

## **Chapter 5**

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# **Southeast Asia— Harmonizing Major Powers Relations**



The province of Nanggroe Aceh Darussalam (Aceh Province) was hardest hit by the Indian Ocean tsunami. The Free Aceh Movement (GAM), which had led a struggle for independence from Indonesia for about 30 years, dropped its demands and signed a peace accord with the Indonesian government in August 2005. It is still unpredictable how the situation will play out, but the fact that the conflict in Aceh was brought to an end is a remarkable development. However, a terrorist bombing in Bali, Indonesia, in October 2005 heightened the cautious stance against the activities of Jemaah Islamiyah (JI). In Thailand, disturbances staged by Islamic extremists in its southern provinces since early 2004 showed no signs of abating in 2005. Turbulence incited by terrorists and Islamic extremists continues to pose a threat to the security of Southeast Asia.

A series of ASEAN-related meetings held in the latter half of 2005 stressed the necessity of further strengthening regional and international cooperation in combating non-traditional threats including terrorism and maritime piracy. Enhancing cooperation on “human security”—minimizing the impact of tsunami damage, eradicating avian influenza, narrowing regional economic disparities—has also become an important challenge. Myanmar, which is resisting a transition to a democratic system, emerged as one of the focal points of these meetings.

An East Asia Summit also became a major issue at these meetings. In the end, participants agreed to form the East Asia Summit with 16 countries, including ASEAN+3 (Japan, China, and South Korea), India, Australia, and New Zealand; but excluding the United States. As the East Asia Summit and the proposed East Asian Community have to address a number of problems—the increasing influence of major powers, the leadership rivalry among them, and the inconsistency between the East Asia Summit and the existing frameworks of multilateral cooperation—it will be necessary to keep a watchful eye on future developments. Until now, ASEAN has managed to maintain balanced relations with major powers through skilful diplomacy. The key to the successful creation of an East Asian Community lies in how ASEAN will take the initiative in developing and maintaining good relations with the major powers.

## **1. Separatist Movements and the Threat of Terrorism**

### **(1) The Achievement of Peace in Aceh**

Even after Indonesia announced its independence from the Netherlands in 1945, Aceh Province demanded its secession and independence from Indonesia and fought continuously against the National Armed Forces of Indonesia (TNI). The Indonesian government tried to prevent Aceh's independence by granting it autonomy as a special province in 1959. However, the province's secessionists repeatedly clashed with government forces over the distribution of revenues from oil and natural gas extracted from the province. In 1976, a pro-independence faction formed an armed group called the GAM that frequently engaged the TNI. When former President Suharto resigned in the wake of the Asian currency crisis of 1997, the Aceh separatists gained momentum toward independence on the wave of democratization that swept through the country, and the struggle between the two sides intensified. The concern of the international community over the secessionist independence movement in Aceh had long been mounting when Japan and European countries tried to mediate a ceasefire and settlement between the two sides. At a meeting held in Switzerland in December 2002, the Indonesian government and the GAM signed a Cessation of Hostilities Agreement (COHA), the first-ever ceasefire agreement. However, as armed encounters recurred between the two sides in the months that followed, peace talks were held in Tokyo in May 2003 in order to work out effective measures to overcome the situation. In the talks, the Indonesian government called on the GAM to drop its demand for independence and the immediate disarmament of its operatives, but the GAM refused and the peace talks broke down. In response, the Indonesian government declared a state of emergency in Aceh Province for six months (it was extended for another six months in November 2003), and the TNI launched mopping-up operations against the GAM. Aceh Province remained under a state of emergency until May 2005, during which time the TNI intensified its operations, although this was subsequently lowered to a state of civil emergency.

The GAM's combat capability was thus weakened, and the devastating damage caused by the Indian Ocean tsunami, which came at such a critical juncture toward the end of 2004, seemed to break the GAM's will to fight. In such circumstances, peace talks between the two were held in January 2005 through the good offices of the Board of Crisis Management Initiative chaired by former Finnish President

Martti Ahtisaari. Initially, many gave the peace talks little chance of success. Indeed, they failed to agree on a ceasefire at the January meeting, the talks breaking down because the GAM again refused to drop its demand for independence. However, both the Indonesian government and the GAM shared the view that they had to work out a peace accord in order to revive the economy and rebuild the infrastructure of Aceh Province, which had suffered such crippling damage from the tsunami. After the meeting in January, both sides eventually agreed to resume the peace talks, and Prime Minister Malik Mohamud of the Aceh government in exile indicated that he was ready to shelve the demand for Aceh's independence and to negotiate the acceptance of a special autonomy law proposed by the Indonesian government. Although the tsunami had inflicted terrible damage on Aceh Province, at the same time it produced common objectives—the revival of its economy and rebuilding of infrastructure—that provided the mutual concession to bring the two sides together.

At the fifth peace talks meeting held on July 12, 2005, the Indonesian government and the GAM agreed to a Memorandum of Understanding between the Government of the Republic of Indonesia and the Free Aceh Movement (the MOU), and both sides formally signed it on August 15. In effect, this has largely put an end to the Aceh conflict, which nearly 30 years had killed more than 15,000 people. (For details, see Commentary on p.138.)

Following the signing of the MOU, the Indonesian government announced an amnesty on the 60th anniversary of national independence (August 17, 2005) and released 291 GAM members. On August 30, the government granted an amnesty to the remaining 1,400 members of the GAM (that included detained GAM operatives, those who were engaged in rebellion, and those who were in exile in foreign countries). Meanwhile, the TNI carried out the first round of withdrawals and pulled 1,250 troops out of Aceh on August 22. The TNI and the National Police security forces were to pull out their troops in four stages, and the number of TNI troops stationed in Aceh Province was to be reduced from 30,000 to 14,700, and the police security forces from 15,000 to

**Representatives of the Indonesian government and the GAM sign the Memorandum of Understanding (August 15, 2005).** (Reuters/Kyodo Photo)

## **An outline of the Memorandum of Understanding between the Government of the Republic of Indonesia and the Free Aceh Movement (GAM)**

The Memorandum of Understanding (MOU) between the Government of the Republic of Indonesia and the GAM was signed in Helsinki, Finland, on August 15, 2005. Minister of Law and Human Rights Hamid Awanludin signed the MOU on behalf of the Indonesian government and Malik Mohamud on behalf of the GAM.

The MOU obligates both parties to settle the Aceh conflict in a peaceful, comprehensive, sustainable, and honorable manner and sets out agreements in six areas: the governance of Aceh Province (the law of government, the participation in government, the management of the economy, and the rule of law); human rights protection (for those members of the GAM); amnesty and social rehabilitation; law and order; the creation of a monitoring organization; and the settlement of disputes.

- (1) The governance of Aceh Province: It was agreed that a new law on governing Aceh Province would be enacted and enforced no later than March 31, 2006, that the Indonesian government would institute legal conditions for establishing Aceh-based local political parties within one year (or at least within 18 months after the signing of the MOU), hold a gubernatorial election in Aceh in April 2006 and elections for the Assembly of Aceh Province in 2009. In the economic sphere, the MOU provides for 70 percent of the revenues from resources lying in the territory and the territorial waters of Aceh Province to be devolved to the province itself. Under the rule of law, Aceh Province will maintain separation of powers and establish an independent judicial system within the scope of the nation's judicial system.
- (2) Human rights protection: The MOU provides for the establishment of a human rights court and a Truth and Reconciliation Commission.
- (3) Amnesty and social rehabilitation: The Indonesian government will grant an amnesty to members of the GAM within 15 days after signing the MOU, provide them with farmland, employment, and social security, as well as establish a fund to help finance their social rehabilitation and compensate them for any damage incurred from disputes.
- (4) Law and order: Members of the GAM were to surrender their weapons to the authorities, and the national government was to withdraw the units of its armed forces and national police during the period from September 15 to December 31, 2005.
- (5) The creation of a monitoring organization and settlement of disputes: It was agreed that the EU and ASEAN would establish a monitoring organization to monitor the peace process.
- (6) Any violation allegations would be investigated by the monitoring organization, and its chief would, in principle, make a ruling in such disputes.

