of the infection in the Republic so as to gain the confidence of the international investor community, and that it was not hiding the undesirable truth in any way. The government was fully transparent, accountable and in total control of the SARS situation in order to prevent any erosion of confidence or mass panic, both internally within the Singaporean society and externally for investors and the outside world. This action contrasted sharply with the initial Chinese position, until the new government of Prime Minister Wen Jiabao took effective control. The media was thoroughly briefed in Singapore, as well as the medical profession and social workers concerned with the fight against the disease. Although the Government opened up to public scrutiny in its handling of the SARS epidemic, it also took decisive action and

measures, when necessary. The harsh punishment meted out to the "socially irresponsible" who defied the authorities' house quarantine orders and "spitters in public" were ample proof. In fact, Singapore's success in containing SARS can be clearly attributed to the decisive but transparent action taken by the authorities, right from the start of the outbreak. It can be envisaged that governmental accountability has now been effectively enshrined as a Singaporean political ethos and government transparency would now be confirmed as the new political philosophy of the Republic's statecraft.

In parallel, it also appears that governmental public relations (PR) or communication had substantially improved, with the SARS outbreak in Singapore. SARS was considered a national threat and the people's understanding and support were of utmost necessity in combating it together, not via strict government decisions and regulations only, or decided in Cabinet rooms or parliaments alone. A new style of official communication was needed to effectively reach out to the people. For example, Singapore ministers used frankness, light-heartedness, candour and humour in order to reach out and galvanise collective and national action in order to get the government's message through. Even dialects were used when it was later found out that the older generation could only be "reached" via dialects, in order to make them understand the importance of taking stringent measures and thus take part actively in fighting the disease effectively.

This new style in "communicative governance" was kicked in with a new

breed of younger ministers and bureaucrats, who have undoubtedly introduced a more relaxed style of management. But these ministers and bureaucrats have changed their style because Singaporeans themselves have changed; the emerging generation of younger and better educated Singaporeans now want more say in national and community issues. Younger Singaporeans have also demanded more government transparency and accountability, as public accountability takes on a new political dimension worldwide. Thanks to the SARS epidemic, not only did Singaporean politics "open up" the government, but its method of communication with the younger generation of Singaporeans "opened up" as well. At least the leadership now knows what is and could be more effective a method in dealing with this new emerging 3-G generation!

Regular up-front dialogue session, prompt briefings of the latest situation that serves to inform or explain policies better to the public and frank discussions with the media had become the hallmarks of Singapore's "communicative governance" on SARS. The use of "sarsi" drinks at a press conference and dialects at talk shows on television in order to reach out to older dialect-speaking Singaporeans have shown to be effective. Environment Minister Lim Swee Say's interpretation of "KS", as not only "kia-su" and "kia-si", but also "kia-SARS", was hilarious but significant as a new government punch line. Senior Minister of State Khaw Boon Wan's candid admission of "a tactical error" in the Institute of Mental Health cluster was singularly noticed and well appreciated, as it showed the humane and human side of the government in combating SARS;

even Ministers could make tactical errors of judgement and decisions! This whole exercise was fundamentally to get the people "fully on board" with the government and to fight SARS together as a national cause and crusade, and there are no doubts that the government had succeeded well on this count.

Even Senior Minister Lee Kuan Yew's attempt to reach out was commendable and appreciated. He held a press conference to reveal his initial fears for his wife's close brush with the SARS infection, when the Singapore General Hospital (SGH) cluster was discovered. Mrs Lee had in fact visited SGH a few days before this discovery for a routine check-up at a department just next to the infected ward. The more sophisticated PR and effective communication tools used by the authorities clearly contrasted with the previous more heavy-handed and autocratic approach of "only government knows best".

But to the sceptical, even if the nature of governance in Singapore had not fundamentally changed, they would nevertheless admit that the style of governance might have become more savvy and sophisticated. There is clearly a new style of "communicative governance" emerging in Singapore today.

This new style of communicative governance, acquired by the government in dealing with SARS, would be particularly useful in the current "remaking Singapore" exercise, as the Republic looks to set new crucial orientations for its future. As younger Singaporeans want more say and a "lighter touch" of government, the consultative and "reaching out" approach, as shown by the government in handling the epidemic, would definitely be more

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effective in forging a national consensus on "remaking" Singapore. The government had indeed shown during the whole SARS crisis that it could effectively shift away from the traditional "only government knows best" philosophy of governance to a more consensual and communicative one. This is probably the most useful political lesson learnt by the government from the SARS epidemic.

If the SARS epidemic had effectively helped close ranks between the government and the people, the "great affective divide" would then have been significantly narrowed during the three months when SARS was battering the confidence of Singapore and Singaporeans. What is needed now is a new *contrat social* between the governed and those who govern in determining Singapore's role, future and survival. The new style of communicative governance is clearly the first step towards this *contrat social* and it gels perfectly with Singapore's thrust into creativity and entrepreneurship in order to survive as a young nation without any other natural resources than its citizens and their brains.

Lastly, it became also clear that SARS had politically helped underscore the primacy of the State in the management of the crisis, either through effective health measures in order to fight the virus or more importantly, to the people in handing out financial relief packages to the affected. After the winds of liberalism and the philosophy of "the less State the better" had swept through the planet, SARS has reminded us in East Asia that the State could and should still play a primary role in managing epidemics or national crises while the private sector should naturally play a supporting role. The State has

therefore been "resurrected" as a powerful political instrument to the benefit of the people, and it is possible that in East Asia and Singapore, the State's power would be further enhanced, as citizens look to a more efficient and powerful State (and not a "lesser" one, as previously advocated by Western liberals) to look after their well-being. The "winds of liberalism" would now have to contend with a "re-emerging" State, just as the art of effective statecraft and communications take on new importance and dimensions in managing the rising aspirations of Singaporeans.

2. Economic Transition

Second, SARS appeared to have put to the test the present East Asian economic strategy of what is commonly termed the "second pillar of Asian economic growth", viz in emphasising domestic demand and consumption. Long known as export markets and economies, East Asia realised during the Asian Crisis that it also had huge untapped potential by enhancing its own domestic demand, especially when the aspiring Asian consumer possesses rising income and discerning consumer tastes. An over-dependence on exports alone as the main contributor to growth could be risky and unsustainable, as the Asian Crisis had shown. East Asian countries, other than Japan, then developed a new strategy to enhance domestic demand and consumption so as to drive growth. China then followed suit by encouraging its rising middle class to consume. The result is therefore a rising consumer-driven middle class in Asia.

In reality, the SARS epidemic had tested the maturity of East Asian consumers and

their governments' economic strategy of balancing exports with domestic consumption. East Asian consumption, excluding Japan but including Singapore, had in fact increased incessantly since 1999 and even more spectacularly so in proportion to exports, thus fuelling spectacular growth throughout East Asia.

With SARS, the confidence to consume, invest, trade, service and interact was seriously threatened. Domestic demand, consumption and consequently, investments and employment plunged, especially in the services sector, affecting growth and even social stability, as was widely feared in China. SARS had thus hit hard at the vibrancy and dynamism of East Asian economies, and especially in testing domestic markets and confidence.

Undoubtedly, as the East Asian consumer finally recovers, the SARS epidemic could have even rendered them more discerning in their consumer tastes and patterns

In this field, Singapore has in fact too small a population to sustain domestic growth and consumption alone while downgrading the importance of exports and services as its fundamental economic strategy. However, Singapore had always considered its "domestic market" to be the whole Southeast Asian region because its economy has always served as the region's services centre in logistics, finance and retail. This regional and functional hub policy and vocation was put to the test during the Asian Crisis as well as by the more recent SARS epidemic, when its neighbours' economies either plunged (as in the case of Indonesia) or became real competitors (as in the case of Malaysia and Thailand). Singapore's regional and hub policies would probably have to be seriously

reconsidered now in the post-SARS period. Meanwhile, Singapore consumers have clearly become more sophisticated in taste and richer in purchasing power; Singapore's domestic consumption has also become more sophisticated and diversified, although limited in possibilities for further real expansion. The ultimate challenge to Singaporean consumers will come in the form of pay-cuts or even worse, retrenchments while the ultimate challenge to Singapore's economy will unfortunately come in the form of chronic budget and public deficits, if its regional economic strategy does not continue to bear fruits, as in the past.

But equally crucial, in macro-economic terms, a "combined" scenario of sapping confidence and morale within East Asia as a whole and in Singapore in particular, as well as a sagging confidence of foreign investors and tourists in this region could turn out to be the most serious long-term threat of SARS, especially if it takes on the proportions of a "crisis of confidence, fear and panic". This is even more pertinent today as the growth of East Asia, as well as Singapore, had been following two major trends in the past decade. Firstly, as stated earlier, since the Asian Crisis and the economic slowdown of 2001-2002 (with two boom years in 1999 and 2000 in between), East Asian economies have developed besides exports, a second pillar of growth in domestic demand and consumption. Secondly, East Asian countries have also diversified their economies from manufacturing alone to a greater proportion of services; the development of tourism as an industry and an increasing contributor to the Gross Domestic Product (GDP) is note-worthy.

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In this regard, increasing services in banking, retail, transport and logistics mirror the increasing maturity of East Asian economies, which should in turn sustain a healthier level of domestic demand and consumption, thus fuelling greater economic growth. But thanks to these two trends, East Asia and in particular Singapore, have become more matured economies and are subjected much more today to overall confidence and morale indicators and fluctuations. Confidence and morale are thus key to the Singaporean economy, as the SARS epidemic had clearly underscored.

With the region growing ever more dependent on China as its major growth engine and locomotive, the combined devastating effects of SARS for Asia could ultimately be greater than had been envisaged. At this stage, it still remains to be seen how much the Chinese economy would ultimately be affected and how much growth the eventual Chinese slowdown could shave off from all the other East Asian economies including Singapore's, as the latter's dependence on Chinese imports of goods and services had increased over the past few years. According to the World Bank, China's growth would drop from 8.2% in 2002 to 7.2% this year. But depending on how effectively and how long it takes before the Chinese government could bring the disease under full control while preventing another epidemic this coming winter, it is estimated that the GDP drop could even increase from 1 to 2 percentage points. The main problem would be China's manufacturing sector, which is expected to be substantially hit, thus shaving off some of its export earnings. Although

China, being a big economy, would probably only have small pockets of serious economic slowdown, like in Beijing or Guangzhou, a net erosion in spending and consumption by the rising and buoyant urban middle-class would ultimately affect total domestic demand and growth in China. Any dampening of China's domestic consumption would then in turn have serious repercussions on Asian countries, whose imports totalled US\$161 billion last year. Intra-regional trade and growth in East Asia could thus take a devastating hit from SARS, and Singapore's trade and economic positions, which have been increasingly "hedged" on China's spectacular growth, would suffer this year, thus clearly exposing Singapore's economic vulnerabilities.

The economic impact of SARS has thus been threefold on Singapore. It tested the maturity of Singaporean consumers and the government's economic strategy of encouraging domestic consumption and growth. It also emphasised the critical importance of confidence and morale, both internally and externally, for Singapore's increasing consumption-based strategy and "exports-balance-consumption" economy. Finally, it underscored the growing importance of China as East Asia's main engine and locomotive of growth, as amply exhibited by Singapore's dependent economic ties on China during the SARS epidemic.

3. Sociological & Social Transformations

Third, SARS has revolutionised the sociology of work and play. East Asians in general, including Singaporeans, have

always placed a primacy on hard work and diligence; the current epidemic has however understandably underscored the quality of life and changed work habits. Health and a less stressful lifestyle could have been the ultimate “silver lining” of SARS, as urban Singaporeans realise the fragility of their immune system in a work-loaded and stress-filled environment. Regular exercises, spas and massages, outdoor sports and leisure activities (instead of the once-preferred air-conditioned places) will become even more popular with Singaporeans. Eco-activities, like eco-tourism or eco-adventure packages, will also get a big boost, as urban Singaporeans now want to discover the great outdoors, away from urban hassle. Public hygiene has been emphasised, and health regulations on spitting and littering in public severely tightened. Singapore’s public health care system has proven sound during the epidemic, but it could be made more vigilant and reactive in future. Now that the epidemic has subsided, the health cost debate would probably start again. But contrary to previous attempts in privatising the health care system completely, the government may now seek a more balanced partnership with the private sector in managing and innovating the present system, without swinging towards either a full public sector-controlled health care system or a generous welfare system. Now that the SARS epidemic had “scared” Singaporeans into giving health a premium priority, health insurance schemes will definitely soar in Singapore, which already prides itself as a good but expensive regional health and medical treatment centre. Life sciences and research training will become an even higher priority

in Singapore’s education system, whereas traditional Asian health care, medicine and treatment could make a come-back in complementing Western medicine. Lifestyle in Singapore is thus changing fast, as healthy lifestyle, stress alleviation and regular exercises now take on new dimensions.

