



ANALYSIS

Volume 9, Number 5

THE ECONOMIC CRISIS AND SOUTHEAST ASIAN SECURITY: CHANGING PRIORITIES

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THE NATIONAL BUREAU OF ASIAN RESEARCH

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ISSN 1052-164X

Printed in the United States of America.

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Funding for this publication was provided by the Henry M. Jackson Foundation.

Publishing and production services by Laing Communications Inc., Redmond, Washington.

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FOREWORD

The East Asian economic crisis has resulted in an important shift in relative power in Southeast Asia. Collapses in currency and stock markets in Thailand, Indonesia, and Malaysia—core states of the Association of Southeast Asian Nations (ASEAN)—are likely to bring dramatically slower if not negative economic growth in 1998 and 1999. Virtually all of the ASEAN states have abandoned programs to modernize their armed forces through the acquisition of late-model combat aircraft and naval vessels. China, meanwhile, has weathered the Asian crisis relatively unscathed, with a slower but still substantial economic growth rate of 5.5 to 7 percent predicted for 1998.

Since the expansion of China's power in economic and military terms was one of the primary motivations for ASEAN unity, it is striking that the shift in relative power brought on by the economic crisis appears to have coincided with a weakening rather than strengthening of ASEAN cohesion. At a moment when we might expect ASEAN members to take initiatives in security cooperation, such as joint arms purchases and deployments, Thailand, Malaysia, Indonesia, and others have instead shifted priorities to internal affairs. Simultaneously, the addition of Burma and Vietnam to ASEAN has raised divisive issues within the Association.

In this issue of the *NBR Analysis*, Sheldon Simon, professor of political science at Arizona State University and Director of NBR's Southeast Asian Studies Program, discusses this lost opportunity for enhanced security cooperation and analyzes the potential sea-change in the security environment in Southeast Asia in the wake of the economic crisis. His study is based on extensive investigation of national arms acquisition programs and on interviews with defense specialists in the region and in Washington, D.C. "If security is considered in economic and political terms, then ASEAN's security is seriously threatened," Professor Simon concludes. ASEAN states will continue to rely, albeit reluctantly, on the U.S. military presence as the mainstay of their external security, particularly in monitoring the critical sea lines of communication (SLOCs).

This study has been funded by grants from the Henry M. Jackson Foundation, the U.S. Information Agency, and the Center for Nonproliferation Studies of the Monterey Institute of International Studies.

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Sheldon W. Simon

Abstract

The Asian economic crisis of 1997–98 has had profound implications for Southeast Asian security. ASEAN political cohesion, armed forces modernization, and the quest for greater security autonomy have all been challenged by the region's most serious economic crisis since World War II.

The economic crisis presents an intra-regional problem that has not been addressed cooperatively. Rather, concerns about the transboundary implications of the region's political and economic disarray have led ASEAN's two most democratic states—Thailand and the Philippines—to challenge the Association's nonintervention norm on the grounds that bad economic policies and political chaos in any single member can spill over and affect others, thus delaying the region's economic recovery and undermining its political stature.

ASEAN armed forces have also shifted their orientation from the development of air and naval power projection to a reemphasis on ground forces for domestic social control. Mutual suspicions exacerbated by the economic crisis have undermined earlier interest in collaborative security and even arms control measures that could have been systematically addressed because of large-scale regional defense budget cuts. Finally, the economic setback to the development of an independent Southeast Asian defense capability vis-à-vis China implies the necessity of a sustained U.S. naval and air presence in the region well into the twenty-first century.

Introduction

Southeast Asia's current security environment is characterized both by enhanced cooperation and lingering uncertainty over the interests and strategies of outside powers. Within the region as well, neighboring states view each other as both security partners and problems. Moreover, the withdrawal of U.S. forces from the Philippines has helped to create a perception that the U.S. seeks to diminish its role in the region. The apparent shift of American priorities from regional security issues to questions of internal Southeast Asian politics has also contrib-

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Field research in Southeast Asia for this study was funded by grants from the Henry M. Jackson Foundation (Seattle) and The U.S. Information Agency. The author also wishes to thank Mark Frazier, director of research at NBR, for his assistance on the early phases of this project.

uted to this perception. The region's position as a strategic transshipment point for Middle East oil, and its own potential energy resources, make it a vital area for both developing and industrialized countries.

[Prior to 1997,] economic dynamism and increasing defense budgets had turned the ASEAN states and China into a high-growth market for arms suppliers.

While defense budgets in nearly every industrial nation have registered significant declines in the post-Cold War era, in Southeast Asia the prosperity of the past decade had been translated into higher defense budgets for all members of the Association of Southeast Asian Nations (ASEAN) except the Philippines, which was only slowly recovering from the profligacy of the Marcos era. Until the recent economic meltdown, economic dynamism and increasing defense budgets had turned the ASEAN states and China into a high-growth market for arms suppliers. Acquisitions have included surface vessels and submarines, late model combat aircraft, and up-to-date armor—at a time when governments in the region declared that external security threats have been at their lowest levels in decades. Why at a time of low external threat and with the inauguration of a major cooperative security institution (the ASEAN Regional Forum or ARF)¹ were Southeast Asian states accelerating their arms acquisitions? What are the implications of these acquisitions for regional stability and great-power involvement?

The Crisis and the Security Environment

The regional economic crisis that began in the second half of 1997 has provided an opportunity to slow this competitive arming. Without any conscious international coordination, but rather as a product of vastly reduced resources, by 1998 virtually all Southeast Asian states had abandoned the acquisition of modern combat arms from external suppliers. For the foreseeable future, hard currency defense purchases seem infeasible. However, can the serendipity of reduced Southeast Asian defense budgets caused by region-wide economic malaise be transformed into arms control agreements and/or cooperative security arrangements? The former require formal understandings that a lower level of regional armaments provides as much security as continued competitive arming, while the latter would create new multilateral security ties that would maximize the use of each country's combat ships and aircraft on a cooperative basis. The foregoing might be ways out of Southeast Asia's security dilemma.

Recent arms acquisition trends in Southeast Asia can be accounted for by one or more of the following factors:

- a) residual mutual suspicions among neighbors;
- b) concern about the possibility of China's hegemonic intentions;
- c) the desire to be less dependent on American protection at a time when long-term U.S. military commitments in the Pacific are problematic and local nationalist sentiments resent reliance on outside powers;

¹ The ASEAN Regional Forum (ARF) includes the ASEAN members (Brunei, Burma, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam), the so-called ASEAN dialogue partners (Australia, Canada, China, European Union, India, Japan, South Korea, New Zealand, Russia, and the United States), and other regional states (Cambodia and Papua New Guinea).

- d) the need to monitor and control territorial waters and 200-nautical-mile exclusive economic zones (EEZ) created by the Law of the Sea, which became operative in 1995;
- e) the prestige factor of having a modern military to keep pace with one's neighbors; and
- f) the existence of a buyer's market resulting from the Cold War's end and the desire of arms manufacturers to reduce the unit costs of their products by selling to as many states as possible.

Until mid-1997 ASEAN economic performance had been spectacular, with aggregate growth over the preceding decade averaging close to 7 percent annually. However, as the Thai financial meltdown of July 1997 spread to Indonesia and then to the rest of the region, economic indicators plummeted. Economic analysts estimate that Indonesia's economy contracted by 20 percent in 1998 and Thailand's by 8. The rest experienced smaller net losses or, at best, minimal gains—with the Philippines possibly increasing by one percent.² The human toll is tens of millions impoverished region-wide as the crisis knocks people out of the middle class and many down into destitution. Seeds of social unrest and political upheaval may well be planted in societies that believed they had already weathered the storms of underdevelopment and were on their way to prosperity.

Hopes for an early recovery in Southeast Asia are dim. Russell Cheetham, a recent World Bank vice president, has concluded that Southeast Asian economies lost half their U.S.-dollar value between 1997 and 1998. Regional unemployment increased by nearly 20 million in 1998—15 million in Indonesia alone. Adding to this excess labor pool in Southeast Asia are three million new workers annually.³

Moreover, long-established social contracts in Indonesia and Malaysia between the major ethnic communities—*pribumi* and *bumiputra*, respectively—and the much wealthier and commercially successful Chinese minorities may be crumbling. In Indonesia, the May 1998 riots that led to the end of President Suharto's 32-year rule were characterized by brutal attacks against local Chinese, resulting in the flight of many from the country. As a result, local networks for commercial distribution of goods and services have been severely disrupted throughout the archipelago. Unless its Chinese citizens can be persuaded to return, Indonesia's domestic distribution system will remain crippled. Malaysia has rejected loans and supervision from the International Monetary Fund (IMF) for fear that favored *bumiputra* companies would be challenged as inefficient and a drain on public resources.⁴ Efforts to resolve structural economic problems in both countries could actually increase the importance of ethnic Chinese at the expense of the ethnic majority—a politically volatile prospect.

As we shall see below, the domestic political turmoil generated by the economic crises in Malaysia, Indonesia, and Thailand is leading to a redirection of security attention from external to domestic environments. This is a dramatic change for armed forces that had gradually begun to develop external monitoring and force projection capacities for their navies and air forces.

Beginning in the mid-1980s, the need to monitor territorial waters and fishery zones, control illegal migrants, and suppress piracy and drug trafficking provided an impetus for the creation

² Harvey Sender, "Gloom (continued)," *Far Eastern Economic Review*, July 9, 1998, p. 34.

³ Presentation by Russell Cheetham to the "East Asia in Crisis" conference, sponsored by The National Bureau of Asian Research and the Strategic Studies Institute of the U.S. Army War College, Seattle, June 9–10, 1998.

⁴ Presentation by Linda Lim to the "East Asia in Crisis" conference, sponsored by The National Bureau of Asian Research and the Strategic Studies Institute of the U.S. Army War College, Seattle, June 9–10, 1998.

of substantial navies and air forces for the first time. Although the continued presence of the U.S. Seventh Fleet was welcomed, ASEAN leaders believed the Fleet would be of little assistance in dealing with their own operational needs—from sovereignty protection to EEZ patrol. Only the ASEAN armed forces themselves could be responsible for these tasks. This belief in the limited utility of the American presence was reinforced by Washington's policy of impartiality in the dispute over the Spratly Islands. America's agnosticism on the Spratlys made it all the more essential that the ASEAN claimants—Malaysia, Vietnam, the Philippines, and Brunei—develop their own capabilities to defend the islets they occupied.⁵

Regional security arrangements are not well organized to handle a prolonged socioeconomic shock. There is no overarching regional security or economic organization where political and security issues raised by such a crisis can be resolved. Neither ARF nor the Asia Pacific Economic Cooperation (APEC) forum is equipped to formulate common policies on such matters. At its November 1997 meeting, after much discussion about creating an Asian Fund to cope with the financial meltdown, APEC ultimately abandoned the idea and deferred to the IMF. The economic crisis could make the ASEAN members more distracted, inward-looking, and less cohesive. Long-standing rivalries within ASEAN are resurfacing as demonstrated in 1998 between Singapore and Malaysia.⁶

The economic crisis has been imposed, therefore, on a much less united ASEAN whose lynchpin state—Indonesia—lacks cohesion for the foreseeable future.

