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Political Consequences of Policy Decisiveness in Southeast Asia

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Political Consequences of Policy Decisiveness in Southeast Asia

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Abstract

Policy decisiveness reflects a unity of purpose among veto players, or formal approving authorities, in a political system. In international negotiations, the ability of states to adopt policies quickly is desirable so that they could begin work on mutual goals and concerns. However advantageous for international agreements, policy decisiveness can bring about regime instability, especially if “strong” governments neglect informal domestic ratification constraints. This paper examines the political consequences of policy decisiveness in Malaysia, Thailand, Indonesia, and the Philippines with respect to bilateral free trade agreements (FTAs).

Introduction

Recent studies by political scientists have indicated that certain types of policy behavior tend to produce costly economic and political consequences. Particularly, extreme forms of decisiveness (in changing the status quo) and resoluteness (in maintaining the status quo) could lead to problems of credibility, policy gridlocks, and political instability (Cox and McCubbins, 2001; Haggard and McCubbins, 2001; MacIntyre, 2001). Decisiveness though desirable can make the status quo less certain and the leadership less credible in its commitments to stakeholders. Decisiveness in this sense is a kind of irresoluteness where policies could be reversed as quickly as they were adopted. In contrast, the characteristic inability to make decisions (indecisiveness) could be disadvantageous for governments as this could very well reflect a divided government or an ungovernable polity.

The implication of this body of work is that policy behavior should lie somewhere between the two extreme postures in order to make room for both flexibility and credibility in adopting policies. However, as the literature points out, policy behavior is shaped by the institutional configuration, which determines the effective number of formal veto players in the system. Veto players are individual and collective actors with the formal authority to veto policy proposals (Tsebelis, 2002). The lesser the number of effective veto players, the more decisive the polity becomes. Conversely, the more the effective number of veto players, the more resolute the polity and therefore less decisive (Cox and McCubbins, 2001:27).
It could be argued that both institutional design and political configuration affect the process of choosing economic policies. Decisiveness reflects a unity of purpose and powers among veto players. Where the powers of government are centralized, one can expect policy postures to be typically decisive because the effective number of veto players in authoritarian or semi-democratic systems is one or near one. Where powers are separated by design, decisiveness reflects a *unity of purpose* among veto players. Following Haggard and McCubbins (2001) and Cox and McCubbins (2001), *purpose* here refers to the interests and policy preferences of political actors. Decisiveness in this case therefore means that veto players across government are united in their policy preferences.

The costliness of policy decisiveness has been discussed in MacIntyre (2001). This work used the veto player framework (VPF) to analyze the economic consequences of policy postures in Southeast Asia during the Asian Financial Crisis of 1997/8. Accordingly, decisiveness in Indonesia and Malaysia was based on the absence or lack of institutional constraints on executive decision-making. Thus, quick policy reversals were experienced, producing a volatile policy environment that shattered investor confidence. In Indonesia, the consequent downturn of the economy triggered a regime change while in Malaysia, serious political divisions were created within the United Nationalist Malay Organization (UMNO), Malaysia’s ruling political party.

Using the same framework above, Batalla (2002) focused on state decisiveness in Southeast Asia toward Japan’s economic partnership agreements. This paper extends that study to cover the political consequences of decisiveness in Southeast Asia’s bilateral agreements. In the 2000s, Southeast Asian countries joined the bandwagon for bilateral FTAs. From seven in 2000, the number of bilateral FTAs rose to 24 in 2013. The FTAs involved deals with blocs (e.g., ASEAN, EU) and individual countries. These numbers notwithstanding, the region embraced the spirit of bilateralism with mixed enthusiasm. Some joined the bandwagon out of fear of exclusion from major markets, others in response to strategic diplomacy needs.

Still, several Southeast Asian nations were unprepared to fully open their economies beyond the trade and investment liberalization policies already in place. The political acceptability of the bilateral FTAs depended on the extent such agreements intruded into politically sensitive economic sectors, which have long enjoyed the mantle of government protection. Yet in other cases, political contentiousness was not simply a matter of the FTAs’ political acceptability. The issue was not even ideological in the tradition of the free market vs. protectionism debate. Rather, the FTAs’ political contentiousness arose from a number of issues such as the perceived legitimacy of the
negotiation process, the public standing of the political leader, and even the public’s disposition toward the bilateral partner.

