

Chapter 2

Emerging Security Concerns in Southeast Asia: Need for Good Governance

Instability lingers in Southeast Asia, including separatist movements and religious and ethnic conflicts. The political and social uncertainties of Indonesia, a great power in the region, are posing a threat of disturbing the stability of its neighboring countries. Although back on track to recovery, the economy has not been strong enough to gain the people's confidence and mistrust of their government is thus growing. Under such circumstances, new administrations have emerged in Thailand, the Philippines and Indonesia, and people's expectations for effective economic management by these new administrations is mounting. These new governments have been facing major tasks such as promoting economic reform and settling social unrest.

In 2001, for the second year in succession, a series of meetings including the Ministerial Meeting of the Association of Southeast Asian Nations (ASEAN) led to agreement on pursuing greater solidarity, with a central focus on reducing the economic disparities within the region. They also brought about decisions on an enhanced role for the chair of the ASEAN Regional Forum (ARF) and on the concepts and principles of preventive diplomacy. The ARF is showing signs of proceeding to the second stage of its process. The principle of noninterference, however, may hinder the progress.

Various problems affecting the entire region such as drug smuggling and illegal immigration are posing threats to ASEAN and further regional cooperative efforts are required to resolve these problems.

1. Economic Situation and Governance

Due to the financial crisis in 1997, ASEAN, which had enjoyed favorable economic development, suffered a setback that exposed the structural distortion hidden under the high economic growth. With the financial assistance of the International Monetary Fund (IMF), the World Bank and the Asia Development Bank, ASEAN showed signs of recovery in 1999. However, progress continues to be slow. The structural reforms, particularly in terms of financial reform, are insufficient to sustain recovery, and political and social uncertainties linger. Separatist movements, especially in Indonesia, are major factors that threaten the stability of ASEAN countries. The process of democratization as a result of economic development and weakened government control are also responsible for such social instabilities.

Unable to implement any effective measures against financial crisis and the turmoil in East Timor, ASEAN allowed international intervention, namely IMF's structural reform prescription imposed on them along with its financial assistance and an international force's deployment in East Timor to secure stability. Concern had mounted about the declining status of ASEAN, but composure is gradually being restored in place of economic and political disruption.

While IMF loans to Indonesia that had been suspended due to its domestic turmoil were resumed upon the establishment of a new government in 2001, Thailand became free from the supervision of the IMF in June 2000. As a result of U.N. intervention, East Timor presently has been under U.N. transitional rule and is preparing for full independence in 2002. It appears that each country is sorting out its social system and the environment vital for substantial economic recovery is gradually being attained. However, separatist movements and religious conflicts continue today in various states in Indonesia, including Irian Jaya, Maluku, Aceh and Kalimantan. Therefore, if the Indonesian government fails to handle the issues and other ASEAN nations also fail to solve their socioeconomic problems and are un-

able to respond effectively to their regional issues, it may invite further intervention from outside and thus lead to a decline in the international status of ASEAN. What is crucial for regional stability is the stabilization of each country and, therefore, good governance of each country is indispensable.

Reflecting that ASEAN allowed external intervention in the past, efforts have been made to strengthen the resilience of the region. ASEAN has begun to strengthen its own governance with a series of ASEAN meetings held in 2000 leading to agreement on the establishment of a troika system, a currency swap agreement among ASEAN countries and a cooperative framework between Japan, China and South Korea (ASEAN Plus Three). In addition, the ARF unanimously adopted a paper on “Concepts and Principles of Preventive Diplomacy” in 2001, which showed its basic stance for preventive diplomacy. The ARF considers this as the second stage of its process. Furthermore, it was decided that the role of the ARF chair should be strengthened. ASEAN, however, has a principle of nonintervention and it will still take some time before a cooperative framework achieves substantial results.

Another factor leading to the establishment of a framework for a strengthened cohesiveness of ASEAN is the existence of prevalent problems affecting the entire ASEAN region. These are issues such as illegal immigrants, drug trafficking, piracy and the proliferation of small arms. Furthermore, the issue of terrorism has become a matter of serious concern due to the terrorist attacks in the United States on September 11, 2001. As relations among the greatpowers, China, Japan, the United States and Russia, are comparatively stable, ASEAN’s perception of threats is now turning to these nonconventional threats or the issues affecting human security. These have become common concerns for ASEAN countries and political cooperation will be fortified by solving these problems.

2. Challenges for New Administrations

(1) Background to the Political Changes

In such circumstances mentioned earlier, there was the successive emergence of new administrations in Thailand, the Philippines and Indonesia. These changes of regimes were basically the results of the trend toward democratization. However, there were also underlying factors at work, including the people's low confidence in the former administrations' ability to make any practical achievements in economic recovery or structural reform, corruption and power struggles in the government, which further delayed economic recovery, and failure of the former governments to deal with political uncertainties such as the frequent separatist movements and ethnic and religious conflicts. In Malaysia, opposition to Prime Minister Mahathir bin Mohamad is becoming noticeable, although a transfer of power has yet to occur.