In other ways as well the timing of the current crisis has been particularly unfortunate for ASEAN. Over the past three years the Association has absorbed a number of difficult changes, including the expansion of its membership to include two Leninist states (Vietnam and Laos) and a military dictatorship (Burma). In all probability, a crypto-Khmer Rouge regime led by Hen Sen in Cambodia will be added soon. The proportion of democratic or pluralist governments within ASEAN has been significantly reduced as a result; and the consensus norm for ASEAN decision making weakened. The economic crisis has been imposed, therefore, on a much less united ASEAN whose lynchpin state—Indonesia—lacks cohesion for the foreseeable future. In a sense, ASEAN has lost its political rudder. Its future direction is very much contested with the Philippines and Thailand attempting to introduce more political ingenuousness into the Association's deliberations. The two countries argue that fiscal, monetary, business, and banking regulatory policies have transboundary implications, as do the environmental impacts of the late 1997 Indonesian forest fires. Open discussion within ASEAN of these policies could become a watershed change in the way the Association conducts its affairs. Nevertheless, the majority resisted any formal change in the noninterference principle at the July 1998 annual Manila foreign ministers meeting.⁷ This reassertion of national autonomy has also been sustained in defense affairs.

⁵ Derek Da Cunha, "ASEAN Naval Power in the New Millennium" in Jack McCaffrie and Alan Hinge, eds., *Sea Power in the New Century: Maritime Operations in Asia-Pacific Beyond 2000*, Canberra: Australian Defence Studies Centre, 1998, pp. 73–83.

⁶ See the discussion in David B.H. Denoon and Evelyn Colbert, "Challenges for the Association of Southeast Asian Nations," *Pacific Affairs*, (forthcoming, 1998).

⁷ Rodney Tasker and Murray Hiebert, "Dysfunctional Family," *Far Eastern Economic Review*, July 23, 1998, p. 20.

Arrangement with the United States

With political, economic, and security relations in disarray, Southeast Asia has reluctantly turned to the United States both as a market and an external security provider. Prior to the economic crisis, the United States hoped that Southeast Asian armed forces would develop sufficient air and naval capabilities to monitor their air and sea spaces by themselves. These incipient capabilities would lead to a division of labor by which the U.S. Navy would monitor the sea lines of communication (SLOC), while waters and air spaces adjacent to Southeast Asian states would be the responsibility of the littoral. These arrangements are implicit and informal because security multilateralism remains quite weak in the region. Nevertheless, the security understanding between the United States and its Southeast Asian partners can be seen in a “places not bases” policy whereby U.S. forces call at ports and airfields in Singapore, Thailand, Malaysia, and Indonesia. Each of these states, then, contributes to the maintenance of the American presence in the region.

The economic crisis challenges this arrangement on several fronts. A deterioration of regional armed forces attendant upon budget cuts means that ASEAN states will find it increasingly difficult to monitor their EEZs and cope with challenges to their individual national securities. Cooperative efforts on a bilateral basis will also diminish. Consequently, reliance on the U.S. presence will actually increase as a result of the crisis, particularly to balance China’s growing presence. For countries that had planned to become more responsible for their own external defense, this is a serious political-psychological setback. Once again, regional security reverts to an external power whose interests in Southeast Asia are secondary to those in Northeast Asia. This uneasy reversion to reliance on the American presence for regional stability means that the important roles of the U.S. Navy and Air Force in the Pacific will continue well into the twenty-first century, although regional resentment as well as gratitude may accompany them.

Southeast Asia is an anomaly in East Asia with respect to weapons of mass destruction (WMD). In Northeast Asia, WMD are major explicit or implicit security concerns. China possesses a significant nuclear weapons capability and probably a chemical warfare capacity as well. North Korea’s nuclear weapons ambitions are being contained for the time being through the Korean Peninsula Energy Development Organization (KEDO), though Pyongyang undoubtedly possesses chemical weapons. One of the major unstated purposes of the Japan-U.S. and South Korea-U.S. security treaties is to extend American nuclear deterrence to these two allies, thus abrogating any need for them to acquire nuclear weapons. Even the Taiwan Relations Act suggests a possible U.S. deterrent in the event of an improbable nuclear threat from Mainland China to the island.

Southeast Asia, by contrast, has none of these concerns. Despite rivalries with China in the South China Sea and the new India-Pakistan nuclear capabilities, Southeast Asia remains unruffled and essentially uninterested in acquiring WMD. As far back as the 1970s, ASEAN raised the prospect of a Southeast Asian nuclear weapons free zone and in the 1990s actually negotiated a treaty that all its membership has signed. This document prohibits signatories from acquiring, fabricating, or permitting the storage of nuclear weapons on their respective territories. Nor do the ASEAN states seem to have any interest in developing caches of chemical weapons. While they have been engaged in modernizing their conventional forces for the past 15 years, these military advances have not included WMD.

Domestic Turmoil

While the Asian economic crisis has greatly harmed all of East Asia, its social and political implications could be particularly devastating in Indonesia, the Philippines, Thailand, and Malaysia. Prior to the crisis, ASEAN political leaders were confident that years of economic

growth had raised the living standards of both urban and rural populations and created burgeoning middle classes throughout the region. Internal security concerns were declining throughout Southeast Asia, permitting governments to redirect military resources away from domestic affairs toward extending control over maritime EEZs and monitoring activities in adjacent sea and air spaces. These new external orientations have been halted—if not reversed—because of the domestic turmoil generated by the economic meltdown.

The most serious situation exists in Indonesia, a country that had lifted itself out of poverty over the past 30 years and had created a widely dispersed middle class. By 1998, however, inflation had soared to almost 100 percent annually, over 15 million out of a labor force of 90 million were unemployed, and those living below the poverty line may go from 22 million before the crisis to above 100 million. Close to 60 percent of the population will be living in poverty, bringing Indonesia back to the levels of the 1970s.⁸

This economic devastation may well spark a general outbreak of political violence as the public reacts to higher food prices, lower wages, job losses, and the forced devaluation of savings. The army finds itself, once again, the weak transition government's primary instrument for preventing anarchy. Through the last half of 1998, military intervention was required to restore order in Aceh, East Timor, Surabaya, and Jakarta after uprisings against economic conditions and the apparent inability of the new government of President B.J. Habibie to reverse the decline.⁹

In the Philippines, too, the armed forces anticipate a worsening of the endemic Muslim and communist insurgencies as a result of the economic crisis. Because the new administration of President Joseph Estrada took office with promises to alleviate the plight of the poor, its inability to prevent the regional crisis from impacting the Philippines is even more politically dangerous.¹⁰ For both Indonesia and the Philippines, these problems will be aggravated by the forced return of migrant workers.

Repatriation of workers—legal and illegal—from Malaysia to Indonesia, Thailand to Burma, and more generally from East Asia and the Middle East to the Philippines have also created strains among countries as well as within them. Malaysia's detention of large numbers of illegal Indonesians and their subsequent repatriation led to some complaints from Jakarta about human rights violations. Moreover, thousands of additional Indonesians are poised on the island of Sumatra to be smuggled into Malaysia, where they believe at least some employment opportunities still exist.¹¹ Indeed, Malaysia has had to redirect four naval vessels and two air force helicopters to cope with this continuing influx of Indonesian illegals. The costs of interdiction are being borne by the Marine Police and Navy out of their regular budgets, cutting into the ability to fulfill other responsibilities, particularly anti-piracy, anti-smuggling, and EEZ patrols.¹²

⁸ These figures are found in Mari Pangestu, "The Future of Indonesia," *ODC Viewpoint*, June 1998, p. 1; and John T. Dori, "Indonesia's Economic and Political Crisis: A Challenge for U.S. Leadership in Asia," *The Heritage Foundation Background*, no. 1214 (August 17, 1998), Executive Summary.

⁹ For representative descriptions of demonstrations and uprisings based on economic malaise and political disillusion, see *Radio Republik Indonesia* in Indonesian, September 2, 1998 in FBIS-EA, September 3, 1998; *Agence France Presse (AFP)* Hong Kong, August 31, 1998 in FBIS-EA, September 1, 1998; Mark Landler, "Living for Rice, Begging For Rice," *New York Times*, September 7, 1998; and "Students in Jakarta Continue Protest," *New York Times*, September 11, 1998.

¹⁰ *Manila Business World* (Internet Version), July 6, 1998 in FBIS-EA, July 7, 1998.

¹¹ *AFP* (Hong Kong), March 29, 1998 in FBIS-EA, March 31, 1998; and Damon Bristow, "Indonesian Crisis Sparks Refugee Flows," *Jane's Intelligence Review*, May 1, 1998 (Internet Version).

¹² *Jane's Defence Weekly*, April 1, 1998, p. 10; the author's discussion with U.S. Embassy officials, Kuala Lumpur, June 16, 1998; and the author's interview with Dr. Noordin Sopiee, Director General of the Malaysian Institute of Security and International Studies, Kuala Lumpur, June 16, 1998.

Thailand continues to experience security problems along its land borders: refugees from Burma and Cambodia, Muslim separatists on both sides of its border with Malaysia, and Burmese and Cambodian forces raiding refugee camps on the Thai side of their respective frontiers. Dealing with these territorial issues means that much of what remains in a downsized Thai military budget must go for army-based internal security, leaving air and maritime forces with reduced resources even for routine operations. Moreover, Thailand's 1999 fiscal year defense budget similarly keeps new procurements to the bare bones, the lowest ever in the modern history of the Thai armed forces. The overall appropriation went from \$25 billion in fiscal 1998 (before the crisis) to \$20.3 billion for fiscal 1999.¹³

Like Malaysia, Thailand is cutting back on foreign workers, including some 800,000 from Burma—mostly illegal. Repatriation is necessary to free up jobs for an estimated two million Thais who will lose their jobs because of the economic troubles. Collaboration with the Burmese government is essential for repatriation; and, as in the case of Indonesian workers in Malaysia, there is also a political dimension. Burmese migrants include political dissidents and members of the Karen ethnic community who are battling the Rangoon government for autonomy. Human rights groups are keeping a close watch on Thailand as the country deals with this situation.¹⁴

Refugees and illegal migration among ASEAN states highlight the fact that the spread of the economic crisis has meant that policy actions in one country have implications for neighbors' economies, and ultimately political stability.

The Economic Crisis and ASEAN's Noninterference Norm

Refugees and illegal migration among ASEAN states highlight the fact that the spread of the economic crisis has meant that policy actions in one country have implications for neighbors' economies, and ultimately political stability. This realization has caused some rethinking within ASEAN about one of its most sacrosanct principles: noninterference in the domestic affairs of its members. Challenging this norm is very difficult, for the rule embodies the bedrock nationalism of members, who have agreed to accept each state's autonomy since ASEAN's inception. The Association was never meant to be a precursor to political union, but is rather an undertaking to help small and medium powers deal more effectively with stronger states in the Asia-Pacific.

