

Chapter 5

Southeast Asia— From Regional Cooperation to Regional Integration

After the terrorist attacks on September 11, 2001, in the United States, Southeast Asian countries strengthened their regional efforts to combat terrorism, and those who masterminded the terrorist bombing on the island of Bali were arrested one after another. However, the bombing of the JW Marriott Hotel Jakarta in August 2003 reminded countries in the region that terrorist threats were still very much alive. The subsequent capture of terrorists in Thailand and Cambodia has brought to light the fact that the *Jemaah Islamiyah* (JI) network has infiltrated the entire Southeast Asian region.

In order to eradicate terrorism, it is necessary for all countries in the region to improve their ability to maintain law and order and, equally importantly, to promote democratization at home. However, progress on the latter has been slow. With the help of the United States, the Philippines has achieved certain results in an operation to mop up members of the Abu Sayyaf group. Although its government has concluded a ceasefire with the Moro Islamic Liberation Front (MILF), it has yet to work out a fundamental solution to the situation. The rebellion by a group of soldiers of the Armed Forces of the Philippines (AFP) called into question President Gloria Macapagal-Arroyo's ability to govern the country. In Myanmar, Aung San Suu Kyi, general secretary of the National League for Democracy (NLD), was taken into custody, marking yet another setback for democratization in the country. In Indonesia, the National Armed Forces of Indonesia (TNI) launched a mopping-up operation against the Free Aceh Movement (GAM), and the country is threatened with conflicts in Poso, Sulawesi. These regional conflicts are unlikely to subside any time soon.

Meanwhile, the Association of Southeast Asian Nations (ASEAN) Ministerial Meeting condemned the military regime of Myanmar for detaining Aung San Suu Kyi. Some took a hard-line stance and urged member states to expel Myanmar from ASEAN, touching off expectations that this may serve to overcome ASEAN's principle of noninterference. However, at a subsequent ASEAN Summit, the Myanmar issue was not taken up as a main item on the agenda. Instead, the meeting adopted the Declaration of ASEAN Concord II embodying an agreement that member states will form an ASEAN Community founded on the pillars of economic and security cooperation in the region. Thus, ASEAN's intra-regional cooperation, strengthened thanks to concerted antiterrorism efforts, began to broaden its process of integration beyond the economy toward the political and security fields.

As their economies recovered, ASEAN members resumed modernizing their

militaries, but their budgets are still tight. As a result, they tend to seek lower-cost equipment and look to diversify their sources of supply. However, as the military mutiny in the Philippines served warning, tight defense budgets are better spent on the welfare of soldiers to boost their morale than on the procurement of new weapons.

1. Widening Terrorist Networks

(1) Investigations into the Terrorist Bombing of Bali

After September 11, the United States, which characterized Southeast Asia as the second front of the war on terrorism, began to devote major efforts to mopping up terrorists in the region. Some countries where Muslims account for a large majority of the population initially balked at cracking down on terrorists. In Indonesia, especially, antagonizing Muslims, who are strongly opposed to the U.S. war on terrorism and who make up some 90 percent of the population, could threaten the stability of the government. As a result, the counterterrorism measures adopted by the Indonesian government lacked aggressiveness, whereas neighboring countries have stepped up their crackdown. However, the terrorist bombing on the island of Bali that killed 202 people in October 2002 jolted the government into taking hard-line measures against terrorism. The government of President Megawati Sukarnoputri issued a Presidential Emergency Decree on the Prevention of Terrorism and carried out a thorough investigation of the incident with the help of investigators from the United States, the United Kingdom, Australia, and Japan. At the same time, cooperation among ASEAN member states on counterterrorism efforts has rapidly gathered momentum. As a result, members of the JI and other Southeast Asia-based terrorist networks including Bali bombing suspects were arrested one after another. Arrests of the bombing suspects continued into 2003, with the total number rising to thirty-three as of May 2003.

Since March 2003, they have been tried, convicted and received severe sentences, including the death penalty. The first to be put on trial was one of the chief suspects, Amrozi bin H.Nurhasym, who was sentenced to death on August 7. Behind the verdict was the fact that together with the other suspects, he had been involved in the Bali bombing from the planning stage; procured chemicals for making bombs; purchased a minivan to carry out the plot; and transported the explosives to the crime scene. Abdul Aziz (alias Imam Samdra),

another of the main suspects who is allegedly a key member of the JI, and Ali Gufron (alias Muklas) who is alleged to be the ringleader, were also sentenced to death. As of the end of October 2003, three out of twenty-nine suspects convicted were sentenced to death, two to life imprisonment, and the rest to three to sixteen years' imprisonment.

Meanwhile, Abu Bakar Ba'asyir, the alleged spiritual leader of the JI who had been arrested in October 2002 on suspicion of having masterminded a series of bombing attacks on Christian churches toward the end of 2000, was additionally charged with the attempted assassination of President Megawati (then vice president) in 1999, with the prosecution demanding a fifteen-year jail term for treason. At a trial held in September, however, the court sentenced him to just four years. Subsequently, the higher court reduced this sentence to three years. The court explained this decision by pointing out insufficient evidence to show either that Abu Bakar Ba'asyir was involved in the assassination attempt or that he was the leader of the JI—the most contentious issue in the case. His conviction was based on three charges: participation in subversive acts, violation of the Immigration Law, and forgery of documents.

The testimony given by the suspects revealed that Muklas had played a central role in the Bali bombing, and that he had been involved in raising funds and in formulating the plan. In February 2002, Muklas had worked out the plan in southern Thailand together with Wan Min bin Wan Mat (arrested in Malaysia), a leading member of al Qaeda allegedly in charge of financing JI activities, and Azahari Husin (still at large as of December 2003). Muklas had received \$35,500 from Wan Min in 2002, and used the money to finance the bombing. The funds came from Riduan Isamudhin (alias Hambali), the alleged commander in charge of JI operations. Hambali is a leading member of the JI as well as of al Qaeda, and he sent al Qaeda funds to Muklas through Wan Min. Wan Min testified that Muklas was the commander in charge of the Bali bombing, and that Abu Bakar Ba'asyir has been the leader of the JI since 1999.

(2) The JI's Expanding Reach in the Region

Even before the September 11 terrorist attacks on the United States, ASEAN members considered terrorism as a cross-border crime in the region, and had been cooperating to prevent it. Since the attacks they have stepped up their cooperation, and a large number of JI members have been arrested. According to a report published in August 2003 by the International Crisis Group,

established to conduct field-based analysis for conflict prevention and resolution, about 200 terrorists affiliated with the JI were detained in Indonesia, the Philippines, and Malaysia.