Furthermore, sociological changes are also rapidly taking place in the Singaporean work place. Supported by IT, many service industries now allow their employees to work from home or on a rotational basis in the office, thus making work weeks more flexible. The Singaporean worker will increasingly benefit from IT by working smarter and chalking up less hours of work in the office, while being more flexibly employed and maintaining productivity. In fact, it is believed that the IT industry would probably get a boost, as IT companies “plug in” more effectively to help the Singaporean society combat SARS by enabling work or play from a distance. Internet shopping and mobile 3G technology will probably get a further boost too, just as thermal scanners and thermometers seem to have become an integral part of every Singaporean’s life. The virtual world, with the advantage of limiting physical contacts, for fear of contracting and spreading SARS, has already become more popular in hospitals, business dealings and at the work place. For example, video-conferencing and even teleportation are now used, as virtual conferencing and meetings become more *à la mode* with businessmen, especially if the prices of such telecommunication facilities were to fall further. The real danger however is found in the progressive alienation of all physical contact in relationships.

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But unfortunately, because of the depressed global economic situation today, which has undoubtedly been aggravated by SARS in this region, Singaporeans will eventually have to contend with short-term contract or “temp” work, with no life-long employment and lower career visibility. Employment uncertainty will thus become a permanent trend in Singapore and urban East Asia, and become more acceptable to Singaporeans, just like in Europe and the US today. However, this trend of “flexible work and employment” can in a way reinforce a healthy lifestyle and a more congenial society, but only if unemployment does not alleviate the level of social stress and become a national scourge. Singaporean workers can then, thanks to SARS, probably work more flexibly, smarter and less stressfully.

Although SARS may be proving to be a “silver lining” for some urban East Asians, the epidemic is also creating serious social cleavages and tensions, which could destabilise Asian societies. SARS has divided urban societies in East Asia, as the traditional community and communal spirit seems to have flagged, especially in urban cities like Singapore. There were reports of people shunning neighbours, who were suspected of being SARS-infected. There was also a controversial case of a “socially irresponsible” man, though on home quarantine orders, defied the authorities and boasted that he did not fear governmental orders to stay home, who was later publicly shamed and charged in court. Although there were no “witch-hunts” for suspected SARS-infected people in factories and neighbourhoods like in China, “neighbourhood watches”, which

were mounted in Beijing and Taipei, were at one stage even mooted in Singapore. A climate of suspicion and fear could thus have dangerously emerged in Singapore’s “communal” Asian society during these tense three months. In fact, discrimination against health care workers became such an issue in Singapore that the authorities had to launch an official campaign to encourage its citizens to acknowledge their contributions. SARS had thus initially weakened the community spirit that had prevailed in Singapore, and increased mutual suspicions and social irresponsibility. Ultimately, communal solidarity prevailed after serious initial concerns, thanks in part to the government’s vigilance and efforts. Given the authorities’ strengthened hand in dealing with the SARS epidemic, and with greater public backing, the State in Singapore has certainly become sociologically more powerful and determinant. It now remains to be seen how the concepts of democracy and social “communalism” could be effectively “balanced” in post-SARS Singapore. Social cohesion would continue to be a critical issue for the government and Singaporeans by and large in post-SARS Singapore.

The fear of contagion and the panic that had ensued in Singapore could definitely put further stress on the Singaporean society, which has already witnessed monumental changes since the Asian Crisis and the global economic slowdown. The SARS epidemic has thus changed, not only the sociological balance within the urban community and crystallised the role of the State versus individuals, but also the urban Singaporean’s philosophy of work and play,

where healthy lifestyle and flexible work habits have become the “in” thing today in the Republic.

4. Mindset Change on East Asian Regionalism

Finally, Singapore’s mindset on regionalism has also forcibly changed, as the SARS epidemic offered three useful lessons to Singaporeans.

Firstly, as the spread of SARS had shown, the longer-term goal of an East Asian Community may already be crystallising much faster than we had thought, thanks to increasing people-to-people contacts and the freer movement of goods, services, tourists and expatriates across the whole region. Liberalisation and globalisation had indeed already transformed East Asia into one *de facto* community to a huge extent. In this regard, Singaporeans and their government should envisage the “freeing up” of borders in the region as much as possible, the facilitation of more interaction and interdependence amongst East Asians in order to boost common prosperity, while at the same time, actively co-operating to resolve regional cross-border problems. SARS has indeed helped create a new East Asian bonding; Singaporeans now also realise that they have a common destiny with the region that is fast becoming interdependent and borderless. National solutions are no longer relevant in East Asia; cross-border co-operation and co-ordination will be the future key to success for the whole region, either in fighting a deadly epidemic or in embracing socio-economic reforms, development and growth. Singapore’s role as a catalyst in

this trend is clear and vital.

But secondly, for the region to really take off after the SARS epidemic, Singaporeans have to become more aware of a better and greater re-distribution of wealth, development and social and health benefits within the region. Otherwise, richer regions would never be exempt from social problems and diseases, which could originate from poorer and lesser-developed areas in East Asia and infect the richer and more developed areas. The SARS epidemic had clearly demonstrated that rich and more developed Singapore is not immune to the SARS infection, reportedly emanating from less developed Guangdong province and via Hong Kong. Development, growth and social equity must therefore be more quickly and effectively redistributed across East Asia, and Singaporeans have clearly a role to play in this regional endeavour.

Thirdly, East Asia’s economic growth and recovery this year, and specifically that of Singapore, could be seriously stalled if regional countries had succumbed to excessive fears of contagion, closed their borders and restricted the movement of people, goods and investment flows. Furthermore, besides physical or geographical borders, East Asians should be careful not to close their minds to each other. Singaporeans should thus take the lead in championing this non-discriminatory aspect. Indeed, discrimination based on nationalities or race, as the SARS epidemic had shown, must not be allowed to surface, simply out of callous, irrational or emotional reasons. Confidence, closer economic coordination and co-operation are necessary, as the recent ASEAN Summit on SARS in

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Bangkok had demonstrated. A regional mindset change could thus be shaping up in Singaporean minds, as the SARS epidemic may eventually help cement East Asia together as a closer-knit and non-discriminatory community in the longer term. Again, Singaporeans, thanks to their recent “brush” with SARS, will have a major role to play in shaping this community through greater development and growth but at the same time, rejecting wanton discrimination within.

Conclusion

The SARS epidemic has indeed begun transforming East Asia and Singapore much further than one had initially thought. In a way, globalisation had brought East Asians closer as they realised that they share common obstacles and challenges during globalisation; the SARS epidemic had once again brought home the simple message that such a deadly disease is just as global as one could ever imagine. Singapore had undoubtedly paid a hefty price thanks to its “regionalisation”, in terms of deaths and hospitalised, as well as in the serious economic and social dislocations thus experienced.

The Asian Crisis had then brought East Asian nations much closer together, as they experienced common vulnerabilities during the attack of their currencies, economies and societies. Now, the SARS epidemic

has re-emphasised this fact, as Singapore’s vulnerabilities were clearly exposed, as well as its own intrinsic links with the greater region.

East Asia has therefore been subjected to three waves of changes, transition and transformations. The first wave of globalisation and liberalisation shook the fundamentals of closed East Asian economies and “opened” them up. The second, which was more “Asian” a wave than the first, hit the region during the unfortunate Asian Crisis; it was a “total crisis” for affected countries, as the political, economic, financial and social ramifications are still being felt today. Now, a third wave has hit East Asia, as a result of the recent SARS epidemic, and is beginning to transform the East Asian landscape even more, politically, economically, sociologically and in regional mindset.

In each of these waves, Singapore experienced some changes and transformations. Thanks to SARS in this third wave, Singapore and Singaporeans have undoubtedly witnessed monumental political, economic and social transformations, and perhaps experienced a new impetus towards East Asian regionalism and the ultimate emergence of a true East Asian Community one day.



The Fight against Terrorism in Southeast Asia after the American War in Iraq

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Introduction

The American war in Iraq was perceived by most states in Southeast Asia as a clear demonstration of United States' predominance in the post-Cold War, post-9/11 period. Member countries of ASEAN (Association of Southeast Asian Nations) took the invasion of Iraq in different perspectives, with some states taking the big risk in fully supporting the war in spite of strong public opinion against it. For states that strongly opposed the war, domestic considerations figured prominently in their calculations. Even then, their condemnation of the American war in Iraq hardly undermined their security relations with the United States (US), particularly in regard to their joint efforts in combating terrorism in the region. This paper examines the reaction of major ASEAN states to the Iraq war and its impact on regional efforts in the fight against terrorism.

The US-Led War in Iraq: Reactions from the Region

The war against Iraq led by the US was met with strong protests from civil society groups in Southeast Asia, not only in predominantly Muslim countries like Malaysia and Indonesia but also in the Philippines and Thailand. Among member states of ASEAN, Indonesia and Malaysia were the most vocal in their opposition to the US-led invasion of Iraq that began on 20 March 2003.

Malaysian Prime Minister Mahathir Mohamad termed the invasion of Iraq "an action of a cowardly, imperialist bully" during comments made in the Malaysian parliament's debate to pass a motion condemning the war.¹ Dr Mahathir pointed out that the war rendered the United Nations (UN) and international law meaningless even as he warned about the dangers of unilateralism by big powers, specifically in changing leaders of sovereign countries that they do not like on the pretext that they are violators of human rights or were not democratic enough.

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Malaysia also used its chairmanship of the Non-Aligned Movement (NAM) to shore up international public opinion against the Iraq war.² Leaders from Islamic and non-Malay parties also condemned the war, even as one Chinese Malay commentator pointed out that the attack on Iraq had no convincing legal cover.³

In Indonesia, President Megawati Sukarnoputri strongly deplored the military attack on Iraq and praised the Iraqi people for their "heroic dedication" in defending their nation against the US-led invasion.⁴ Following the fall of Saddam Hussein, her government has made known its refusal to recognise any US-installed government in Baghdad even as it stressed that it will only recognise a government legitimised by the Iraqi people.⁵ Megawati's strong anti-war stance vis-à-vis the US has apparently improved her image in Indonesia, even among her strong critics.⁶ For his part, Indonesian Foreign Minister Hassan Wirayuda pointed out that the US should live up to its promises to the Iraqi people following the fall of Saddam Hussein. Specifically, he said that the reconstruction of Iraq should reflect the interests of the Iraqis and that the UN should have a greater role in administering the country.⁷ Massive protests were also staged in different parts of Indonesia that were participated by various Islamic groups as well as by the Golkar Party to denounce the US-led coalition that invaded Iraq.⁸

In contrast to Indonesia's and Malaysia's anti-war position, the Philippines and Singapore gave strong support for the US-led invasion of Iraq. Philippine President Gloria Macapagal-Arroyo's support for the war undoubtedly caused her popularity to plunge given that

public support for the US' war against Iraq is less enthusiastic as Filipinos are generally averse to military conflicts. In a public opinion survey conducted nationwide in November 2002, some 45 percent of Filipinos polled did not want the Philippines to be involved in the war and they wanted the government to stay neutral. Some 16 percent agreed that the US should oust Saddam Hussein, but without the use of armed force. Of the 28 percent that supported multilateral action on Iraq within the UN framework, half of them did not support the use of military force. Only 10 percent of those polled said that the Philippine government should give the US full support. Of those who are in favour of supporting the Americans, 19 percent were from Mindanao.⁹