The economy of four ASEAN countries (Indonesia, Malaysia, the Philippines and Thailand) contracted in 1998 but turned to positive growth in 1999. Malaysia especially made a quick recovery, achieving 6.1 percent GDP growth in 1999, the highest among ASEAN nations. Thailand, the seismic center of the financial crisis, also recorded growth of 4.2 percent. The growth rate of financially and politically stricken Indonesia was relatively low at 0.9 percent in 1999, but it achieved growth of 4.2 percent in 2000. Led by Malaysia with a growth rate of 8.3 percent in 2000, the other three nations recorded growth of around 4 percent. Unemployment rates have not shown signs of improvement, despite the positive growth rates. Instead, unemployment is on the rise in the Philippines and Thailand. Real wages have been increasing since 1999, but they have not been sufficient to cover the increases in consumer prices in 1997 and 1998. Little improvement has been noticed in the exchange rates of these four ASEAN nations. What is worse is that they began to deteriorate in 2000.

The expansion of government expenditure mainly on public invest-

Table 2-1. Trend and Forecast of the Real Growth Rate (%)

	1997	1998	1999	2000	2001	2002 ^a
Indonesia	4.7	-13.1	0.9	4.8	3.2	3.9
Malaysia	7.3	-7.4	6.1	8.3	0.8	3.1
The Philippines	5.2	-0.6	3.4	4.0	2.7	3.0
Thailand	-1.4	-10.8	4.2	4.4	1.5	2.5
Singapore	8.5	0.1	5.9	9.9	-3.0	1.0

Source: Asian Development Bank, *Asian Development Outlook 2001 Update*.

^a Figures for 2002 are estimates.

Table 2-2. Trend in the Unemployment Rate (%)

	1997	1998	1999	2000	2001
Indonesia	4.7	5.5	6.4	6.1	–
Malaysia	2.5	3.2	3.4	3.1	4.0
The Philippines	8.7	10.1	9.7	11.1	–
Thailand	1.5	4.4	4.2	3.6	4.0

Source: World Bank, *East Asia Update Regional Overview*, October 2001.

ment and export drives due to the fall of the exchange rate were major driving factors for the economic recovery. However, this did not lead to a substantial improvement in the operation rate of manufacturing industries or in expansion of direct foreign investment either, which resulted in a stagnant labor market and little growth in real household income.

(2) Thailand: First General Election under the Constitution of 1997

Under such circumstances, elections for the House of Representatives were held in Thailand in January 2001. The result was a landslide victory for Thaksin Shinawatra's Thai Rak Thai Party, which took 248 of the 500 seats being contested. In February, Thaksin Shinawatra was elected prime minister and the Thaksin administration was inaugurated. The party then obtained a sole majority of 263 seats by absorbing the Seri Tham Party, before forming a coalition government with the New Aspiration Party and the Chart Thai Party. As a result, the Thaksin coalition government secured 340 of the seats in the House.

This election was critical in two respects. One is that a single party secured a majority in the House. Historically, governments in Thailand had been rather fragile coalition administrations made up of minor parties. Splits in the governing parties often hindered the effective implementation of policies. The sole majority of a single party, the Thai Rak Thai Party, set a new precedent in Thai politics. Furthermore, securing 340 seats means that it will be able to stop any no-confidence motion filed by a coalition of the four opposition parties with more than 300 seats. The political ground of the Thaksin administration is extremely stable. The second respect is that it was the first general election to be held under the democratic constitution of 1997.

The overwhelming victory of Thaksin's Thai Rak Thai Party can be attributed to the people's mounting distrust in the former Chuan administration, due to its slow progress in economic reform. In order to recover from the financial crisis, the Chuan administration smoothly advanced structural reform along with the prescription of the IMF. This enabled Thailand to become free from IMF supervision in June 2000. No significant improvements were made in the disposal of bad loans, but the bad loan ratio began to improve since the second half of 2000, with the mere transfer of the bad loans to asset management companies. However, the Thai baht fell again, resulting in a stagnation of economic activities. Agricultural prices did not recover, which placed strains on the income of farmers, who account for 60 percent of the entire working population. While people's criticism of the Chuan administration intensified, the House of Representatives was dissolved on the expiration of the term of office in November 2000.

Thaksin Shinawatra appealed directly to farmers as well as low-income groups for their support during the campaign. He pledged that farmers would be granted a three-year buffer period for repayment of their debts, that a fund of 1 million baht per village would be set up for rural development, and that medical treatment would be 30 baht per visit. He also announced the policy that a state-run body would be established for the disposal of bad loans and that the fund intermedia-

tion role of banks must be quickly restored. Having made a commitment to confer direct benefits on the people, the Thai Rak Thai Party gained broad-based support and was able to accomplish the splendid feat of gaining a sole majority in the House. Abstract slogans such as national development or eradicating corruption were always present in conventional Thai elections. It was the Thai Rak Thai Party, however, that first created policies that benefited farmers and low-income groups, thus showing that considering issues that directly relate to the people could help in securing election victories.