Into 2003, however, terrorist activities showed no sign of lessening, and terrorist bombings occurred at the headquarters of the Indonesian National Police in February and at Jakarta Soekarno-Hatta International Airport in April. It was reported that JI operatives were involved in both of these incidents. In August, a suicide bombing seriously damaged the JW Marriott Hotel Jakarta, an American-run hotel. Twelve people—eleven Indonesians and one Dutch national—were killed, and 147 injured. The explosives used in the bombing were similar to those used in the Bali bombing, and, from the testimony of a JI member who had been arrested, it became clear that the suicide bomber was an operative recruited by the JI. Consequently, the national police concluded that the JI was also involved in the JW Marriott bombing. That such terrorist activities were carried out in the heart of the capital of a country that was supposed to have tightened up its security measures after the Bali bombing came as a shock to Indonesia's public security authorities, prodding them to crack down even harder on terrorists. It also caused a shift in public attitudes. Since the Bali bombing and other attacks had mainly targeted foreigners, the public had paid relatively little attention to terrorism. However, as a large number of the JW Marriott victims were ordinary Indonesian workers, such as taxi drivers and hotel guards, the public came to view terrorism as a direct threat, and there has been an increasing antipathy toward the terrorists. It is also said that even some of the terrorists were unhappy about targeting innocent citizens. Against this background, the public security authorities of Indonesia are considering whether to toughen the Presidential Emergency Antiterrorism Decree issued in 2002 to a level corresponding to the internal security acts of Malaysia and Singapore. However, there is strong opposition to this idea on the grounds that it risks undermining efforts at democratization.

The JW Marriott Hotel Jakarta after a terrorist bombing
(Reuters/Kyodo Photo)

In the Philippines, too, terrorist activities are continuing. Thanks to combined exercises conducted with the United States and U.S.-supported counterterrorism operations, the number of terrorist activities carried out by Abu Sayyaf has decreased. In 2003, however, a rash of terrorist bombings and other incidents occurred in the south of the country. Chief among them were an exchange of fire between AFP troops and rebels of the MILF in January, the bombing of Davao International Airport in March (killing twenty-one persons), the bombing of a ferry wharf in Davao City (killing fifteen persons), and the bombing of a marketplace in Koronadal (killing nine persons). The MILF is believed to have been involved in all of the bombings. In May, an armed group of the MILF seized a community center and a hospital in Siocon City, Mindanao, and, after an exchange of fire with AFP troops, the group fled into the mountains taking more than ten hostages with them. Until then, President Arroyo had pursued a policy of dialogue with the MILF. After this incident, however, she declared that her government considered the MILF to be a terrorist organization, and carried out air strikes on its strongholds. The government counteroffensive paid off, and the MILF announced a ceasefire with the government toward the end of May. Ever distrustful of the MILF, President Arroyo made her acceptance of its ceasefire conditional on the MILF cutting off all ties with the JI. It is said that the MILF has established a JI training camp on Mindanao and has signed an agreement with the JI to provide its members with accommodation.

The Communist Party of the Philippines (CPP) and its military wing, the New People's Army (NPA), which President Arroyo declared a terrorist organization in 2002, have been increasingly confrontational toward the government. Hostilities between the NPA and the AFP continued, and the former sporadically attacked the police stations and military facilities in the Angat and Visayas areas in March. As yet, there are no signs that it will accept the government's offer to negotiate a ceasefire. Although there is no evidence showing a direct link between the NPA and the JI, the possibility of cooperation between the two cannot be ruled out. On the basis of a confession elicited from a JI member detained in Cotabato, the AFP in October announced that thirty members of the JI had already infiltrated the Philippines, and that some of them had received training in the southern part of the country. These terrorists are highly likely to step up their subversive activities by taking advantage of the confusion prevailing in some parts of the Philippines.

In May 2003, two Thais and one Egyptian were arrested in Cambodia on

suspicion of being members of the JI. Four more suspected members (including one Chinese-Singaporean) were also arrested in southern Thailand, which is heavily populated by Muslims. Confronted with these arrests, the Thai government was forced to change its erstwhile position that there were no terrorists in the country. According to the Thai police, the suspects had been planning to attack foreign embassies, residential areas inhabited by many foreigners, and tourist spots in Bangkok on the occasion of an Asia-Pacific Economic Cooperation (APEC) summit meeting in October. The arrests served to show that the JI, which was thought to be concentrated in Insular Southeast Asia, has widened its reach throughout Peninsular Southeast Asia, threatening the entire region.

In August, Hambali, the JI's top leader, was arrested in Ayuthaya, Thailand. He had been involved in many terrorist incidents in ASEAN member states and had been placed on wanted lists across the region. Information-sharing between the United States, Malaysia, and Singapore led to his arrest, which took place through cooperation between the U.S. Central Intelligence Agency (CIA) and the Thai police. Hambali was transferred to the United States, where he is now being interrogated. It became clear from his confession that the weapons and explosives impounded by the Thai police at the time of his arrest were to be used in terrorist attacks at the time of the APEC summit meeting; that he had held a meeting in Malaysia with two hijackers who subsequently participated in the September 11 terrorist attacks in the United States; that he had directed a number of terrorist bombings including those of the Christian churches and the Bali bombing in Indonesia toward the end of 2000; that the JI had about fifty-five bases in Indonesia alone; and that he had maintained contact with al Qaeda's Usama bin Laden and his aides. It was also learned that Hambali had provided \$45,000 to the group that carried out the bombing of the JW Marriott Hotel Jakarta. According to the October 6 issue of *Time*, al Qaeda supplied \$130,000 to Hambali and some of the money was used for carrying out the Bali bombing.

The arrest of Hambali was welcome news to the governments of ASEAN members, and must have been a big blow to the JI. However, the JI network does not entirely rely on Hambali for its leadership, and there are others who could take his place. As possible successors, Azahari Husin, currently at large, Zulkarnaen, (alias Daud), and Zulkifli Marzuki should be mentioned. The JI does not have a clearly identifiable structure as an organization, and it carries out its activities in conjunction with independent Islamic or radical groups

operating in various countries. As long as groups excluded from economic development and disaffected with their government exist, they can easily be induced to play a part in terrorist activities if the plotters have money to finance them. In fact, those who actually carried out the Bali bombing were members of Islamic groups called *Wahdah Islamiyah* and *Laskar Jundullah* based in southern Sulawesi. These two groups had long advocated a jihad and carried out radical activities independently from the JI, which then approached them and recruited from their members those who carried out terrorist activities.