Nevertheless, two 1997 developments have seriously challenged the noninterference principle. The first was the breakdown of Cambodia's coalition government and subsequent return of anarchy in a prospective ASEAN member. Because ASEAN had been midwife to the Cambodian government's creation in 1993, its collapse was particularly disappointing to the Association. Anwar Ibrahim, Malaysia's deputy prime minister at the time, acknowledged that ASEAN's "noninvolvement in the reconstruction of Cambodia actually contributed to the deterioration and final collapse of national reconciliation." As Amitav Acharya, professor of political science at York University, put it: "It was a remarkably candid and unprecedented display of self-criticism . . ."¹⁵ What's more, it explicitly challenged the wisdom of ASEAN's nonintervention practice. The second challenging event has been, of course, the economic contagion that spread throughout the region.

¹³ *Bangkok Post*, February 23, 1998 in FBIS-EA, February 26, 1998.

¹⁴ *Bangkok Post*, March 15, 1998 in FBIS-EA, March 17, 1998.

¹⁵ Amitav Acharya, "Sovereignty, Non-Intervention, and Regionalism," *CANCAPS Paper No. 15*, prepared for the Conference on "Constructive Engagement in Asia: Political and Economic Dimensions," Bangkok, August 20-23, 1997, p. 1.

Arguably, there is also a third instance of the nonintervention norm's dysfunction: the behavior of Burma's military regime in the year since its admission to ASEAN. The ASEAN majority who backed the junta's membership believed that the Association could quietly work to modify the Burmese leadership's hard-line domestic politics. In fact, nothing of the kind has occurred. The addition of Vietnam, Laos, Burma, and soon, undoubtedly, Cambodia to complete the *ASEAN 10* will constitute a comprehensive Southeast Asian regional organization, but one which strains its consensus decision-making style. The economic crisis; human rights concerns in Burma, East Timor, and Indonesia generally; the negative regional public health effects of the 1997–98 Indonesian forest fires; and Cambodia's political instability all clamor for ASEAN involvement.¹⁶ The problem is how to devise an *engagement strategy* that does not constitute *interference* in a member's domestic affairs.

In July 1997, Malaysian deputy prime minister Anwar called for ASEAN to consider involvement in Cambodia once again. The proposal was picked up in July 1998 by the newly appointed Thai foreign minister Surin Pitsuwan, who argued in a series of speeches that adverse domestic events could spill across national boundaries. Surin may have had in mind Burma, whose repressive policies triggered a flood of refugees and illegal immigrants across the border into Thailand. Moreover, Burma's admission to ASEAN had frozen the Association's cooperation with the European Union, which refuses to deal with the Rangoon government.¹⁷

The Difficulty of Debate

Thailand prepared a paper for consideration at ASEAN's 1998 Manila foreign ministers meeting. It argued that each state's economic crisis brought about by the globalization of capital threatened ASEAN as a body. Therefore, "the affected countries should be able to express their opinions and concerns in an open, frank and constructive manner, which is not, and should not be considered 'interference' in fellow members' domestic affairs."¹⁸ With the exception of the Philippines, other ASEAN states rejected the proposal, arguing that open discussion of neighbors' public policies would rekindle suspicion and regional tension. Moreover, ASEAN's expansion to include Leninist and military-led states would make such a discussion even more difficult and divisive. As a senior Thai official observed, while ASEAN has successfully closed ranks in the face of an external threat, it faces a crisis from within and does not know how to react.¹⁹ This new tension became palpable in the Malaysian government's protest against critical Thai media comments in September 1998 over Prime Minister Mahathir's decision to dismiss his deputy, Anwar.²⁰

Nevertheless, a debate among the ASEAN states about greater public policy transparency has begun. The liberal side of the case is presented by Thai deputy foreign minister Sukhumbhand Paribatra, who cites not only the issues of finances, the Indonesian haze, illegal migration, and drugs but also extends the challenge to human rights as an issue for ASEAN in the new century—". . . otherwise ASEAN would face another . . . people's revolution that saw the overthrow of President Ferdinand Marcos in the Philippines."²¹ Sukhumbhand concludes that such open discussion will promote ASEAN regionalism in the long run by providing an "early warning system" to alert members of the gravity of certain domestically generated transnational problems.²²

¹⁶ Kusuma Snitwongse, "Thirty Years of ASEAN: Achievements Through Political Cooperation," *The Pacific Review*, vol. 11, no. 2 (1998). Especially pp. 190–195.

¹⁷ Nayan Chanda and Shada Islam, "ASEAN: In the Bunker," *Far Eastern Economic Review*, August 6, 1998, p. 25.

¹⁸ *Ibid.*, p. 25.

¹⁹ *Ibid.*, p. 28.

²⁰ *Matichon* (Bangkok) editorial (in Thai), "Thailand and Its Neighbors," September 11, 1998 in FBIS-EA, September 15, 1998.

²¹ Speech by Thai Deputy Foreign Minister Sukhumbhand Paribatra at Chulalongkorn University (Bangkok), reported in *The Nation* (Internet Version), August 19, 1998 in FBIS-EA, August 20, 1998.

²² Speech by Thai Deputy Foreign Minister Sukhumbhand to the Singapore Institute of Southeast Asian Studies, reported in *The Nation* (Internet Version), August 4, 1998 in FBIS-EA, August 11, 1998.

... ASEAN members are now prepared to challenge domestic political developments in a member state if they believe these events have direct transboundary implications that demean the Association's political stature.

Finally, reactions to former Malaysian deputy prime minister Anwar's September 1998 dismissal, arrest, and mistreatment while in custody constitute the most dramatic example of the noninterference norm's disintegration. Vocal, high-level complaints from Thailand, the Philippines, and even Indonesia reveal that ASEAN members are now prepared to challenge domestic political developments in a member state if they believe these events have direct transboundary implications that demean the Association's political stature. Anwar's treatment challenges ASEAN's political maturity.

Opposition to the Philippine and Thai appeal for more open discussion of domestic issues came from the other seven ASEAN members (Malaysia, Singapore, Brunei, Indonesia, Laos, Vietnam, and Burma). Senior officials from these states at the July 1998 foreign ministers conclave accused Thailand of trying to obtain ASEAN backing in support of Bangkok's frustrations with Burma and to provide an opening for other powers, such as the European Union, to intervene in ASEAN affairs. Burma particularly protested that "some of its ASEAN partners" [read Thailand and the Philippines] were violating the noninterference principle by expressing their concern over the junta's treatment of the political opposition.²³ Nonetheless, although the ASEAN foreign ministers did not formally endorse the Thai proposal for "flexible engagement," they appeared to acknowledge its substance by allowing discussion of issues that affect other member states and by agreeing that expression of different points of view does not constitute division.²⁴

Modification of the Nonintervention Norm

An initial step in the direction of a greater regional dialogue grew out of ARF's 1998 Post-Ministerial Conference when the Association and its dialogue partners established a caucus to address societal concerns resulting from the financial crisis. The caucus is to be a "clearing house" to coordinate assistance to ASEAN members from outside states and international organizations.²⁵ Implicit in caucus deliberations will be a discussion of troubled states' economic policies and how to improve them—indirect intervention in members' internal affairs.

ASEAN has also created a Fire-Fighting Arrangement for Sumatra, Riau, and Kalimantan. Thus, ASEAN states affected by repetition of the disastrous Indonesian fires of 1997 can now become involved immediately in helping to extinguish them. Under this new arrangement, Malaysia will train Indonesian fire fighters; and Singapore will provide communications equipment. Since national budgets are so tight, the main problem facing this new entity is funding.²⁶ Nonetheless, the legitimacy and framework for international intervention to cope with a major environmental disaster within ASEAN has now been established.

²³ *Bangkok Post* (Internet Version), July 24, 1998 in FBIS-EA, July 27, 1998. Also see *AFP* (Hong Kong) July 8, 1998 in FBIS-EA, July 9, 1998.

²⁴ *Bangkok Post* (Internet Version), July 25, 1998 in FBIS-EA, July 28, 1998.

²⁵ *The Nation* (Internet Version), July 29, 1998 in FBIS-EA, August 4, 1998.

²⁶ Esther Tan, "ASEAN Sent to Tackle Forest Fires, Haze," *The Sunday Times* (Singapore), June 21, 1998.

Philippine Foreign Minister Siazon maintains that other ASEAN leaders have privately consulted with him for some time on how the Association can become more proactive in dealing with national problems that have international implications.²⁷ The Association may be entering a period when the rhetoric of nonintervention conceals informal involvement in other countries' actions that affect ASEAN or its members. This seems to be occurring with the recent Cambodian elections and the Burmese authorities' continued repression of the democratic opposition. ASEAN members sent observers to the July 1998 Cambodian elections. They also regularly, though informally, urge Burmese authorities to be more open in relations with Ang San Suu Kyi's National League for Democracy. Thailand has also offered to mediate between Malaysia and Singapore over the former's decision to restrict Singapore's use of Malaysian air space for military training. This is but the latest flareup in personal animosities between Prime Minister Mahathir and Singapore elder statesman Lee Kwan Yew.²⁸

For the most part, however, these initiatives remain low profile. The suspicions are particularly discouraging for the future of ASEAN solidarity. Despite the Association's 30-year existence, it appears that military security is still defined in national terms. For example, Singapore is more interested in balancing Indonesian and Malaysian air and naval capabilities than in collaborating with them, though its rhetoric emphasizes the latter and downplays the former. While it is true that no ASEAN state contemplates hostilities with another, neither do they see each other as military allies. ASEAN is not NATO. Political antagonisms going back to the 1950s have not entirely disappeared.

The Economic Crisis and ASEAN Defense Capabilities

From the mid-1980s until the recent economic crisis, ASEAN defense spending burgeoned. Arms modernization and acquisition were most closely associated with economic growth rather than with threat assessment.²⁹ With the notable exception of the Philippines—impoverished during the long Marcos presidency—ASEAN states had the resources to reorient their armed forces gradually from domestic counterinsurgency to the monitoring and protection of adjacent sea and air spaces. Air forces and navies received the bulk of this new spending. The underlying strategic rationale was to create a capability to enforce EEZs of 200 nautical miles established by the 1982 United Nations Convention on the Law of the Sea.

Over the past 13 years, the Indonesian, Malaysian, Thai, and Singaporean armed services have acquired tactical missiles, modern surface combatants—destroyers, frigates, and ocean patrol vessels—submarines, maritime patrol aircraft, and multi-role fighter aircraft. In addition to more systems, these same states were planning at the time of the economic meltdown to add electronic warfare and command, control, and intelligence (C3I) capabilities.³⁰

Beyond general balance of power considerations, these new capabilities also serve a broader security agenda, including the exploitation of sea-based resources, the supervision of labor migration, and the enforcement of maritime pollution laws. Continuing to meet these tasks will require the additional purchase of modern combat systems and assistance in their maintenance from developed states. The ASEAN countries themselves can only produce small ships and aircraft. Within ASEAN, the absorptive capacity for advanced technologies exists only in Singapore.³¹

²⁷ Author's interview with Philippine Foreign Minister Domingo Siazon, Manila, July 8, 1998.