It also stated that neither the Indonesian government nor the GAM would commit an act that would run counter to the letter and the spirit of the MOU.

9,100, by the end of December 2005. In response to the withdrawal of the troops and security forces, the disarmament of GAM members started on September 15 and was completed on December 19, when the withdrawal of security forces from Aceh Province also ended. As part of the amnesty for the GAM, the government announced in September that it would pay each GAM member living expenses of 5,000 rupiah per day for six months to help them resettle in their local communities.

The peace process has been gathering pace rapidly since the signing of the MOU, but the prospect for peace taking hold in Aceh Province depends on the progress Indonesia can make in reviving the economy and rebuilding the province's infrastructure. However, the settlement of the prolonged Aceh conflict will go a long way toward stabilizing the situation in Indonesia and Southeast Asia as a whole. Peace in Aceh Province will also add momentum to rebuilding Aceh's shattered economy and infrastructure. What is more, it could help Indonesia find an important clue to settling a secessionist independence conflict it faces in West Papua Province.

## **(2) Recurrence of Terrorist Bombing in Bali**

Although Aceh's separatist independence movement struck a deal to bring hostilities to an end, the danger of terrorist attacks still remains. In October 2002, a terrorist bomb killed more than 200 people in Bali, Indonesia. Subsequently, large-scale terrorist attacks—the bombing of the JW Marriott Hotel in Jakarta (August 2003) and a bomb explosion in front of the Australian Embassy (September 2004)—have occurred. On October 1, 2005, a series of terrorist bomb attacks on three locations in Bali killed 23 people (including one Japanese and four Australians) and injured 146 people. Video footage taken at the crime scene showed that they were suicide bombings. Since the terrorist attacks in Bali in 2002, the Indonesian government has enacted an antiterrorism law (in March 2003) and an internal security act and has tightened security against terrorism by stepping up the sharing of information with ASEAN members and other countries and by strengthening domestic antiterrorist security measures. Although Hambali, a key JI member, was arrested in Thailand in August 2003, other pivotal JI members who possess large quantities of explosives still remain at large, and the terrorist threat persists. Therefore, Indonesia's security authorities have been on high alert. The April 1, 2005, edition of the *Jakarta Post* disclosed the substance of a letter obtained from

a JI operative in Sumatra. The letter, addressed to Malaysian bomb-making expert Azahari bin Husin, indicated that JI was planning terrorist bombings in Jakarta and giving its operatives special bomb attack training. The authorities believed that Azahari was involved in a number of the terrorist bombings in Indonesia. They also regarded the information contained in that letter to be trustworthy and tightened security in Jakarta. President Susilo Bambang Yudhoyono had also said that there was a high likelihood of a terrorist attack in September and October and instructed the law enforcement authorities to be particularly vigilant. That a terrorist bombing had occurred in Bali at all despite tightened security came as a profound shock to the Indonesian government.

In response to the incident, the National Police placed units across the country on a full alert, as did the Jakarta Metropolitan Police. Convinced that bomb-making expert Azahari and Noordin Muhammad Top, who was in charge of recruiting operatives, were the two ringleaders responsible for these attacks, the security authorities were out on the hunt for them. After a painstaking investigation, the authorities finally identified three criminals who had carried out the suicide bombings in mid-November. They found out that Muhammad Salik Firdaus and Misno were graduates of an Islamic boarding school, and that the third suspect, Ayip Hidayat, a son of a poor family, was talked into joining the group by the lure of a well-paying job. As the suspects had only recently been recruited by JI, none of their names appeared on National Police records and this had made the job of identifying them much more difficult.

From the depositions of JI members who were in custody, the National Police learned that key JI members were in hiding in private homes in the suburb of Melang, East Java, which the police raided on November 9, 2003. During the raid, seven JI members were killed, one of whom was supposedly the ringleader Azahari. On November 11, National Police Chief General Sutanto formally announced that the fingerprints of one of those killed had indeed matched Azahari's. Although Azahari was confirmed dead, many of his colleagues who had learned bomb-making techniques from him are still at large, and the threat of terrorist bombings remains.

The recurrence of terrorist bombings in Bali could diminish Indonesia's international credibility and once again derail an economy that was on track for recovery. Therefore, it is hoped that the Indonesian government will further strengthen antiterrorist measures and make an early arrest of the other ringleader,

Noordin Top. Meanwhile, as the perpetrators of the recent JI terrorist attacks employed tactics different from those previously used, it would be even more difficult for the law enforcement authorities to deal with them. Unlike the methods employed in past JI terrorist attacks, the latest terrorist suicide attacks did not involve the use of cars. Additionally, past attacks exclusively targeted places such as foreign embassies, foreign hotels, and discos popular with foreigners. This time, they aimed their attacks at public places such as shopping centers and sidewalk cafes. Furthermore, there is the possibility that JI has recruited new members to carry out attacks, and it is also said that they used remote-controlled devices, triggered by mobile phones, to detonate the bombs. Some speculate that due to shortages of funds, JI can no longer afford the costly raw materials (chemical fertilizer) needed to produce ammonium nitrate, so they are using trinitrotoluene (TNT) instead. As the police have tightened security in Jakarta, particularly at international hotels where many foreigners stay, terrorists seem to have no alternative but to attack open places where security is less tight. As a result, their recent attacks have claimed the lives of local inhabitants rather than those of foreigners. Due to the fact that many countries have tightened security, and a large number of its members have been arrested, JI might have been driven into a corner in terms of both manpower and finances. However, as long as there are people who feel disaffected by the government, the more likelihood there is of JI targeting locations where security is lax, such as shopping centers.

The Indonesian government has come under criticism from other countries for the lax measures it has taken to crack down on terrorists. The criticism from Australia was particularly severe. President Yudhoyono instructed the National Police to step up their vigilance against terrorists, and in an address delivered at a meeting celebrating the anniversary of the TNI's founding he expressed his hope that the TNI would effectively shoulder the role of eradicating terrorism. In response, TNI Chief Gen. Endriartono Sutarto vowed that he would revive the regional territorial command network that has the function of maintaining security and monitoring society in order to prevent a recurrence of terrorist activities. During the reign of President Suharto, the regional territorial command network was a security system that covered even the lowest administrative divisions such as remote villages and was used to suppress dissident groups and to sway the outcome of elections by intervening in politics. But it was abolished in the course of the democratization movement that swept through the country after President

Suharto's resignation. Intellectuals and human rights activists voiced criticisms that the revival of the network would pave the way for the TNI to intervene in politics and could lead to human rights abuses.

What is more, the government came forward with an amendment to the antiterrorism law. This contained provisions that expand the scope of preventive detention (to which any person who spreads radical thoughts or who incites a crowd to riot is subject), and extend the period of a suspect's detention beyond the current seven days, thus strengthening the power of the investigating authorities. In addition, the government is considering putting the Terror Desk, which is under the jurisdiction of the coordinating minister for political, legal, and security affairs, under direct presidential control. Human rights activists, academics, and pro-democratic forces have opposed these changes on the grounds that they could lead to the suppression of opposition forces as carried out by the law enforcement authorities during President Suharto's regime, and that they ran counter to democratization. Given the history of suppression of the people by, and the deep-rooted popular mistrust of, the TNI, the Yudhoyono administration, two years into its term, has had to come to grips with a major problem—the strengthening of antiterrorism measures in ways consistent with democratization.

### **(3) Growing Insurgency in Thailand's Deep South**

Since January 2004, disturbances allegedly incited by Islamic secessionists and independence factions have broken out in Thailand's southernmost provinces (Yala, Pattani, and Narathiwat). Even as late as 2005, they showed no sign of abating and have actually taken a turn for the worse.