Under certain contexts therefore decisiveness toward bilateral FTAs creates or escalates political tension in the domestic scene. The following sections illustrate the effects of decisiveness on domestic politics as experienced in Thailand, Malaysia, and the Philippines. Although political outcomes varied in the three countries, the fact remains that decisiveness could be costly to political leaderships.

**Thailand**

During the first half of the 2000s, Thailand was at the forefront of bilateralism among the members of the Association of Southeast Asian Nations (ASEAN). This could be partly attributed to the FTA activism of Thaksin Shinawatra who served as prime minister from January 2001 to September 2006. Previously, Thai bilateralism was based on its ASEAN membership; ASEAN dealt with stronger countries like China and Japan as a collective of relatively weak states. Outside of this collective arrangement, Thailand’s concluded a preferential trade agreement with neighboring Laos in June 1991.

Thailand’s FTA policy was regarded by the Thaksin administration as critical to the recovery and growth of the economy. The policy reflected a “dual track” approach of strengthening the domestic economy while integrating it with the global economy (Talerngsri and Vonkhorporn 2005). In more concrete terms, the policy promised more foreign exchange through preferential trade and investments as well as greater market access.

Under Thaksin, Thailand moved quickly and pursued FTAs with several countries simultaneously (Table 1). Starting with Bahrain in December 2002, the government negotiated with 8 other partners (individual countries and blocs), five of which came into force during his term. In addition, proposals were initiated for bilateral FTAs with Korea, Pakistan, Chile and MERCOSUR. These FTAs were on top of agreements made or being negotiated by ASEAN, of which Thailand was a key member.
Table 1. Thailand’s Bilateral FTAs during the Thaksin Administration

<table>
<thead>
<tr>
<th>Partner</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>Signed on January 29, 2004</td>
</tr>
<tr>
<td>Australia</td>
<td>Signed on July 5, 2004 and entered into force on January 1, 2005</td>
</tr>
<tr>
<td>China</td>
<td>Signed on October 2003</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Signed on April 19, 2005 and entered into force on July 1, 2005</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Framework agreement signed on December 29, 2002</td>
</tr>
<tr>
<td>India</td>
<td>Framework agreement signed on October 9, 2003; early harvest in September 2004</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partner</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Started negotiations in February 2004, signed in April 2007, and entered into force in November 2007</td>
</tr>
<tr>
<td>United States</td>
<td>Started negotiations in June 2004</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>Proposed in August 2003</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Proposed in April 2004</td>
</tr>
<tr>
<td>EFTA *</td>
<td>Negotiations launched in October 2005</td>
</tr>
<tr>
<td>MERCOSUR**</td>
<td>Proposed in March 2006</td>
</tr>
<tr>
<td>Chile</td>
<td>Proposed in March 2006; negotiations launched in April 2011</td>
</tr>
</tbody>
</table>

Legend: * EFTA is the European Free Trade Association, which includes Norway, Switzerland, Iceland, and Lichtenstein; **MERCOSUR’s members at that time were Brazil, Argentina, and Paraguay

Source: ARIC database

The ability of the Thaksin administration to decide on FTAs simultaneously is borne not only out of the former prime minister’s activism; FTA policy decisiveness was also made possible by the prevailing political-institutional configuration. As well, ambiguity in the language of the 1997 constitution provided the opportunity for Thaksin to disregard other veto players possibly involved in approving international treaties and agreements, particularly the King and parliament.

With a new constitution promulgated in 1997, the Thaksin-led Thai Rak Party (TRT) won landslide victories in the 2001 and 2005 elections. In 2001, TRT took over 248 out of the 500 seats in parliament. A majority coalition was later formed after the National Aspiration Party (NAP) merged with TRT and the Thai Nation Party (Chart Thai or CT) coalesced with the same party. In the 2005 elections TRT won a majority, gaining 127 seats for a total of 375 out of 500 seats in parliament. This signaled a united government,
dominated as it was by a single party led by a prime minister who co-founded it. Thus, the political configuration gave Thaksin a free rein to pursue his FTA agenda.