In order to remove terrorist threats altogether, it is essential to strengthen the ability of ASEAN members to maintain peace and public order and step up their cooperation. But the difficulty here is the existence of radical groups in these countries capable of carrying out terrorist activities with only token funding. Unless these groups are drawn into the process of social and economic development, it may not be possible to solve the issue of terrorism. It is also necessary to freeze funds that support terrorist activities. Since September 11, activities to freeze terrorist funds have seen progress in Organization for Economic Cooperation and Development (OECD) member countries, but little progress has been made by ASEAN countries. While receiving financial assistance from al Qaeda, the JI is said to have established charitable organizations and business enterprises on its own in ASEAN countries, using 10 percent of the proceedings to finance its terrorist activities. In order for the region to avoid becoming a financial source for the JI and al Qaeda, ASEAN countries must step up their efforts to investigate and freeze terrorist funds in the region.

2. Democratization in Retreat?

(1) Indonesia: Need to Deal with Structural Problems

In order to deal with terrorism and solve the separatist and independence movements, it is necessary to accelerate the process of democratization. Entering 2003, however, the democratization process appears to be stalled in some ASEAN countries. In Indonesia, the central government has been pushing ahead with decentralizing power and alleviating the influence of separatist and independence movements since 2000. However, the conflict between the TNI and the rebels flared up again in Aceh and the situation has begun to deteriorate in Sulawesi and Maluku, where the religious strife had for a time been settling down.

Peace deals between Muslims and Christians in Sulawesi and Maluku were struck in December 2001 and February 2002 respectively, leading to the settlement of the conflicts. The state of emergency enforced in Maluku was lifted in mid-September 2002. The GAM, which had been demanding Aceh's independence from Indonesia, signed a Cessation of Hostilities Agreement (COHA) with the Indonesian government in Geneva on December 9, 2002, and agreed to open peace talks beginning in February 2003. Even after that, however, there were frequent armed clashes between GAM and the TNI units, and the GAM refused to attend peace talks in February 2003. In response, the TNI showed it was ready to mount a large-scale attack on Aceh. Pressed by the tough stand taken by the government, GAM backed down and agreed to attend a Preparatory Conference on Peace and Reconstruction in Aceh in Tokyo. At the May 17 conference, the government demanded that GAM accept three conditions: (a) recognize that Indonesia as a unitary state; (b) accept special autonomy for Aceh and drop its demand for independence; and (c) immediately disarm itself. However, as GAM rejected the conditions, the peace talks broke off.

In response, President Megawati issued Presidential Decree No. 28/2003 imposing martial law on Aceh early on the morning of May 19, and the TNI launched an attack on GAM. According to a TNI announcement, GAM had approximately 5,000 members, of whom about 2,000 were killed or captured over the next five months. Many civilians were victimized. According to the Aceh police, the number of victims reached 544—319 killed, 117 injured, and 108 missing—although the actual numbers are believed to be larger. Initially, martial law was supposed to be lifted after six months; instead, it was extended for a further six months.

In February 2003, when the Indonesian government announced a policy for dividing the province of Papua into three districts, popular mistrust of the Indonesian government mounted, and armed clashes with the TNI troops ensued. In November 2001, Theys Eluay, the leader of the independence faction, was assassinated, and because of the alleged involvement of the Indonesian special operations command, *Kopassus*, Papuans' antipathy toward the Indonesia government has mounted. In August 2002, two Americans were killed in an attack on vehicles belonging to the PT Freeport Indonesia, a local subsidiary of a U.S. mining company. It was suspected that TNI soldiers were involved in the incident. Although the TNI denied this, the incident touched off speculation that the attack was stage-managed by the military to make it appear

the work of independence activists, with the aim of having the United States recognize the independence faction as a terrorist organization. With this, antigovernment sentiment among Papua's inhabitants ran higher.

Given certain positive results achieved by the TNI's attack on Aceh, it is possible that the government will take a similar approach in Papua. Should this happen, it may cause Papua's separatist movement to flare up again, given its inhabitants' deep-rooted antipathy toward the Indonesian government.

In Sulawesi, too, armed groups attacked Poso and surrounding villages for three days running in October 2003, killing Christians and setting fire on churches and houses. The police and the military arrested a number of inhabitants on charges of murder and arson, but their political background or affiliation was not made public. Some human rights groups have suspected that TNI personnel stirred up religious strife in Maluku and Sulawesi in order to supplement their income by offering, for instance, their services as guards.

In the course of Indonesia's democratization efforts following the resignation of President Suharto, President Abdurrahman Wahid enacted the Special Local Autonomy Law and sharply increased budget allocation to provinces with a view to defusing local conflicts. However, many of those who held key local government posts (such as those of provincial governor and police chief) misappropriated public funds and aroused the antipathy of local inhabitants, contrary to Wahid's intent. Even if the government pushes decentralization of power and allocates larger subsidies to local governments, the antigovernment movement will not abate and disaffected inhabitants will increasingly sympathize with terrorists unless the structure of corruption within the government is stamped out. Indeed, the antipathy of Papua's inhabitants and those of other provinces toward corrupt government officials has a potential of boiling over into violence.

Owing to the aftereffects of the 1997 currency crisis and more stringent public scrutiny as democratization progresses, Indonesia's defense budget has not been restored significantly. Worse yet, as the business activities in which the military was allowed to engage have been scaled back, servicemen's welfare benefits, which depended on the former, have shrunk. As a result, morale has fallen, and the number of soldiers involved in illegal acts—drug trafficking and the sale of arms and ammunition on the black market—has been increasing. There is no denying that some of them are stirring up local conflict with a view to getting more opportunities of earning side income from

moonlighting as guards for businesses and other enterprises. Such are the structural problems that prevail in Indonesia.

(2) The Philippines: Politicization of the Military

In the Philippines, too, an incident has brought similar structural problems to the fore. In the afternoon of July 27, 2003, 296 AFP troops, including seventy commissioned officers, occupied the Oakwood Hotel in Manila and planted bombs around the perimeter to secure the area. After temporarily being detained by the rebel soldiers, about 200 hostages, including the Australian ambassador to the Philippines and a number of Japanese, were released. The soldiers accused the government and the military of corruption and demanded the resignation of President Arroyo and Secretary of National Defense Angelo Reyes. The rebels were persuaded by a government delegation to end their rebellion without firing a shot after twenty-two hours.