This phenomenon is largely due to the new constitution enacted in 1997. The 1997 Constitution was drafted with the aim of introducing political reform, including securing political transparency and eradicating corruption. Under the new constitution, both legislative houses are to be elected by popular vote with the Upper House carrying out an audit function as an impartial institution. Various powers such as the right to dismiss members of the Cabinet or both legislative houses have been endowed on the Upper House. Eligibility for the Upper House election requires a university degree or the equivalent qualifications, with present members of the Upper House, civil officers, staff members of government agencies and other government officials excluded. Furthermore, the Election Commission and the National Counter Corruption Commission were established as independent bodies and began to institute tough controls on election violations such as bribery and on misconduct such as the possession of hidden assets by lawmakers. As a result, some Cabinet members were forced to resign and many of those influence-peddling politicians lost their seats. The democratization process is thus under way. Prime Minister Thaksin Shinawatra was examined by the National Counter Corruption Commission for a possible omission of a property declaration. The Constitutional Court, however, returned a verdict of not guilty August 3, 2001.

Some problems still exist, however, even though the Thai Rak Thai Party secured a stable majority in the House of Representatives. The

fact that the party has won more than 300 seats in the House of Representatives has made it difficult for opposition parties to instigate a vote of no confidence and has left little room for opposition to the arbitrary rule of the Thaksin administration

Furthermore, quite a few corporate managers have been promoted to the posts of Cabinet members as well as counselors to the prime minister, which may lead to policy formulation in favor of major corporations. The Thai Rak Thai Party appealed to the nationalism of entrepreneurs and the middle classes by publicizing a policy that sets controls on acquisition or control over Thai companies by foreign capital. However, placing regulations on foreign capital may further delay economic recovery. Setting up an official body for bad loan disposal and relief measures for the lower-income group and farmers, namely, reduction of medical expenses and establishment of a rural development fund, may put greater pressure on tight state finances. Besides, the government has not put forward concrete economic programs for strengthening industrial competitiveness and promoting exports. Amid such financial stringency, future tasks for the government are how to map out and implement concrete and effective economic measures showing more attention to the people. Conflicts between local residents and the government over environmental issues caused by development programs, including infrastructure-building projects as well as farmers' direct protest movements, are intensifying. Therefore, how the Thaksin administration solves the problems that exist between the government and the people is noteworthy.

(3) The Philippines: People Power II

Joseph Estrada assumed the presidency of the Philippines in June 1998, enjoying the overwhelming support of the people with his slogan "Fight against Poverty." He was forced to resign, however, January 20, 2001. While his initial popularity rating exceeded 70 percent, this began to fall in the second half of 1999 because of mounting frustration among the people about the government's failure to imple-

ment effective measures to boost a sluggish economy plagued by inflation and decreasing income. To make matters worse, he further diminished his credibility by allowing cronyism, which had been pointed out even before he assumed office, as well as alleged corruption among bureaucrats, the unpopular drafting of a constitutional amendment, and pressure being put on antigovernment media. Also, domestic stability was disturbed by several incidents, including the abduction of foreign tourists by Abu

President Arroyo of the Philippines attends Mass soon after her inauguration (January 21, 2001, Manila) (Kyodo Photo)

Sayyaf (21 foreign tourists were abducted from Sipadan Island on April 23, 2000) and armed conflict with the Molo Islamic Liberation Front (MNLF) (the national army started a military campaign April 29, 2000). However, the Estrada administration was not able to take effective measures to stabilize the situations. These policy errors shattered faith in the Estrada administration at home and abroad.

Furthermore, a large number of Estrada's scandals were revealed by the media. Estrada received profits through illegal stock deals and gambling, and embezzled a large amount of money from local allocation tax for tobacco. The existence of his hidden wealth was also revealed by the media. The people's criticism of Estrada heightened in the Philippines and a movement led by the opposition parties and the Catholic Church emerged demanding his resignation as president. The House of Representatives demanded an impeachment trial for Estrada. As Estrada's malpractices surfaced one after another, the exchange rate of the peso dropped and concerns mounted over another economic crisis. The business community also began to demand the resignation of the president. Finally, the Upper House set up an impeachment

court November 20, 2000, and the first impeachment trial against a president began December 7 of the same year. Democratic procedures had been taken until that point. However, once the court decided not to disclose convincing evidence January 16, 2001, all 11 prosecution members of the House of Representatives turned in their resignations in protest. The court was adjourned, and thus the process of investigation of Estrada's corruption, which until then had been democratically carried out, came to a sudden halt. It is believed that President Estrada exercised pressure upon the court not to disclose the evidence. However, this incident fueled the protests and the confusion in the political situation became acute. The peso reached its lowest level.

Anti-Estrada forces demanding his resignation as president organized a large-scale demonstration involving citizen power on Epifanio de los Santos Avenue (EDSA), the same site where people gathered and ousted former President Ferdinand Marcos from office in 1986. These forces were led extensively by the political community, the Catholic Church, citizen groups, labor unions, leftist organizations and student groups. Business circles were also demanding the resignation of the president from fear of an impending economic crisis. Also playing a leading role was former President Corazon Aquino, another former President Fidel Ramos and Vice President Gloria Arroyo, who broke away from the administration. Meanwhile, Estrada insisted on his legality as president, demanding the continuance of the impeachment trial and refused to resign. However, the chief of staff of the armed forces of the Philippines, Gen. Angelo Reyes, announced the armed forces' nonsupport of the president January 19, 2001, and demanded his resignation. Having lost the strong support of the armed forces, President Estrada finally stepped down January 20 and on the same day Arroyo assumed the presidency. It is believed that the veteran and former President Ramos was behind these movements of the armed forces. Ramos secured the support of the armed forces as well as the state police for the anti-Estrada movement through the Federation of Retired Commissioned and Enlisted Soldiers.