In January 2004, an army armory in Narathiwat Province was attacked, four soldiers were killed and many firearms were looted. In addition, schools were torched, policemen murdered, and stores bombed in the two other provinces during the same period. In response, the Thai government immediately declared a state of emergency in all three provinces and dispatched 3,000 army troops with police support units. The government authorized the security forces to arrest suspects without warrants. Even after the government had taken such measures, the murder of policemen and troops and arson continued, and terrible incidents occurred, which many labeled as symbolic of the failure of Prime Minister Thaksin Shinawatra's tough stance. These were the Krue Se Mosque incident that occurred on April 28, 2004, and the Tak Bai incident on October 25 the same year. In the

case of the former, a group of extremists attacked a checkpoint in Pattani Province and took refuge in the Krue Se Mosque, which a unit of the security forces then stormed, killing 35 extremists. On the same day, extremist groups attacked police and army bases in the other two provinces and engaged in armed conflict with security forces. During the battles that took place on that day alone, a total of 105 were killed in the three southern provinces. Prime Minister Thaksin blamed the disturbances on extremists who were allegedly addicted to drugs and praised the security forces for the tough measures they had taken. In the latter episode, which occurred in Narathiwat Province, a group of demonstrators largely made up of Muslims closed in on a police station, until a security forces unit moved in and regained control. While the unit was transferring about 1,300 rioters it had arrested to a detention camp, 78 of them died from suffocation. Prime Minister Thaksin blamed their deaths on Ramadan (during which fasting is practiced daily from dawn to sunset) and did not apportion any of the blame to the security forces. Under pressure from human rights groups, but acknowledged the security forces' inappropriate treatment of the detainees, but glossed over the incident by merely replacing the chief officer of the security forces. As Prime Minister Thaksin did not give a clear explanation of either case, local Muslims in these provinces reacted furiously, saying that the government response was a cover-up. As the months wore on into 2005, a series of attacks targeting soldiers, policemen, and Buddhists have occurred—bomb attacks on a restaurant in Yala Province (January), on a mosque in Narathiwat Province (February), a car bombing (February), the bombing of a train in Sungai Kolok, Narathiwat Province (March), the murder of a Buddhist in the same province (June), the bombing of power transmission facilities and of a hotel and a restaurant in Yala Province (July), a weapons heist, an attack on private homes, and the bombing of a railroad in the three southernmost provinces and Songkla Province (November)—and the targets of these attacks have shown a sign of spreading to department stores and hotels crowded with tourists.

Along with the deterioration of public security in the southern provinces, the Thaksin administration is highly likely to implement an even tougher policy toward the rebels there. Prime Minister Thaksin has not eased his hard-line policy in the face of criticism from academics, opposition parties, and human rights groups, which reflects the worsening public security in the southern provinces and his landslide victory in the general election held on February 6, 2005. In the election, Thaksin's ruling Thai Rak Thai Party took 377 out of 500 seats in the

Lower House. This victory, coupled with his CEO-like personality typified by prompt, top-down decision-making and equally prompt policy execution—has created an environment conducive to the use of harsh measures toward defeating the secessionist factions in the southern provinces.

Soon after the election, on February 14, 2005, Prime Minister Thaksin unveiled a plan to deploy a psychological warfare unit in the south. The deployment of the unit, which is empowered to participate in combat when necessary, was, in effect, designed to strengthen the capability of the military stationed in the south. On February 16, Prime Minister Thaksin announced a new policy toward the three southern provinces. It classified them by color: (a) villages where armed groups are active and armed attacks and bombings occur frequently were labeled as “red areas,” (b) those where terrorist attacks occur from time to time as “yellow areas,” and (c) those where no disturbances have occurred as “green areas.” He announced that his administration would cut the local development budget in red areas. In reaction, critics strongly opposed the policy on grounds of its unconstitutionality, and bombing attacks by resistance forces occurred with even more frequency in these provinces. As opposition even arose among Thai Upper House members, the policy was ultimately abandoned.

In March, Prime Minister Thaksin announced the establishment of a National Reconciliation Commission (NRC) with the aim of searching for reconciliation with Muslims and appointed as its chairman former prime minister, Anand Panyarachun, who enjoyed the full confidence of the king and the people. Anand had served as prime minister twice and saved the nation from political and economic crises on a number of occasions. The crisis in the southern provinces may have been a factor prompting Prime Minister Thaksin to appoint Anand, but it may also be seen as a ploy to deflect popular criticism away from his administration. The NRC proposed the lifting of martial law imposed in the southern provinces as a step toward settling the conflict peacefully. Although Prime Minister Thaksin had initially agreed to the proposal, he subsequently changed his mind and continued to implement martial law under pressure from the military, which argued that in the absence of martial law, the military would forfeit the legal grounds for dispatching its troops. What is more, the Thaksin administration launched a radio campaign refuting the NRC’s proposal and went so far as to say that the commission had been infiltrated by extremists. Prime Minister Thaksin has thus reduced the NRC to an entity in name only.

On July 15, the day after a series of bombings in Yala Province, the prime minister called an emergency meeting of his cabinet and decided to issue an emergency decree that broadly strengthened the prime minister's authority to restore law and order. The decree granted him powers to designate areas in which he could declare a state of emergency, have suspects detained without warrants, tap telephones, and censor the news. Pursuant to the emergency decree, the Thai government lifted martial law and declared a state of emergency in the southern provinces for three months on July 19, 2005, and extended it for another three months on October 18. As this ran counter to the NRC's objectives, which had been established to change the Thaksin administration's hard-line policy toward the southern provinces and find a way to a peaceful settlement of the conflict, the majority of NRC members reportedly tendered their resignations. The news media also fiercely criticized the emergency decree as a measure that violated freedom of speech. The Thaksin administration's clampdown has caused a vicious circle, touching off an escalation of violence in the southern provinces that in turn spurred the government to further tighten an already tough policy. What the Muslims in these provinces basically want is equality of opportunity and justice. Therefore, what the government must do is fully understand the needs of the inhabitants of these three provinces, publish the real facts behind the incidents that have occurred thus far, and render a fair judgment.

Meanwhile, the disturbances in the southern provinces of Thailand have worsened Thailand's relations with other ASEAN members, such as Malaysia and Indonesia. During the period from late August to early September 2005, 131 Muslims from southern Thailand fled to Malaysia to avoid getting caught up in the conflict. The Thai government claimed that a secessionist group in southern Thailand had provoked the incident to trick the UN High Commissioner for Refugees (UNHCR) into getting involved in the conflict, and criticized Malaysia for having supported these alleged extremists by granting them refuge. For its part, Malaysia retorted that it could not hand the refugees over to Thailand until their safety was guaranteed. It seems that Malaysia was wary of antagonizing Muslims in its own country. The September 30, 2005, issue of Indonesia's *Jakarta Post* reported that a security aide to the Thai prime minister had said that Indonesian extremists had been involved in the disturbances in southern Thailand. In response, Maj. Gen. Ansyad Mbai of the National Police of Indonesia said that while he could not deny the possibility of Indonesian extremist involvement in the

disturbances in southern Thailand, there was no evidence to prove it. If that is true, it contradicts the statements the prime minister made all along that the incidents in southern Thailand were purely domestic affairs and that no foreign terrorists had been involved. At an ASEAN Summit meeting held in Vientiane, Laos, in 2004, Prime Minister Thaksin told the heads of Indonesia and Malaysia that he would walk out of the conference room if these two countries took up the Tak Bai case as a topic for discussion. The standing of Prime Minister Thaksin in the ASEAN region has worsened on account of the disturbances that have occurred in southern Thailand. Worse yet, criticisms from antigovernment reformists, intellectuals, and, more importantly, from members of the Thai Upper House are likely to mount in the months ahead.

Terrorist attacks in Indonesia, disturbances in southern Thailand, and clashes between the Philippine national armed forces and the Abu Sayyaf and Moro Islamic Liberation Front (MILF) extremist groups that also carry out bomb attacks, are showing no signs of abating. Challenges posed to the security of Southeast Asia by terrorism and local conflicts will not go away. Efforts to realize fairer and more just government by making a heavier investment in the development of local economies, by eradicating corruption and injustice, as well as by increasing the transparency of administrations are the most fundamental measures for eliminating terrorism and for solving local conflicts.