Leading the mutiny were young military officers, who said their action was not intended as a coup d'état but to express their dissatisfaction with their treatment. They insisted that they were motivated by what they described as rampant corruption within the government and the military. They also complained about President Arroyo and AFP leadership, saying that the Arroyo administration deliberately prolonged attacks on the separatist movement and terrorists in the southern islands so as to wring aid money from the United States, and that some high-ranking AFP officials diverted arms and ammunition to antigovernment forces (the MILF and Abu Sayyaf) for that purpose.

While counterterrorism operations in the southern part of the Philippines became protracted, the treatment of soldiers participating in these operations did not improve. Their discontent smoldered, leading to mutiny. What is more, economic conditions in the Philippines were the worst among the ASEAN5 (Indonesia, Malaysia, the Philippines, Singapore, and Thailand),

Troops of the AFP stage a mutiny in a business district of Manila. (AP/WWP)

so that on account of a large budget deficit, the country was in no shape to increase its defense expenditure. In the Philippines, as elsewhere, a stagnant economy creates structural conditions that tempt politicians and military top brass to practice corruption, with the result that those who do not benefit from such illicit gains grow increasingly disaffected with the government and the military.

Separately from the mutiny, Fathur Rohman Al-Ghozi, a JI member detained in the Philippine National Police headquarters, escaped together with two of his accomplices in July. As it took seven hours before the escape was disclosed, it was suspected that they had received inside help, and subsequent investigations showed that six police officers had been bribed to aid their escape. The incident suggests that it is essential to boost the morale of military and law-enforcement personnel by raising compensation and improving welfare.

Furthermore, the mutiny has cast doubt on democracy in the Philippines. It is generally believed that the Philippines is the most democratic of ASEAN member states and that the depoliticization of the military has made greater strides than in other countries. It is said that “People Power I,” which resulted in the downfall of President Ferdinand Marcos, and “People Power II,” which forced President Joseph Estrada from office, represented the collective power of the citizenry, the Catholic Church, and the business community. In reality, however, the military’s decision to oppose the presidents was the decisive factor in unseating them, and the military is still deeply involved in politics as a kingmaker.

There are politicians who aim at taking over the reins of government by instigating disgruntled soldiers to rebel against the government. With President Arroyo intimating that some politicians were involved in the mutiny, a report released in October 2003 by the fact-finding commission revealed that the rebels had tried to take over the reins of government and reinstate former President Estrada to the presidency, and that they were supported by the former president’s aides. The report also cites, as reasons for the mutiny, corruption and the politicization of the military, which suggests the fragility of civilian control over the AFP. The rebels demanded that Secretary of National Defense Reyes resign, and although he denied his involvement in alleged corruption, he resigned in August. President Arroyo appointed Eduardo R. Ermita, a senior adviser to the president, as the new minister for defense. That President Arroyo appointed an ex-military officer, instead of a civilian, seems to reflect her thinking that an ex-military officer is better suited to bolstering her ineffectual

control over the military and checking its disquieting behavior; plus, she did not want to see another damaging incident in the run-up to the 2004 presidential election. Depoliticization of the military in the Philippines still seems to be far from complete.

(3) Thailand: Autocratic Tendencies of the Thaksin Government

The government of Prime Minister Thaksin Shinawatra of Thailand also promulgated antiterrorism decrees. This is the first time in Thailand that anticrime laws were enacted by the executive branch on its own without approval of the legislature. The terrorist bombing of the JW Marriott Hotel Jakarta in August and the arrest of the JI members in Thailand highlighted the need for such laws. In addition, the upcoming APEC summit meeting in Bangkok in October and U.S. President George W. Bush's scheduled attendance were also factors pressing Thaksin to promulgate the decrees.

As is the case with neighboring countries, the antiterrorism decrees permit law enforcement agencies to arrest suspects without a warrant, and allow the military to cooperate in terrorism investigations if asked, although much of that mission falls within the jurisdiction of the police. As the decrees could lead to human rights violations depending upon how they are applied, an increasing number of concerned citizens, academics, and even people in judicial circles opposed them, charging they are unconstitutional. Further, Prime Minister Thaksin was accused, in the past, of having abused laws to suppress political opposition and curtail freedom of speech. During the antidrug campaign conducted in February and March 2003, about 2,000 people were killed, and the prime minister's high-handed methods were criticized at home and abroad. Also, as kingpin of a communications-related business group in Thailand, he was often criticized for employing policies favoring his family business.

There is strong concern over the fact that the Thaksin government, with a reputation for being autocratic, has enacted the antiterrorism decrees without their being properly debated in the legislature. There is also mounting criticism that such an act runs counter to the spirit of the 1997 constitution, with many pointing out the danger of establishing a bad precedent that could lead to the abuse of executive decrees by the government. Others comment that by promulgating the antiterrorism decrees, the prime minister is seeking to strengthen relations with the United States, which is fighting the war on terrorism, at the expense of Thai people's rights. The opposition Democrat

Party plans to file an action with the Constitutional Court against the government on the grounds of the unconstitutionality of the antiterrorism decrees. However, the Thai Rak Thai Party led by Prime Minister Thaksin has an overwhelming majority in the Lower House, giving the prime minister and his government a strong power base. Therefore, it is unclear how far opposition parties led by the Democrat Party can check what appear to be the arbitrary actions of the Thaksin administration.

(4) Myanmar: Re-detention of Aung San Suu Kyi

On May 31, 2003, Myanmar's military junta once again detained Aung San Suu Kyi, general secretary of the NLD. In May 2002, the military regime had released her from house custody, raising hopes internationally that Myanmar would make headway in democratization. However, the re-detention dashed such hopes. Suu Kyi and seventeen senior NLD members were taken into custody, and NLD headquarters were shuttered. The military regime explained that the restrictions were to protect Suu Kyi and the other NLD members, since they were caught in a clash that erupted between her supporters and people opposing the NLD on May 30, 2003 during her trip to villages in northern Myanmar. But assuming that the purpose of their re-detention was to protect Suu Kyi and other NLD members, they have been held for longer than could be reasonably justified for such purpose, and in fact none have been released to date. Moreover, as the military regime closed universities where political rallies had been held, the junta's acts against Suu Kyi clearly had a political purpose. On the basis of an investigation it conducted, the U.S. Department of State announced that government-affiliated thugs had launched a premeditated ambush on Suu Kyi's motorcade. After Suu Kyi was released from custody in May 2002, she had been calling on the military regime to resume political dialogue, but it ignored the overture. As a result, tension between the two sides escalated, leading to the arrest of NLD members on charges of subversion.