The Marcos administration was overthrown by people power in 1986 and it had been said that the Philippines was the most democratized country among the Southeast Asian nations. The process of the transfer of power from Estrada to Arroyo went forward according to democratic procedures up to the impeachment trial. The setback in the investigation process due to the pressure from the president, however, revealed a vulnerability in Philippine democracy. That resolution could only be found through mass movements and with the involvement of the armed forces. Under such a fragile democratic system, there is a high risk that the personality of the leader may decide the politics of the country. A vicious circle in which systematic fragility encourages cronyism and cronyism hinders political transparency remains in the Philippines. The Filipino armed forces are said to be depoliticized, but they retain a strong political influence. Arroyo has appealed to the armed forces for its support for the new administration.

The extensive involvement of the business community and labor unions characterized the anti-Estrada movement. At the same time, however, it cannot be denied that this movement may have merely facilitated a comeback of former political and business elites. Many of the Cabinet members of Arroyo's administration are those who faced corruption charges during the former Aquino as well as Ramos administrations. The poor, which account for approximately one-third of the entire population of the Philippines, showed strong support for Joseph Estrada even after his resignation. It is obvious that the gap between the rich and the poor in the Philippines has not been narrowed either politically or economically and that it will eventually lead to further political and social uncertainties if left unattended.

The primary tasks confronting President Arroyo, therefore, are to secure the political transparency that many supporters demand, to eliminate the cronyism and restore the people's confidence in the government. The greatest challenge of all is how to deal with the massive segment of the population that enabled Estrada to win the presidential election with a high approval rating. An economic boost is important,

but without consideration given to the poor, this political change may end up as a mere game among the political and business elites, and may further heighten potential tension between the rich and the poor in the future.

(4) Indonesia: Quest for Democratization

Abdurrahman Wahid and Megawati Sukarnoputri were elected president and vice president, respectively, in October, following so-called democratic elections in June 1999. The Wahid administration started with a high expectation of the people that it would transform the political system of Indonesia from Suharto's autocracy to democracy. The new administration, however, lasted for only 22 months after it came to power.

In the general election held in June 1999, Wahid's party was in fourth place, greatly lagging behind Megawati's party and the Golkar (51 seats for Wahid's National Awakening Party, 58 seats for the United Development Party, 153 seats for Megawati's Indonesian Democratic Party for Struggle and 120 seats for Golkar). However, Wahid assumed the presidency by uniting small political parties and obtaining the cooperation of the armed forces and the Golkar, holding off the challenge from Megawati.

Wahid's greatest challenge, therefore, was to establish democracy in the country even with his fragile political foundations. He united all the major parties of the Parliament, forming the United National Cabinet. Cabinet posts were allocated to the major parties of the Parliament and the Wahid administration naturally came to assume a strong factional character. The new president attempted to gradually eliminate Cabinet members affiliated with former President Suharto and those of Islamic parties to remove this factional character. At the same time, however, he was trying to appoint his relatives and entourage in the Cabinet. Cabinet members who were removed from office or forced to step down included Hamzah Haz, coordinating minister for people's welfare (leader of the United Development Party), Wiranto, coordi-

nating minister for political and security affairs (former commander of the armed forces), Laksamana Sukardi, state minister for investment and state companies (Indonesian Democratic Party for Struggle), Yusuf Kalla, minister of trade and industry (the Golkar), and Kwik Kian Gie, coordinating minister

The new and former president of Indonesia (March 28, 2001, Jakarta) (Reuters-Kyodo)

for the economy, finance and industry (the Indonesian Democratic Party for Struggle). However, the elimination of these Cabinet members provoked a backlash from the parties concerned. Furthermore, Wahid's diplomatic approach to Israel and his attempt to annul a decision of the People's Consultative Assembly (MPR) outlawing communism and the Communist Party provoked a backlash from Islamic political parties.

With momentum lulled by his political maneuvering in the Cabinet, little progress was attained in the critical tasks facing the Wahid administration, including economic structural reform, especially financial reform, and the settlement of separatist movements in places such as Aceh and Irian Jaya, as well as religious conflict in Maluku. In fact, internal security was deteriorating. Frequent bombing incidents occurred in Jakarta and Eastern Timor refugees assaulted the United Nations High Commissioner for Refugees (UNHCR), causing the death of three staff members in September 2000. The beginning of 2001 witnessed the intensification of the conflict between indigenous people and immigrants in Kalimantan in February and the closedown of Exxon Mobile's natural gas drilling and liquefaction complex due to the deteriorating security situation in Aceh in March. The credibility of the Wahid administration fell at home and abroad.

Due to the deterioration of the security situation, including the ethnic conflict in Kalimantan, the IMF froze a \$400 million loan for fiscal year 2001. When Wahid's involvement in the alleged Bulog-gate was reported in January, about 2,000 students demonstrated, demanding Wahid's resignation and clashing with security forces in Jakarta. At the end of the month, students demanding the resignation of the president and a pro-president group staged respective demonstrations near the Parliament with the number of participants swelling into the tens of thousands.