It must be pointed out that six months prior to the US-led invasion of Iraq, President Macapagal-Arroyo categorically stated that her government would not support a US attack on Iraq, nor allow the use of Philippine airspace, unless there is a UN resolution for such action. Even so, the Philippine government still reserves the right to provide support for an attack on Iraq.¹⁰ If at all, the US will only be allowed to use Philippine airspace for "humanitarian purposes."¹¹ Apparently, her decision made in December 2002 not to run for another term in 2004 enabled her to change her mind and go against popular opinion with regard to the US war in Iraq as she is no longer burdened by the need to please the electorate. In supporting the war, Mrs. Arroyo said she was glad that she is not a candidate for president because she can make difficult political decisions.¹²

Singapore, for its part, also expressed

full support for the US-led attack on Iraq even in the absence of a UN resolution sanctioning such action. It also argued that supporting the US in its war against Saddam Hussein was in Singapore's national interest, even as it stressed that Iraq's weapons of mass destruction (WMD) posed a grave danger to the world since September 11. As a gesture to the US, the Singaporean government decided to allow the Americans to use its facilities and in stepping up security against potential terror attacks during the war in Iraq. The unqualified support given by Singapore to the US was criticised by Malaysian Prime Minister Mahathir, who argued: "if Singapore supports the war as a way of resolving problems between countries then it should also expect war to be waged on itself."¹³ Some Singaporean leaders, however, stressed that their country's all-out support to the US was in pursuit of its national interest and did not necessarily imply that it was anti-Islam.¹⁴ Amidst growing doubts about the quality of intelligence reports that were utilised by the US to justify its action against Iraq and the lack of evidence for the existence of WMD in that country thus far, Prime Minister Goh Chok Tong stressed that his country's support for the Americans have not changed.¹⁵

Thailand's position on the Iraq war has been described as that of a "fence-sitter." During the opening days of the hostilities in Iraq, Thai Prime Minister Thaksin Shinawatra stressed that his country remained committed to the UN framework in dealing with Baghdad. Specifically, the Thai foreign ministry issued a statement that supported the UN's resolution to disarm Iraq's WMD through

peaceful means, but at the same time committing Thailand to co-operate with the US in its fight against terrorism.¹⁶ Thailand also expelled 11 Iraqi diplomats based in Bangkok who were considered as threats to the country's national security. Thus, the Thai government implicitly supported the US-led war in Iraq while publicly endorsing the UN framework on Iraq.¹⁷ Mr Thaksin's "neutral" stance was of course severely criticised by many anti-war groups in Thailand even as it also displeased the United States.¹⁸

Overall, the US invasion of Iraq posed major dilemmas for some ASEAN members at two levels: 1) in the domestic sphere, the need to balance between the pragmatism of states in the pursuit of their national interests in the fight against terrorism, on the one hand, and the moral arguments of civil society groups that were strongly opposed to the war in Iraq, on the other; and 2) in the international sphere, the need to balance between the desire to strengthen multilateral institutions like the UN in dealing with the issue of international terrorism, on the one hand, and the "reality" of American unilateralism that basically stems from its predominance as the only superpower in the world, on the other. Most ASEAN states dealt with these dilemmas primarily from a pragmatic perspective, where short-term political, economic, and/or military considerations were given much weight. Even so, the implications of opposing or supporting the US-led war in Iraq for the fight against terrorism in the region were given due importance as well.

Implications of the Iraq War for the Fight against Terrorism in Southeast Asia

Opposing or supporting the US war against Iraq undoubtedly had a number of implications for ASEAN countries' fight against international terrorism. For those that gave all-out support to the Bush administration, they basically reaped some immediate benefits. Those that were opposed to the Iraq war were essentially concerned more with its potential domestic backlash, particularly in terms of polarisation among Muslims in these countries that could stem from public anger and strong anti-American sentiments. Neutrality in the Iraq war seems to have irritated the US more than those that opposed it categorically.

The Philippines

The Macapagal-Arroyo government reaped a number of immediate benefits for the Philippines from its full support to the Bush administration's war against Iraq. This includes: 1) increased military assistance from Washington, estimated at US\$356 million;¹⁹ 2) designation of the Philippines as a major non-NATO (North Atlantic Treaty Organisation) military ally of the US;²⁰ and 3) sustained American support for joint bilateral training with the Armed Forces of the Philippines (AFP) through the Balikatan exercises to stamp out the Abu Sayyaf group.²¹ All these were secured during the state visit of President Macapagal-Arroyo to the United States in May 2003, which was considered by the local media in the Philippines to be quite successful.

A day before her departure for

Washington DC, Mrs. Arroyo ordered selective military strikes against "embedded terrorist cells" in Mindanao that were considered by the AFP as strongholds of the separatist Moro Islamic Liberation Front (MILF).²² This move was ostensibly meant to show the Bush administration her government's political will in dealing with the threat posed by terrorist groups in the Philippines. When she returned to the Philippines, the AFP's military offensives against the MILF intensified, consequently forcing the latter to declare a 10-day unilateral ceasefire beginning 2 June.²³ The MILF extended the unilateral ceasefire to another 10 days even as the Philippine military continued with its offensive and the government began opening avenues for the resumption of peace talks with the rebel group. Mrs. Arroyo agreed with Malaysian Prime Minister Mahathir during a meeting in Tokyo in early June to study the resumption of peace talks with the MILF, but refused to call off military offensives against the rebel group despite the latter's unilateral ceasefire declaration.²⁴ By the middle of June, she set preconditions for the resumption of peace negotiations with the MILF: first, that Hashim Salamat, chair of the MILF, should head the rebel group's negotiating panel to ensure that the peace agreement forged with the government becomes binding;²⁵ and second, that the MILF renounces its links with terrorist groups like the Al-Qaeda and Jemaah Islamiyah (JI) and surrender all suspects in the spate of bombings in Mindanao since the first quarter of the year.²⁶ While the MILF was quick to meet the second condition that drew a cautious response from the Philippine government, it has yet

to meet the first condition because Hashim Salamat could get the full support of other MILF leaders, particularly the central committee of the rebel group.²⁷

Clearly, the Philippines gained much from giving full support to the US' war against Iraq, not only in terms of increased level of American military assistance but, more importantly, the much-needed morale booster for the AFP in order for it to keep the upper hand in the fight against domestic Islamist rebel groups. There is no doubt that this has effectively increased the political leverage of the Philippine government vis-à-vis the MILF in its efforts to push for a negotiated settlement of the secessionist problem. However, the ability of the Philippine government to sustain the momentum in dealing with the threat of terrorism at home may be constrained by domestic politics as the country comes closer to national and local elections, which will be held in mid-2004. While the country speculates on whether Mrs. Arroyo will change her mind about running for president in 2004, she has been rather steadfast in taking what appears as the most appropriate track in dealing with terrorism and the secessionist problem in Mindanao.

Indonesia

The immediate impact of the Iraq war on Indonesia's efforts to fight terrorism at home is somewhat limited because, at the outset, the Indonesian government has categorically opposed the American-led military action in Iraq, thereby effectively placating the risk of polarisation in the country between the moderate and extremist Muslims. In fact, a well-known

Indonesian expert has argued that the opposition to the Iraq war in Indonesia was "based more on principles, international norms, and humanitarian concerns" rather than on Muslim solidarity, and were initiated mainly by moderate Muslim leaders and sanctioned by the proactive stance of the government.²⁸ Nevertheless, there is also a sense of foreboding over the potential for increased anti-American sentiments in Indonesia and the region, especially if these feelings persist as a result of problems that may arise in the aftermath of the Iraq war.²⁹

For many in Indonesia, the US has to give priority attention to the restoration of peace and order in Iraq as well as the basic human needs of the Iraqi people. This should be followed by political reconstruction and economic rehabilitation that must be participated by the Iraqis right from the beginning. It is also expected that the transitional period under the control of the US must be as brief as possible, and that the UN should give legitimacy to American efforts in Iraq.³⁰ Following the fall of Baghdad to coalition forces in April, Indonesian Foreign Minister Hassan Wirayuda called on the UN to convene a General Assembly meeting to discuss post-war Iraq even as he stressed the world body is needed in that country for reconstruction and the establishment of a legitimate interim government.³¹

Essentially, Jakarta and Washington still have fundamental disagreements about how to deal with terrorism both at the domestic and international levels. For one, there are those in Indonesia who are wary of the US using the global war on terrorism as a pretext to flex its muscle vis-à-vis the

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Islamic world. Some Indonesian political elites have also objected to the use of military force against Afghanistan and Iraq instead of an international court, even as they criticise these countermeasures as falling short of addressing the root causes that motivate Islamist terrorists, such as poverty and the Israeli-Palestinian conflict. Moreover, while it may be true that Indonesia is now more willing to co-operate with the US in the fight against international terrorism following the October 2002 bombing in Bali, there appears to be a continuing disparity between the two countries' perceptions about what constitutes terrorism. For instance, Jakarta would have liked the Free Aceh Movement (also known as the Gerakan Aceh Merdeka or GAM) included in the US State Department's list of international terrorist organisations but is frustrated by Washington's refusal to do so because the latter sees the insurgent group's struggle as a product of local conditions.³² In an effort to build up the case against GAM as a terrorist organisation, Jakarta has sent a government team to Sweden in early June to submit evidence to the Swedish government that links several GAM leaders based in Stockholm to terrorist activities in Aceh. The Indonesian government is also considering the inclusion of GAM into the UN list of international terrorist organisations in an effort to win international support for Jakarta's war against the separatist movement.³³ Following the declaration of martial law in Aceh, the Indonesian military has launched a series of major military offensives in the province since 19 May.

Notwithstanding political differences

over the Iraq war, bilateral security relations between the Indonesia and the US have steadily improved since the restoration of their military ties in the aftermath of September 11. During his visit to Indonesia in August 2002, US Secretary of State Colin Powell announced a US\$50 million assistance package, half of which was channelled to the Indonesian police. The US saw the assistance to the Indonesian police as vital to improving its law enforcement capabilities, thereby enabling it to deal with fundamentalist terrorist organisations in the country.³⁴ Since the arrest and trial of suspected JI spiritual leader Abu Bakar Bashir in April, the Indonesian police have been rounding up suspected members of JI, which basically reflects a growing level of co-operation within the Indonesian intelligence community. Whereas the Indonesian government used to resist demands by the US and other Western countries to take action against Bashir, the Bali bombing transformed not only Jakarta's complacency towards the threat of terrorism but also the forensic technology and professional expertise of the Indonesian police that have made their subsequent investigations successful.³⁵

Malaysia

In contrast to Indonesia, many Muslims in Malaysia saw the war in Iraq as one that was waged against Islam and not against terrorism.³⁶ Thus, Prime Minister Mahathir had to exert some effort in convincing Malaysians that the war should not be seen as a Christian crusade against a Muslim country because many Christians in the West had opposed to it

as well.³⁷ Just like Indonesia, the Malaysian government also had to be critical of the US on the issue in order to avert any polarisation of the country's Muslim community. As leader of the Non-Aligned Movement, Malaysia had to be at the forefront of opposing the Iraq war among developing countries. Also, Kuala Lumpur had to channel public anger towards the US into a government-sponsored protest movement instead of allowing spontaneous demonstrations.³⁸

Despite Malaysia's critical stance towards the US, however, security relations between the two countries remain on track as far as the war on international terrorism is concerned. In late May, US Commander-in-Chief for the Asia Pacific Command, Admiral Thomas B. Fargo visited the Malaysian state of Sabah to further enhance co-operation in the fight against terrorism in the region. Sabah is of particular concern for Kuala Lumpur and Washington because it lies close to the Philippines' southernmost islands of Basilan and Sulu, where the Abu Sayyaf operates.³⁹ Meanwhile, the Malaysian government is also attempting to overhaul its educational system as part of its plan to contain the rise of Islamic extremism in the country. Specifically, Dr Mahathir reportedly plans to introduce certain changes in Malaysian schools that include: 1) regulating private Islamic education by folding students into the national educational system; 2) revamping education to bring back Malays to national schools; 3) taking religion out of mainstream education but making it compulsory for Muslims after school hours; and 4) national service for some 300,000 male Malaysians every year.⁴⁰