The United Nations, the United States and other members of the international community toughened their criticism of the regime and demanded Suu Kyi's immediate release. ASEAN member states also expressed their concern that the detention of Suu Kyi ran counter to democratization and undermined international confidence in ASEAN. However, the military regime rejected international calls for her release. A joint communiqué issued by an ASEAN Ministerial Meeting held on June 16 and 17 urged the government of Myanmar

to resume “efforts of national reconciliation and dialogue among all parties concerned leading to a peaceful transition to democracy.” However, the communiqué did not contain any clear-cut demand for her release. It only said in passing: “We welcomed the assurances given by Myanmar that the measures taken following the incident were temporary and looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD members.” The failure of ASEAN to take a firm stand on the matter is probably explained by the lack of unanimity among its members on the question. Vietnam and Laos insisted on observing the principle of noninterference in domestic affairs of member countries. Thailand, saddled with border problems and drug trafficking, did not want to provoke Myanmar, while paying lip service to an early release of Suu Kyi. On the other hand, the Philippines, Indonesia, and Malaysia, concerned about damaging the international reputation of ASEAN, sought to bring strong pressure to bear on Myanmar’s military regime. Malaysia in particular felt increasingly frustrated at Myanmar’s antidemocratic behavior. The country had played a key role in bringing Myanmar into ASEAN and had sent Tan Sri Razali Ismail to the United Nations to serve as the UN secretary-general’s special envoy for Myanmar. As there was no hope of winning the release of Suu Kyi even after the ASEAN Ministerial Meeting, then Prime Minister Mahathir bin Mohammad of Malaysia remarked in no uncertain terms that the eventual expulsion of Myanmar from ASEAN might be unavoidable.

The international community also stepped up pressure. The European Union (EU) announced that it would strengthen its economic sanctions against Myanmar. At the end of July, President Bush signed into law the Burmese Freedom and Democracy Act of 2003, that bans imports of Myanmarese products. Japan also put its economic aid to Myanmar on hold. Faced with mounting foreign pressure, Myanmar’s military regime appointed Khin Nyunt, secretary-1 of the State Peace and Development Council (SPDC), as prime minister, and launched a diplomatic offensive with neighboring countries to get them to ease off on the pressure. Further, as an alternative to Thailand’s proposed road map for Myanmar’s democratization, the Myanmar government came up with its own seven-point future policy program. It proposes the following: (a) re-convening of the National Convention, (b) step-by-step implementation of the process necessary for the emergence of a genuine and discipline-flourishing democratic system, (c) drafting a new constitution, (d)

adoption the constitution through national referendum, (e) holding free and fair elections for *Pyithu Hluttaws* (legislative bodies), (f) convening Hluttaws, and (g) building a modern, developed, and democratic nation by the state leaders elected by the Hluttaws, and formation of the government and other central organs by the Hluttaws.

However, the road map did not contain a specific timetable and did not clarify when Suu Kyi would be released, so many dismissed it as a ploy by the regime to prolong its own existence. However, the diplomatic offensive paid off, and they escaped serious criticism at the subsequent ASEAN Summit in Bali. ASEAN leaders may have chosen to tread softly for fear of isolating Myanmar, but if the end result is a further prolongation of Suu Kyi's detention, then international confidence in ASEAN could suffer, contrary to their wishes. Were that to happen, it would hinder the development of the ASEAN Security Community (ASC) that ASEAN hopes to realize in the coming years.

3. ASEAN—Toward the Creation of a Community

(1) Stressing the Importance of Political and Economic Cooperation

At an ASEAN Ministerial Meeting held in Phnom Penh, Cambodia, on June 16–17, 2003, and at an ASEAN Summit held on Bali in October, member countries reached an agreement on promoting regional integration. At these meetings, they made progress toward creating a community not only in terms of the economy but also in terms of politics and security. To deal with the rise of China and to eliminate transnational crimes, they felt that it was necessary for ASEAN members to achieve sustainable economic growth, which in turn requires peace and stability in the region. They recognized the urgent need to deepen their economic and political cooperation and shared the idea of creating an ASEAN community in the sense of, among others, politics and security.

At the ASEAN Ministerial Meeting, they made progress in the area of intra-regional political and economic cooperation. In the area of political and security cooperation, the participants acknowledged the particular importance of political security cooperation in the process of achieving ASEAN integration, while paying respect to the principle of noninterference. Besides, they agreed to continue considering this component of integration that will ensure peace, stability, and prosperity in the region. Although they refrained from explicitly demanding the release of Suu Kyi, they included in the joint communiqué the

passage: “we urged Myanmar to resume its efforts of national reconciliation and dialogue among all parties concerned leading to a peaceful transition to democracy.” With this statement, ASEAN went so far as to touch on the domestic political problems of a member country. It may be taken as a departure from its previous position of sticking to the principle of noninterference. On the Aceh conflict in Indonesia, ASEAN member states adopted a position critical of the separatist movement, supported the effort by the Indonesian government to restore peace and order in Aceh, and reaffirmed their support for the sovereignty, territorial integrity, and national unity of the country.

On the issue of terrorism, the joint communiqué acknowledged intensified cooperation among ASEAN member states in the fight against terrorism and confirmed their resolve to strengthen cooperation in this area. It also welcomed the establishment of the Southeast Asian Regional Centre for Counter-terrorism in Kuala Lumpur in July. On the question of transnational crimes, member countries agreed to step up cooperation and strengthen the capability of law enforcement authorities.

On the economic front, the joint communiqué included several initiatives to promote a more clearly defined integration. It said that deepening regional economic integration toward an ASEAN Economic Community (AEC) was essential to strengthening ASEAN’s competitiveness. The members requested the ASEAN Secretariat to study the experience of the EU with regional economic integration. The AEC is expected not only to strengthen ASEAN’s competitiveness but also to narrow and eventually close the development gap within ASEAN. In the communiqué, the ASEAN Ministerial Meeting recognized the importance of changing and strengthening the institutions and practices of ASEAN including the establishment of a system of settlement of commercial disputes; the creation of a machinery for coordinating national policies of different member countries; and the strengthening of the mandate and capacity of the ASEAN Secretariat. The members directed the ASEAN Senior Officials Meeting, the ASEAN Standing Committee and the ASEAN Secretariat to work thoroughly on these matters. Besides, stressing the need to narrow the development gap in ASEAN, they reaffirmed their commitment to the Initiative for ASEAN Integration and the development of the Mekong Basin.