²⁸ *The Nation* editorial, "ASEAN Must Cool Off Singapore and KL," September 19, 1998 in FBIS-EA, September 22, 1998.

²⁹ A number of studies demonstrating the relationship between economic growth and defense spending in ASEAN are reviewed in Panitan Wattanayagorn, "Defense Economics and Trends in Military Modernization in Asia," paper presented to the annual conference of the Asia-Pacific Center for Security Studies, Honolulu, November 3-6, 1997, pp. 2-3.

³⁰ *Ibid.*, p. 5.

³¹ *Ibid.*, p. 9.

Maintaining local control of ASEAN sea and air spaces, then, requires sustained purchases of these modern systems from external suppliers such as the United States, Britain, France, Sweden, Germany, and Russia. The economic crisis, however, has virtually ended such acquisitions.

Not only have defense budgets been decimated in all ASEAN states—with the exception of Singapore—but massive currency devaluations have effectively doubled the price of arms procurements on the international market. Should this defense stagnation persist over several years, it will ultimately weaken the region's ability to participate effectively in joint exercises with U.S. forces. Outdated equipment lacks interoperability with American systems. This could become particularly important if the United States and ASEAN members were contemplating joint sea and air cooperation with respect to the SLOCs in the South China Sea and around the Spratly Islands. Regional naval and air buildups had been providing the littoral states with the capacity to patrol EEZs and potentially share intelligence with each other as well as with the U.S. Seventh Fleet.³² The economic crisis undoubtedly retards these developments.

Similarly, ASEAN armed services had hoped to develop a capacity independent of the United States to maintain the Southeast Asian SLOCs, through which almost half the world's shipping passes. Merchant vessels could compensate for closure of either the Straits of Malacca or sealanes around the Spratlys, but only through detours via the Indonesian Lombok and Makassar straits and a route that would go east of the Philippines, significantly raising freight rates and delaying shipments.³³ If the ASEAN states cannot effectively patrol and protect adjacent waters, then the importance of the Seventh Fleet will be heightened.

The current situation is characterized by only the partial completion of naval and air force modernization programs in Indonesia, Malaysia, Thailand, and Singapore. All have some maritime attack aircraft and modern surface combatants equipped with anti-ship missiles, though only Indonesia deploys two submarines. Singaporean, Thai, and Malaysian plans for submarine acquisitions have apparently been shelved for the foreseeable future. Mutual suspicions among these states, however, cause them to eye each other warily. They are waiting to see if any is able to take advantage of its neighbors' economic plight to develop a military edge.³⁴

Country Defense Assessments³⁵

The economic crisis has differentially impacted ASEAN defense capabilities. The two most seriously affected, Indonesia and Thailand, have absorbed the largest defense cuts. Malaysia and the Philippines—somewhat less devastated—have experienced some cutbacks, while Singapore's defense upgrades continue unabated (at least through 1998).

Indonesia

Indonesia has been central to ASEAN's stability and political importance. Suharto's commitment to ASEAN as his country's foreign policy centerpiece over 30 years has been critical to the Association's rise to regional prominence. Jakarta has helped to meliorate the Philippine conflict

³² Derek Da Cunha, "ASEAN Naval Power in the New Millennium" in Jack McCaffrie and Alan Hinge, eds., *Sea Power in the New Century: Maritime Operations in Asia-Pacific Beyond 2000*, Canberra: Australian Defence Studies Centre, 1998, pp. 73–83.

³³ "Southeast Asian Chokepoints: Keeping Sealines of Communication Open" in Prasan Sengupta, ed., *Asian Defence Yearbook, 1997–1998*, Kuala Lumpur: Asian Defence Journal, 1998, pp. 38–41.

³⁴ For an analysis of competitive arming in Southeast Asia that emphasizes mutual suspicion rather than an interest in cooperation, see Panitan Wattanayagorn and Desmond Ball, "A Regional Arms Race?" *The Journal of Strategic Studies*, vol. 18, no. 3 (1995), pp. 167–169.

³⁵ Portions of this section are drawn from Sheldon W. Simon, *The Economic Crisis and ASEAN States' Security*, Carlisle Barracks: U.S. Army War College Strategic Studies Institute, 1998.

with international Muslim organizations over Manila's policies toward the Moro rebellion. President Suharto backed Corazon Aquino's presidency when it was challenged by Philippine military dissidents. And since 1990, Indonesia has hosted annual discussions on the South China Sea as a way of calming conflict among the Spratly Islands' claimants.

An Indonesian breakdown could be fatal to ASEAN.

An Indonesian breakdown could be fatal to ASEAN. For starters, the flow of refugees would overwhelm neighboring Malaysia.³⁶ Singapore, too, could be caught between two chaotic neighbors. Moreover, Indonesia's future political alternatives could negatively impact ASEAN. Paradoxically, the democratization process in Indonesia could have illiberal results: (a) highly nationalistic parties could come to power that would be less interested in regional cooperation or the kind of avuncular policy Suharto had frequently followed toward ASEAN; (b) Indonesia could adopt a more fundamentalist Islam, which would exacerbate ethnic tensions, particularly with the Chinese whose return to the country is essential to economic recovery; and (c) should no stable government be formed in 1999 and the economy continue to stagnate, ASEAN neighbors could be confronted with massive refugee flows. The Association's ability to cope with this strain would be sorely tested.

Indonesia faces its most serious political and economic predicament since the abortive communist coup in the mid-1960s. The economic meltdown coincides with concerns over political succession and a regime that has refused to address massive corruption and cronyism tied to the former President's family. Consequently, as in some of its ASEAN counterparts, Indonesia's armed forces are redirecting their energies to internal security, protecting the regime from student protests and food riots. A combination of the poor, the landless, the thousands of unemployed young people, the disillusioned intellectuals, and the portion of the business community that has no leadership connections makes for a potentially volatile populous that renders Indonesia's political future a major challenge to ASEAN's vaunted concept of regional resilience.³⁷

Over the twenty years prior to the current crisis, Indonesia gradually created a navy and air force capable of monitoring its far flung archipelago. Small numbers of submarines, light frigates, and fast attack craft equipped with Harpoon anti-ship missiles and torpedoes are the basis for a strategy designed to control the country's strategic straits and counter smuggling, piracy, and illegal fishing. The navy's small size, however, has meant that these missions have been difficult to achieve. The air force is built around U.S.-manufactured platforms, including C-130s for airlift and surveillance; OV-10F Broncos for ground attack; and F-5s, A-4s, and F-16A/Bs for aerial combat. Additionally, two reconfigured Boeing 737s provide maritime surveillance.³⁸

Over the past two years, Indonesia has inaugurated some major air and naval exercises around its Natuna Islands, probably motivated by China's 1995 seizure of Mischief Reef adjacent to the Philippines. China's archipelagic maritime claim based on the Paracel Islands particularly worries Indonesia. If that claim is extended to the Spratlys, then China can contend its EEZ covers the gas-rich seabed north of the Natunas. Recent Indonesian exercises were undoubtedly designed to demonstrate that Jakarta has the capability to defend its claims. The 1995 Indonesian-

³⁶ Author's interview with J.N. Mak, Director of Research for The Malaysian Institute of Maritime Affairs, Kuala Lumpur, June 22, 1998.

³⁷ A bleak assessment of Indonesia's situation in the most recent years of Suharto's rule is found in Adam Schwarz, "Indonesia After Suharto," *Foreign Affairs*, vol. 76, no. 4 (July/August 1997), pp. 119-135. See also Donald Emmerson, "Indonesia: Will Suharto Survive?" *PacNet No. 19*, May 8, 1998, p. 1.

³⁸ Prasan K. Sengupta, "Profile of the Armed Forces of Indonesia," *Asian Defence Journal*, January 1997, pp. 12-14.

Australian security treaty may also have been negotiated with China in mind. This new tie to Australia indirectly links Jakarta to the longstanding Five-Power Defense Arrangement as well as the Australia-U.S. security relationship. Thus, Indonesia's plan to proceed with a natural gas megaproject in the Natunas by negotiating a contract with Exxon is based on a commitment to ensure maritime stability in the area.³⁹

Air and maritime buildups have encountered a severe setback, however, with Indonesia's 1997-98 economic crisis. Jakarta has suspended the planned purchase from Russia of 12 Su-30 fighters and 8 Mi-17 multipurpose helicopters. Plans for more submarines from Germany have also been abandoned. Additionally, the armed forces have cut training and operations expenses. Cooperative exercises with neighboring countries are scheduled to continue, but at a reduced tempo. Meanwhile, the armed forces have stated their primary concern to be once again the prevention and control of domestic violence.

Thailand

The evolution of Thailand's armed forces from counterinsurgency to conventional warfare began in the 1980s. The shift reflected the demise of the Thai Communist Party, Vietnam's withdrawal from Cambodia, and increased concern over maritime security with the discovery of oil and gas deposits in the Gulf of Thailand and Andaman Sea. Additionally, Thailand had to develop a capacity to monitor its 200-mile EEZ attendant upon the 1982 Law of the Sea. Thailand also has long-standing fishery conflicts with Vietnam, Malaysia, and Burma.

Beyond creating a two-ocean capability, Bangkok plans to build a naval base in Krabi province to protect its Southern Seaboard Development project. In the 1980s, the navy sought to expand its surface and anti-submarine warfare (ASW) operations through the acquisition of three ASW corvettes and six Chinese *Jianghu* frigates (the only Southeast Asian navy to buy Chinese weapons).⁴⁰ The Thai navy is also developing an air arm centered on the aircraft carrier it acquired from Spain in 1997. While the carrier is equipped with American Seahawk helicopters and Spanish AV-8 Harrier helicopters, the financial crisis has kept the ship moored at Sattahip without operating funds. Moreover, most of the surface fleet is unable to exercise with or protect the new carrier because the limited technology of the former is not compatible with the latter.⁴¹

Indeed, defense budget cutbacks following Thailand's July 1997 economic crisis have led to the suspension of all arms purchases. Among the procurement plans that have been indefinitely shelved are the purchase of 295 armored personnel carriers, 8 additional F-18s, an airborne warning and control system (AWACS) plane, 100,000 new infantry rifles, a satellite to monitor the country's borders, 2 submarines, light tanks, and long-range artillery. When Thailand recovers from the economic crisis, it will have to downsize armed forces personnel in order to afford maintenance for its new equipment. The army will have to absorb the majority of the cuts since the navy and air force are the technology-intensive services. When this happens, a greater emphasis on sea and air space protection will dominate Thai security planning. Accordingly, there may be a greater proclivity to resolve land-based problems with neighbors.⁴²

Although the United States is Thailand's closest external security partner—with the annual *Cobra Gold* exercise among the most sophisticated conducted by the United States in Asia—Bangkok was disappointed with Washington's initial response to the Thai economic turmoil.