## **2. Developments toward Regional Integration**

### **(1) Coping with Transnational Crimes**

On July 25, 2005, a series of ASEAN-related meetings began with an ASEAN Ministerial Meeting (AMM) held in Vientiane, Laos. The latest meetings were unusual because neither US Secretary of State Condoleezza Rice nor Japanese Minister of Foreign Affairs Nobutaka Machimura attended, and because China's Minister of Foreign Affairs Li Zhaoxing did not participate in the ASEAN Regional Forum (ARF) as he was visiting Myanmar after an ASEAN+3 meeting. The absence of Secretary of State Rice caused mounting concern among member countries that the United States might deem ASEAN as being of little account. Some took the view that Rice had decided not to attend the ASEAN meetings in protest against ASEAN's reluctance to accept the United States as an initial

member country participating in the East Asia Summit that was to be held in Kuala Lumpur in December 2005.

At this round of AMM and other meetings, no new cooperative framework for combating transnational crimes and terrorism had been proposed, but participating countries did confirm the necessity of effective implementation and the continued strengthening of the existing cooperative framework. Significantly, these meetings featured discussions into the ways and means to minimize damage from natural disasters such as tsunami and to enhance international cooperation in the prevention of infectious diseases such as avian influenza.

At a series of ASEAN meetings held in July 2005, mindful of the multiple terrorist attacks in London on July 7 and in Sharm El Sheikh, Egypt, on July 23, participants discussed the prevention of transnational crimes including terrorism and disaster relief and prevention. (For details of disaster relief, see Chapter 2). In addition, the development of East Asian regionalism that has been gathering momentum in recent years was another important topic at these meetings.

At the AMM held on July 25–26, the foreign ministers agreed that terrorist activity in any form would not be tolerated regardless of its cause, be it ethnic or religious, and that they would press ahead with antiterrorism measures as part of their international obligations. They also pointed out that in order to prevent terrorism, it was important to eliminate the root causes that breed it, not merely to suppress it by force. At the meeting, the foreign ministers expressed their appreciation for the role played by the AMM on Transnational Crimes (AMMTC), acknowledging the outstanding contribution it has made to intra-regional cooperation in the prevention of terrorism through training and workshops given to member countries, and for the prevention of transnational crimes through the framework of ASEAN+3. The ministers expected to build a network linking regional centers (the International Law Enforcement Academy [ILEA] in Bangkok, Thailand, the Southeast Asia Regional Center for Counter Terrorism [SEARCCT] in Kuala Lumpur, Malaysia, and the Jakarta Center for Law Enforcement Cooperation [JCLEC] in Semarang, Indonesia) and to promote the exchange of intelligence and training among them.

At the ASEAN Post Ministerial Conference (PMC) held on July 28, 2005, New Zealand indicated its intention to sign the Declaration on Counter-Terrorism and Transnational Crimes and signed it on July 29, two days after South Korea. At the

ARF meeting held on July 29, antiterrorism measures and the issue of maritime security were the main topics. Mindful of the recent terrorist attacks in London and Egypt, ARF meeting participants, as those of the AMM had before them, stressed the importance of international cooperation in eradicating terrorism and the necessity of eliminating the root causes that breed it. They also pointed out the fallacy of equating terrorism to any particular religion, ethnicity or nationality. The ARF also expressed its appreciation of the results achieved by the Third ARF Inter-Sessional Meeting on Counter-Terrorism and Transnational Crimes that was held in Bangkok on April 6–7, 2005. The agreements reached by member countries at that meeting were: (a) to enhance further exchange of information among the member countries and to use such information to the extent permitted by the laws of respective countries, (b) to establish a contact point in their respective countries through which information can be exchanged, (c) to coordinate the powers to prosecute criminals, and (d) to promote capacity-building to narrow the technological gap between industrialized nations and developing countries. They stressed the necessity for global cooperation in order to prevent weapons of mass destruction (WMD) from proliferating and from falling into the hands of terrorist organizations and urged all countries to ratify the Nuclear Non-proliferation Treaty (NPT) at an early date. On the question of maritime security, they pointed out the importance of security cooperation not just among littoral states but also from countries using the sea-lanes in ways that show due respect for the sovereignty of littoral states, and stressed the necessity for multilateral cooperation. They also expressed their willingness to cooperate in maritime patrol operations, in securing the safety of cargo loading and port and harbor facilities, and in ensuring safety by employing advanced technologies. Japan announced its plan to host an ARF workshop on capacity-building for maritime security jointly with Indonesia in 2005. In addition, participants of the ASEAN PMC stressed the necessity of cooperation in preventing human trafficking and the importance of constant vigilance against avian influenza in order to prevent it from becoming a pandemic.

At the ARF meeting in 2005, the participating parties recognized that the ARF was the region's only forum for dialogue on politics and security, recognized anew the importance of the role the ARF has played so far, confirmed that its concern has shifted from building trust to preventive diplomacy, and discussed concrete steps to be taken to strengthen support for the chairman. As part of such efforts, the participating parties agreed to establish an inter-sessional support group for

building trust and preventive diplomacy. They also agreed to establish “Chairman’s Friends” who will perform the role of advisers to help further strengthen the role of the chairman.

## **(2) Integration of ASEAN and East Asian Cooperation**

In addition to transnational crimes, the strengthening of regionalism (an ASEAN Community and an East Asian Community) and the integrity of ASEAN itself became main topics at the series of meetings. The AMM in particular took up the topic of an ASEAN Community and discussed measures to be taken to prevent terrorism and transnational crimes as a policy issue to be addressed for the formation of an ASEAN Security Community.

The ASEAN Community would consist of three communities, namely, an ASEAN Economic Community, an ASEAN Security Community, and an ASEAN Socio-Cultural Community, and the participating ministers of the AMM agreed to press ahead with work for drafting an ASEAN Charter to reaffirm the ASEAN Community’s purpose, objectives, and basic principles. They also agreed to appoint an Eminent Persons Group, which would aim at preparing a draft of the Kuala Lumpur Declaration for the establishment of the ASEAN Charter. The declaration was to be approved and signed at an ASEAN Summit scheduled for December 2005. With a view to promoting a Vientiane Action Programme (VAP) for the creation of the ASEAN Community, they agreed to, and signed, a statement that ASEAN will create an ASEAN Development Fund and strengthen its capacity to mobilize funds. They asked extra-regional countries and international organizations to strengthen their financial and technical assistance to help ASEAN rectify the regional disparities (called the “ASEAN divide”), an obstacle blocking the creation of an ASEAN Community. The closing of the ASEAN divide has become an important problem to be overcome in order to create a free trade area (FTA) with China and to ensure the integrity of ASEAN itself. The continuous implementation of the Japan-ASEAN Action Plan that was adopted at the ASEAN-Japan Commemorative Summit Meeting held in December 2003 and the active support Japan has since provided was highly appreciated by ministers. Recognizing that the implementation of the Security Community’s action program referred to in the VAP has the potential to bring a peaceful and fair, democratic and balanced ASEAN to fruition, to accelerate social and economic development, and to develop good relations with extra-regional dialogue partners, the participating ministers urged

member countries to implement the action plan effectively. As part of such efforts, they agreed to launch an ASEAN defense ministers meeting.

Where the Treaty of Amity and Cooperation in Southeast Asia (TAC) is concerned, as it is based on the principle of peaceful settlement of regional conflicts, the participating parties invited extra-regional countries to sign the TAC as an important instrument for maintaining peace in Southeast Asia, and made it a precondition for participation in the East Asia Summit. During the meetings, New Zealand and Mongolia signed the TAC, as did Australia on December 10, 2005.

Where the East Asia Summit and East Asian Community are concerned, the participants of the AMM expressed their appreciation for the role played by ASEAN+3 in their creation, and reconfirmed that the East Asia Summit would be initiated by ASEAN leadership and provide a comprehensive forum open to the outside world. The participating parties also encouraged member countries to implement the long- and medium-term measures formulated by the East Asia Study Group (EASG), decided to hold the first meeting of the East Asia Summit in Kuala Lumpur on December 14, 2005, and welcomed New Zealand, India, and Australia to the East Asia Summit. They also welcomed the decision to establish an expert group composed of government representatives, academics, and researchers for the creation of an East Asian FTA that will underpin the proposed East Asian Community.