In addition, the joint communiqué recognized the importance of the stability of the Korean Peninsula for the peace and prosperity of East Asia and called for the denuclearization of North Korea and solution of its problems by peaceful

means. As regards Iraq, it stressed the central and vital role to be played by the United Nations in the reconstruction and development of postwar Iraq, and tacitly criticized U.S. unilateralism. Further, the ASEAN Ministerial Meeting agreed to accept Pakistan to the ASEAN Regional Forum (ARF).

Commemorating its tenth anniversary, the ARF on June 18 noted that mutual confidence within the region has been significantly strengthened through its confidence-building measures. It expressed the hope that the United Nations will play a key central role in the maintenance of peace and stability in the world; supported the denuclearization of North Korea; and urged North Korea to reverse its decision to withdraw from the Treaty on the Non-proliferation of Nuclear Weapons (NPT) and to resume cooperation with the International Atomic Energy Agency (IAEA). On the question of international terrorism, it acknowledged the cooperation of ARF members in preventing terrorism, welcomed the continuing efforts of the UN Security Council Counter-terrorism Committee, and supported the creation of a Counter-terrorism Action Group by the G8 at the Evian summit meeting and a Counterterrorism Task Force by APEC. In addition, the ARF adopted an ARF Statement on Cooperative Counter-terrorist Actions on Border Security. Concerned about non-traditional threats, and the growing number of piracy attacks in particular, the ARF adopted an ARF Statement on Cooperation Against Piracy and Other Threats to Maritime Security. Members also agreed to strengthen their cooperation with respect to the prevention of the proliferation of weapons of mass destruction (WMD) and delivery systems. Although the content of a statement the ARF issued on the restrictions imposed on Suu Kyi was basically the same as the one issued by the Ministerial Meeting, it added a passage stressing the importance of strengthening democracy as a fundamental element of regional security.

The ARF expressed satisfaction with the level of confidence and trust that had been developed under ARF auspices, and stressed the importance of developing the ARF process toward preventive diplomacy. It decided to consider the applications of Bangladesh, Pakistan, and East Timor to join the ARF. China proposed convening an ARF Security Policy Conference that would be joined by senior defense and government officials in the region. The proposal was welcomed by ARF members as a way to encourage active participation on the part of defense officials of different countries in ARF activities.

(2) ASEAN Concord II

At the ninth ASEAN Summit held on October 7, 2003, its members agreed to cooperate on strengthening the political and economic integration of the ASEAN community. At the same time, efforts by China and India to draw closer to ASEAN were noted. Meanwhile, Japan, China, and South Korea signed the Joint Declaration on the Promotion of Tripartite Cooperation among the People's Republic of China, Japan, and the Republic of Korea, which called for their economic and security cooperation. This shows that the ASEAN Summit has become a forum for discussion and cooperation, not just for ASEAN but for East Asia as a whole. Besides, this ninth meeting was the last ASEAN Summit for Prime Minister Mahathir of Malaysia, who retired from politics at the end of October.

At the summit, ASEAN leaders adopted a Declaration of ASEAN Concord II (Bali Concord II) that committed them to forming an ASEAN Community by 2020. ASEAN Concord II supersedes the ASEAN Concord (Bali Concord), a declaration that was adopted at the first ASEAN Summit held on Bali in 1976 and laid down the principle of intra-regional cooperation. Since the adoption of the Bali Concord, the environment surrounding ASEAN has changed markedly with the end of the Cold War, the globalization of economies, the rise of China, and the emergence of nontraditional threats. Since the Asian currency crisis in 1997, ASEAN members have undergone an economic crisis of unprecedented severity; and they have also suffered from political and social turmoil caused by local conflicts and terrorist attacks. As a result, there has been rising concern about the perceived eclipse of ASEAN's political standing in international society. Meanwhile, the rise of China has undercut the competitiveness of its members on the world market. In order to revive ASEAN, it is necessary to bolster political stability and induce more foreign direct investment. There was a realization that to accomplish this goal requires ASEAN members to accelerate economic integration and to

Prime Minister Mahathir addressing an ASEAN Summit (October 2003) (AP/WWP)

bolster political and security cooperation.

The ASEAN Concord II was founded on three pillars. The first pillar is the ASEAN Security Community (ASC). The ASC is designed to bring ASEAN's political and security cooperation to a higher plane to ensure that countries in the region live at peace with one another and with the world at large in a just, democratic and harmonious environment. It provides for the peaceful solution of various problems arising between members. In this connection, the declaration states that a High Council, whose establishment was called for under Article 14 of the Treaty of Amity and Cooperation in Southeast Asia (TAC), will be an important component of the ASC. The concord states that existing political instruments including the TAC, the Zone of Peace, Freedom and Neutrality (ZOPFAN) Declaration and the Treaty on the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ) are also expected to play a pivotal role in confidence-building, preventive diplomacy and conflict resolution. The ARF will continue to serve as an important framework for strengthening the security of the Asia-Pacific region, and its member countries will endeavor to strengthen the ARF process.

However, the ASEAN Concord II upholds ASEAN's principles—noninterference, respect for national sovereignty, and consensus-based decision-making—and recognizes the sovereign right of its members to pursue their own foreign policy and defense arrangements. The ASC places emphasis on the pursuit of comprehensive security—economic, political, social, and cultural cooperation—rather than on defense pacts, military alliances or joint foreign policy. ASEAN leaders are expected to discuss the ASC's specific functions; and the focus here would be on strengthening cooperation in dealing with common problems such as the transnational crimes of terrorism, drug trafficking, and piracy.