³⁹ *Ibid.*, p. 16. Despite the economic crisis, Indonesia plans another large-scale navy/air exercise around the Natunas in 1998. See the report in *Media Indonesia* (Internet Version), December 31, 1997 in FBIS-EA, January 2, 1998.

⁴⁰ Mark Rolls, "Thailand's Defence and Security: Transformation for a New Era," *Asian Defence Journal*, September 1995, pp. 18-23.

⁴¹ Author's interview with Thai defense specialists, Bangkok, June 29, 1998.

⁴² *Ibid.*; and Nicole Brooke, "Thai Armed Forces Ready for Peace or Peacekeeping," *Asian Defence Journal*, October 1997, pp. 9-11.

The Thai government even informed U.S. Defense Secretary William Cohen that the United States should no longer count automatically on the use of Thai air and naval bases for transit either to the Persian Gulf or Northeast Asia. On the other hand, the Thais have hinted that they could be more accommodating if Washington would help find a way to delay or cancel contracts that the Thai military has made with American defense manufacturers.⁴³ Finally, the United States came through for Thailand in March 1998 with the Clinton Administration's unprecedented decision to cancel Thailand's F-18 purchase contract. Moreover, if the United States can find another buyer, the Thai armed forces could even have its \$74.5 million down payment refunded.⁴⁴ The United States has also agreed to underwrite a military training and exercise package that would have been canceled because of IMF-directed budget constraints. As a reward for Thai compliance with IMF-mandated economic reforms, Washington has extended an additional \$1.7 billion in aid.⁴⁵

Malaysia

Kuala Lumpur has managed successfully to negotiate overlapping EEZs with Thailand and Vietnam, while agreeing with Indonesia and Singapore to submit territorial disputes over adjacent small islands to the World Court in The Hague. Therefore, Malaysian officials insist that the country's armaments plans are neither targeted against neighbors nor directed against any particular adversary.

Since the mid-1990s the Malaysian armed forces have focused on the creation of a Rapid Deployment Force (RDF) able to move between the peninsular and insular portions of the country and to engage in joint operations among the three services.⁴⁶ Bilateral joint exercises with Thai, Indonesian, and Singaporean services also took place on a regular basis up to the economic crisis.

By the latter part of the 1990s, Malaysia committed to the creation of a power projection force, including a combination of Hawk-2000, F-18, and MiG-29 multi-role fighters for deep interdiction/maritime strike; maritime patrol aircraft; long-range air transport; new generation frigates; airspace surveillance radars; and a nationwide C3I system. Armed forces leaders are careful to insist that these new capabilities threaten no one, but rather "should be seen as Malaysia's contribution toward maintaining peace and stability in the Southeast Asian region."⁴⁷ The combination of modern air, transport, and military intelligence capabilities makes the Malaysian forces one of the best-balanced services in Southeast Asia. To enhance self-sufficiency, Malaysia also requires technology transfer to accompany all new weapons purchases, with the goal of engaging in licensed manufacturing sometime after the turn of the century.

Kuala Lumpur's Spratly claims and EEZ protection are the responsibility of new missile-equipped corvettes and frigates, a potent combination given the Malaysian navy's proximity to these claims. The navy would like to acquire submarines to complete its plans for operating in all environments.⁴⁸

Although Kuala Lumpur completed much of its defense modernization before the financial crisis hit in Autumn of 1997, in December the government cut the defense budget by \$83 million (10 percent) and warned that another 8 percent cut in 1998 was probable. In fact, 1999 armed forces budgets have been cut by 30 to 50 percent. Malaysia has shelved plans to acquire offshore

⁴³ "Second Guesses for the IMF," *New York Times*, February 1, 1998; and *The Nation* (Bangkok), January 21, 1998 in FBIS-EA, January 23, 1998.

⁴⁴ *The Sunday Nation* (Bangkok), March 15, 1998 in FBIS-EA, March 17, 1998.

⁴⁵ Robert Karniol, "Thailand Bailed Out Over Hornet Cancellation," *Jane's Defence Weekly*, March 25, 1998, p. 12.

⁴⁶ Interview with General Dato' Che MD Nour Mat Arshad in *Asian Defence Journal*, March 1995, p. 10.

⁴⁷ Interview with Malaysian Defense Minister Dato' Syed Hamid Albar in *Asian Defence Journal*, September 1997, pp. 20-21.

⁴⁸ Edmond Dantes, "RMN's Force Modernization Plans," *Asian Defence Journal*, December 1997, pp. 14-17.

patrol vessels, helicopters, a low-level air defense system, and new submarines.⁴⁹ Despite the economic hardships, however, Malaysia continues with plans to build offshore patrol boats domestically at a private dockyard near the new Lumut Naval Base. The PSC-Naval Dockyard hopes to hire at least one thousand technical and engineering personnel over the next decade to build new patrol craft for delivery beginning in 2002.⁵⁰

With the privatization of much of Malaysia's defense industry, the Ministry of Defense is looking for a niche market for its products. Products include aircraft maintenance, for which a contract exists with the U.S. Air Force to service its C-130s, armored ground vehicles, and offshore patrol vessels (OPVs). The emphasis on maritime surface patrol grows from Malaysia's South China Sea claims and concerns over piracy in the Strait of Malacca.⁵¹

The economic crisis has created a new task for the navy. Four ships and two air force helicopters currently supplement police efforts to block an estimated daily influx of 300 illegal Indonesians escaping the economic conditions in their own country. Malaysian police believe that several thousand Indonesians are waiting for boats on various islands off the coast of Sumatra across from peninsular Malaysia. Other officials point out that the additional costs of monitoring, capturing, registering, detaining, and then deporting these illegals may be beyond the government's financial capacity since its 20 percent budget cut for 1998. Because Indonesia's unemployment rate is approaching ten million, this problem will not soon go away.⁵² (Tension between the two ASEAN partners over the treatment of the illegals is discussed above in the Indonesian section.)

Finally, the economic crisis also led to cancellation of the September 1998 Five-Power Defense Arrangement exercise—the first time in the 27-year history of the partnership among Great Britain, Australia, New Zealand, Singapore, and Malaysia. J.N. Mak of the Malaysian Maritime Institute remarked that budget cuts have affected not only joint exercises but also general operations and training. Both the navy and air force may now be so financially crippled that their ability to monitor Malaysia's coastal waters and EEZ for illegal migrants, smugglers, pirates, and polluters is severely degraded.⁵³

Among the ASEAN countries, the only defense budget not significantly impacted by the economic crisis has been Singapore's.

Singapore

Among the ASEAN countries, the only defense budget not significantly impacted by the economic crisis has been Singapore's. With a security doctrine that combines outsiders (the United States, Great Britain, and Australia), collaboration with neighbors (the Five-Power Defense Arrangement and ASEAN Regional Forum), as well as self-reliance, the island city-state seems to have covered all bases. Most recently, Singapore has been strengthening its link to Washington by promising to give the United States access to the new Changi Naval Base, which will become operative in 2000. Changi's size will even permit the U.S. Navy to dock its aircraft carriers.⁵⁴

⁴⁹ *Jane's News Brief*, December 16, 1997; and *Far Eastern Economic Review*, August 20, 1998, p. 8.

⁵⁰ *The Star* (Kuala Lumpur, Internet Version), April 21, 1998 in FBIS-EA, April 23, 1998; and "Malaysia Signs Double Deals for OPV Project," *Jane's Defence Weekly*, February 25, 1998, p. 16.

⁵¹ See the special section on Malaysian Armed Forces Modernization in *Jane's Defence Weekly*, November 26, 1997, pp. 37–52; and *The Star* (Kuala Lumpur, Internet Version), January 13, 1998 in FBIS-EA, January 14, 1998.

⁵² *Jane's Defence Weekly*, April 1, 1998, p. 10; *Far Eastern Economic Review*, March 19, 1998, p. 20.

⁵³ *Jane's Defence Weekly*, September 9, 1998, p. 30; Radio Australia, August 27, 1998 in FBIS-EA, August 28, 1998; and the author's interview with defense specialists, Kuala Lumpur, June 16, 1998.

⁵⁴ Tono Caldwell, "Power Player," *Asiaweek*, January 30, 1998, pp. 18–19.

Malaysian Prime Minister Mahathir has informally expressed displeasure with the new agreement, stating that he does not want to see an enhanced American military presence in the region.⁵⁵ By contrast, Singapore may view a beefed-up U.S. presence as an insurance policy against the economic turmoil spilling over into regional political conflict.

Singapore's arms purchases continue unabated. It is buying 12 new F-16C/Ds, bringing its total to 42 current models of the strike aircraft by 2000. Singapore is also acquiring three submarines from Sweden. The F-16s are equipped with beyond-visual-range, precision-guided munitions and advanced global positioning systems. The acquisition will sustain Singapore as the region's most potent air force. Moreover, Singapore may actually see some strategic benefits from the economic crisis insofar as it slows the weapons acquisitions of both Indonesia and Malaysia.⁵⁶

It is noteworthy that despite the economic crisis, Singapore funded a regular bilateral air force exercise with Indonesia in Riau province. Singapore has invested \$1.2 million in aircraft shelters, flight line and training facilities, and detachment offices that will be used jointly with Indonesia.⁵⁷ Maintaining good military-to-military relations with Indonesia may be something of a safeguard policy as relations with Malaysia become tense. (See discussion below.)

Philippines

Philippine defense capabilities perennially have been a standing joke within ASEAN. Lacking modern air and naval forces, the islands have been rife with smuggling, piracy, and fishery poaching. By the mid-1990s, President Ramos gambled that internal insurgencies could be controlled politically so that army manpower could be substantially reduced. The savings would be reallocated to an ambitious 15-year modernization program that would emphasize maritime patrol ships and aircraft, a national radar surveillance system, and at least one fighter-interceptor squadron.⁵⁸ The cost is projected to be approximately \$8.2 billion.

With ASEAN armed forces modernization programs essentially stagnant, there could be serious implications for the protracted dispute among the Spratly Islands claimants, particularly with China.

As an archipelagic country with more coastline than the continental United States, the Philippines is less concerned with any prospect of an attack than with monitoring its adjacent seas for piracy, smuggling, and illegal fishing. The last two are estimated to rob the country of tens of millions of dollars annually. The 15-year modernization plan would remedy much of the inability to control the archipelago's vast air and sea spaces. By mid-1998, however, reflecting a lack of resources, the military modernization program was postponed for at least two more years.⁵⁹

⁵⁵ *South China Morning Post* (Hong Kong), February 3, 1998.

⁵⁶ *Jane's Defence Weekly*, February 18, 1998, p. 35 and November 5, 1997, p. 15; as well as *AFP* (Hong Kong), February 24, 1998. Additional information was obtained by the author in interviews with U.S. Embassy officials in Singapore, June 23, 1998.