As a result, the Indonesian Parliament tried to investigate Wahid's alleged corruption but the president was confrontational in his response, hinting at a declaration of martial law and the possibility of taking the strong action of dissolving the Parliament May 27. The Parliament then decided by an overwhelming majority May 30 to convene a special session of the MPR to hold an impeachment trial, which was eventually scheduled to be held August 1. In the meantime, President Wahid threatened Parliament again with martial law but was left powerless to act with the armed forces and the police opposing him. Before dawn on the morning of July 23, Wahid issued a decree that provided for the suspension of Parliament, MPR and the Golkar (the ruling party of the former Suharto regime), and the holding of a general election within a year. However, Cabinet members and the police either objected to or rejected this decree, and the armed forces showed their support for the police. On July 21, a special session of the MPR was convened to deliberate Wahid's impeachment charge. Wahid and the National Awakening Party refused to participate in the session but the MPR voted unanimously for the removal of Wahid. As a result, Vice President Megawati was inaugurated as the fifth president of Indonesia.

The transfer of power from Wahid to Megawati in a democratic manner was welcomed at home and abroad. The exchange rate of the rupiah recovered. The IMF decided to resume its suspended economic reform loan. The top issues for the new president are to cut expenditure, restructure the financial companies and reconstruct the economy

as proposed in the session of the MPR held on November 1. Amid continuing budget deficits, an introduction of foreign capital seems to be indispensable for economic recovery. However, maintaining the political and economic stability of the country is essential for attracting foreign investment. Various efforts have been implemented to promote decentralization and to ease the tension caused by separatist movements around the country.

In the fiscal 2001 budget, subsidies allocated to local governments were expanded to a quarter of the entire government expenditure (74.9 trillion rupiah, approximately \$8.5 billion) and expenditure was divided into two categories for the first time: that of the central government and that of local governments. The president and Cabinet members visited Aceh to mediate in the conflict, but these have yet to produce substantial results. Since domestic unrest in Indonesia has an adverse effect on not only the introduction of foreign capital but the strategic environment of Southeast Asia as a whole, the future governance of the new Megawati administration needs to be watched carefully.

Meanwhile, Indonesia is in the early stages of the democratization process and the political system has yet to fully mature. Although Indonesia has grown out from the authoritarian regime of the Suharto era, there are few experienced policy-makers in the present administration. Arbitrary parliamentary procedures without consultation among Cabinet members are followed because of the long rule of the Suharto regime. Wahid announced policies without conferring with Cabinet members and instituted strong actions reshuffling his Cabinet and declaring martial law when his policies backfired. Institutional flaws are considered to underly Wahid's behavior that resulted from the president not being endowed with the right of dissolving the Parliament. In Indonesia, the Parliament traditionally enjoys overwhelming power and cooperative relations with political parties are a critical factor for keeping an administration in power. Therefore, the maintenance of the government may sometimes require an acceptance

of corruption as well as the encouragement of cozy ties among policy-makers that ideally must be eliminated.

It was fortunate that Megawati, as the vice president, was hardly involved in the changing of Cabinet members or in policy making in the former administration. Her new Cabinet is a mutually cooperative coalition that is called the Goton Royong Cabinet and Cabinet posts were allocated to the cooperating parties. Megawati is not the type of president who leads politics herself, but rather reflects the various opinions of other Cabinet members or advisers while enjoying the charismatic quality of being the daughter of the first president of Indonesia, Sukarno. Therefore, some predict that she is a president that will be able to maintain cooperative relations among Cabinet members and political parties.

However, Megawati persistently argues that independence for local separatists is not acceptable and there is concern that she may take a tough stance on the separatists in places such as Aceh and Irian Jaya. As shown in this transfer of power, the armed forces retain their political influence, although they may be less politicized now. In addition, Megawati brought four former military officials into the new Cabinet, including Hari Sabarno as minister of internal affairs. It is also considered that such appointments aim to curtail the separatist movements. Therefore, there is concern that tough measures by the armed forces against separatist movements may further aggravate the situation. The challenges confronting the Megawati administration are not small. When it comes to issues such as organizing the Cabinet, stimulating economic recovery, calming the separatist movements and resolving religious and ethnic conflicts, her political skill for the establishment of democracy will be put to the test in the time to come.

Democratic transfers of power took place in three major ASEAN nations, Thailand, the Philippines and Indonesia. However, a democratic transfer of power or the election of a new leader does not necessarily lead to good governance. Even in these three leading ASEAN nations, there are some fragile and uncertain elements in the demo-

cratic political systems and the influence of the armed forces is rather strong. Amid a growing tendency for citizens' opinions to exert more influence in policy making, a critical task for each administration will be to enhance its governance with a view to stable development.

3. Focusing on Reducing Disparities: ASEAN Ministerial Meeting

Recovering from the fallout of the currency crisis is a high priority issue for ASEAN nations. While it has been said that the capabilities of each country to deal with external affairs are deteriorating and the cohesiveness of ASEAN is weakening, ASEAN has come out with a new direction for strengthening the framework between the 10 member countries and facilitating regional cooperation for economic recovery involving China, South Korea and Japan. The ASEAN Ministerial Meeting, the ARF and the ASEAN Informal Summit in 2000 adopted a policy of furthering comprehensive development, including protection of the weak, human resources development and narrowing the regional development gap by promoting economic cooperation to dispel the negative image of ASEAN's faltering cohesiveness. In the political-security area, agreement was reached on establishing an ASEAN Troika. In the area of strengthening the economic foundation, an agreement was made to expand a currency swap agreement between ASEAN and three East Asian countries: China, South Korea and Japan (See Chapter 3 of *East Asian Strategic Review 2001*).