Singapore

Singapore has remained steadfast in its strong support for the US invasion of Iraq amidst lingering doubts about the existence of WMD in Iraq, which was used as the main justification for the war. At the same time, Singaporean leaders recognise that there are serious implications to world peace and security in America's unilateral action against Iraq. Specifically, in his speech to the Asia Society in May 2003, Prime Minister Goh Chok Tong pointed out that three sets of issues have emerged from the Iraq war, namely: 1) the continuing pre-eminence of the United States in the world; 2) the emergence of strong opposition to global American pre-eminence that raised serious questions about the future of the United Nations; and 3) although the victory of the US in Iraq proved that it did not need Europe's military assistance nor its political validation, it also created a big divide in the Atlantic alliance that could have serious implications for global peace and stability.⁴¹ Unlike his counterparts in Indonesia and Malaysia, however, Mr Goh believes that American power is part of the "geopolitical realities" that the UN has to contend with, and argued that because the Security Council failed to support a "pre-eminent power", multilateralism and the UN were the "losers."⁴²

Singapore's strong support for the US has undoubtedly been rewarded by the Bush administration. Specifically, Washington is expected to allow Singapore's F-16 fighters to be armed with radar-guided missiles (advanced medium-range air-to-air missiles or AMRAAMs),

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which would be the first in the region. Both countries also signed a free-trade agreement during Mr Goh's visit to Washington in May.⁴³ Thus far, Singapore has arrested 32 suspected JI members on charges of involvement in terrorist plots in the region. The most recent arrest involved an alleged senior member of a Singapore wing of JI who was caught in Bangkok in May on suspicion of taking part in a plot to attack five foreign embassies, including the Singaporean mission, in Bangkok. The suspect, Arifin bin Ali, was repatriated in Singapore and is being held under that state's Internal Security Act.⁴⁴

Thailand

Thailand's "neutral" position on the Iraq war appeared to have irked the Bush administration, prompting Prime Minister Thaksin's government to shift course in early June to appease Washington. Specifically, on 10 June, Bangkok authorities arrested three Thai nationals suspected of planning to bomb five embassies in the Thai capital and popular tourist spots during the scheduled Asia Pacific Economic Co-operation (APEC) meeting in October. The three suspects allegedly have links with JI that were also reportedly responsible for the Bali bombing last year. Interestingly, the arrest came hours before Mr Thaksin's scheduled meeting with US President Bush in Washington DC to discuss counter-terrorism issues. It used to be that Thai officials had strongly denied that there were any terrorist groups active in the country despite Western intelligence reports that indirectly linked the Bali bombing to

a meeting of JI operatives in Thailand. Following the crackdown on JI in Indonesia and Malaysia, it is reported that many of the group's operatives have recently moved to Thailand.⁴⁵

Meanwhile, the meeting between Mr Thaksin and Mr Bush could also be linked to Bangkok's desire to enter into a free-trade agreement with the US, which could well be a *quid pro quo* for America's need to establish greater intelligence presence in southern Thailand. Washington reportedly wants to open a consulate in the southern city of Hat Yai, which could effectively help the US monitor regional separatist groups that JI has allegedly infiltrated in Malaysia and Indonesia. The Thai government has also acquiesced to American demands to waive its obligations under the International Criminal Court by agreeing to extradite directly to the US American citizens accused of crimes that could be tried by the ICC. In the area of military co-operation, Thailand also agreed to shift the focus of the annual joint military exercises with the US from conventional security to counter-terrorism manoeuvres.⁴⁶

The Iraq War and ASEAN-US Relations: Some Observations and Issues

Some observations could be made about the dynamics of ASEAN-US relations in the aftermath of the Iraq war and in the context of their joint efforts to fight international terrorism in the region.

- ASEAN states that fully supported the US war in Iraq reaped a number of benefits in the form of increased military assistance, enhanced economic co-operation, and closer political ties. These rewards were even more "sweet" for the Philippines because the government took the political gamble in the face of strong public opinion against the war in Iraq, but was ultimately vindicated.
- For those that openly opposed the US invasion of Iraq, prudence was the order of the day given that the political risks in the domestic sphere are much higher. Even so, Indonesia and Malaysia were also careful not to allow the political conflict with the US over Iraq to spill over into their otherwise stable security relationships. For its part, Washington appeared to have been more than willing to understand the dilemmas faced by these states, particularly in the case of Indonesia.
- Thailand's "neutral" position on the Iraq war ironically irritated the US more than the stance of those who opposed it openly. Consequently, the Thai government was forced to shift its policy in dealing with terrorism at home and acquiesce to certain demands of the US to appease the latter and avoid possible reprisals.
- In the larger context of the global war against terrorism, the major ASEAN states remain divided over the long-term implications of American unilateralism in Iraq and the apparent weakening of multilateral institutions

like the UN. Predominantly realist, the small city-state of Singapore has no qualms about the "pre-eminence" of the US in the international sphere and wants the UN to deal with such geopolitical "reality". This perspective, however, is not shared by majority of the bigger ASEAN states that cannot afford to define their national interests in a very narrow fashion. Indonesia and Malaysia are very much concerned about the dangers of Washington's unilateralism, especially in the face of growing anti-American sentiments in the region following the Iraq war, as well as lingering doubts about the existence of WMD in that country that served as the main pretext for the US invasion. The Philippines and Thailand - although traditional allies of the United States - are implicitly concerned as well about the weakening of the UN as an institution in dealing with the problem of international terrorism. The support of these US allies may become more tenuous in the long run if the situation in post-war Iraq deteriorates in the absence of a legitimate transitional government in Baghdad and lack of peace and order in that country.

Conclusion

The Iraq war clearly had an impact on the major countries of ASEAN albeit in varying degrees. For those that fully supported the US, they reaped a number of benefits that could strengthen their campaign against terrorism at home. However, even for those countries that were directly opposed or were neutral to

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the war in Iraq, their security relations with the US were not seriously undermined. These countries still value the importance of co-operating with the US in the fight against international terrorism even as they sustain their efforts in monitoring suspected terrorist groups in their home front. At the same time, however, the major countries of ASEAN

are also concerned about the implications of American unilateralism in Iraq, which has partly weakened the role of the UN. There are also apprehensions that peace and order in post-war Iraq could deteriorate and render the support of US allies in the region more tenuous.

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Corruption and Development Aid

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This article is based on the presentation and discussions during a two-day conference of the same title organised by Konrad-Adenauer-Stiftung, the Singapore Institute of International Affairs and Transparency International (Malaysian Chapter). The Conference was held in Kuala Lumpur on 27-28 March 2003.

Introduction

The problems of corruption in development aid and co-operation hark back to the days of the Cold War era when great power rivalries competed to establish spheres of ideological influence. Development aid, especially from bilateral donors, was often channelled for strategic interests and reasons. In this sense, development aid was directed more by political expediency than by actual need. Giving and receiving aid was littered with ulterior motives, both political and protectionist, which have decreased the effectiveness of the international development system.

For a long time, foreign aid had also concentrated too much on the transfer of capital with little attention to the institutional and policy environment into which these resources flowed. This approach resulted from misunderstandings about development – overemphasising funding as a necessary condition for economic take-off at the expense of sound policies and institutions. Disbursements of loans and grants were easily calculated and tended to become a critical output measure for development institutions. Donor agencies saw themselves as being primarily in the

business of dishing out money for proposals and projects.

However, with the end of the Cold War era, strategic considerations have changed. Winning and keeping friends through granting large amounts of aid became less necessary. There was also a closer look at who these "friends" really were, in terms of having common beliefs, values and institutions. This is also connected with the wave of democratisation that followed the end of the Cold War.

Consequently, more donors are beginning to take notice of the economic, social and political costs of corruption. Multilateral donor agencies such as the World Bank, Asian Development Bank, the European Union, and the various United Nation agencies have increasingly begun to regard corruption as an important policy concern. This concern was further heightened in the wake of the Asian financial crisis and the tremendous political and social fallout. It was deeply felt that the time is ripe to get rid of the inefficiencies and corruption that undermine development, at the international level as well as within nations.

Previously, agencies such as the World Bank were reluctant to address corruption. This was due to limitations in their charters,

internal organisations and incentive structures, as well as the sensitivities that member states expressed. Corruption was often said to be an internal and political matter which such agencies should not consider since their mandate was economic.

However, facing increasing criticisms from various fronts, these agencies are beginning to recognise corruption as an unavoidable dilemma that affects their work. The World Bank for instance has now developed the broadest and most elaborate sets of policies aimed at reducing corruption. There are four dimensions to World Bank policy:

- Preventing fraud and corruption in World Bank projects.
- Mainstreaming a concern for corruption in the organisation.
- Lending support to international efforts to curb corruption.
- Helping countries that request assistance to fight corruption.

The World Bank policies reflect the acknowledgement that corruption in development aid can arise on the side of the donor, or on the side of the recipient, or even in the form of collusion between the two sides. Yet, the continued lack of transparency and accountability in the aid industry present particular problems for corruption control. International actors in development co-operation can be either corrupters or reform supporters. The increasingly close linkages between development co-operation and business interests in the donor countries, aimed to create spill-over effects between aid and export promotion and foreign investments, is likely to make the issue of corruption

even more troublesome. Against this background, this article aims to capture discussions centring on the controversy of Linking Aid to Reforms, look at some measures aimed at controlling corruption and re-examine the issue of how to make aid more effective.

Rethinking the Idea of Development Co-operation - Linking Aid to Reforms

Development aid is traditionally defined as Official Development Assistance (ODA) which consists of financial aid and technical co-operation. Financial aid includes grants and concessional loans having a grant element of at least 25%. Technical co-operation includes grants to nationals of aid recipients receiving education or training, and payments to consultants, advisers and administrators and similar persons serving in the recipient countries.

In recent years, the issue of development aid whether in the form of financial or technical assistance, has been subjected to close scrutiny, with debate centring heavily on the issues of corruption, ownership and control of aid, ill-conceived development projects, and the general effectiveness of aid. Many Third World countries, in spite of receiving massive injections of development aid, remain impoverished, with little or no sign of breaking out of the poverty cycle. Such development failures are primarily a result of mal-governance, corruption and shortcomings in the way development aid is decided, dispensed and implemented.

The need to address the problem of corruption and making aid more effective is now widely recognised. Multilateral donor agencies such as the World Bank recognise the impact of corruption on their various aid programmes and poverty alleviation initiatives.

The corruption surrounding development aid, and the seemingly large amount of waste and inefficient use of aid money have also led to demands by ordinary taxpayers and civil society groups in donor countries to introduce stringent measures to curb corruption in the aid process and recipient countries. Some individuals and groups have even called for development aid to be sharply decreased or curtailed in places where corruption is rampant and where no effective measures are put in place to counter it.

At the same time, donor governments are also becoming more ready to institute performance-based (or policy-linked) aid allocation regimes. At the United Nations Conference on Financing for Development in Monterey, for example, President Bush specifically tied the promise to increase ODA to a demonstrated commitment to good governance. The Monterey Consensus adopted at the end of this Conference on Financing for Development laid the responsibility of economic and social development on the willingness of developing countries to commit themselves to good governance, economic and social reforms, and stability-oriented macro policies. At the same time, it also called for fresh action to increase ODA effectiveness and for industrialised countries to give developing countries a greater say in the various international institutions.

It was recognised at the Monterey

Conference that for many developing countries that do not have access to the international capital markets, ODA remains an essential source of finance for development. A substantial increase in ODA contributions is necessary to help these developing countries achieve their development goals. At the same time, donor countries were not prepared to agree to unequivocal increased commitments unless there are ways of improving the effectiveness of ODA. Several proposals for improving ODA effectiveness, such as further harmonising the donors' allocation procedures, increasing untied aid and giving recipient countries a greater say in the use of resources and introducing more programme-oriented instruments, came out during the Monterey Conference.

Although the international development community has reached a new consensus on the need to better coordinate aid efforts to achieve a more desirable outcome, unless and until both aid donors and aid recipients (or groups within the aid-receiving countries) are willing to address current shortcomings, development aid as an essential lifeline for the poor and the marginalised will suffer further.