⁵⁷ John Haseman, "Indonesia, Singapore Hold Exercise Despite Budget Hardship," *Jane's Defence Weekly*, September 16, 1998, p. 17.

⁵⁸ Issak Zukerman, "DeVillia on the Military Modernization Plans and Closing Ranks with ASEAN," *Asian Defence Journal*, February 1995, pp. 8-9.

⁵⁹ Philippine Department of National Defense, *In Defense of the Philippines: 1998 Defense Policy Paper*, May 1998, pp. 27, 37, 83, and 84. And an interview with Philippine Foreign Minister Domingo Siazon carried by GMA-7 Radio-TV Arts Network (Manila), July 20, 1998 in FBIS-EA, July 23, 1998.

The South China Sea Islands.

With ASEAN armed forces modernization programs essentially stagnant, there could be serious implications for the protracted dispute among the Spratly Islands claimants, particularly with China. The Spratly archipelago consists of more than 230 barren islets, reefs, shoals, and atolls located about 900 miles south of China's Hainan Island, 150 miles west of the Philippine island of Palawan, and 230 miles off the coast of Vietnam. Claimants include China, Taiwan, and Vietnam—for the whole archipelago—and the Philippines, Brunei, and Malaysia for portions of it.

There is a more limited dispute with respect to the Natuna Islands south of the Spratlys, situated 200 miles northwest of the Malaysian state of Sarawak and approximately 300 miles south of Vietnam. While Indonesia is the uncontested sovereign of the Natunas themselves, Jakarta contests overlapping EEZs with Hanoi to the north and with China over a gas field to the northeast that the latter claims as part of its EEZ. Monitoring and enforcing these claims requires effective air and sea operations.

With the exception of Brunei, all claimants occupy some Spratly islets, using small scale air and naval contingents. Only China has staked a claim to most of the South China Sea itself through a 1992 Declaration by its National People's Congress, which stated that the waters between the Spratlys and the China mainland constitute a Chinese sea.⁶⁰ Although the People's Republic of China (P.R.C.) has occupied islets in both the northwestern and southeastern parts of the Spratlys—challenging Vietnamese and Philippine claims—the Chinese army has taken action only against Vietnam. In 1993 a Chinese navy survey ship harassed a British Petroleum exploration vessel off Vietnam's continental shelf. A year later a Chinese ship blocked a Mobil Oil rig that had been licensed to operate by Vietnam; and there have been reports of Chinese naval vessels firing on Vietnamese patrols transiting disputed areas in the Tonkin Gulf.⁶¹ None of these incidents led to a full scale confrontation; however, they all demonstrate that China is willing to use force to defend its claims. It may be significant, though, that these small-scale skirmishes with Vietnam seem to have ended after Hanoi joined ASEAN in 1995. Moreover, China agreed for the first time at the ASEAN Post-Ministerial Conference of that year to the concept of multilateral discussions on the South China Sea, also implying that if these discussions occur within an ASEAN framework, China would not object if nonclaimants were involved. Even more promising was a statement attributed to then Chinese Premier Li Peng on a 1997 visit to Malaysia. If multilateral discussions do not resolve the South China Sea claims, Li averred, the problem can be left for future generations.⁶²

Also in 1995, after discussions with ASEAN subsequent to China's occupation of the Philippine-claimed Mischief Reef, Beijing and Manila agreed to a code of conduct for their South China Sea claims abjuring the use of force—an understanding the Philippines also reached with Vietnam. In effect, these agreements linked both Beijing and Hanoi to the 1992 ASEAN Declaration on the South China Sea—an agreement to resolve all sovereignty and jurisdictional issues in the South China Sea by peaceful means.⁶³ Despite the reassuring rhetoric, Chinese naval ships continue to ply the waters of the southeastern Spratlys; and P.R.C. fishing boats continue to poach virtually unobstructed within the Philippine EEZ.⁶⁴ China's "dual policy" in the South China Sea may reflect a division between the Foreign Ministry and other modernizers versus the PLA,

⁶⁰ A good recent review of these claims is found in Lt. General (Ret.) Dato' Seri Haji Mohammad Ali bin Alwi, "Conflicting Claims in the South China Sea" in *Asian Defence Yearbook, 1997-1998*, pp. 21-29.

⁶¹ *Ibid.*, p. 26.

⁶² *Ibid.*, p. 29.

⁶³ Philippine Department of National Defense, *In Defense of the Philippines: 1998 Defense Policy Paper*, May 1998, pp. 12-13.

⁶⁴ *Manila Business World* (Internet Version), September 29, 1998 in FBIS-EA, September 29, 1998.

which is generally allied with hardliners within the Communist Party. For the latter, the Spratlys are “ancestral property” that is being wrongfully annexed by the ASEAN claimants. For the former, however, China’s Spratly claims should not interfere with a higher foreign policy priority: ensuring a stable, friendly external environment conducive to China’s economic modernization. Trade and investment with Southeast Asia are an important component of this policy.⁶⁵ Moreover, in recent years China has a record of resolving territorial disputes with neighbors through compromise, as it has done with Burma, Afghanistan, Pakistan, and Mongolia. In 1995, Beijing followed this path in pledging negotiations with both Vietnam and the Philippines to resolve the Spratlys dispute peacefully. (Of course, these pledges were only made *after* China’s occupation of islets claimed by both countries.)

Moreover, China’s naval and air buildup across the Taiwan Strait also worry ASEAN, for the forces created to attack and invade Taiwan could also be directed further south to the Spratlys. And, despite Beijing’s declared willingness to engage in multilateral discussions on the South China Sea, no such discussions have begun. On the other hand, while China may soon have the capability to attack and destroy other Spratly occupants with its medium-range H-6 bombers, it still lacks the capacity to occupy and hold large numbers of the islets, suggesting once again that a compromise arrangement to share the Spratlys’ resources would be the best solution for all.⁶⁶

Philippine Foreign Minister Domingo Siazon believes that China’s growing energy needs—with a four to five percent annual increment—will lead the P.R.C. to accept a joint development arrangement within the next several years. The continued stalemate benefits no one, while a consortium of claimants could finally map the seabed’s resources and begin to exploit them. Foreign Minister Siazon hopes that economic imperatives will overcome national obstinance.⁶⁷ Malaysian officials, too, foresee a more cooperative Chinese approach to the Spratlys. One noted that Beijing, in contrast with foreign exploration companies, has been careful not to interfere with Malaysia’s claim.⁶⁸

Perhaps the most incisive summation of ASEAN concerns about P.R.C. intentions in the South China Sea was made by General Jose Almonte, national security advisor to former Philippine President Fidel Ramos. Noting that ASEAN members remain concerned about China’s growing ability to dominate the South China Sea and its continued lack of policy transparency for this region, Almonte compared the ASEAN states’ willingness to discuss differences with one another to China’s essential unwillingness.⁶⁹ Without Chinese transparency, ASEAN tends to engage in worst case projections which, in fact, may not be warranted. Nevertheless, if China follows a more assertive policy in the South China Sea, especially as ASEAN defense budgets stagnate, reliance on defense links to external powers and deterrence mechanisms could supersede the Association’s engagement strategy.

Cooperative Security and Arms Control

Deflated military budgets and a virtual end to big-ticket arms acquisitions call into question ASEAN defense policies of the past ten years, particularly the quest for independent defense.

⁶⁵ Shee Poon Kim, “The South China Sea in China’s Strategic Thinking,” *Contemporary Southeast Asia*, vol. 19, no. 4 (March 1998), pp. 378–380 and 383–384. See also Mel Gurtov and Byong-moo Hwang, *China’s Security: The New Roles of the Military*, Boulder: Lynne Rienner, 1998, pp. 264–266.

⁶⁶ Derek Da Cunha, “Southeast Asian Perceptions of China’s Future Security Role in Its ‘Backyard’” in Jonathon Pollack and Richard H. Yang, eds., *In China’s Shadow: Regional Perspectives on Chinese Foreign Policy and Military Development*, Santa Monica: The RAND Corporation, 1998, p. 121.

⁶⁷ Author’s interview with Philippine Foreign Minister Domingo Siazon, Manila, July 8, 1998.

⁶⁸ Author’s interview with Ahmad Fuzi Razak, Director General, Malaysian Institute of Diplomacy and Foreign Relations, Kuala Lumpur, June 17, 1998.

⁶⁹ Author’s interview with former Philippine national security advisor, General Jose Almonte, Manila, July 7, 1998.

With the exception of Singapore, there is simply no more money for the late model combat aircraft, frigates, and destroyers that had begun to fill the inventories of Southeast Asian militaries. Those that had been added in recent years ply the region's ocean and air spaces less frequently to save operational costs. Emblematic of this new situation is Thailand's recently acquired short takeoff and landing (STOL) aircraft carrier, which remains in port at Sattahip unable to travel the South China Sea or fly its Harriers for lack of resources.

With the economic situation so grim, it would seem that the time is ripe for some innovative security review. If regional defense capacities are stagnant or declining, are there alternatives to the past policies of steady buildup? Perhaps, *cooperative security* or *arms control*. Either or both of these policies could reduce defense budgets without harming national security. But they would require a significant change in military thinking in which each state attempts to acquire an independent capacity to protect its own air and sea spaces and EEZs against neighbors who are developing similar capabilities. Traditional balance of power defense policies would have to make way for more novel security forms. Is there evidence that thinking along these lines is occurring in ASEAN?

The ASEAN states also believe in comprehensive security, which establishes linkages across several dimensions of political and economic relations, and is based on the assumption that the more ties among countries, the less probable are prospects for armed conflict.

ASEAN states already have some experience with cooperative security. Annual ASEAN meetings that have dealt with security issues for several years and the ASEAN Regional Forum are both examples of cooperative security. Unlike defense alliances that some ASEAN members have with outsiders (but none exclusively with each other), cooperative security is open to all relevant actors, friends and possible adversaries alike. The idea is to build security with others rather than against them. It is the opposite of a military bloc and usually includes such norms as noninterference in others' internal affairs, respect for territorial integrity, and the development of transparency and confidence building measures for reassurance. The ASEAN states also believe in comprehensive security, which establishes linkages across several dimensions of political and economic relations, and is based on the assumption that the more ties among countries, the less probable are prospects for armed conflict.⁷⁰ Moreover, regular interaction in a variety of issue-areas also means that governments develop mechanisms to resolve disputes.

The ARF has also endorsed cooperative security measures, including urging members to provide information to the UN arms registry, exchange unclassified military data, consider new forms of maritime security cooperation, and endorse conventions on the nonproliferation of weapons of mass destruction.⁷¹ Additionally, in the ASEAN Senior Officials Meetings since 1992, defense ministry officials have joined their foreign ministry colleagues in discussions of regional security. The Senior Officials Meetings have also established a post-ministerial conference on political and security matters with dialogue partners.