The ASEAN Informal Summit in November 2000 adopted the Initiative for ASEAN Integration (IAI) and set up a task force to narrow the regional development gap, strengthen the integration of ASEAN as well as the regional competitive edge. ASEAN emphasizes cooperative efforts in the three spectrums of infrastructure building, human resource development and information technology (IT) for propelling the initiative in the long run.

A series of meetings, including the 34th ASEAN Ministerial Meet-

ing in Hanoi in July 2001, led to agreement on several issues with a view to narrowing the regional development gap and strengthening regional solidarity. The promotion of the IAI was reaffirmed and the Ha Noi Declaration on Narrowing the Development

"ASEAN + 3" Summit (November 5, 2001, Brunei)

Gap for Close ASEAN Integration was also adopted.

The Ha Noi Declaration showed ASEAN's commitment to strengthening regional solidarity by emphasizing expanded support for the new member states of Cambodia, Laos, Myanmar and Vietnam in the three areas of infrastructure, human resources development and IT. In infrastructure building, it declared that the transportation network be promoted, including the trans-ASEAN transport network, and the energy supply networks such as construction of gas pipelines. In human resources development, it stated the notion of creating and expanding educational institutions as well as providing the know-how for English education for newer member states. In the area of IT, it agreed to promote cooperative endeavors for the nurturing and diffusion of IT through deregulation under the framework of the e-ASEAN Initiative.

Meanwhile, the Foreign Ministerial Meeting of ASEAN Plus Three held after the ASEAN Ministerial Meeting agreed to promote the cooperative efforts of the three East Asian countries in the area of IT as well as Mekong Basin Development, and the participation of South Korea in the Mekong Basin Development Initiative was realized. A cooperative framework between Japan, China and South Korea was established in the Mekong Basin Development and cooperative relations between ASEAN and the three East Asian countries were thus further deepened.

It is obvious that the narrowing development gaps between original and newer member states has become an issue of the utmost concern in ASEAN. If the economic development of newer members is promoted and development gaps are narrowed by the promotion of a number of development initiatives, regional interdependency will be deepened and ASEAN's cohesiveness will be strengthened. However, the original member states haven't fully recovered from the aftereffects of the currency crisis and the fiscal deficits in each country are increasing due to economic stimulus measures. Furthermore, amid a further deepening recession of the ASEAN economy influenced by the U.S. economic slowdown, the capability of the original member states of ASEAN to afford financial assistance remains weak. Financial support from Japan, China and South Korea is, therefore, a vital lifeline for ASEAN. Besides, enhanced cooperative relations among ASEAN Plus Three will be beneficial for confidence building in East Asia as well. Also, the ASEAN Plus Three framework is crucial for promoting the constructive engagement of China, which has been a latent threat.

In the area of politics and security, member states agreed to hold ASEAN Foreign Ministers' Retreats more frequently. A retreat was held for the first time in Yangon, Myanmar, on April 30, 2001. It was intended to provide an opportunity for ASEAN foreign ministers to freely discuss future directions as well as problems in the region and to further promote confidence building efforts. Bearing in mind that informal talks such as retreats are more effective than official ministerial talks in ASEAN, it is believed that the purpose of a "flexible engagement" is to encourage free and active dialogue. Such engagement had been advocated by former minister of foreign affairs of Thailand, Surin Pitsuwan, but was brought to a halt due to a barrage of opposition in the past.

In addition, the ASEAN Ministerial Meeting adopted the Rules of Procedure of the High Council, the regional dispute settlement organization. The establishment of a High Council, which was stated in

the 1976 Treaty of Amity and Cooperation (TAC), had been delayed. This adoption of the rules pushed ASEAN forward toward the establishment of a high council. Although the details of the rules are not clear, the main points are as follows: (1) Parties with disputes outside the region are able to participate in this High Council on the premise that such countries sign the Treaty of Amity and Cooperation; (2) Countries other than the parties concerned can participate as observers; and (3) In principle a unanimous vote is required in dispute-settlement efforts. It appears that ASEAN intends to respond to conflicts that involve countries outside the region as well.

4. Progress in Preventive Diplomacy: ASEAN Regional Forum (ARF)

At the ARF held in 2000, a draft prepared by Singapore on preventive diplomacy was submitted, but the Forum confined itself to streamlining the overlap with confidence building measures (CBM). The eighth ARF, however, adopted a document on the concepts and principles of preventive diplomacy and announced its policy to move toward the second stage of the ARF process, preventive diplomacy, coupled with the first stage on the promotion of CBM. The meeting clarified the main objectives of preventive diplomacy to be as follows: (1) preventing disputes and conflicts; (2) preventing such disputes and conflicts from escalating into armed confrontation; and (3) helping minimize the impact of disputes and conflicts on the region.