Further, institutional controls to entering into international economic treaties or agreements have not been clearly prescribed by the 1997 constitution. The closest relevant provision, Section 224 of the 1997 Thai constitution, states:

“The King has the prerogative to conclude a peace treaty, armistice and other treaties with other countries or international organisations.

A treaty that provides for a change in the Thai territories or the jurisdiction of the State or requires the enactment of an Act for its implementation must be approved by the National Assembly.

Thus, although Section 224 specified the King and the National Assembly as veto players in international treaties, it was not entirely clear whether or not their consent was required for bilateral and regional FTAs. This question was not deliberated at the National Assembly or raised before the Constitutional Court. The absence of an enabling law or a judicial resolution therefore encouraged the government executive (the Prime Minister or Cabinet) to conclude international agreements not explicitly covered by Section 224 without legislative ratification.

Thaksin’s FTA policy could be therefore pursued with practically no institutional constraints. However, Thaksin-style policy decisiveness proved to be disastrous. In terms of process, minimal consultations were held, negotiations were shrouded in secrecy, and the texts of the agreements not revealed to the public (Sally 2007; Phongpaichit 2007). As more and more FTAs unfolded, political noise about the adverse impacts (but less on the positive gains) became louder.

The first negative experience came from the bilateral FTA with China, which provided tariff free trade on agricultural products. Some agricultural export producers, e.g., cassava, gained from the deal. However, fruit and vegetable (especially, garlic and onion) farmers from Northern Thailand complained of substantial losses as cheaper imports from China flooded the market starting in 2004.

This first experience projected some fear from other sectors expecting losses from the other FTAs. Thai dairy farmers protested against the bilateral FTAs with Australia and New Zealand, which would give the latter’s highly competitive dairy industries advantage over local dairy products. Non-Japanese automobile and auto parts producers
lobbied against relevant provisions of the Japan-Thailand Economic Partnership Agreement (JTEPA) that gave advantage to Japanese manufacturers.

The Thai-US FTA was probably the most controversial of all because of its comprehensiveness. The United States wanted greater participation in sectors like telecommunications, finance, and agriculture (apparently with pressure on the Thai government to lift restrictions on genetically-engineered products). Likewise, there was a strong push from U.S. trade negotiators for intellectual property rights protection, which threatened sundry items producers as well as users of cheaper, generic medicines (especially HIV/AIDS victims). In January 2006, protesters gathered en masse and laid siege on the hotel venue of the Thai-US bilateral talks. The talks had to be suspended as negotiators escaped from the scene.

Despite a fresh mandate handed by the February 2005 elections, the Thaksin administration confronted a growing opposition. The anti-FTA movement was somehow succeeding in conditioning the public mind of the prime minister selling the country to foreign interests. The unpopularity of FTAs was equated with Thaksin, and vice-versa. Thus, when Shin Telecoms was sold to Singapore’s Temasek Holdings, one of the issues in the controversial deal was the sale of a domestic strategic industry to foreign parties. Amidst the political crisis of 2006, the signing of the JTEPA was postponed and US-Thai bilateral talks were stopped. A military coup ousted Thaksin in September 2006.

**Malaysia**

At first reluctant to the idea of bilateral FTAs, in December 2002, the Mahathir cabinet finally assented to Malaysia’s first bilateral FTA, which was with Japan. A joint working group was subsequently formed and after initial talks submitted its positive recommendation. Negotiations between the two countries started in early 2004, by which time Abdullah Badawi had already succeeded Mahathir as the country’s prime minister.
Like Thaksin’s, the Abdullah government saw a policy opportunity in the bilateralism of the 2000s. The regime tabled seven prospects but only concluded two agreements during its term (Table 2). Note that during the period 2004-2006, the government actively engaged in bilateral proposals and negotiations. Most of these agreements were concluded during the successor government of Najib Razak.