What is the real possibility of applying the Monterey principle of tying aid more stringently to democratic reforms and anti-corruption measures? The obvious fact is that linking anti-corruption measures to aid will be strongly resisted by the corrupt, and their influence and power can be as strong, if not stronger, than those who pursue reform. This is especially the case where corruption is not simply confined to a few isolated cases, but has been institutionalised or entrenched within

society as a whole. It is not in the interest of corrupt recipient countries to police themselves, and the corrupt governments will fight tooth and nail against all forms of conditionality.

Therefore, the onus is more on the donors to make development aid less vulnerable to corruption. There is a need to re-invent the administration of development aid. Development should work towards long-term sustainability with the view to scale down the need for aid over a planned period. Donors should ensure that aid is channelled to the right sectors of the economy while demanding transparency and accountability. Discipline in the form of conditionality must be imposed by aid agencies if it is to be effective.

However, not all developing countries are willing to accept the imposition of such conditions on the grant of ODA or other aid. Many developing countries argue that the multilateral or bilateral imposition of such conditions constitutes a form of gross interference in domestic affairs and an affront to the sovereignty of the aid receiving country. Moreover, some would argue that conditionalities only undermine ownership and sovereignty, and may not necessarily work. Formal conditionalities, for example, have rarely been effective in forcing competence with structural adjustment policies.

The debate on conditionalities is still ongoing, and has been given a new impetus with the publication of the World Bank's *Assessing Aid* report. Two key propositions need to be highlighted: first, that aid can be effective, but only in a good policy environment; and second, that reforms can be supported, but cannot be bought.

Indeed, if the second proposition is right, then the effectiveness of imposing conditionality of reform on aid can be questioned. Policy-linked aid or the use of conditionalities produces lasting change only when credible reformers in the recipient country are supported. Fundamentally, conditional aid does not, in general, produce results unless the recipient country has already embarked on a policy reform path. In countries with no commitment to reform, for example, the imposition of conditionalities may simply lead to new forms of corruption and concealment as well as more bureaucracy. Therefore, an over-reliance on conditionalities can retard reform under certain circumstances.

Whether policy reforms should be linked to aid is a complex issue further complicated by the current rhetoric on partnership with developing countries and ownership of the project or programmes. In recent years, the issue of ownership – defined as the recipient's commitment to an aid programme – has plagued the aid industry. In response to criticisms that some aid programmes are designed to serve the donors' short-term objectives rather than the recipients' real needs, donor agencies such as the World Bank and the International Monetary Fund (IMF) are trying to emphasise ownership by experimenting with the idea of giving the recipient government a major role in the way aid programmes are designed.

The tide is however turning. This is especially the case with regards to the legitimacy of imposing anti-corruption policies or benchmarks as a conditionality. There is growing consensus that fighting corruption is critical to the developmental

progress of any country. Without controlling corruption, there can be little, if any, sustainable development and even less poverty eradication. The debate now centres on how donors can engage in dialogue and consultation with recipient countries on these issues. More specifically, questions and disagreements relating to what actions based on the consensus of donors and recipients can be taken, as well as on what activities have to be undertaken unilaterally by donors remain.

Another pertinent point that surfaced often enough was the belief that development can be better served through free and fair trade. As George Bush said in his speech at the Monterey Conference: "The work of development is much broader than development aid. The vast majority of financing comes not from aid, but from trade and domestic capital and foreign investment ... So to be serious about fighting poverty, we must be serious about expanding trade."¹

Building on this, there is therefore support for aid programmes to focus more on nurturing economic growth and expanding trade and market access. It is not sufficient to give financial and technical assistance; appropriate trade policies have also to be put in place. For example, rich countries should open their markets to exports from the developing countries.

The issue of tied aid or loans has also been a bone of contention. Tied aid refers to the practice of insisting that aid is spent on goods and services from the donor country rather than on those who can provide the best quality and service at the best price. Tied aid is often seen as a classic case of mixed motives. It signals that the major concern of the donor countries is

not on development but on ensuring that its nationals will gain from the next contract. Such perception encourages corruption.

The practice of tied aid is also inefficient. The World Bank has estimated that tying aid reduces the real value of aid by about 25%. Tying aid also makes effective co-ordination among different donors more difficult. As criticism of tied aid has increased, so too have calls for increased transparency on donor motives, and on ending the practice of using non-developmental, political and economic objectives when giving aid.

Last but not least, there is also an emergent view that aid in itself is intoxicating and an impediment to development. High levels of aid undermine the quality of institutions. It weakens accountability mechanisms, encourages rent-seeking behaviour and corruption, foments conflict over control of aid, siphons off scarce talent from the bureaucracy and attenuates the pressures to reform inefficient policies and institutions. Therefore, what the developing countries need to help them eradicate poverty is fair trade and not aid. More fundamentally, the developed countries need to seriously examine international trade and investment patterns, address debt problems and world market integration processes to allow for genuine participation of the developing countries on a fair, equal footing.

Tackling Corruption - National Responses and Donors' Measures

Attempts to curb corruption are perhaps as old as corruption itself. The

general response to corruption can be classified into two broad categories: governmental actions and civil society strategies. Governmental actions focus on measures such as legal reforms, public administrative and regulatory reforms, financial management and control systems, and inter-governmental accountability. Civil society programmes include increased citizen participation, civic monitoring, investigative journalism and political competition.

In recent years, anti-corruption rhetoric has been on the rise among governments in both the North and South, and in the East and West. Often this may be a lip service response to the increasing media attention and activism of civil society groups. Actions taken by some international agencies to fight corruption have also brought anti-corruption onto the agenda of public statement, even if there is no real commitment to undertake the necessary actions. Donors are therefore confronted with the choice of cutting off aid, which would also impact the very population that they are trying to help, or continuing to pour aid into a poor and corrupt system. Faced with this dilemma, donors have often continued to turn a blind eye to corruption and continued to lend as they did.

However, this no-win approach is slowly changing. Donors are making more concerted efforts to address this dilemma. Rather than simply cutting aid to countries with poor policies and governance, two approaches have been adopted by some to confront such dilemmas.

The first approach is to direct aid towards governance reform to improve the mechanisms through which aid is delivered.

This includes capacity and knowledge building, institutional reforms which align incentives for implementing agencies and public officials with efficient performance, and the reform of financial management systems that strengthen accountability and transparency.

A second approach is to invest considerable thought and resources into protecting development projects against corruption. This includes enforcing the use of proper financial and procurement guidelines (including financial and technical audits), setting up complaint databases and follow-up processes, increasing beneficiary involvement in project design, and encouraging implementation and monitoring or participation by civil society organisations and the media.

At the same time, proponents of targeted-aid and reform approaches have argued that assistance should be curtailed or suspended only as a last resort if, after prolonged representations, a beneficiary government is still unable or unwilling to mount an effective anti-corruption campaign. Proponents of this donor-imposed conditionality have justified it as a necessary protection where there is a high risk of funds being lost through corruption. To continue to support persistently corrupt administrations, they fear, will bring the whole enterprise of development assistance into disrepute and may further hinder social and economic progress in the recipient country.

Close collaboration between the domestic actors in the recipient countries and the aid agencies is of paramount importance if anti-corruption efforts are to have any impact. This is because the

specific causes, occasions and appropriate corrective measures of corruption are directly related to a country's individual circumstances. While the pivotal decisions to control corruption must be made at the national level, donor countries and multilateral aid agencies can also play a significant role. For the domestic actors, the central issue concerns the formulation and implementation of national reforms to improve integrity in governance. For the aid agencies, the central issue concerns the effectiveness and efficiency of the development programmes that they promote and fund.

Specifically, donor countries need to:

- Follow up ratification of the Organisation for Economic Co-operation and Development (OECD) anti-bribery convention by tightening laws and implementing them vigorously;
- Outlaw tax deductibility of bribes where this is still permissible; Publish a list of debarred firms engaged in corrupt practices, with all donors agreeing not to reward contracts to such firms;
- Change the rules for export credit institutions to absolve them from paying indemnity on contracts that have been obtained or managed corruptly;
- Abolish tied aid;
- Adopt strict procurement rules and insist on no bribery pledges;
- Liaise more closely with civil society in beneficiary countries to ensure that

development projects are appropriate for a country's most urgent needs; Give priority to ODA aimed at raising the capacities of the judiciary, police, auditor-general offices and other state institutions which provide the necessary "checks and balances" of an efficiently run country;

- Open the evaluation of development projects to public scrutiny.

To further help mainstream anti-corruption initiatives, moral leadership should be sought from within the donor community, the major development non-governmental organisations (NGOs) and foundations, the research and consultancy industries, the private sector, associations of aid workers and political parties in recipient countries.

On the part of developing countries and aid recipients, they should make real efforts to check corruption at all levels of society by:

- Creating democratic institutions with the necessary checks and balances;
- Observing the rule of law, ensuring the independence of the judiciary and freedom of the press;
- Building better institutions, particularly in relation to criminal justice and the rule of law;
- Fighting corruption with determination, through anti-corruption campaigns covering all society, including the political leadership;
- Liaising on legislation and policy implementation with civil society

whenever possible, so as to provide transparency in the allocation and execution of projects.

Other suggestions made by organisations such as Transparency International are also worth looking into by donors and recipients, namely:

- All proposed aid projects above a certain value and all programmes should be the subject of public discussion, including wide review by parliament, the business community and civil society organisations of all kinds;
- Public sector reviews should include greater disclosure of aid inputs and the rationale for public investment choices;
- Details of donor-funded projects and public access to data on aid and debt should be published regularly.

In short, when looking at the issue of tackling corruption, we should bear in mind that corruption is not purely a local issue that can be addressed by supporting initiatives of a technical nature. It is far more complicated and is intertwined in a complex multidimensional relationship between donor agencies, aid recipients and service delivery units in the society. In each case, the problem has to be properly defined. All parties involved must tackle these challenges, and all parties should be ready to commit their own assets in relative proportion to their likely returns.

Aid agencies in particular must realise that it is not entirely fair to expect "world class" governance standards from the Third World countries that have scant resources and limited institutional capacity. At the

same time, donors need to recognise that often the spoils of aid contracts are enjoyed by consultants, contractors, and companies from the donor countries. For reasons of capacity and equity then, the burden should be on donors to radically revise their modes of operation. This means exposing the donors' own integrity systems to the same rigours of transparency and accountability that they expect from their development partners.

Making Aid More Effective

The fragmentation of aid, poor co-ordination and lack of harmonisation give rise to opportunities for corruption and are major obstacles to aid effectiveness. Aid co-ordination calls for far-reaching changes in donor practices, which include an end to aid tying and politically motivated aid giving. They include proposals for further harmonising the donors' allocation procedures, increasing untied aid and giving the recipient countries a greater say in the use of resources and of more programme-oriented instruments.

Multiple donor agendas and reporting systems and the duplication or non-complementary nature of projects have needlessly complicated the development process for recipients. They also allow the chance for the corrupt in the recipient countries to play one donor against another. Hence, there is need for greater flexibility when it comes to donor priorities and a willingness to harmonise rules, regulations and procedures.

Spurred by calls for common analyses and streamlined implementation

procedures, donors have increasingly sought to better co-ordinate their strategies among themselves and in partnership with developing countries. A popular response has been the development of sector wide approaches. This means that instead of old practices such as thinking of aid as individual "projects", donors should move towards more collaboration, co-ordination and adoption of a sector-wide approach under which donors group together to support sound programmes for developing whole sectors of the economy. As an example, instead of competing to put up national flags over a capital city hospital, donors could work together to help put a country's health system on a sound footing. This sector-wide approach is a useful framework for enhanced co-ordination between recipient governments and their donor partners, and holds great promise for improving the effectiveness of aid.

There are also other suggestions for improving aid effectiveness. One recent suggestion has been to invest more money in participatory monitoring and the evaluation of development efforts at both a micro (i.e. individual projects) and a country programme level. Five broadly agreed objectives of increasing aid effectiveness are:

- Promoting local ownership;
- Reducing the transaction cost of aid delivery;
- Enhancing the predictability of aid flows;
- Consolidating accountability requirements and results orientation; and

- Making technical assistance more supportive of local capacity-building needs.