Also, the following were indicated as preventive diplomacy measures: (1) building mutual trust and confidence between states; (2) drawing up guidelines or codes of conduct to define relations among countries in the Asia-Pacific region; and (3) strengthening open, easy and direct communications or channels among ARF participants to avoid misunderstandings. Furthermore, eight key principles were established for preventive diplomacy, including namely, (1) preventive diplomacy is about diplomacy; (2) preventive diplomacy is

noncoercive; (3) preventive diplomacy operates on the basis of consultation and consensus; and (4) preventive diplomacy practices are to be employed in disputes among nations.

At this ARF meeting, a document concerning the

ARF Ministerial Meeting (July 25, 2001, Hanoi)
(Kyodo Photo)

enhanced role of the ARF chair was also adopted. Although to a limited degree, the ARF chair was endowed with more power to call extraordinary meetings and to exchange information with the United Nations or the Organization of Security and Cooperation in Europe (OSCE). Such institutional reforms were intended to complement and enhance the ASEAN Troika. Establishment of the ASEAN Troika was agreed upon in 2000, but it did not function due to the negative responses of countries, namely, Vietnam and Myanmar, which insist on the noninterference principle. In addition, to give more support to the ARF chair, a decision was made in this meeting to create a Register of Experts/Eminent Persons.

From the viewpoint that an enhancement of the ARF will contribute to stability in the Asia-Pacific region, this move from confidence building to preventive diplomacy was also appreciated in the ASEAN Post Ministerial Conference.

Several agreements were reached to promote regional solidarity in a series of meetings such as the ASEAN Ministerial Meeting and the ARF in 2001. These included the adoption of the Rules of Procedure of the High Council and the enhanced role of the ARF chair. However, whether these new agreements will work effectively is still uncertain since they are all premised on the principle of noninterference and consensus. China, which had been reluctant to make a shift to preventive diplomacy, also declared its support. There were probably two

main factors underlying this shift. First, China did not want additional problems with its accession to the World Trade Organization (WTO) close at hand. Second, China judged that preventive diplomacy would not be applied in the China-Taiwan issue since preventive diplomacy is to be employed only in disputes among nations and only at the request of all parties directly involved in the disputes. The joint communique of the ASEAN Ministerial Meeting states that it appreciated the mutual efforts to promote the settlement of disputes by peaceful means for the territorial disputes in the Spratly Islands between ASEAN and China. No progress was made, however, on the formulation of a code of conduct in the South China Sea as the communique only requested the continuance of self-disciplined actions as well as dialogue between the parties concerned.

There is also concern that the principles of noninterference and consensus may render the framework for conflict prevention ineffective. The assessment on ASEAN Troika, in fact, was not mentioned in any of the conference documents. The fact that Vietnam was a part of the ASEAN Troika as a conference chair may also be connected. The ASEAN Troika is said to have virtually ceased to function.

ASEAN intends to establish a system that will narrow the regional development gaps, encourage the democratization process and allow a certain degree of interference by promoting economic cooperation for newer member states rather than inviting the disintegration of the region by dissolving the principles of noninterference and consensus.

While promoting an economic cooperation project, there will be some adjustments and shifts in policies among the countries concerned. It is also expected that the principle of noninterference may be softened to a certain degree. However, the original member states are suffering from sluggish economies and are not capable of investing in other member states. They have no choice but to depend on large powers outside the region for capital flow. Therefore, great expectations exist on the role of major powers outside the ASEAN region. Expectations for Japan, the world's largest aid donor, are particularly high. Japan's

challenge will be to adopt appropriate aid measures and to exercise good leadership.

5. Measures against Nontraditional Threats

The security environment of Southeast Asia has often been influenced by major power relations. However, the environment remains rather stable as a whole as described in a series of ASEAN meetings in 2001.

The chaotic situation in Indonesia remains as a factor that has considerable negative impact on the stability of the region. However, a series of ASEAN meetings have given positive evaluation of the manner in which Megawati was democratically elected as the new Indonesian president, and expressed high expectations for her future governance. Regarding East Timor, the meetings also gave positive evaluation of the election of the Constituent Assembly, which they said was conducted fairly, and the various support given by the international community to East Timor.

On the other hand, global issues such as the financial crisis and the widening gaps as well as transnational crimes tend to be more emphasized as threats to the ASEAN community. They are, namely, nontraditional threats, including drug trafficking, illegal immigrants, piracy, terrorism, the illegal trade of small arms, money laundering and cyber crime. Since these are all transnational crimes, cooperation among the countries concerned is essential to resolve these issues. In the second issue of *The ARF Annual Security Outlook*, published in 2001, it was clearly stated that the Asia-Pacific region is relatively stable in general though the situation differs in each country. It went on to say that, although there is no immediate threat except low intensity threats by nongovernmental actors, a framework for multilateral cooperation is necessary to deal with nontraditional threats. The ASEAN Army Commanders Meeting was held for the first time in Thailand in November 2000. This meeting also confirmed that Southeast Asia is

relatively stable. It was affirmed that new threats are emerging, including drug trafficking, international organized crimes, illegal immigrants, piracy and terrorism, although massive armed conflicts are unlikely to occur. The awareness of threats is shifting from the conventional to the nontraditional in the armed forces as well.