The period marking the time of initiation and conclusion of the agreement reflects cautiousness on the part of the government in negotiating bilateral FTAs. This cautiousness does not necessarily mean policy indecisiveness or indecisive leadership since Malaysia’s institutional configuration provides otherwise. Like Thailand, Malaysia is a constitutional monarchy but the elected King (Yang di-pertuan Agong) only plays a ceremonial role. The constitution does not provide him veto power on international treaties, including FTAs. The relevant veto power rests on the ruling party, the United Malay Nationalist Organization, which leads the parliament’s majority coalition Barisan Nasional (BN, or United Front). The UMNO is governed by the Supreme Council, which is composed of 30 party officials elected by the General Assembly every three years. The Council meets once in two months.

No legislative ratification is required for FTAs, meaning that the matter is left to executive prerogative, i.e., the cabinet. The cabinet is the executive unit responsible to the federal parliament. In practice, the prime minister is the “real executive” whose authority is supported both by party and government (Ra’ees, 2008: 93). He is the leader of UMNO

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Table 2. Malaysia’s Bilateral FTAs Initiated or Concluded during the Abdullah Administration (2003-2008)

<table>
<thead>
<tr>
<th>Partner</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Negotiations launched in January 2004, signed in December 2005 and entered into force in July 2006</td>
</tr>
<tr>
<td>Chile</td>
<td>Proposed in January 2006, negotiations launched in June 2007, and concluded in November 2010, entered into force April 2012</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Negotiations launched in May 2005, signed in October 2009, and entered into force in August 2010</td>
</tr>
<tr>
<td>United States</td>
<td>Negotiations launched in June 2006</td>
</tr>
<tr>
<td>Australia</td>
<td>Negotiations launched in May 2005, signed in May 2012, entered into force January 2013</td>
</tr>
</tbody>
</table>

Source: ARIC database
as well as the BN chairman, which positions are reflective of the support given by the majority of UMNO and the political coalition membership. Although theoretically, the judiciary through the Supreme Court has the power of judicial review, its independence from the executive has been questioned since 1988 after Prime Minister Mahathir campaigned for the removal of Supreme Court justices including then Lord President Salleh Abbas (Bari, 2008; Case 2002). Thus, based on Malaysia’s political configuration then, the Cabinet effectively acts as the veto player in concluding bilateral FTAs. The Ministry of International Trade and Industry, headed by Rafidah Aziz, was the lead negotiating agency.

Since 2004, the Abdullah administration attempted to reap preferential trade and investment benefits from bilateral FTAs. It likely intended to conclude as many deals as possible. Yet somehow the administration’s aggressive posturing was somehow tempered following its first bilateral FTA. The experiences from bilateral negotiations with Japan and the U.S. offer suggestions on the government’s later policy behavior.

As earlier mentioned, the Japan-Malaysia Economic Partnership Agreement (JMEPA) was Malaysia’s first bilateral FTA. Negotiations were concluded swiftly and signed subsequently, making Malaysia second to Singapore among ASEAN members in the Southeast Asian race for a bilateral FTA with Japan. The negotiations involved contentious issues, most of which were quickly resolved by the two parties. However, there were issues, though resolved at the international level, had created domestic political fissures. Moreover, the lack of transparency in the negotiation process drew negative public reaction though not as intense as those in Thailand and the Philippines.

Perhaps, the most serious bottleneck during the JMEPA negotiations was the liberalization of Malaysia’s automobile industry. The Malaysian side hoped for increased Japanese investments in its automobile industry. The Japanese side wanted all tariffs on automobiles and parts be removed by 2015. This demand could not be accommodated readily because of the existing National Car Policy, which imposed tariffs and excises taxes on imports. Thus, the Abdullah government worked to alter the policy.