In considering aid effectiveness, debates have also been sparked on whether aid allocations should be based on policies or outcomes. Basing aid on the adoption and implementation of particular policies is inconsistent with the idea of ownership. Basing aid on outcomes, on the other hand, signals that the government is free to choose and implement its policies. In this case, the government would still be held responsible and accountable for the policy choices. Nevertheless, a system of outcome-based allocations has raised fears of donor abuse. It also presents difficulty of assessments if outcome indicators are likely to change only slowly over a long period.

There is no easy resolution for these conflicting considerations. What can be said is that the emphasis on policy monitoring in recent World Bank work goes too far: this approach would give little scope for ownership. Assessments based on outcomes are clearly preferable on ownership grounds but can run into practical difficulties. Therefore, it is perhaps best to combine policy and outcome measures. To be convincing, donors should base their aid decisions on a very small number of outcomes such as gross domestic product (GDP) growth and some measure of poverty reduction, and complement this with a limited set of policy measures.

Donors must also ensure that the aid that they dispense is channelled to the right sectors of the national economy and get the desired outcome. They must set realistic targets - targets that are achievable in the context of a particular country's

state of social and economic well-being. The idea must be to help countries to obviate the habit-forming dependence syndrome. Therefore, efforts and aid in the form of technical assistance, ideas and capacity building should be spent first on anti-corruption measures. Without first strengthening society and building capacity for the society to face up to its own corruption problems, further aid, especially in financial terms, might only compound problems for the society. Sustainable economic and social progress cannot take root in an environment that is reeling with corruption.

Aid can only be more effective when donor agencies focus on the long term and work in partnership with each other and with the recipient countries so that sustainable and properly financed systems remain after the initial investment. On a more technical level, there is need for better project design and management. Improved supervision, better disclosure and broad community involvement are all crucial.

Conclusion

Despite large flows of official development assistance (ODA), economic growth in many of the recipient countries has been slow or non-existent. There may be a number of causes for this, but it is now recognised that corruption and mal-governance undermines the effectiveness of ODA and stifles growth.

The causes and costs of corruption on a country's development are by now well documented and discussed. The challenges of fighting corruption have also been very much in the limelight. Most people are

resigned to the fact that corruption can never be completely eradicated. What can be done is to control corruption especially at the systemic level, and minimise the risks of corruption.

No political or social actor – whether government, business, civil society, regional and international organisations – can solve the problem of corruption single-handedly. In tackling particularly the issue of corruption arising from development assistance, however, donor countries and agencies have the practical and moral obligation to go beyond defining the problem. They have to abandon the old practice of simply handing money over to a recipient country without due considerations to the governance conditions and policy environment of the recipient countries. A 1997 World Bank analysis of foreign aid underscored the fact that development assistance has a positive impact on growth in countries with good fiscal, monetary and trade policies. Conversely, countries with poor economic policies did not experience sustained economic growth regardless of the amount of assistance they received.²

More importantly, donors must also be on their guard against complicity and being corrupt themselves. For aid to be effective, performance expectations cannot be exclusively placed on the recipient while donor interests, aid management systems and procedures remain unchanged. Aid effectiveness is a two-faceted objective: its realisation is equally dependent on the recipients undertaking reforms to meet legitimate donor accountability concerns, as well as increased transparency on the part of donors' motives and dropping of non-developmental objectives of donors.

ODA is a manifestation of partnerships between richer and poorer nations. Although there have been significant pressures from voters in the developed world to cut down aid to the developing countries because of perceived corruption and waste, this must not be taken as an easy way out. Instead, a greater effort has to be made to suitably tailor different aid mechanisms and policies to different environments. Poor countries with a good policy environment need budget support and sector programme assistance. Poor countries, which lack the required policy environment, need targeted interventions supported by technical assistance. Countries in conflict where the policy environment may be non-existent or non-functional need assistance to help them move out of conflict and relieve some of their most pressing needs.

Where as a last resort, ODA has to be suspended or curtailed because corruption is so pervasive and where no effective measures are put in place to counter it, donors should find other means of delivering services and aid to the neediest in society by working with NGOs or other suitable alternative partners.

Also, more fundamentally, more needs to be done to reform the international development system. The 2002 Monterey

Conference established the message that if each developing country is to be primarily responsible for its own economic and social development, the developed countries then cannot deny a bigger say in the decision-making processes of international development institutions. How the legitimate interests of the developing countries can be safeguarded in these various institutions is still being debated. One important step taken is the decision of the World Trade Organisation (WTO) to place the developing countries' needs and interests at the heart of its work programme in the Doha Development Agenda that was adopted during the 4th Ministerial conference. Maintaining a multilateral, rule-based, open, non-discriminatory and equitable trading system would benefit countries at all stages of development.

However, there will always remain the least developed countries which have not build up a competitive edge in world markets, and in which ODA remains as the only essential lifeline. Moreover, the developed countries have the responsibility to increase the volume of ODA and improve the effectiveness of such aids in helping these societies to develop sustainable capacity for further development.

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Current Foreign Aid Policy of Korea and its Problems

Kwon, Wul

As mutual reliance and competition among countries increases, the necessity and importance of economic co-operation toward developing countries grows greater. Although there exists frequent economic interchange with developing countries such as trading and investment, it remains at an elementary degree. After having experienced a tough International Monetary Fund (IMF) adversity, Korea has focused on efforts to reform conventional economic structures and to foster the ability to adapt to a rapidly changing world economy. It is time to form an interactive economic aid foundation with other developing countries, which is expected to offer a new avenue for Korea's economic growth.

On the international front, Korea accepted the Millennium Proclamation, which stated that all signatory countries should work towards reducing by half the number of those in the poverty class by year 2015 in order to exterminate the ultimate poverty of developing countries and to keep up their economic development. The full-scale of the aid plan as well as the understanding of duty that is linked with durability of development after accepting the Millennium Proclamation were discussed.

In order to establish a clear duty and stable framework for aid policy as a constituent member of world society, and

to strengthen the relationship among developing countries with the concept of mutual dependency, we should build a fundamental framework of foreign aid plans. Moreover, with the beginning of the Noh presidency, the Official Development Assistance (ODA) is expected to play a greater role in emphasising Korea's international influence.

In this paper, I will outline the present problems of the foreign aid policy followed by a list of problems to be solved and improvements needed.

Reasons for Enlarging International Economic Co-operation

Korea joined the Organisation for Economic Co-operation and Development (OECD) in 1996 as a leading newly-industrialised country through successful economic development over the past 40 years. Korea's current standing in the world society is on a bridge which links developed and developing countries. The whole scale of economy and trading of Korea has entered the world's top 10 list, and the national income per head is over US\$10,000. Korea also achieved successful reforms in its social, political, and economic systems.

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The reason why our nation achieved such a fast economic development in the past was because we also received much external aid and benefits when classified as a developing country. We should therefore carry out the duty and role appropriate for our present economic situation, and lead the way towards contributing to increased co-operation among the global society. However, we must admit that we have been passive on certain levels of aid policy demanded by global society. This passivity has functioned as a negative factor on Korea's leadership

In order to reform Korea's aid policy, we should carry out a thorough research on trends and issues of recent international aid. Despite the increasing dependency on the global economy, many developing nations have been reduced to poverty. During mid-1990s, global recognition and effort was regularised. This is especially so for the Development Assistance Committee (DAC) of OECD, which takes charge of development and co-operation.. In May 1996, DAC adopted the development strategy called "Shaping the 21st Century: The Contribution of Development Co-operation". In this strategy, DAC introduced International Development Goals (IDG) with the goal of halving the number of people in the present poverty class by the year of 2015. As the poverty problem of developing countries aroused global sympathy, many international organisations became aware of the global importance of continuous economic growth and the necessity of eliminating poverty. Much effort was put into establishing a cohesive international aid structure such as the UN General Assembly, OECD Cabinet Member

Meeting, UN Millennium Proclamation (55th Assembly, September 2000), 3rd Extreme Poverty Country Meeting (May, 2001), UN Financing for Development (March 2002) and WWSD Meeting (September, 2002).

At the Millennium Summit Conference in 2000, the Millennium Proclamation described an active strategy for eliminating poverty by 2015 and Millennium Development Goals (MDGs) that have been adopted. At the 3rd Extreme Poverty Country Meeting in Brussels, many issues were discussed such as increase of ODA, united support of aid and continuous execution of Heavily Indebted Poor Countries (HIPC) initiative.

Today's trend of global co-operation focuses on eliminating poverty in developing countries. In order to achieve the goal of global development, the trend also focuses on solidifying the international co-operation structure and increasing ODA distribution. Taking all these trends into account, we should establish a new framework of aid and co-operation towards developing countries as a prospective strategy for the new century. The increase of ODA is not only an international duty for a member of the world's economy, but also a potential investment that leads to continuous development for developing countries. We should establish a 'stable co-operative foundation through partnership with developing countries'.

The increase of ODA-centred development co-operation will therefore form a mutually beneficial economic co-operative relationship and will contribute to the escalated position of our economy in international society.

The Present Condition of Korea's ODA

Korea's aid to developing countries can be mainly divided into bilateral co-operation and multilateral co-operation. Bilateral ODA is further classified into grants or loans depending on its obligation of repayment, and grants are also divided into non-credit aid and technical aid. Looking into the aid system, we can see that loans are carried out from the Economic Development Co-operation Fund (EDCF) established in 1987. This is done by the Export-Import Bank of Korea under the supervision of the Ministry of Finance & Economy and the Korean International Co-operation Agency (KOICA) is in charge of grants, with all bilateral aid being clearly earmarked as tied aid.

Currently, the terms of execution of Korea's bilateral aid are divided between the Ministry of Foreign Affairs and Trade and the Ministry of Finance and Economy. Accordingly, non-credit funding co-operation and technical aid are carried out by the KOICA and an affiliated organisation of the Ministry of Foreign Affairs and Trade and the EDCF, which is a credit co-operation fund, is executed by the Export-Import Bank of Korea under the supervision of the Ministry of Finance and Economy. Meanwhile, in multilateral co-operation, the Ministry of Finance and Economy is in charge of the financing international financial organisations and the Ministry of Foreign Affairs and Trade is in charge of paying the share of expenses to international organisations such as the UN.

As for non-credit funding co-operation,

the KOICA has full responsibility, but the Ministry of Information and Communication and the Ministry of Science and Technology also carry out technical aid. Up to now, Korea's annual scale of the ODA was over \$100 million since 1993, \$212.1 million in 2000 and \$264.7 million in 2003. But the current scale of Korea's ODA is much less than that of member countries of the DAC and of countries that have similar economic power.

Comparing the ODA scale to the Gross National Product (GNP), Korea's ODA is only 0.063% of the GNP, which is one-tenth of the 0.7% agreed to internationally in the UN and less than one-third of the 0.22% which is the average of the member countries of the DAC (2001 standard).

Considering that Australia's scale is 0.25% (\$850 million) and Spain's 0.30% (\$1,750 million), both of which are countries with similar economic power as Korea, Korea's ODA scale falls greatly below international standards.

Reformation of Current Aid Policy

In the search for a new economic paradigm in the 21st century, we have to lay the basic framework in aiding developing countries with an international understanding. To do this, we have to make reasonable application standards such as 'Foreign aid law' or an 'ODA Charter' to carry our aid ideology and target policy.

On this ground, we will have to form a nationwide concern on planning for increased aid, efficiency, effectiveness and

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clarity. Efficiency in executing the aid should be strengthened, good planning is needed, while opening information and increasing support to non-governmental organisations (NGOs) are ways of increasing national participation.

Under these bases, the following policies are desperately needed for reinforcing aid to developing countries. First, the scale of our aid to developing countries has to be enlarged. Secondly, aid policies have to be systemised and an efficient system has to be built. Thirdly, efforts should be made to join the DAC which is an affiliated organisation of the OECD.

1. Increase in the scale of co-operation.

DAC has announced that countries that are apparently low in average ODA/GNP rate fail to qualify for the committee that give aid to developing countries. Korea's ODA/GNP rate is 0.063%, which is very low compared to our economic scale and international position.

In order to reconsider our international position as member of OECD, we should increase the size and scale of ODA.