On this occasion, the main issue for ASEAN ministers was how to deal with Myanmar. Having once again placed Aung San Suu Kyi under house arrest, Myanmar's military regime shows no signs of releasing her, the democratization process is stalled, and the country seems even more tightly closed to the outside world. Criticism from Western countries has intensified. Myanmar was supposed to have served as chairman of the ASEAN meetings after Laos from the latter half of 2006, but the United States and the EU put pressure on ASEAN by threatening to be absent from its meetings if they are held under Myanmar's chairmanship. What is more, the United States warned that it might suspend its financial assistance to ASEAN's development projects if Myanmar chaired the meetings. Malaysia and Indonesia expressed their displeasure over the stalled democratization process in Myanmar, and the Philippines also opposed Myanmar's chairmanship. By contrast, new member countries such as Vietnam and Laos opposed the cancellation of Myanmar's chairmanship on the basis of noninterference in the internal affairs of member countries, and Thailand, which borders Myanmar, also

adopted the stance that the question should be left to Myanmar's discretion. The question of Myanmar's chairmanship carried with it the risk of an internal rift in ASEAN. Meanwhile, ASEAN faced the dilemma of whether to yield to Western pressure or to allow Myanmar to have its way. At a behind-the-scenes meeting of foreign ministers, ASEAN urged Myanmar to give up its chairmanship, and in the end, Myanmar resigned the chairmanship of the next round of the ASEAN meetings under the pretext that it would concentrate its efforts on enhancing the democratization process, and the Philippines agreed to take the chair in its place.

At the ASEAN+3 foreign ministers' meeting, the participating parties recognized the outstanding contribution its mechanism has made in the development of East Asia, and gave due recognition to the results it had achieved: the expansion of the scope of cooperation to 17 fields and the creation of 49 function-specific mechanisms over the past eight years. They then agreed to accelerate the implementation of the measures proposed by the EASG for further stability and prosperity in East Asia. They welcomed the establishment of a secretariat for the Director General Working Group of ASEAN+3 and the ASEAN+3 Contact Group. These are designed to improve the effectiveness of role coordination among ASEAN+3 member countries.

The participating parties decided to include Australia, India, and New Zealand in addition to the member countries of ASEAN+3 as countries invited to participate in the East Asia Summit meeting, and confirmed that the summit is an outward-looking and inclusive forum and that ASEAN will continue to perform a leadership role. They seemed to agree to the role sharing between the two bodies: the East Asia Summit will discuss policies on wide-ranging issues, and ASEAN+3 will discuss practical cooperation to implement policies emerging from the former. The Japanese delegate (Senior Vice Minister for Foreign Affairs Ichiro Aizawa) suggested that the East Asia Summit discuss ideas about regional cooperation and basic approaches to be taken from broader and strategic perspectives and perform the role of issuing declarations reflecting its decisions or agreements, while the ASEAN+3 Summit perform the role of debating ways and means for the implementation of functional cooperation from the practical standpoint. Both Japan and China approved that the summit be run under ASEAN leadership, but Japan proposed that the participating parties consider the possibilities of establishing a cochairman system and of holding the summit meeting at venues outside the ASEAN region. A Chinese delegate reportedly remarked that the East

Asia Summit might be held once every two to three years or at longer intervals. Many suspect that China wants to play a leadership role in the creation of an East Asian Community, but the remark seems to suggest that China is losing interest in holding the East Asia Summit itself, in which China's leadership is not as strong as expected.

At the ASEAN+3 meeting, the participating ministers welcomed the holding of the fourth round of the Six-party Talks on the Korean Peninsula issues in Beijing and expressed their appreciation for the role played by China in bringing them about. Meanwhile, delegates from ASEAN member countries at the AMM expressed their dissatisfaction with the G4 proposal about reforms of the UN Security Council. In response, China's Minister of Foreign Affairs Li Zhaoxing supported ASEAN's position by saying that reforms should not be implemented in the absence of a consensus, and that UN reforms should be focused mainly on achieving the Millennium Development Goals reflecting the needs of developing countries. South Korea also reportedly said in a similar vein that a hasty reform of the United Nations would be counterproductive.

At a PMC, the participating countries supported ASEAN integration that underpins the establishment of an ASEAN Community and the holding of an East Asia Summit. They expressed their intent to cooperate in making contributions to the ASEAN Development Fund for that purpose. On the issue of regional cooperation in East Asia, they stressed that the East Asia Summit should be outward-looking and inclusive. At the PMC, delegates expressed concern about rising energy prices, and it was reported that ASEAN asked industrialized countries to transfer the technology needed to develop alternative sources of energy, and Japan, South Korea, the United States, and Russia expressed their willingness to cooperate with ASEAN. They also expressed a concern over infectious diseases such as avian influenza, and stressed the necessity for a speedy exchange of information and for strengthening cooperation in fighting emerging diseases.

### **3. East Asia Summit and ASEAN's Relations with Major Powers**

#### **(1) Functional Cooperation Upholding an East Asian Community**

Following the ASEAN Summit and ASEAN+3 Summit, the first-ever East Asia Summit was held in December 2005. On December 12, the 11th meeting of the ASEAN Summit issued a chairman's statement that expressed appreciation for

the efforts member countries had made in the creation of an ASEAN Community to enhance trust, transparency, and unity within ASEAN. In addition, the participating parties of the ASEAN Summit signed the Kuala Lumpur Declaration indicating their intention to enact an ASEAN Charter that set forth the basic principles (the creation of cooperative framework needed for the formation of an ASEAN Community and its purpose), agreed to appoint the Eminent Persons Group that will draw up a draft charter, and asked member countries to weigh the advisability of establishing a high-level working group. On the issue of democratization in Myanmar, they urged the government of Myanmar to expedite the process and decided to send Malaysia's foreign minister there as a special envoy to monitor the process. They also welcomed the holding of an East Asia Summit and agreed to take steps to avoid the overlapping of roles and have the East Asia Summit complement the ASEAN+3 Summit.

At the first East Asia Summit held on December 14, 2005, the member states adopted the Kuala Lumpur Declaration. It was reported that Malaysia and China, which prior to the opening of the summit had been reluctant to increase the number of participating countries to 16, objected to the inclusion of the phrase "the creation of an East Asian Community" in the declaration and had asserted that the phrase should be inserted only into the Kuala Lumpur Declaration on the ASEAN+3 Summit. In the end, however, the phrase "community building in this region (East Asia)" was also inserted into the East Asia Summit declaration. The declaration provided no specific definition of the East Asian Community. The East Asia Summit was characterized as a forum for dialogue on broad strategic, political, and economic issues of common interest and concerned with the aim of promoting peace, stability, and economic prosperity in East Asia. It also said that the East Asia Summit was to be an open, inclusive, transparent and outward-looking forum, which will strive to strengthen global norms and universally recognized values. More importantly, it will promote cooperation and dialogue in wide-ranging fields—political and security-related, economic, social, as well as cultural. As regards the role of the East Asia Summit in building an East Asian Community, it gave no specifics except to say that it "could play a significant role in community building in this region."

The ASEAN+3 process will continue to be the main vehicle for achieving the goal of forming an East Asian Community with ASEAN as the driving force behind it. Although some take the view that it reflects China's designs to form an East Asian

Community in which ASEAN+3 will play a central role, ambiguity still surrounds the division of roles between the two summits. However, that the first meeting of the East Asia Summit was held at all is of great significance, and if broad-based cooperation is promoted further within the region in political and security fields, it will lead to further deepening of regional

**Heads of state attending the first East Asia Summit shake hands after signing the Kuala Lumpur Declaration on December 14, 2005.** (Kyodo Photo)

cooperation in ensuring East Asian stability and prosperity.