⁷⁰ Amitav Acharya, "Ideas, Identity, and Institution-Building: From 'ASEAN Way' to the 'Asia-Pacific Way'?" *The Pacific Review*, vol. 10, no. 1 (1997), p. 326. See also Jorn Dosch, *The United States and the New Security Architecture in the Asia Pacific*, Stanford: Asia/Pacific Research Center, April 1998, pp. 9-13; and Ramesh Thakur, "Australia's Regional Engagement," *Contemporary Southeast Asia*, vol. 20, no. 1 (April 1998), pp. 6-7.

⁷¹ Ramesh Thakur, "Australia's Regional Engagement," *Contemporary Southeast Asia*, vol. 20, no. 1 (April 1998), pp. 13-14.

Malaysia, Thailand, Singapore, Indonesia, and the Philippines are all publishing some form of white paper on defense or security. While these vary in the amount of information provided and analytic sophistication, each strives for some degree of transparency, that is, to explain the country's security objectives in its neighborhood, express its concerns about perceived threats, and provide a rationale for arms acquisitions. Ideally, these papers should also include sections on forward deployments, defense doctrines, and operational concepts.⁷²

Illustrative of ASEAN defense hopes prior to the economic crisis is Malaysia's 1997 white paper, which avers that the country should possess "the capability to act independently without the need for foreign assistance . . . in protecting its territorial integrity and security interests . . . from low and medium level external threats." At the same time, the white paper insists that "a threat to ASEAN . . . would also be viewed as a threat to Malaysia. Accordingly, Malaysia attaches great significance to regional cooperation." Nevertheless, "regional cooperation" in the same document is confined to "bilateral defence cooperation within ASEAN." Multilateral ASEAN efforts are still beyond consideration.⁷³

For naval and air force leaderships within ASEAN, this reticence to engage in multilateral cooperation may be a growing concern. The maritime areas already patrolled independently by ASEAN militaries would seem to be particularly promising for shared responsibilities on a multilateral basis:

- the South China Sea is littoral to seven of the nine ASEAN members;
- the Strait of Malacca and nearby straits, including the Strait of Singapore and the Lombok, Makassar, Sunda, and Ombai Wetar straits involve Malaysia, Singapore, and Indonesia, which could cooperate trilaterally in anti-piracy, anti-smuggling, and anti-pollution patrols. These states choose, however, to confine their cooperation to bilateral arrangements among themselves;
- the sprawling archipelagos of the Philippines, east Malaysia, and Indonesia could also be usefully monitored trilaterally, though the Philippines' almost nonexistent navy and air force render that prospect moot for the foreseeable future;
- patrol of sea and air space in the Andaman Sea could theoretically be divided among Burma, Thailand, Malaysia, and Indonesia; however, nothing along these lines has been contemplated.

In these operating environments, ASEAN navies (and air forces) carry out sovereignty patrols, including fisheries protection, control of illegal immigration, and search and rescue. They also act as deterrent forces. Most, however, do not have much capability beyond coastal defense, which means that even if regional ocean patrol cooperation was agreed upon, the littoral states do not yet have the ships to accomplish the task. The Thai and Singapore navies, in collaboration with their air forces, are most prepared for green water operations, while Malaysia and Indonesia had plans to develop these capacities prior to the economic crisis.⁷⁴ Even if their current capabilities do not substantially improve, however, the main ASEAN navies are equipped with ship-to-ship missiles (SSMs)—the Harpoon and the Exocet—which provide sea denial capabilities, though not sea control.

⁷² Panitan Wattanayagorn and Desmond Ball, "A Regional Arms Race?" *The Journal of Strategic Studies*, vol. 18, no. 3 (1995), pp. 160–169; and Kong Choi and Panitan Wattanayagorn, "Development of Defence White Papers in the Asia-Pacific Region" in Bates Gill and J.N. Mak, eds., *Arms Transparency and Security in Southeast Asia*, London: Oxford University Press for SIPRI, 1997, pp. 79–92.

⁷³ Malaysian Ministry of Defence, *Malaysian Defence: Towards Defence Self-Reliance*, Kuala Lumpur: 1997, pp. 22–23.

⁷⁴ Derek Da Cunha, "ASEAN Naval Power in the Twentieth Century," pp. 74–75.

Thus, it seems that the precipitous drop in defense budgets and arms modernization programs has led neither to regional interest in formal arms control nor cooperative security. Instead, mutual antagonisms in Southeast Asia appear to be heightened by the economic crisis and accompanying domestic political tensions. ASEAN solidarity has been buffeted by the transboundary effects of the economic crisis; and, although the Association remains intact and will soon become the ASEAN-10, its ability to seize the initiative to create new approaches to security through cooperative arms purchases and/or coordinated arms caps has not been displayed. Moreover, not even the ASEAN Institutes of Security and International Studies (ISIS)—the Association's Track II think tanks—are examining opportunities for new security arrangements occasioned by these economic ill winds. It seems fair to conclude, therefore, that although ASEAN recognizes its members' mutual economic interdependence—encapsulated in the understanding that national recoveries depend on the region's restoration of trust for international investors—no such vision exists for defense policy. That realm remains the exclusive responsibility of each state, for which neighbors' troubles are challenges to be defended against rather than mutually resolved.

Chinese military planners are aware of Southeast Asian capacities to defend their claims to the South China Sea islands; and since 1995 Beijing has expressed a willingness to discuss these claims multilaterally. Annual political and security dialogues between China and ASEAN demonstrate the P.R.C.'s increased acceptance of security diplomacy as a way of dealing with international differences. ASEAN is seen as an association to be cultivated rather than confronted. Consequently, China deemphasizes its military option in ASEAN contexts. To threaten force would serve not only to antagonize ASEAN but could well drive the group into an anti-China union with the United States and Japan.⁷⁵

In fact, as Rosemary Foot, professor of international relations at the University of Oxford, points out, China has displayed increased enthusiasm for multilateral security dialogue since 1995.⁷⁶ A guarded commitment to transparency was demonstrated in the P.R.C.'s fairly elaborate 1998 Defense White Paper which, though not discussing order of battle or military deployments, did provide an extensive rationale for China's overall security posture. Beginning in April 1997, Beijing also agreed to put the South China Sea issue on the agenda of the Senior Officials Meetings; and China has also acknowledged that all maritime states have a legitimate concern about freedom of navigation in those waters. One explanation for China's new-found interest in security multilateralism is that it fits well with Beijing's insistence that the bilateral security arrangements characterizing U.S. practice in the Asia-Pacific are now obsolete. From Beijing's point of view, the ARF's informal multilateral dialogues should *replace* American alliances, not just supplement them.

Over the course of five weeks in the summer of 1998, I interviewed some 40 security specialists regarding the opportunities presented by declining military budgets for regional arms control, joint arms purchasing, and multilateral security efforts. Not surprisingly, the classic realist paradigm still seems to prevail within ASEAN despite the economic crisis.⁷⁷ Military self-reliance, which fueled arms buildups in times of economic prosperity, persists even though the prosperity has faded. In good times, arms purchases were motivated by growing budgets, the availability of high-tech combat systems at favorable prices with the Cold War's end, and the

⁷⁵ Wu Xinbo, *Integration on the Basis of Strength: China's Impact on East Asian Security*, Stanford: Asia/Pacific Research Center, February 1998, pp. 8–9.

⁷⁶ Rosemary Foot, "China in the ASEAN Regional Forum: Organizational Processes and Domestic Modes of Thought," *Asian Survey*, vol. 38, no. 5 (May 1998), pp. 430–435.

⁷⁷ For a discussion of the constraints on security cooperation among ASEAN members, see Sheldon W. Simon, "The Limits of Defense and Security Cooperation in Southeast Asia," *The Journal of Asian and African Studies*, vol. 35, no. 1 (February 1998), pp. 62–75.

belief that it was essential to maintain parity with one's neighbors. Hence, no interest in arms control. After all, these armed forces were only beginning to develop external security capabilities. In bad times so far, too, there is little interest in arms control because neighbors can no longer afford to increase their inventories; hence, no need for arms control.

Moreover, according to U.S. defense analysts, with the exception of Singapore, ASEAN states do not seem to be acquiring weapons to fulfill a particular strategy. Indeed, in several cases arms have been purchased to help crony arms buyers within the recipient country who have close ties to the political leaderships. Singapore is a notable exception to this generalization. Its naval, air, and general surveillance postures are designed to maintain local superiority and help insure the free flow of international commerce through the Strait of Malacca.⁷⁸ Indonesia, Thailand, and Malaysian security concerns parallel Singapore's commitment to maintaining regional SLOCs, but with a less explicit linkage between doctrine and arms purchases.

Prestige considerations—that is, keeping up with one's neighbors—are a significant explanation for late model aircraft buys. Some professional military officers have even expressed dismay at high-level political decisions. For example, the Malaysian air force was not keen on acquiring Russian MiG-29s when the money could have been used for more U.S. F-18s. Moreover, servicing the Russian aircraft requires a separate logistics train.⁷⁹ Now, of course, with defense budgets cut to the bare bone, simply maintaining the modern ships and aircraft acquired over the last several years will be daunting. And, if air forces and navies must be kept on runways and in port for lack of operations funds, then smugglers, pirates, illegal immigrants, and the ships and aircraft of external actors will have open access to EEZs of regional nations.

Since economic difficulties are likely to lead to downsizing, is there any regional interest in conventional arms control? The ARF has agreed to greater transparency about arms through defense white papers and the provision of inventory lists to the UN Arms Register. Beyond these information provisions, however, there seems to be no desire for arms caps, reductions, or agreements not to add new types of weapons to national arsenals. Although understandings on each of these criteria could sustain a regional balance of power at lower costs, they have not been explored. Once again, mutual suspicion precludes a regional arms control regime. Moreover, as J.N. Mak of the Malaysian Institute of Maritime Affairs points out, arms reductions are not feasible when ASEAN states believe that they do not yet possess sufficient arms to meet their needs.⁸⁰

Ironically, Singapore, whose armed forces are the region's most modern and sophisticated, may be engaging in a kind of unilateral arms control. Sensitive to neighbors' perceptions of its military strength, Singapore limits the upgrades it makes to its inventory and keeps some of its F-16s in Arizona. These gestures are meant to demonstrate that the city-state does not strive for regional dominance despite its financial and technological prowess.⁸¹

Finally, and clearly determinative, no regional arms control arrangement would be feasible without China's participation. After all, both EEZ protection and conflicting South China Sea island claims involve the P.R.C. and its own growing green water navy. Even if the ASEAN states could agree among themselves to limit their armed forces, unless China became a party to the agreement, it would not be consummated.

⁷⁸ Author's interviews with U.S. defense analysts, Washington, D.C., May 26, 1998.

⁷⁹ Author's interviews with U.S. State Department analysts, Washington, D.C., May 27, 1998; and with Dr. Zakaria Haji Ahmad, Coordinator of Security and Strategic Studies, Universiti Kebangsaan, Kuala Lumpur, June 21, 1998.

⁸⁰ Author's interviews with regional security specialists Dr. Johan Saravanamuttu, Universiti Sains Malaysia, Penang, June 15, 1998; and J.N. Mak, Kuala Lumpur, June 22, 1998.