For some, the removal of government protection would seriously undermine the viability of the local car industry. The proposed liberalization therefore received resistance from former Prime Minister Mahathir, whose leadership created the industry now being threatened. After resigning his government post, Mahathir served as director of Proton, one of Malaysia’s two car companies, the other being Perdua. In response to the proposed liberalization, Mahathir attacked his successor government’s regulation of the car
industry. Particularly, he accused government of excessively granting automobile import permits (APs), which consequently drove down the prices of car imports (Nakamura and Umezaki 2006) and therefore making Proton and Perdua cars less competitive.

In October 2005, the National Automotive Policy (NAP) replaced the previous policy. The NAP aimed at making the domestic car industry internationally competitive. It provided for the phase out and eventual abolition of the Automobile Permit (AP) system as well as the reduction of excise taxes on imported cars. In exchange for tariff-free importations, the Japanese side agreed to more economic cooperation for the local industry’s competitiveness and transformation of Malaysia into a production hub.

Around the time the JMEPA was entered into force, executive deal-making was being faulted for lack of transparency and public consultations. House members from both UMNO and opposition parties complained about the lopsidedness of the deal and raised the need for parliamentary oversight. Public awareness was raised and anti-FTA organizations gained some traction.

The criticisms might have tempered government’s deal-making behavior. In view of several other FTAs on the table, decisiveness might have led to more serious political repercussions. In March 2006, before the swelling against the conduct of negotiations, the United States and Malaysia began formal negotiations for a bilateral FTA. Previously, the U.S. Congress gave the president a fast-track authority on bilateral agreements. On her part, Malaysia’s lead negotiator Rafidah expressed confidence that there would be no obstacles to a swift conclusion of the deal. As it turned out, the negotiations got stalled.

At the international level, the U.S. side wanted a more comprehensive treaty that would potentially affect various sectors of Malaysian society and economy. At the domestic level, NGOs and UMNO members, particularly the Mahathir faction, vehemently opposed the deal. It should be noted that after negotiations commenced, issues about the JMEPA had surfaced, which led to a demand for greater public scrutiny of FTAs.

In March 2007, Deputy Prime Minister Najib announced that the Cabinet had allowed various ministries to take their respective positions with U.S. negotiators. Previously, MITI’s Rafidah took the lead. As a result, negotiations got stuck and the deal could not be made before the expiration of President Bush’s fast-track authority. The last round of bilateral negotiations was conducted in 2008.

The Abdullah government’s early stint at decisiveness had caused a costly split with the highly influential Mahathir faction. After the JMEPA’s liberalization of the Malaysian car industry, Abdullah’s decisiveness on other issues further antagonized his predecessor.
Many of the Mahathir-initiated projects, e.g., “scenic bridge” project connecting Johor Baru and Singapore, were suspended.

The conflict with Mahathir contributed to Abdullah’s fall in 2008. While the April 2008 elections gave Abdullah a fresh mandate, the election results were considered as the worst in five decades. The coalition lost its two-thirds majority in parliament, securing only 140 out of 222 seats in parliament (i.e., 63% of the total number of seats). In the 2004 elections, BN received about 64% of votes, translating to 90% of total seats in parliament. The 2008 election results prompted calls led by Mahathir for Abdullah’s resignation. Abdullah retaliated by ordering an investigation on judicial appointments made during Mahathir’s term.

In May, Mahathir resigned from the party, stating that he had lost confidence in the prime minister’s leadership. He said that he would rejoin the party only after Abdullah resigned as prime minister. In September, defections from the coalition occurred, exerting more pressure on the prime minister to resign. In October 2008, in the wake of a serious split in UMNO and BN, Badawi announced his resignation effective April 2009. Apparently, the UMNO Supreme Council invoked its power as the highest policymaking body of the party in forcing Badawi’s hand. Deputy Prime Minister Najib succeeded him as prime minister.

The Philippines
The Philippines was the least aggressive of the three countries in tabling bilateral FTAs (Table 3). Under the presidency of Gloria Arroyo, it had only one bilateral FTA outside of ASEAN bilateral undertakings. This was the Japan-Philippines Economic Partnership Agreement (JPEPA). The JPEPA was proposed in mid-2002 soon after Singapore signed its economic partnership agreement with Japan. Another bilateral FTA with Pakistan was proposed in April 2004 but negotiations did not push through.