The September 11 terrorist attacks in the United States hit ASEAN hard too, and international terrorism has become the region's biggest threat. The Asia-Pacific Economic Cooperation (APEC) forum and ASEAN held summits in October and November, respectively, with both adopting an antiterrorism declaration or statement. The Second ASEAN Army Commanders Meeting held in the Philippines discussed the growing need to promote the exchange of terrorist information among the armed forces of ASEAN member states. President Arroyo of the Philippines is reported to have begun talks with President Megawati of Indonesia on the conclusion of a multilateral agreement on transnational issues, such as terrorism, among five ASEAN member countries. However, how to respond to international terrorism, with Islamic extremism in the backdrop, is a sensitive issue for ASEAN, considering that Indonesia has the world's largest Muslim population and that Malaysia and Brunei also have large Muslim populations. In Indonesia, there is Laskar Jihad, an Islamic extremist group with alleged links to al-Qaeda. Malaysia also has an extremist group, Kumpulan Mujahideen Malaysia (KMM). In the Philippines, there is Abu Sayyaf, which has carried out the abduction of foreign tourists. It is feared that the terrorist attacks of September 11 may encourage and intensify antigovernment movements. Each country has tightened the enforcement of laws for maintaining public security (See Chapter 1-(3)).

The increased smuggling of drugs and stimulants is also posing a threat to Southeast Asia. Southeast Asia contains major poppy cultivation areas, namely, Myanmar, Laos and Thailand. Myanmar, in particular, is the largest poppy cultivation area in Southeast Asia and has become the largest production area of opium as well as stimulants.

Thailand has managed to halve its overall area of poppy cultivation during the past decade. Meanwhile, smuggling from Myanmar as well as drug consumption among the lower- and middle-income classes of the population are increasing, becoming a serious social problem. Drugs from Myanmar are believed to be spreading into Cambodia and Vietnam. The type of drugs circulating in Southeast Asia are amphetamine-type stimulants and the total confiscated amount has soared in Thailand since 2001. The Thai Army implemented Task Force 399 to prevent drug trafficking in cooperation with the United States. Also, to dispel the negative image of being a main producing area, China and ASEAN signed a cooperative action plan on drug prevention at the International Congress on Drug Control in Bangkok in October 2000. This action plan states that China and ASEAN shall cooperate in the area of drug control. It aims to achieve the goal set by ASEAN that drugs shall be eradicated throughout Southeast Asia by 2015. In August 2001, Thailand, Myanmar, Laos and China jointly convened a ministerial meeting on drug control. ASEAN's engagement in drug control is now in full swing.

Issues about illegal immigrants are also worsening relationships among ASEAN countries. A surging influx of illegal workers due to the stagnant economic situation has become a major source of concern in the region, especially in Thailand and Malaysia. Thailand has a large number of illegal workers from Myanmar. The number of legally registered foreign workers is no more than 100,000, but it is said that approximately 1 million people from Myanmar are actually working in Thailand. The Thai government has tightened the enforcement of laws on illegal workers and deportation practices, but this has yet to make much difference. In May 2000, the Thai government announced that it would establish a committee for controlling illegal workers so as to further tighten its control. The issue of illegal workers has become one of the key factors worsening relations between Thailand and Myanmar. Meanwhile, it is said that Malaysia has approximately 2 million illegal workers, many of whom are Indonesian.

In 2000, about 90,000 illegal workers were deported, approximately 80,000 of which were from Indonesia. In January 2001, 3,775 people were arrested, 1,361 of which were Indonesian. Despite tightened enforcement of laws on illegal foreign workers, there seems to be no end to the influx of illegal workers into Malaysia.

Damage due to piracy is also on the rise. The number of acts of piracy that occurred throughout the world in 2000 was 469, a sharp rise from the 286 of the previous year. Of these, 263 cases took place on the seas of Southeast Asia. The number of incidents of piracy that occurred around Indonesia, in particular, was 119, an overwhelmingly high number, followed by 75 in the Strait of Malacca. Many of these acts of piracy occurred while ships and vessels were in port, and it was often the case that the main pirates were local residents. The root cause seems to be the sudden drop of income due to the stagnant economy. Many pirates are now better armed and tend to be more violent. Singapore and Indonesia are conducting joint patrols, and Indonesia and the Philippines are considering monitoring cooperation; such measures, however, have yet to yield substantial results.

To respond to all these emerging threats posed by transnational crimes, a number of cooperative frameworks have either been agreed upon or are being discussed in ASEAN. Although it seems to require more time to achieve noticeable results by those cooperations, it should be noted that such efforts would have also an effect of enhancing the bilateral and multilateral cooperative frameworks in broader fields. In fact, it seems that establishment of cooperative frameworks through individual and specific areas can be a more practical approach than an effort to establish a comprehensive framework in the first place and then to try to solve specific issues within such a framework.

In any case, each member country is required to improve its domestic conditions to effectively combat these transnational crimes. Without each country's efforts to promote economic development and reconstruction, narrow gaps in the distribution of income, improve social security and facilitate the social progress and domestic stability,

these nontraditional threats will not be rooted out even though bilateral or multilateral efforts may have been made. Not only new administrations in Thailand, Indonesia and the Philippines, but other ASEAN states are likely to be faced with more intensified democratization movements in the future. Therefore, it is believed that attaining good governance will be an extremely important task for each ASEAN state to stabilize their country and to put economic reconstruction back on track.