Korea's estimated ODA/GNP rate for the year of 2003 will be 0.06% and if we try to increase the ODA/GNP rate by 0.01% every year, it will take 5 years to reach 0.1%, which is the minimum criteria for a DAC member. We can designate this period as 'Reformation of Aid Policy' and should put more effort into a quantitative increase in the scale of ODA. If necessary, we can also organise a national 'ODA Increase Plan: Increase the size of co-

operation by 2006 and reach 0.1% (ODA/GNP) by 2007'. Along with this plan, there should also be publicity targeted at the general public and other countries.

By the year 2007, the estimated scale of aid will reach 8 billion dollars, and per capita aid defrayment will increase to \$16 from the current \$7. To reach this level, it is necessary for the government to increase the aid budget by 20% every year. This, however, requires national consensus and support. Long-term reformation has to be carried out from various aspects, such as public opinion, present economic situation, and the ability to execute the business of co-operation.

2. Systemisation of Aid Policy and its Efficient Operation

To achieve a quantitative increase in the scale of co-operation, the systemisation of aid policy is strongly required, which can lead to an efficient and effective execution of the aid policy. Along with forming a systematic structure that corresponds to the international criteria, we should reform the conventional operation on current aid policy. Civil and governmental organisations should work together to draw out a national consensus. In order to reform the present one-time and unplanned aid policy, it is very important to establish a detailed and concrete ideal and goal. The legislation of an 'ODA Charter' or a 'Bill for International Co-operation' will contribute to the stable establishment and execution of aid policy.

Because of the restrictive condition of governmental aid, the question of efficiency

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on the business of co-operation has always been raised. Although there is the necessity and importance to link various methods of aid together, somehow they are unable to work properly. It is very difficult to expect efficient operation of co-operative business, because it has been hampered by many latent problems, such as clumsy cohesiveness among governmental organisations and extemporaneous execution.

This is in contrast to the fact that the OECD members have been planning aid programmes and their strategies 4-5 years in advance, packing fund and technological aid into one part. It also contrasts to the fact that they have been carrying out co-operative business through many years of budget funding. Hence, a fundamental reformation in the aid policy is desperately required!



Indonesia's Population: Ethnicity and Religion in a Changing Political Landscape

*Leo Suryadinata, Evi Nurvidya Arifin,
Aris Ananta*

**Singapore: ISEAS 2003,
193 pages**

Reviewed by Sharon Siddique

Amazingly, no official statistics were collected on ethnic groups in Indonesia for 70 years, from the last colonial census in 1930 to the 2000 census. During the Sukarno and Suharto regimes the issue of ethnicity was considered so sensitive that any mention of it was excluded from census data collection. Thus what we "know" about ethnic groups in Indonesia has actually relied on "guess-timates". This book truly breaks new ground by analysing the new census material.

The three authors - all well respected Indonesian experts - have crunched the numbers, organised the data, and produced some fascinating results. The fact that the Javanese remain the largest ethnic group (42%) is not surprising. But the provincial-level ethnic breakdowns reinforce the impression that Indonesia has been "Javanised" - the Javanese rank consistently among the top three ethnic groups in the majority of Indonesia's 30 provinces.

The Sundanese are the second largest ethnic group (15%). The big surprise is

the ethnic group that emerged in third place - the Malays (3.5%). In the 1930 census, the Malays were in 9th position. What accounted for this rapid ascent? The authors argue that it is simply a very high birth rate. Whereas the Javanese population only increased three times between 1930 and 2000, the Malay population increased sevenfold. One wonders, however, whether part of the answer could also lie in the problematic definition of "Malay" as an ethnic category.

The 2000 census recorded almost 7 million Malays in Indonesia as compared to roughly 12 million Malays in Malaysia. The vast majority of Malay Indonesians live on Sumatra, with the largest concentrations in South Sumatra, Riau, Jambi, Bangka-Belitung and North Sumatra. The Malays, however, share their "home territories" with significant others. In Riau, for example, the Malays form 38% of the population, followed by the Javanese (25%), Minangkabau (11%) and Bataks (7%).

Another interesting debate highlighted in the book is the perennial problem of how many Chinese actually reside in Indonesia. Guess-timates have varied from between 3% to as high as 6%. According to the authors, the most accurate figure derived from the 2000 census data, is that the Chinese comprise around 1.5% of the Indonesian population. We would expect the largest concentration of Chinese to be

residents of Jakarta. But the second highest concentration of Chinese surprises - it is West Kalimantan.

The book also contains an interesting chapter on the religious breakdown of the Indonesian population. What stands out is that Indonesia has a large Muslim majority (88%) with a significant Christian minority (9%). Hindus and Buddhists are numerically insignificant. Interestingly, the annual Christian growth rate (2.5%) is higher than the Muslim (1.9%).

Even though the Muslim majority is overwhelming, there are three provinces in which the Muslims are a minority - Bali with Hindu majority, East Nusatenggara and Papua both with Christian majority. Several provinces, including Maluku, North Sulawesi, and Central Sulawesi, have seen significant declines in the Christian populations, as compared to the 1971 census figures. West Kalimantan, on the other hand, witnessed a rapid increase in its Christian population.

This new census data is certainly timely for Indonesia's election-watchers, who are now gathering in anticipation of the coming 2004 national elections. In the first post-Suharto national elections in 1999, there was much speculation as to the role of ethnicity in voter behaviour patterns. This new data allows the authors to construct some fascinating hypotheses.

They argue that there is a discernable correlation between ethnic group affiliation and political party dominance in the 1999 elections. For example, at the provincial level, the percentage of votes for Javanese-based political parties, the Partai Demokrasi Indonesia Perjuangan (PDI-P) and the Partai Kebangkitan Bangsa (PKB), correlates with the percentage of Javanese in the population.

Similarly, Golkar did well in Sulawesi and Sumatra, with votes mirroring the ethnic identities of the party's leaders, Habibie (Buginese) and Akbar Tanjung (Batak). The tendency for voters to vote for a leader from their particular ethnic group explains why the PDI-P did so well in South Sumatra. President Megawati's mother comes from this province.

Another pattern which the authors uncovered is the tendency for the majority ethnic Javanese votes to be split, whereas votes of ethnic minorities tended to be more solidly behind a particular political party. This helps to explain the success of the Partai Persatuan Pembangunan (PPP), Partai Amanat Nasional (Pan), and the Partai Bulan Bintang (PBB), in the Outer Islands.

In anticipation of the 2004 elections, the authors have even constructed a table that extrapolates actual numbers of voters belonging to the major ethnic groups by province. This should prove very useful to those who wish to test their hypotheses with regard to the ethnic voting patterns in 2004.

This book lays out a feast of data for the thoughtful. It is particularly timely as businessmen, scholars and journalists grapple with the implications of Indonesia's decentralisation policies on provincial-level politics and development dynamics. Certainly ethnicity and religion are issues that require careful consideration, which makes this book is an invaluable reference.

Sharon Siddique is a partner in a Singapore-based regional consulting firm. An edited version of the review was published on 4 May 2003 in the Sunday Times under the title "New light on Indonesia's ethnic makeup".



Information Paper on the US-Singapore Free Trade Agreement (USSFTA), 16 May 2003

Overview

On 19 Nov 2002, US Trade Representative Robert Zoellick and Singapore's Minister for Trade and Industry George Yeo jointly announced the substantive conclusion of the USSFTA in Singapore.

The US is one of the most important trading and investment partners for Singapore.

- 1,300 US companies and 15,000 US citizens are in Singapore. Many US multinational companies (MNCs) use Singapore as a base to export around the world.
- The US is Singapore's second largest trading partner. Singapore is the US' 11th largest trading partner.
- The US is Singapore's largest foreign direct investor. At end-2001, US' Foreign Direct Investment (FDI) was over US\$27 billion, accounting for 2.2% of US investment overseas. Singapore is the second largest Asian investor in the US after Japan.

USSFTA - Key Elements

The USSFTA covers trade in goods, rules of origin, customs administration,

technical barriers to trade, trade remedies, cross border trade in services, financial services, temporary entry, telecommunications, e-commerce, investment, competition, government procurement, intellectual property protection, transparency, general provisions, labour, environment, dispute settlement.

Key elements are:

Manufacturing

Maximum liberalisation for bilateral trade-in goods to help anchor manufacturing activities in Singapore.

Many of these benefits accrue to US MNCs, because intra-MNC trade accounts for over 60% of US-Singapore trade.

Singapore commitment – zero tariffs for all imports upon entry into force of the USSFTA. Eliminate tariffs on beer, stout, samsoo and medicated samsoo.

US commitment – eliminate 92% of current tariffs on exports from Singapore to the US, immediately upon entry into force of the USSFTA. Practically all the rest will be eliminated within 8 years.

Sectors that will benefit – electronics, chemicals and petrochemicals, instrumentation equipment, processed foods and mineral products.

Only exports with substantial transformation and value add done in Singapore can be conferred 'Singapore

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origin' and qualify for preferential tariff. There are a few ways:

- Imported inputs used in the manufacture of the final product within Singapore, are classified under a different tariff classification from the final product.
- For some electronic products, certain percentage of value add, typically 35-60%, is done in Singapore. Overhead activities done in Singapore, such as R&D, design, engineering, purchasing, can count towards the value add.
- For chemicals and petrochemicals, a specified process occurs in Singapore, such as a specific chemical reaction.

To claim tariff preferences, a US importer has to declare that the good is of Singapore origin. Customs authorities on both sides will provide advance rulings on originating goods and enhance its transparency in regulation.

The Integrated Sourcing Initiative (ISI) applies to non-sensitive, globalised sectors, such as IT. Over 100 hi-tech goods, which already enter into the US duty-free, when exported from Singapore to the US, can be given preferential treatment, such as less administrative hassle.

For textiles and apparels, immediate tariff elimination for products that meet the yarn forward rule of origin. This requires the products to be made from the US and/or Singapore originating yarn, with limited exceptions. All other assembly processes must be carried out in Singapore. The industry will work with US yarn suppliers, and restructure their

manufacturing operations, to benefit from the USSFTA.

A 'Tariff Preference Level' mechanism allows some amount of apparel exports from Singapore to be exempted from the yarn forward rule for 8 years. For such exports, tariffs will be phased out over 5 years.

The US also commits to introduce more liberal rules of origin for textiles in USSFTA once further liberalisation on rules of origin is achieved in WTO.

Singapore will establish a system to monitor the import, production, export of textiles and apparel goods, so that only eligible goods will be allowed to enjoy the FTA benefits.

Tariff savings will be substantial, and will depend on actual trade volumes as a result of the FTA and how companies restructure their operations to meet rules of origin.

The US will immediately waive the Merchandise Processing Fee for all Singapore exports, currently worth US\$30mn.

The US will immediately eliminate its Vessel Repair Duty for Singapore, currently worth US\$4mn.

Customs co-operation

Enhanced bilateral customs co-operation. Singapore will implement systems and procedures to ensure that only legitimate goods can claim preferential treatment under the USSFTA. Both sides will actively exchange information and use risk management techniques to enforce against trade in illicit goods.

Services in general

Service suppliers from both sides assured of fair and non-discriminatory treatment and market access unless specifically exempted in writing – the so-called 'negative list' approach.

US States are to give a Singapore service supplier the same treatment that it gives to a supplier of that State or of another US State.

Regulatory authorities are bound to high standards of openness and transparency, including consultations with interested parties, advance notice, reasonable comment period, and publication of regulations.

Mechanism to lock in future liberalisation of exempted measures, including exempted measures of US States.

Extends benefits of the FTA to all Singapore companies that are not shell companies, regardless of ownership.

Professional services

For professional services, Singapore will:

- ease conditions on US firms creating joint law ventures to practice Singapore law;
- recognise degrees earned from 4 US law schools for admission to the Singapore bar;
- reduce board of director requirements for architectural and engineering firms;
- phase out capital ownership requirements for land surveying services.

Both sides will engage in consultations to develop mutually acceptable standards and criteria for licensing and certification of professional service providers, especially with regard to architects and engineers.