Table 3. Bilateral FTAs during the Arroyo Administration

<table>
<thead>
<tr>
<th>Partner</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>Proposed in April 2004</td>
</tr>
</tbody>
</table>

Source: ARIC

The Arroyo administration wanted to fast track the JPEPA and bring home first-comer advantages. In May 2002, during her visit to Tokyo, the president proposed to Prime Minister Koizumi the establishment of a joint working group for a bilateral EOA. Then,
in December 2002, based on joint announcement of the two governments, the Philippines appeared to be the next ASEAN member to sign a deal with Japan.\(^4\)

In November 2004, ten months after formal negotiations commenced, the framework agreement was signed. Negotiations were concluded more than a year later, following concessions made on automobile tariffs and movement of natural persons (MNPs), particularly the sending of health care workers to Japan. In September 2006, Arroyo and Koizumi signed the final agreement.

The period between negotiation and executive signing of the JPEPA was comparable to that of Malaysia’s. This suggested a strong determination between the two governments. On the part of the Philippine executive, it wanted a quick realization of the deal. Yet despite the president’s wishes, political and institutional constraints prevented immediate implementation.

The powers of government are firmly separated in the Philippine political system. Veto players in international treaties include the executive, legislative, and judicial branches of government. International treaties normally call for Senate ratification (the term concurrence is used). However, a free trade agreement whose provisions fall under the WTO no longer require Senate concurrence by virtue of its ratification of the 1997 General Agreement on Tariffs and Trade (GATT). Accordingly, all agreements falling within the GATT and the succeeding World Trade Organization (WTO) could be concluded and implemented by the executive branch. Another veto player is the Supreme Court, which has the power of judicial review. The high court can therefore veto international treaties and agreements if found in violation of the Philippine Constitution.

By most accounts, President Gloria Arroyo was a strong leader who had weathered a number of crises and scandals during her term. Forbes Magazine cited her as the fourth in the list of the 2005 Most Powerful Women in the World. She was consistently named to that list up to 2009, although her rank had dropped considerably since 2005.

Initially, Arroyo held a majority in the 13\(^{th}\) Congress (2004-2007). Arroyo’s Kabalikat ng Malayang Pilipino (KAMPI, or Partner of the Free Filipino) allied with two other major parties, Lakas and the Liberal Party. Lakas, which was the party formed by former President Fidel Ramos, had 80 members at the House of Representatives while the Liberal Party had 34 members.\(^5\) Combined with KAMPI’s 30 representatives, the government coalition held at least 144 (or 67\%) of the 213 seats in the Lower House. Arroyo had a less comfortable hold over the Senate with Lakas having five and the Liberal Party having four members.
A falling out with some allies in 2005 divided government, particularly at the Senate. Shortly after the Hello Garci election scandal which erupted in June 2005, the Liberal Party (LP) bolted out of the coalition and called for Arroyo’s resignation. This meant four Senators joining the opposition and leaving the government coalition. Arroyo’s coalition still dominated the House of Representatives while the opposition led the Senate.

Given the circumstances that altered the country’s political configuration, government decisiveness weakened. This could be observed not only in the fast tracking of JPEPA’s implementation but also in the conduct of other foreign deals (e.g., ZTE-NBN) and legislative bills (e.g., the annual budget bills, which were consistently delayed and reenacted).

Like those in Malaysia and Thailand, the JPEPA negotiations were shrouded in diplomatic secrecy. In the Philippine case, the content of the agreement was not immediately made available to the public even after the executive signing. This later proved to be disadvantageous for the Arroyo presidency. It heightened suspicions about the president’s trustworthiness, which was already damaged severely by the “Hello Garci” election scandal in 2005.