The second pillar of the ASEAN Concord II is the ASEAN Economic Community (AEC). The AEC is designed to integrate the economies of ASEAN members as outlined in the ASEAN Vision 2020. The AEC will liberalize the flow of goods, services, investment and capital among ASEAN members by 2020 and establish ASEAN as a single market. It will strengthen the members' international competitiveness through the liberalization of their economies, and help them shape ASEAN as a powerful production base in the world. To realize these ends, the AEC will institute a new mechanism and measures that will further strengthen the implementation of the ASEAN Free

Trade Area (AFTA) and the ASEAN Investment Area (AIA). Efforts will be made to facilitate the movement of human resources, and an arbitration mechanism will be established to settle trade disputes. The AEC is expected to facilitate technological cooperation in the region; accelerate economic development of newer ASEAN members including Cambodia, Laos, Myanmar, and Vietnam so as to narrow the economic divide within ASEAN; and contribute to the regional division of labor. As various economic liberalization

Treaty of Amity and Cooperation in Southeast Asia (TAC)

Concluded at the first meeting of ASEAN in 1976, the TAC formally codified political cooperation among Southeast Asian countries. It consists of five chapters containing twenty articles. The TAC is designed to perpetual peace, everlasting amity and cooperation among the state parties. Chapter 1 declares that the parties will be guided by the following principles: respect for national sovereignty, noninterference in the internal affairs of state parties, the settlement of differences or disputes by peaceful means, and the renunciation of the threat or use of force (Article 2). Chapter 3 urges state parties to collaborate for the acceleration of the economic growth in the region in order to strengthen the foundation of a prosperous and peaceful community of Southeast Asian countries (Article 6), and to cooperate to promote regional resilience that will constitute the foundation of a strong and viable community of nations in Southeast Asia with a view to achieving regional prosperity and security (Article 12). This chapter thus lays the foundation for the creation of a regional community in the future.

Chapter 4 provides for an approach to be taken for the peaceful settlement of disputes, the core provision of the Treaty. Article 13 provides for the solution of disputes through friendly negotiations without resort to the threat or use of force. Article 14 provides for the establishment of a High Council comprising a representative at ministerial level from each of the parties to address disputes. Article 15 provides that in case parties to a dispute alone fail to solve the dispute, the High Council may either ask a third party to intervene or the Council itself may intervene and recommend an appropriate means of settlement. However, these provisions will not be applied unless all the parties concerned reach agreement on it (Article 16).

Initially, the TAC was signed by five countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand). Subsequently, when Brunei, Vietnam, Laos, Myanmar, and Cambodia joined ASEAN, all ten members of ASEAN became affiliated with the treaty. In an effort to seek political stability in the region, the treaty was amended in 1987 to allow non-Southeast Asian countries to join, and Papua New Guinea, a non-ASEAN country, joined the treaty in 1989. As China and India joined the treaty during the ASEAN Summit in October 2003, the number of party states has increased to thirteen.

measures such as AFTA have already been taken, the AEC is on more realistic grounds and has a better chance of realizing integration than the ASC. At the meeting, Thailand and Singapore proposed advancing the date for achieving the economic integration by five years to 2015, but their proposal was rejected.

The third pillar is the ASEAN Socio-cultural Community (ASCC). The ASCC is designed to foster cooperation in social development and raise the living standard of disadvantaged groups and rural populations. It seeks the active involvement of all sectors of society, in particular women, youth, and local communities. It also aims to step up public health cooperation to prevent and control infectious diseases such as HIV/AIDS and SARS, and to promote cultural exchanges involving ASEAN scholars, writers, artists, and media practitioners. In this way, the ASCC is seeking to strengthen cooperation with a focus on human resources development.

The latest ASEAN summit deserves attention in that it adopted the ASEAN Concord II and hammered out an agreement to create the ASEAN Community covering not only economic, political, and security integration but also social and cultural integration. The objective of the AEC—to establish a single market by increasing the effectiveness of the various existing frameworks—is already well defined. On the other hand, in the case of the ASC and ASCC, the meaning of “community” has not yet been made clear. It appears that the ASC, in particular, aims at strengthening cooperation to deal collectively with common threats such as terrorism. Moreover, the principle of peaceful settlement of intra-regional disputes as defined in the TAC, is already accepted as a norm and presides over relations among ASEAN members. As the ASC does not include cooperation in the military field and sticks to ASEAN’s principles of noninterference and consensus-based decision-making, it is unclear how the idea of the ASC will be developed in the coming years. However, the word “community” in the ASC’s name has far-reaching implications for other countries, and has the effect of strengthening ASEAN’s cohesion. Noteworthy also is that ASEAN has recognized the necessity of creating a community that includes political and security cooperation among its members.

(3) Active Approach by China and India to ASEAN

At an ASEAN+3 (Japan, China, and South Korea) Summit and separate summit meetings with ASEAN held along with the ASEAN Summit in October 2003, both China and India adopted an aggressive approach toward ASEAN. Since

the ASEAN Summit of 2000, China had wooed ASEAN with the prospect of a free trade area (FTA) agreement between them and proposed to enhance cooperation in efforts to prevent nontraditional threats. These efforts paid off. At the ASEAN Summit in Bali, based on an observation that political and security cooperation between ASEAN and China had matured over the years, the two agreed to deepen cooperation further in the areas of the economy, technology, social development and culture. The ASEAN+China Summit adopted a Joint Declaration of the Heads of State/Government of the Association of Southeast Asian Nations and the People's Republic of China on Strategic Partnership for Peace and Prosperity. In addition to the ASEAN-China FTA due to be established by 2010, these overtures suggest that China has taken a stance favoring stronger cooperation with ASEAN in the areas of politics and security. China also became a party to the TAC. ASEAN welcomed China's moves as marking a new stage in the relationship between the two, and expected China to actively involve itself in the ARF. As China has joined the TAC, ASEAN believes this will pave the way for peaceful, dialogue-based resolution of territorial disputes over islands in the South China Sea.

The ASEAN-India Summit followed the first meeting held in Phnom Penh in 2002. India joined the TAC simultaneously with China and also inked the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and India. Under the Framework Agreement, both sides are expected to start a tariff reduction or elimination program in January 2006 with a view to liberalizing the trade in goods, services and investment. With Brunei, Indonesia, Malaysia, Singapore and Thailand, the program will be completed by the end of 2011. Under the agreement, India will extend technological cooperation in the fields of agriculture, food processing, biotechnology, and human resources development. ASEAN has high expectations for technological cooperation from India in the field of information technology (IT). Thanks to these arrangements, ASEAN will be able to create FTA with China and India within the next ten years. As free trade will also be facilitated with Japan under closer economic partnership agreements, ASEAN will thus form a huge free trade area covering East Asia and South Asia. On the security front, ASEAN issued with India a Joint Declaration for Cooperation to Combat International Terrorism. In addition to the TAC, India has strengthened cooperation with ASEAN in the political and security areas. By strengthening its relationship with India, another Asian

power, ASEAN hopes to keep a rising China in check. For its part, these arrangements will help India gain easier access to the rapidly expanding ASEAN market, and India can look for investment from ASEAN members.