It is generally accepted that racial, religious, cultural, and political diversity would make it difficult to create a framework for region-wide cooperation in East Asia along the lines of the EU and the North American FTA (NAFTA). However, thanks to a proposal from the then South Korean President Kim Dae-jung for the creation of an East Asia Vision Group, and a similar proposal for the creation of an East Asia Summit from the EASG, the momentum for the formation of an East Asian regional cooperation framework was initiated. Although the idea underlying the proposed creation of an East Asian Community is yet to be clarified, it is apparent that the formation of an East Asian FTA lies at its root. The idea is to accelerate the region's economies by integrating bilateral or multilateral free trade agreements (FTAs) into an East Asian FTA in the years ahead. As regional stability is essential to realize such a goal, the creation of a regional security framework will also become an important pillar for the formation of an East Asian Community. If an East Asian FTA were ever to become a reality, it would be the world's largest. As East Asian economies, particularly those of the developing countries of the region, are expected to grow at a sustainable rate in the coming decades, the interests of the regional countries and those of external powers in the ASEAN over the creation of an East Asian FTA and a community have become increasingly intertwined.

The first East Asia Summit held in Malaysia in December 2005 was an epochal meeting that will add momentum to the formation of a regional community. However, the scope of the summit's membership is not yet clear. Originally, the East Asia Summit was supposed to be held within the context of ASEAN+3,

which was formed to strengthen the economic resilience of the developing countries in East Asia. However, it has adopted a broader 16-nation framework with the participation of India, Australia, and New Zealand.

The East Asian Community should be considered as a vehicle embodying the functional concept, rather than the geographic concept, of East Asia. Economic integration is also a form of function-specific cooperation or de facto integration, as is the intra- and extra-regional cooperation relating to non-traditional security issues. Therefore, the participants in the East Asia Summit may not be restricted to countries of the region, and the countries that have function-specific cooperative relationships with East Asian countries may be eligible to participate. In fact, the EASG proposal points out that an East Asian community is a concept that transcends East Asia's geographic confines. However, participation in the East Asia Summit is conditional on having signed the TAC, which is the norm among the ASEAN+3 members. That participation in the East Asia Summit was made conditional on signing the TAC may be seen as an ASEAN strategy designed to avoid criticism from the United States of those that have already become members, to ease the influence of China, and to maintain good relations with these two powers.

## **(2) US Activities and China**

The United States has played a major role in sustaining peace, stability, and economic development in Asia, and will continue to play such a role, and ASEAN certainly recognizes this. When the Indian Ocean tsunami struck the coast of Sumatra in December 2004, the United States provided the largest amount of relief aid in terms of both manpower and materiel, and demonstrated its superiority not only in its hard power but also in its formidable soft power by deftly using its financial might, diplomatic savvy, and sophisticated media reporting. On the security front, also, the United States has wide-ranging cooperative relationships with ASEAN member countries. If function-specific cooperative relationships are any guide, the United States eminently qualifies for participation in the East Asia Summit. However, the United States is not a TAC signatory and ASEAN member countries have misgivings about its unilateralist behavior. In their eyes, the United States equates Muslims to terrorists and has tried to rein them in by force, particularly after the September 11 terrorist attacks. They may be concerned that once the United States is admitted to the East Asia Summit, it would be difficult to restrain the superpower's unilateralist behavior. Managing the United States is

much harder for ASEAN than managing China, which has been seeking to establish a favorable relationship with ASEAN in recent years.

In combating terrorism, US forces have been carrying out joint exercises with their counterparts in the Philippines. The modernization of the Philippine military has been stalled because of financial constraints, so much so that the cooperative relationship with the United States is essential for the maintenance of law and order in the country. Owing to human rights abuses in East Timor by the TNI, the United States had suspended military cooperation with Indonesia. However, the existence of terrorists in Indonesia, the large-scale aid received from the United States for the relief and rehabilitation of tsunami-affected areas, and the cooperative stance President Yudhoyono has taken toward the United States have combined to create an atmosphere conducive to resuming military cooperation between the two countries. In fact, in May 2005, the US Navy and the TNI carried out a combined antiterrorism and antipiracy exercise—the first in eight years. In July, the navies of the two countries conducted the ninth Cooperation Afloat Readiness and Training (CARAT), a joint search and rescue exercise. This is just one of the combined exercises the US Navy has conducted with Southeast Asian countries, but those with the Indonesian Navy had been suspended since 2003. On February 26, 2005, the US Department of State announced that Indonesia would rejoin the US-sponsored International Military Education and Training (IMET) program. The State Department announced on May 25, 2005, while President Yudhoyono was visiting Washington, D.C., that the United States would lift the ban on the export of nonlethal weapons to Indonesia and, after Congress had eased some of the conditions attached to them, that on lethal weapons exports on November 22. For Indonesia, also, the resumption of military cooperation with the United States was essential for the modernization of its military equipment, the improvement of its military capabilities, and more importantly, for dealing with terrorism and piracy. In order to participate in “Eyes in the Sky” operations, the aerial surveillance of the Malacca Strait that is being carried out with the participation of the three littoral states facing the Malacca Strait, aircraft parts supplied by the United States are important for Indonesia. In May, Malaysia extended its Access and Cross-Servicing Agreement with the United States that will provide both countries with mutual logistical support for 10 more years. In June, Vietnamese Prime Minister Phan Van Khai visited the United States, marking the first-ever visit to the White House by a Vietnamese prime minister since the Vietnam War. During talks

between the two leaders, President George W. Bush confirmed that the United States would support Vietnam's bid to join the WTO and strengthen the cooperative relationship between the two countries in the fields of the economy and trade, and the Vietnamese prime minister agreed to make efforts to improve the investment environment and religious freedom in Vietnam. They agreed to cooperate in implementing antiterrorist measures (mainly by sharing information), and that Vietnam would allow US Navy vessels to visit Vietnamese ports. In a conversation between Phan Van Khai and US Defense Secretary Donald Rumsfeld, the possibility of Vietnam participating in the IMET program was discussed. In November 2005, a strategic dialogue was held between the United States and Thailand for the first time in 10 years.

In March 2005, Deputy Secretary of State Robert Zoellick visited six ASEAN member countries with the aim of strengthening US relations with these countries pursuant to the policy of the second-term Bush administration. He explained US economic assistance measures and offered active cooperation to improve the capability of their law enforcement authorities and to ensure the security of the Malacca Strait by using enhanced information-gathering capabilities. His efforts led to a combined exercise with the Indonesian Navy being held in May 2005. In September, aerial surveillance started over the Malacca Strait with the participation of the three littoral states and Thailand. In October, Malaysian Minister of Defense Najib Razak announced that his country had asked the United States to participate in the aerial surveillance program, on condition that the United States respect the sovereignty of the countries surrounding the Malacca Strait, and that it recognize that the right to carry out actual investigations and to make arrests lies with the littoral states. The authority to carry out surveillance rests with the littoral countries, and the role of the United States was auxiliary to their surveillance activities. Given the fact that ASEAN member countries had been averse to non-ASEAN countries becoming involved in the security of the Malacca Strait out of sovereignty concerns, their



**An Indonesian Navy team receives training aboard a small US Navy vessel during the 9th CARAT (July 28, 2005).** (US Navy photo by Journalist 2nd Class Brian P. Biller)

acceptance of US participation in the surveillance program represents a profound change in attitude. This is possibly attributable to the fact that in June the Lloyd's Insurance Joint War Committee designated the Malacca Strait as an area of conflict and raised premiums. But the active cooperative stance the United States has adopted in recent years might have persuaded ASEAN to change its mind.