In October 2006, environmental lobby groups led the charge with a Senator, championing their cause. They assailed Arroyo and the JPEPA on the issue of toxic waste dumping. This had an immediate impact on public opinion, which was formed in the absence of a tangible reference. Later, the Senate asserted the need to publicly scrutinize the deal and determine if it required Senate concurrence. It was later revealed that the JPEPA was a WTO-plus agreement, i.e., the provisions exceeded the WTO agreement. Hence, it required Senate concurrence, which the president initially resisted.

In November, on the day that the Senate was scheduled to begin a formal inquiry on the JPEPA, President Arroyo announced that her office would transmit the agreement to the Senate. Senate concurrence took two years, after conducting public hearings and receiving diplomatic assurances from the Japanese side on the deal’s remaining obstacles.

**Conclusion**

Strong governments are admired for their decisiveness in policymaking. However, such policy behavior with respect to agreements with external stakeholders may entail domestic political repercussions. Looking back at the experiences of Southeast Asian countries (Malaysia, Thailand, and the Philippines), policy decisiveness has contributed to regime instability. The three cases discussed above have shown the adverse effects on leadership viability or on the deal itself, especially if formal and informal domestic ratification processes are neglected.
In Thailand, Prime Minister Thaksin’s FTA activism gradually eroded his popularity. Policy decisiveness led to the image of the prime minister selling his country to foreign interests. A coup d’etat ousted him in 2006, following the controversial sale of his telecommunications firm to firms affiliated with Singapore’s Temasek Holdings. In Malaysia, policy decisiveness in the JMEPA made former Prime Minister Mahathir Mohammad a political opponent of his successor Abdullah Badawi. The loss of Mahathir’s support led to Abdullah’s downfall, which was sparked by BN’s disappointing performance in the 2008 general elections. In the Philippines, President Gloria Arroyo’s decisive posturing in favor of a swift conclusion of the Japan-Philippine Economic Partnership Agreement (JPEPA) backfired as public opinion railed against the “secret” deal. Decisiveness discredited her leadership.

Putnam (1998) argues that international negotiations involve a “two-level game.” Bargaining is conducted not only at the international level but also at the domestic level, where the negotiating executive deals with formal and informal domestic ratification actors. The costly outcomes in the three countries suggest failure along the line of getting domestic constituents and other political actors behind the bilateral FTA policy. In the race to bag a deal as quickly as possible, government executives have relied on formal decision authorities and inadequate legitimation activities (e.g., selective consultations and studies). In the process, there was a fatal neglect, if not disregard, of key domestic ratification actors. Success in international bargaining apparently did not match that of domestic bargaining.

As could be observed from the three cases, the effects of policy decisiveness on domestic politics differed—namely: intra-party clashes in Malaysia, regime change in Thailand, and divided government in the Philippines. The differences in political outcomes suggest the importance of other contextual variables, which could be used for a more thorough comparison in the future. This paper has considered the degree of contentiousness in domestic politics surrounding the national leader. Contentiousness in domestic politics was high in Thailand and in the Philippines but low in Malaysia. Future studies might consider civilian-military relations as another variable. If for instance, the prevailing state of civilian-military relations were included, would it help to explain why a regime change occurred in Thailand but not in the Philippines, which also has a history of military activism?

It is further recommended that future studies have a wider coverage to include other countries in the region, especially Indonesia. Because of time and resource constraints, the paper has not covered that country. Indonesian bilateralism, first with President Megawati Sukarnoputri and later with Susilo Bambang Yudhoyono, appears to be not as
politically contentious as that of Malaysia, Thailand, and the Philippines. Given its experience of decisive policymaking that resulted in Suharto’s resignation, and given strong nationalistic elements in Indonesia’s political landscape, this phenomenon is remarkable. The situation could be appreciated more in the backdrop of an institutional configuration that allows policy decisiveness toward bilateral FTAs. Accordingly, an FTA only requires the formal approval of the president through a presidential decree and not the stamp of parliament.

Notes


2 Typically, an FTA proposal undergoes a period of study prior to negotiations. Dates of proposals/studies are sometimes indicated in the ARIC database.


5 In 2008, LAKAS merged with KAMPI, with the former as the surviving entity.
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Database Used:

Asian Regional Integration Center, Asian Development Bank.