⁸¹ Author's interview with Dr. Chin Kin Wah, National University of Singapore, June 25, 1998.

... within ASEAN there is simply insufficient confidence that each country can rely on its neighbors to honor a commitment for joint arms acquisitions.

So, if formal arms control arrangements are not an option, what about cooperative security? Several ASEAN states purchase similar systems; and ASEAN armed forces have discussed interoperability, at least bilaterally. Yet to date nothing has come of these discussions. Each country's procurement remains independent from its neighbors.⁸² At bottom, within ASEAN there is simply insufficient confidence that each country can rely on its neighbors to honor a commitment for joint arms acquisitions. No ASEAN member is willing to mortgage its military modernization to a neighbor's budgetary politics, even if joint purchasing offers lower unit costs. Nevertheless, as the economic slump continues, it is possible that the prospect of joint arms purchases will be revisited in ASEAN Senior Officials Meetings. For now, however, ASEAN militaries do not even take advantage of regional upgrade possibilities, which would cost less than refurbishing combat systems outside Southeast Asia. For example, Singapore has the capability to upgrade Malaysia's F-5s; but Kuala Lumpur would never consider this option because of political tensions between the two governments. What if political differences should lead Singapore to stop providing Malaysian forces with upgrades? Malaysia is unwilling to risk such vulnerability even for lower costs. Moreover, joint purchases and efforts to achieve interoperability would provide ASEAN partners with detailed information about the operational qualities of each others' armed forces. Again, few are willing to share this information.

Thailand may be an exception. Former Prime Minister Chavalit Yongchaiyudh broached the idea of a Southeast Asian defense alliance in 1996 and hinted that Thailand could make its aircraft carrier available for regional search and rescue needs. However, no other ASEAN member has picked up on these suggestions.⁸³ Other regional security specialists have suggested multilateral constabulary naval cooperation to track down smugglers, poachers, and pirates operating in overlapping EEZs. Indonesia, Malaysia, Singapore, and the Philippines could constitute a logical combination because of contiguous territorial seas and maritime economic zones. The ASEAN-ISIS meetings have voiced these possibilities; but they have not been acted upon in Track I (intergovernmental) deliberations.⁸⁴

In sum, as a Malaysian army officer stated to the author, as long as China does not do something "silly" in the South China Sea, there is little probability that ASEAN states will come together in any kind of cooperative security arrangement. If China continues to maintain cordial diplomatic ties with Southeast Asia and refrains from taking advantage of the region's economic troubles by devaluing the *yuan*, even China's gradual development of a green water navy probably will not present a sufficient challenge to precipitate an ASEAN balancing strategy. Indeed, the economic crisis appears to have made military collaboration in the region even more problematic as Southeast Asian armed forces once again turn inward to cope with growing domestic social unrest.

⁸² Author's interview with Pentagon analysts, Washington, D.C., May 26, 1998.

⁸³ Author's interview with Dr. Panitan Waatanayagorn, Adviser to the Thai Prime Minister, Bangkok, June 30, 1998.

⁸⁴ Author's interview with General Jose Almonte, Manila, July 7, 1998. General Almonte was discussing a suggestion made by Jusuf Wanandi of Jakarta's Centre for Strategic and International Studies.

Conclusion

The economic crisis that began in 1997 may be ASEAN's most serious test since its 1967 inception. The region's previous formula for success—economic globalization combined with a good deal of political opacity—has come under close scrutiny. If security is considered in economic and political terms, then ASEAN's security is seriously threatened. Moreover, ASEAN's core member—Indonesia—has been so severely weakened politically and economically that the Association is virtually rudderless. These blows could hardly come at a worse time as ASEAN expands to include all ten Southeast Asian states, with the attendant difficulties of assimilating Leninist Vietnam and Laos, the military dictatorship in Burma, and, in all probability, an ex-Khmer Rouge government in Cambodia.

Disputes among ASEAN states, lingering below the surface even in the best of times, have been aggravated by the crisis. Tensions are particularly high among Indonesia, Malaysia, and Singapore, with the island city-state a target of recriminations by its two neighbors. President Habibie has expressed resentment that despite Singapore's promise of trade finance, no aid has been received. Nor has Singapore shown enthusiasm for Dr. Habibie's succession to the Indonesian presidency. Moreover, Singapore's promise of a \$3 billion loan to Jakarta has not been kept, while Malaysia, despite its own economic troubles, has provided \$500 million to Jakarta.⁸⁵

Tensions were further exacerbated when Malaysian prime minister Mahathir dismissed and then arrested his deputy and heir apparent Anwar Ibrahim, a political leader with considerable regional stature. Indonesian, Philippine, and Thai officials all expressed dismay at these developments, focusing particularly on Anwar's mistreatment at the hands of the Malaysian police. Additionally, Malaysian authorities have asked Bangkok to turn back Anwar supporters who might be seeking sanctuary in Thailand. However, there is no indication that Thailand has honored the request, another illustration of rising political mistrust within the region.⁸⁶

On a separate front, Malaysian-Singapore relations have frayed over the publication of Senior Minister Lee Kwan Yew's memoirs which paint Malaysia's ruling party UMNO leadership in unflattering colors. In addition to issuing a withering critique of the book, Malaysia has gone further, banning joint exercises between the two countries' armed forces.⁸⁷

The ASEAN states' inability to counter new Chinese facilities makes U.S. naval and air deployments in the region even more essential for the maintenance of a Southeast Asian balance of power.

These endemic intra-ASEAN political tensions are undoubtedly exacerbated by the economic crisis. In strategic terms, they reveal an Association unable to create a common external security front even as China continues to upgrade its installations in the Spratlys.⁸⁸ Beijing may be taking advantage of what it perceives to be a period of ASEAN weakness to expand and strengthen its presence in the South China Sea. The ASEAN states' inability to counter new Chinese facilities makes U.S. naval and air deployments in the region even more essential for the maintenance of a Southeast Asian balance of power. Far from declining as the twenty-first century dawns, the U.S. military presence will continue to be a permanent feature in the Western Pacific.

⁸⁵ *Bisnis Indonesia* (Internet Version), August 8, 1998 in FBIS-EA, August 10, 1998; and Darren McDermott and Chen May Yee, "Bickering Heightens Tensions Among Three Countries," *The Asian Wall Street Journal Weekly*, July 29, 1998, p. 6.

⁸⁶ *The Nation* (Bangkok, Internet Version), September 24, 1998 in FBIS-EA, September 25, 1998.

⁸⁷ *Far Eastern Economic Review*, October 1, 1998, p. 16.

⁸⁸ Robert Karniol, "China Stirs up Tensions on Mischief Reef," *Jane's Defence Weekly*, November 18, 1998, p. 18.

Appendix

Table 1: Register of Advanced Weapons Transferred to Southeast Asia Since 1991

ASEAN Member	Combat Aircraft	Submarines	Airborne Early-Warning Systems
Brunei	4 British Hawk 200s		
Burma	24 Chinese A-5s 10 Chinese F-7s		
Indonesia	12 Russian SU-30s 12 British Hawk 200s	2 German Type 206s (on order)	
Malaysia	18 Russian MiG-29s 18 British Hawk 200s 8 U.S. F/A-18s		
Philippines	3 South Korean F-5s		
Singapore	18 U.S. F-16s	1 Swedish Sjoormen-class 1 German Type 206	
Thailand	18 U.S. F-16s 17 U.S. A-7s 9 Spanish Harriers		3 U.S. E-2Cs
Vietnam	6 Russian SU-27s		
China	72 Russian SU-27s	2 Russian Kilo-class	

Source: Christopher Quade, "Conventional Arms Transfers and East Asian Security," a paper prepared for the annual meeting of The International Studies Association, March 17-21, 1998, Minneapolis.

Table 2: Armed Forces in East Asia, 1985–1995
Number of troops in thousands

ASEAN Member	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Brunei	4	4	4	4	4	4	4	4	4	4	5
Burma	186	186	186	186	200	230	286	286	286	370	322
Cambodia	35	60	60	60	99	112	112	135	102	70	90
Indonesia	278	284	284	284	285	283	278	283	271	280	280
Laos	54	56	56	56	56	55	53	37	37	45	50
Malaysia	110	113	113	113	115	130	128	128	115	115	122
Philippines	115	105	105	148	112	109	107	107	107	109	110
Singapore	56	56	56	56	56	56	56	56	56	56	60
Thailand	235	256	256	256	283	283	283	283	295	290	288
Vietnam	1027	1260	1260	1252	1249	1052	1041	550	550	550	550
China	4100	4030	3530	3783	3903	3500	3200	3160	3031	2930	2930

Source: Christopher Quade, "Conventional Arms Transfers and East Asian Security," a paper prepared for the annual meeting of The International Studies Association, March 17–21, 1998, Minneapolis.

Table 3: Ratio of Military Burden in Southeast Asia, 1985–1995
Military expenditures as a percentage of central government expenditures

ASEAN Member	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Burma	18.8	17.8	21.5	23.7	24.7	22.3	29.4	32.9	39.1	36.7	37.5
Indonesia	10.3	9.3	8.7	8.3	8.2	7.8	8.4	7.2	7.8	7.6	8.9
Malaysia	10.7	10.0	13.2	9.5	10.3	9.2	11.7	10.4	11.3	12.0	12.4
Philippines	9.5	10.5	10.5	12.3	12.0	10.7	10.5	10.2	11.5	10.6	8.5
Singapore	17.0	15.1	14.9	24.2	25.3	19.9	21.7	24.9	23.0	22.7	24.0
Thailand	19.7	18.6	18.2	17.8	17.6	17.1	17.0	17.0	17.5	15.7	15.2
China	23.8	19.3	19.5	20.0	19.1	18.8	17.3	16.9	16.3	18.0	18.5

Source: Christopher Quade, "Conventional Arms Transfers and East Asian Security a paper prepared for the annual meeting of The International Studies Association, March 17–21, 1998, Minneapolis.

Table 4: Arms Imports to Southeast Asia, 1985–1995
Figures in US\$ millions, at constant (1995) prices

ASEAN Member	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Brunei	0	0	6	6	6	11	0	0	0	0	5
Burma	69	40	26	25	24	126	431	161	136	103	140
Cambodia	384	200	595	300	587	379	44	0	10	10	20
Indonesia	219	214	337	350	252	345	332	1398	603	267	725
Laos	137	133	181	187	120	46	11	31	63	92	0
Malaysia	644	93	91	50	84	34	122	140	283	871	750
Philippines	55	80	91	112	120	126	155	151	63	92	90
Singapore	164	360	401	474	216	287	420	237	136	236	200
Thailand	260	240	557	687	359	333	635	398	147	400	1100
Vietnam	2056	2803	2459	1873	1558	1264	221	11	10	80	200
China	925	734	841	537	599	345	332	1398	603	267	725

Source: Christopher Quade, "Conventional Arms Transfers and East Asian Security," a paper prepared for the annual meeting of The International Studies Association, March 17–21, 1998, Minneapolis.