Thus, the United States is actively and continuously involving itself in Southeast Asia, both politically and militarily. A factor lying behind this is the growing leverage China has gained in Southeast Asia. At present, Singapore is the only country in Southeast Asia with which the United States has signed an FTA, and thus negotiations for FTAs with Thailand and Malaysia are still under way. Meanwhile, China has already signed an FTA with ASEAN that is scheduled to go into effect in 2010. China's involvement in ASEAN is not confined to investment and trade; it is also active politically and on the security front. Amid such developments, the ASEAN+3 countries are planning to hold an East Asia Summit without the participation of the United States, and the United States is concerned about China further strengthening its influence in this region. At a press interview he gave in May to a reporter from the *Asahi Shimbun*, a leading daily in Japan, former Deputy Secretary of State Richard Armitage said that the idea of forming an East Asian Community without the participation of the United States was a grave mistake and pointed out that China was keen to develop dialogues with Southeast Asian countries without the participation of the United States. At the 4th IISS Asia Security Conference (Shangri-La Dialogue) held in Singapore in June, US Defense Secretary Rumsfeld criticized the modernization and expansion of China's People's Liberation Army (PLA). The remarks of these US leaders may reflect the concerns the United States has about the growing influence of China in the region. The cause of mistrust the United States feels about the idea of an East Asian Community may be explained by the ambiguity of its goals and the scope of its participants, the prospect of inconsistencies arising within the existing frameworks such as the APEC, and the question mark over which country will play the leadership role. It is obvious that the United States is opposed to allowing China taking up the such a role.

### **(3) China's Push for Active Cooperative Relationships**

ASEAN, Japan, and South Korea are all aware of the importance of the United States in East Asia. While recognizing this, China intends to dilute US influence

and this seems to be the reason why China is trying to exercise leadership and to strengthen its influence by building cooperative relationships in East Asia. This was evident in the Chinese proposal to hold the first East Asia Summit in Beijing in 2004. At an ASEAN+3 meeting in November 2004, Premier Wen Jiabao suggested exploring the feasibility of forming an East Asian FTA, and in March 2005 he announced the commencement of such a study. Actually, contrary to China's wishes, the first East Asia Summit was held in Kuala Lumpur with the participation of 16 countries including ASEAN+3, India, Australia, and New Zealand. As only TAC signatories are eligible to participate in the summit, there is a possibility that the number of participating countries will increase in coming years. Given such prospects, there is a general impression that China's enthusiastic approach to promoting the East Asia Summit has worn off somewhat. It is said that China had tried to form an East Asian Community exclusively from ASEAN+3 members. China had balked at the insertion of the phrase "building an East Asian Community" into the Kuala Lumpur Declaration adopted by the East Asia Summit, and had insisted on inserting the phrase only in the Kuala Lumpur Declaration on the ASEAN+3 Summit. In the end, the phrase "community building in this region (East Asia)" was also inserted in the Kuala Lumpur Declaration on the East Asia Summit, in which a number of major powers participated. Therefore, it may be said that ASEAN's strategy to blunt the influence of particular major powers in East Asia has taken effect.

Under such circumstances, China announced its willingness to yield the initiative in holding an East Asia Summit to ASEAN and has since been carrying out active foreign policy toward Indonesia, the Philippines, and those countries in Indochina that have recently joined ASEAN, mainly with the aim of promoting economic cooperation. By approaching these countries that are still saddled with relatively fragile economies, China may be trying to allay the sense of wariness toward China and to strengthen its presence in the region by building more substantive cooperative relationships. Strengthening cooperative relationships with ASEAN would help China secure energy supplies as well.

In March 2005, China signed an agreement with the Philippines and Vietnam to conduct joint oil and gas exploration activities in the South China Sea. This agreement would help China secure the supply of energy it needs for its economic development. Moreover, the tripartite joint exploration of oil and gas in the South China Sea, an area over which ASEAN member countries and China are claiming

sovereignty, suggests that they give priority not to the solution of territorial disputes but to the development of resources that is in their mutual interest, and has helped to foster the impression of China's peaceful involvement in regional affairs. What is more, China proposed to ASEAN the establishment of the ASEAN-China Joint Working Group to study and recommend measures to translate the provisions of the Declaration on the Conduct of Parties in the South China Sea of 2003 into concrete cooperative activities. This was endorsed by the AMM in July 2005. Meanwhile, President Hu Jintao (in April) and Chairman of the Standing Committee of the National People's Congress (NPC) Wu Bangguo (in May) visited ASEAN member countries. During his visit, President Hu Jintao and President Yudhoyono of Indonesia signed a joint declaration on strategic partnership. In the joint declaration, the two leaders vowed that they would boost trade between the two countries, cooperate in eliminating piracy and smuggling, and strengthen bilateral cooperation in the economic and security-related fields such as the development of natural resources. In addition, the two countries agreed to step up cooperation in five areas and signed in Beijing in July 2005 an MOU on Research and Development of Defense Technology Cooperation, a Memorandum of Cooperation on Reconstruction Projects in Tsunami-affected Areas, an Agreement of Grant Assistance in Relation to Economic and Technical Cooperation, a General Loan Agreement of \$100 million of Preferential Buyer's Credit from China, and an Arrangement Concerning Chinese Language Instruction. In addition, the two countries signed a \$2 billion currency swap agreement in October the same year. For China, a stronger cooperative relationship with Indonesia, the largest country in ASEAN, would speed up its access to ASEAN. On the other hand, foreign assistance was indispensable for the Yudhoyono administration, which is barely a year into its term of office and is faced with the need to revive the economy and infrastructure of tsunami-devastated Aceh Province and to push the peace process in that province. Such situations seemed to have helped in enhancing cooperative relationships between the two countries.

The relations between China and the Philippines have also become closer. When President Hu Jintao visited the Philippines in April 2005, he and President Gloria Macapagal-Arroyo signed 14 investment and credit agreements worth \$1.6 billion. They included a project to redevelop a nickel mining company in the Philippines (\$950 million) and a project to build a railroad from Manila to the Clark industrial area (\$500 million). The two leaders also agreed to open a Chinese consulate in the

northern Philippine city of Laoag and to explore the possibility of future military cooperation. In the area of military-to-military exchanges, PLA Deputy Chief of General Staff Xiong Guangkai visited the Philippines in May 2005 to conduct the first-ever dialogue on defense and security with his Philippine counterpart, during which they were supposed to have discussed cooperation on antiterrorism, maritime security, and humanitarian aid and relief to disaster victims.

The Chinese presence has also been prominent in Indochina. Early in July, the second summit meeting to discuss the Mekong Basin Development Program was held in Kunming, Yunnan Province, China. Present at the meeting were Chinese Premier Wen Jiabao and the heads of states of Cambodia, Laos, Myanmar, Thailand, and Vietnam. China indicated its willingness to actively participate in one of the main projects, the building of a road from Kunming to Bangkok through Laos, to apply a preferential tariff on goods imported from Cambodia, Laos, and Myanmar, and to extend active assistance to these three countries in the fields of investment promotion and development. The development of the Mekong basin will lead to the development of Yunnan and will also be in the interests of those countries that have recently joined ASEAN. Thus, China is extending its influence in Indochina by enhancing the Mekong basin development program.

While the United States is strengthening its cooperative relationship with ASEAN member countries mainly in the field of defense, China tends to place an emphasis on infrastructure-building projects and investment in the development of natural resources, particularly in the ASEAN member countries that are saddled with fragile economies. Moreover, India is also approaching ASEAN members with offers related to security and trade, and ASEAN's relations with major powers are likely to become even more complicated in the years ahead. ASEAN members have a mistrust of the United States for its unilateralism but nor do they have complete trust in China. Whether or not ASEAN has the diplomatic savvy to maintain good relations with major powers, to strengthen ASEAN itself, and to promote East Asian cooperation remains to be seen. Under such circumstances, it would be necessary for Japan to support the ASEAN leadership in its efforts to form an East Asian Community and to extend political and economic assistance to ASEAN, including the rectification of economic disparity among its member countries.