Financial services

Singapore will give US banks better access to Singapore's retail banking sector:

- remove quota on Qualifying Full Bank (QFB) and Wholesale Bank licenses for US banks 1.5 year and 3 years after the entry into force of the USSFTA;
- remove restrictions on customer service locations for QFBs 2 years after the entry into force of the USSFTA;
- allow Singapore incorporated US QFBs to negotiate with local banks for access into their ATM networks on commercial terms 2.5 years after the entry into force of the USSFTA.

Telecommunications and e-commerce

Service suppliers from both sides will have access to respective public telecommunications networks, including submarine cable landing stations, with transparent and effective enforcement by the telecommunications regulators.

Robust competition safeguards to protect against discriminatory and anti-competitive behaviour by incumbent suppliers in areas such interconnection, co-location, access to rights of way and resale.

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Both sides will work towards the implementation of a comprehensive arrangement for the mutual recognition of conformity assessment for telecommunications equipment.

Both sides commit to the non-discriminatory treatment of digital products and the permanent duty-free status of products delivered electronically. It is the first time such commitments have been enshrined in an international trade agreement.

Temporary entry of business persons

Creates separate categories of entry for citizens of each Party to conduct a wide variety of business and investment activities on a temporary basis.

Singapore citizens who are business visitors can enter US to conduct business activities for up to 90 days without the need for labour market test, subject to usual immigration and security measures.

Government Procurement

Both sides committed to allowing market access by service suppliers of the other Party unless specifically reserved, i.e. 'negative list' approach.

Commitment applies to all procurement contracts for goods and services worth more than US\$56,190 and for construction procurement contracts worth more than US\$6,481,000.

Investment

Both sides will commit to grant fair market value for expropriation.

Both sides undertake not to impose any unfair performance requirements, such as requiring the investor to export a given level of goods and services, as a condition for the investment.

USSFTA provides for an investor-to-state dispute mechanism. Investors aggrieved by government actions that are in breach of obligations under this Chapter have the right to take the dispute directly to an international arbitration tribunal for resolution. Further, Singapore investors who enter into investment agreements with the federal government, after the entry into force of the USSFTA, can take the dispute directly to international arbitration for resolution.

Intellectual Property

Incorporates strong commitments to enhance intellectual property protection standards on a non-discriminatory basis.

Changes will strengthen Singapore's thrust towards a knowledge-based economy and its increased emphasis on developing research and development capabilities in biomedical sciences and information-communications.

On copyright, both sides agreed to align their terms of protection for copyrighted works, performances and phonograms. Both sides will also adopt additional protection standards relevant and applicable in the digital environment.

Specifically,

- Both sides will provide strong anti-circumvention provisions prohibiting tampering with technology designed

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to prevent piracy of copyrighted works over the Internet.

- Both sides agree to criminalise unauthorised reception and re-distribution of satellite signals.
- Both sides will provide immunity to Internet service providers for complying with notification and take-down procedures when material suspected to be infringing are hosted on their servers.

On patents, both sides will strengthen their regimes to protect bio-inventions. Specifically,

- Singapore will accede to the International Convention for the Protection of New Varieties of Plants (UPOV) to better protect new plant varieties.
- Both sides commit to its current regime on allowing all inventions, including bio-inventions to be patentable, so long as they do not contradict public order or morality.
- Both sides agree to limit the use of compulsory licenses to safeguard against anti-competitive practices, public non-commercial use, national emergencies and other circumstances of extreme urgency. Singapore has, to date, not issued any compulsory licenses.
- Both sides will also introduce safeguards to strengthen patent protection, especially for pharmaceuticals. In particular, both sides will

– grant originators a data exclusivity period of up to 5 years from the date of marketing approval, instead of the date of application.

– extend patent protection period if there is an administrative delay during the marketing approval process.

For trademarks,

- All trademarks, including sound trademarks, will also be registrable in Singapore.
- Both sides will accord stronger protection for well-known marks.
- Trademark licensees no longer need to register their trademark licenses in order to assert their rights in a trademark.

The stronger protection rights will be complemented by robust enforcement obligations. Both sides will continue to undertake stringent enforcement against piracy, in close consultation and collaboration with the industry.

Both sides agree to:

- provide an additional avenue for right owners to opt for compensation based on a pre-determined range of statutory damages for civil proceedings against copyright and trademark infringements.
- prevent and enforce against the illegal manufacture, import and export of pirated goods. In this connection, Singapore will formalise its regime of regulating optical disc manufacturing

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activities through the imprint of Source Identification Code on optical discs unless specifically exempted by the right owner.

- criminalise companies that make pirated copies from legitimately purchased products.

Competition

Singapore commits to its earlier announced intention to set up a general competition regime by 2005. Singapore commits to maintain its existing policy of not interfering with the commercial decisions of Government Linked Companies (GLCs), ensuring that GLCs are commercially run, and do not discriminate against US companies.

Labour and Environment

Both sides are committed to enforce their own domestic laws relating to labour

and environment, consult and co-operate closely on environmental and labour issues of mutual concern and interest.

Dispute Settlement and General Provisions

Dispute settlement system that focuses more on co-operation rather than on traditional trade sanctions by allowing a Party to pay a monetary assessment into a common fund. The common fund will be used to facilitate trade between the Parties.

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Web Links on Europe and Asia

Timely and up-to-date information is a necessity for policy-makers and researchers. In an increasingly information-dependent world, the Internet is an unsurpassed medium for rapid dissemination of news. The following is a compilation of websites that offer invaluable insights and timely information on Southeast Asian issues and Asia-Europe relations.

ASEAN Secretariat

<http://www.asean.or.id>

The homepage of the Association of Southeast Asian Nations (ASEAN) Secretariat, this site provides information on the latest ASEAN meetings as well as archived documents.

Asia Daily

<http://www.asiadaily.com>

Part of the World News Network, Asia Daily offers news pertaining to Asia as well as links to the various Asian news sites.

Asia-Inc

<http://www.asia-inc.com>

Asia-Inc is a monthly regional business magazine targeted mainly at Asian executives, with emphasis on business news in Singapore, Hong Kong and Malaysia. The website offers articles featured in its

publication, which give insights into the Asian business community.

Asia News Network

<http://www.asianewsnetwork.net>

Established with support from Konrad-Adenauer-Stiftung, the Asia News Network (ANN) website offers news updates and commentaries from 13 major dailies in Southeast Asia who are members of ANN.

Asia Source

<http://www.asiasource.org/>

A project of the US-based Asia Society, Asia Source provides information on various aspects of Asia, such as arts and culture, business and economics, policy and government, and social issues. It also offers access to information by experts and links to pages that focus on Asian lifestyle, education and statistics.

Asia-Europe Foundation

<http://www.asef.org>

The Asia-Europe Foundation was established by the members of the Asia-Europe Meetings (ASEM) on 15 February 1997 with the objective of promoting better mutual understanding between the peoples of Asia and Europe through greater intellectual, cultural and people-to-people exchanges between the two regions. The website provides a listing of the activities

Web Links on Europe and Asia

and events of the Foundation as well as speeches delivered at ASEF events, media articles, press releases and book reviews with special interest in Asia and Europe.

The Asia Society

<http://www.asiasociety.org>

The Asia Society is an American non-profit, non-partisan educational organisation dedicated to fostering understanding of Asia and communication between Americans and the peoples of the Asia and the Pacific. The website features details of the events organised by the Society, the speeches delivered and a selection of the Society's publications.

BBC News Asia Pacific

<http://news.bbc.co.uk/2/hi/asia-pacific>

Part of the British Broadcasting Corporation (BBC) Internet network, this site is updated daily with top stories from the Asia-Pacific region.

CNN Interactive - World Regions - Asia Pacific

<http://edition.cnn.com/ASIA/>

Part of the Cable News Network (CNN) online news portal, this site is updated daily with the top stories from the region. It also has links to other media such as TIME magazine and The New York Times belonging to parent company AOL Time Warner.

The East-West Center

<http://www.eastwestcenter.org>

The East-West Center is an education and research organisation that helps promote the establishment of a stable, peaceful and prosperous Asia-Pacific community. It is a source of information and analysis about the Asia-Pacific Region, including the United States. Some 2,000 scholars, government and business leaders, educators, journalists and other professionals from throughout the region work with Center staff annually to address issues of contemporary significance.

European Institute for Asian Studies

<http://www.eias.org>

The European Institute for Asian Studies is Brussels' research and policy think tank analysing political, economic and security relations between the European Union and Asia. The Institute is particularly concerned with developing the European Committee's relations with the countries of South and Southeast Asia that have grouped themselves into regional associations, such as the South Asian Association for Regional Cooperation (SAARC) and the ASEAN. The EIAS web site contains information about the Institute, details of their seminars and research programmes as well as a list of related websites.

The European Union Online

<http://www.europa.eu.int>

The server of the European Union provides access to the homepages of the EU institutions with news, press releases and online documentation of EU meetings in several European languages.

Far Eastern Economic Review

<http://www.feer.com>

The online version of the weekly magazine on Asia's economic and business news. It contains some of the stories and features carried in the magazine. FEER also offers a free e-mail news service which is a digest of the major features carried on their website.

German Council on Foreign Relations (DGAP)

<http://www.dgap.org/english/summary.htm>

The main goals of the German Council on Foreign Relations (DGAP) are: to stimulate interest in international questions, to promote worldwide scholarly cooperation, and hence to increase understanding between nations. The DGAP was founded in 1955 as an independent, non-partisan, non-profit association. Its aims, organisation, and mode of financing are similar to those of the Council on Foreign Relations in New York and the Royal Institute of

International Affairs (Chatham House) in London.

Institute for Southeast Asian Studies (ISEAS)

<http://www.iseas.edu.sg>

Established in 1968, ISEAS is a regional research centre dedicated to the study of socio-political, security and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The ISEAS website provides details of its research programmes as well as a full catalogue of publications.

Nouriel Roubini's Global Macroeconomic and Financial Policy Site

<http://www.stern.nyu.edu/globalmacro/>

The homepage of Nouriel Roubini, Associate Professor of Economics and International Business in the Stern School of Business, New York University, and Presidential Economic Advisor. It contains detailed reading materials on the Asian Economic Crisis, policy papers and links to other useful resources on the subject of economics.

**Organisation for Economic
Co-operation and
Development (OECD)**

<http://www.oecd.org>

The OECD has an exclusive membership of 30 developed economies that share a commitment to democratic government and the market economy. Since its establishment three decades ago,

OECD has moved beyond a focus on its own members to embrace the entire global economy, with active relationships with some 70 other countries, NGOs and civil societies. Its website contains an online bookshop that contains the policy studies undertaken by the OECD as well as details of the workshops.



ERIC TEO CHU CHEOW looks at the three waves of transformation that shaped Singapore's political face since the 1980s. These are the processes of liberalisation and globalisation, the Asian Crisis of 1997 and the recent outbreak of Severe Acute Respiratory Syndrome (SARS). This paper gives a review of how SARS has impacted East Asia and transformed Singapore in terms of politics, economics, society as well as a mindset change on East Asian regionalism.

NOEL M. MORADA gives a comprehensive view on how the US-led war in Iraq has affected ASEAN countries. With a large Muslim population in Asia, ASEAN countries have to weigh their responses to the Iraqi war with caution as they have different priorities in the domestic, economic and political fronts. This paper examines the reactions of major ASEAN states like the Philippines, Indonesia, Malaysia, Singapore and Thailand to the Iraq war and the war's impact on the regional efforts to fight terrorism.

YEO LAY HWEE discusses corruption as an impediment to development aid and how corruption can be controlled to ensure that aid is effectively dispensed. The onus should mainly be on the donors to ensure that aid is effectively channelled, but this may be viewed as an affront to the sovereignty of developing countries. Some suggestions on making aid more effective include better co-ordination among the donors, development of sector-wide approaches and investing more on participatory monitoring and evaluation of development efforts on a micro and country programme level.

KWON, WUL examines the current aid policy in Korea and gives some recommendations about how to position Korea as a bigger contributor in the international arena. Korea's rapid development over the past 40 years has elevated it from a poor agrarian community to one of the most industrialised economies in the world. He believes that Korea's foreign aid contribution should therefore increase correspondingly. This paper emphasises that the existing aid policy framework should be reformed through increasing the scale of co-operation and the systemisation of aid policy.