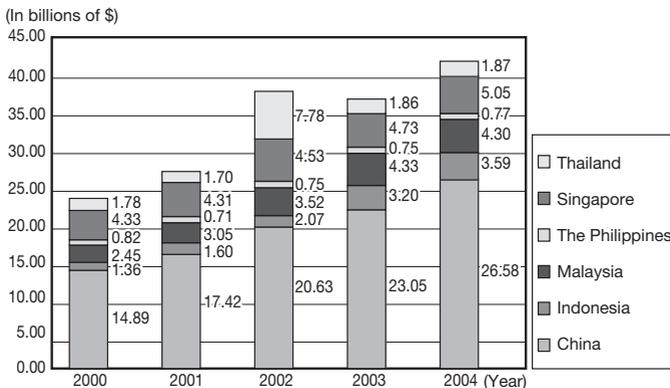
## 4. Defense Spending and Arms Procurement

### (1) Swelling Defense Spending

The defense spending of five major ASEAN member countries (ASEAN5)—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—has by and large tended to increase since 2000. Singapore’s defense spending in fiscal 2004—about \$5 billion—stands out, and was followed by that of Malaysia (\$4.3 billion). Indonesia’s defense spending also increased 55 percent year on year to \$3.2 billion in 2003, and 12.2 percent to \$3.6 billion in 2004. That of the Philippines has remained flat since fiscal 2001. Although it increased 2.7 percent year on year to \$770 million in fiscal 2004, it has not returned to the level attained in fiscal 2000 (\$820 million).

Since the September 11 terrorist attacks in the United States, the recent increases in defense spending of ASEAN member countries has been accounted for by additional purchases of military equipment to deal with terrorist attacks and local conflicts—two terrorist bombings in Bali and clashes between armed extremists and the military in the Philippines and in southern Thailand. The increase in Indonesia’s defense spending in particular may be explained by higher spending on security measures taken by the Indonesian government. The security

**Figure 5.1. Defense spending of China and ASEAN5**



Sources: Data from Asian Development Bank, *Key Indicators of Developing Asia and Pacific Countries 2005*, and the SIPRI Military Expenditure Database.

Note: The amounts of local currencies were converted into dollars on the basis of the annual average rates of exchange.

dilemma, a competitive procurement of military equipment such as that seen between Singapore and Malaysia in the 1990s, has not been conspicuous in recent years. Of late, however, Singapore seems to have been seeking to acquire advanced military technologies, and the possibility of Malaysia following suit cannot be ruled out. What is more, the rapid modernization of the Chinese military, the unpredictability of China-Taiwan relations, and the disputes over sovereignty in the South China Sea could become factors that may revive a race for increased defense spending. According to figures released by the Chinese government, its defense spending has increased at an annual rate of about 17 percent since fiscal 2000, to \$26.58 billion in fiscal 2004, which far exceeded the combined defense spending of the ASEAN5 (\$15.58 billion) in the same year. China's actual defense spending seems to be greater than that announced by its government, and the gap in defense spending between China and ASEAN is tending to widen.

## **(2) The United States Rolls Back**

The defense spending of major ASEAN members is supposed to be on an upward trend but, with the exception of Singapore, they do not really have the wherewithal to finance it on an ongoing basis. The Philippines, in particular, is faced with a chronic budget deficit (3.9 percent of GDP in fiscal 2004) and the military modernization program it adopted in 1995 has slowed to a crawl. As the ASEAN countries are threatened with a rise in consumer prices owing to a recent hike in oil prices, and as some of them subsidize the cost of living, gasoline and kerosene, such subsidies are likely to squeeze their national budgets. In an effort to cope with the conflicts stirred up by Abu Sayyaf, the MILF, and the New People's Army, the Philippine government formulated a Five-Year Capability Upgrade Program (CUP) early in 2005 to procure small firearms and communications systems and equipment for its military. The total cost is estimated at \$600 million, and the program is supposed to be completed in 2010. The FY2006 budget passed in October has appropriated 46.5 billion pesos (about \$800 million) for defense spending, and the minister of defense submitted a request for an increase of 4 billion pesos to make up for the increase in gasoline costs. However, due to financial difficulties and a depreciation of the peso, the government is not in the position to increase the defense budget or to fully implement the CUP. Therefore, the Philippines may have to rely on the cooperation of US forces for the time being to deal with these conflicts.

Indonesia's budget deficit in 2004 (1.1 percent of its GDP) was not as large as that of the Philippines, but the rupiah exchange rate has plummeted since mid-2005 due to the recurring terrorist activities and sharp rise in oil prices. To make the situation worse, the government raised the prices of oil products steeply by 126 percent on October 1, 2005. As a result, consumer prices soared 17 percent year on year in October, pushing up the overall consumer price index for 2005 to 14 percent, according to Bank Indonesia. The subsidies the government pays to the impoverished to compensate for their cost of living is also bound to squeeze its public finances. In fact, the government allocated only 41 percent of the 5.7 trillion rupiah defense budget requested by its Ministry of Defense. Due to fiscal constraints, Indonesia has been modernizing its armed forces by purchasing Russian and East European military equipment, which was cheaper and could be bought in exchange for agricultural products. At the first meeting of the Russo-Indonesian Inter-governmental Commission for Military-technical Cooperation that was held in Moscow on September 19, 2005, the two countries discussed ways and means to promote the exchange of military technology. At that meeting, the Indonesian delegate reportedly expressed an interest in purchasing Sukhoi fighters and in the transfer of technologies for building cruise missiles and frigates. Indonesia has also agreed with China to jointly develop missiles that would have diameters ranging from 150 to 250 millimeters and a range of between 15 and 30 kilometers, with production to start in several years' time. The ban the United States had imposed on the export of weapons to Indonesia had prompted Indonesia to approach Russia and China for arms procurement, and the United States lifted part of the ban after the Indian Ocean tsunami. This has opened the way to enabling Indonesia to purchase replacement parts for aircraft from the United States, which will help it to maintain and improve its maritime security capabilities.

With a view to dealing with the disturbances incited by secessionists in the southern provinces of Thailand, the minister of defense submitted to the National Assembly a 2.7 billion baht budget proposal for the purchase of military equipment (rifles, machine guns, reconnaissance planes, etc.) in July 2005, which was approved by the National Assembly. In October the same year, the minister submitted an additional budget proposal for 640 million baht to purchase small firearms including M-16 rifles from the United States. The Thai military is also trying to replace its equipment by introducing used weapons on account of fiscal constraints, and such additional requests for funds will further squeeze the nation's

finances. When US Secretary of Defense Rumsfeld visited Thailand in June 2005, his Thai counterpart reportedly discussed with him the purchase of F-16 fighters from the United States. While an ASEAN Summit was in session in December 2005, it was reported that Thai Prime Minister Thaksin discussed conditions for the purchase of 12 Su-30MK fighters (worth about \$500 million) from Russia. However, some key Thai air force officers opposed the purchase because of the Su-30's inferior performance and the difficulties in procuring spare parts. The Thai government also denied having made any firm commitment to purchase them. The Thai government has mentioned not only the Su-30 but also the F-16 and F-18 from the United States and the JAS-39 from Sweden as possible candidates for its fighter procurement. Malaysia has to start paying for Su-30MKMs, *Scorpion*-class submarines, and PT-01 tanks already ordered, and payments will be made under the Ninth Malaysia Plan. During the period of the plan, Malaysia is likely to purchase F/A-18F fighters and A-400M transport aircraft.

Meanwhile, Singapore's navy plans to purchase eight *Formidable*-class frigates, two of which will be deployed within 2005 and the rest by 2007. Singapore has been evaluating fighters to replace its ageing A-4SU Super Skyhawks and had narrowed the search down to three aircraft types: the Eurofighter Typhoon, the French-made Dassault Aviation Rafale, and Boeing's F-15. In September, Singapore entered into negotiations with Boeing with a view to adopting the F-15 and in December, it signed an agreement for the purchase of 12 F-15SGs for delivery from 2008 through 2009. Singapore's Defence Science and Technology Agency (DSTA) has undertaken many joint research projects with the US Defense Advanced Research Projects Agency (DARPA), one of which is for an unmanned micro air vehicle for reconnaissance (*Wasp*), 17 centimeters long with a 33-centimeter wingspan. Singapore is keenly interested in the transfer of advanced military technologies and in upgrading its command and control systems, and is directing its major efforts to introducing equipment that is highly interoperable with that of the United States. With that in mind, Singapore will continue to push for joint research with, and to introduce advanced equipment from, the United States. Such a trend is likely to have an impact on Singapore's procurement of military equipment and various weapons systems. For its part, the United States is likely to vigorously promote the sale of its military equipment in order to wean Southeast Asian countries away from equipment and technological cooperation with Russia, East European countries, and China.