Some have argued that while China and India actively sought to develop closer relations with ASEAN, Japan took a back seat in the ASEAN Summit meetings. In fact, ASEAN invited Japan to join the TAC, but Japan's response was noncommittal. At a meeting of the ASEAN-Japan Commemorative Summit held in Tokyo on December 11–12, 2003, Japan signed a declaration on accession to the TAC. Japan lags in opening its agricultural market, and, on the question of rice—the biggest pending issue—China, like Japan, has chosen not to include it on its list of products to be liberalized. In order to develop relations between the two countries and ASEAN, it may be necessary for Japan to extend technical cooperation needed for strengthening the competitiveness of ASEAN members, and extend active assistance to narrow the economic disparities among them. In this context, the Framework for Comprehensive Economic Partnership between ASEAN and Japan signed in October is highly significant. The Framework is designed to promote the liberalization of trade and investment between Japan and ASEAN, enhance competitiveness of Japan and ASEAN, accelerate economic development of the newer ASEAN member states, and narrow the economic disparity among them. Besides, cooperation within the Framework is not limited to the liberalization of trade and investment. It aims to explore new areas and develop appropriate measures for further cooperation and economic integration.

The Framework spells out concrete steps to be taken: in early 2004, it plans to start consultations on the liberalization of trade in goods, services and investment, and, in 2005, to commence negotiations over an agreement on comprehensive economic partnership (CEP) between Japan and ASEAN as a whole. The deadline for realizing CEP is 2012, but Japanese and ASEAN leaders agreed to realize it at an earliest possible date. In line with the direction of cooperation agreed upon thus far, the Japan-ASEAN Commemorative Summit of December 2003 adopted the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium. The Tokyo Declaration stressed Japan and ASEAN's commitment to further pushing ahead with CEP, defined the future direction of Japan-ASEAN relations, and announced their cooperation toward creation of an East Asian community. At the same time, the summit adopted the Japan-ASEAN Plan of Action. Based on

the Tokyo Declaration, the plan elaborated some hundred concrete measures for ASEAN-Japan cooperation to be taken in the immediate future.

At a trilateral summit meeting held during the ASEAN Summit in Bali, the leaders of Japan, China, and South Korea signed a Joint Declaration on the Promotion of Tripartite Cooperation that vowed to strengthen cooperation in economic and security matters. The leaders of the three countries also reaffirmed their commitment to the peaceful solution of North Korea's nuclear issue and to the denuclearization of the Korean Peninsula.

As these developments clearly show, the ASEAN Summit has become a forum for discussing not only ASEAN-related issues but also those relating to Japan, China, and South Korea, increasing its role in East Asia as a whole. Meanwhile, given the expanding role of the ASEAN Summit, there is a move to elevate it to an East Asia Summit separate from the ASEAN+3 Summit.

4. Arms Procurement Increases

(1) Constraints on Arms Procurement

The economies of the ASEAN5 have shown signs of recovery since 1999. Although income from tourism decreased sharply in 2003 due to SARS, the impact was short-lived. Since 2001, the economies of Thailand and Malaysia in particular have been making a firm recovery. As a result, arms procurement and military modernization programs shelved on account of the 1997 currency crisis have begun to see revival. For all that their economies are recovering, however, ASEAN members are still saddled with large budget deficits.

A survey of the budgetary conditions of the ASEAN5 shows that since 1997, all of them have been increasing their public investment to buoy up their economies. As a result, with the exception of Singapore, they have all been running a large budget deficit and the deficit has been rising since 2000. Expenditures for the maintenance of public order and security, necessitated by increasing religious and ethnic conflicts, separatist movements and activities of radical Islamic groups and terrorists, have also contributed to the rising deficits. The tendency is more pronounced in the Philippines and Indonesia than in other ASEAN members. In the Philippines, the budget deficit has been increasing sharply since 2000, and soared steeply from 147.0 billion pesos in 2001 to 210.7 billion pesos in 2002. Owing to these financial constraints, military modernization has been stalled, and the Philippines has had to rely on U.S.

military aid for dealing with separatist insurgents in the south and terrorists. Thailand is sustaining steady economic growth, and has succeeded in cutting its budget deficit since 2000.

On the other hand, while defense expenditure of the ASEAN5 has been increasing in local currency terms since 2000, the exchange rate of local currencies against the dollar has not recovered much from the sharp drop caused by the 1997 Asian currency crisis. The exchange rate of the Malaysian ringgit has remained pegged at 3.8 ringgits to the dollar since 1999, while that

Table 5.1. Changes in the rates of real economic growth of the ASEAN5

	2000	2001	2002	2003	2004
	(%)				
Indonesia	4.8	3.3	3.7	3.4	4.0
Malaysia	8.3	0.4	4.2	4.3	5.1
Philippines	4.4	3.2	4.6	4.0	4.5
Singapore	9.4	-2.4	2.2	2.3	4.2
Thailand	4.6	1.9	5.2	5.0	5.5

Source: Asian Development Bank, *Asian Development Outlook 2003* (Hong Kong: Oxford University Press (China), Ltd., 2003).

Note: Figures for 2003 are estimates, and those for 2004 are projections.

Table 5.2. Budget deficits of the ASEAN5

		1998	1999	2000	2001	2002
Indonesia	(in billions of rupiahs)	516,199	27,447	14,993	40,485	27,677
	(% of GDP)	1.7	2.5	1.2	2.8	1.7
Malaysia	(in millions of ringgits)	5,002	9,486	19,715	18,422	20,252
	(% of GDP)	1.8	3.2	5.8	5.5	5.6
Philippines	(in millions of pesos)	49,981	111,658	134,212	147,023	210,741
	(% of GDP)	1.9	3.8	4.0	4.0	5.2
Singapore	(in millions of S\$)	+4,712	+10,004	+16,016	+7,885	—
	(% of GDP)	3.4	7.3	10.2	5.2	—
Thailand	(in millions of bahts)	129,292	154,363	109,869	122,993	76,815
	(% of GDP)	2.8	3.3	2.2	2.4	1.4

Source: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2003* (Manila: Asian Development Bank, 2003).

Table 5.3. Changes in defense expenditure of the ASEAN5

		1998	1999	2000	2001	2002
Indonesia	(in billions of rupiahs)	11,065	9,984	11,449	16,416	19,291
Malaysia	(in millions of ringgits)	7,276	9,230	9,291	11,597	13,363
Philippines	(in millions of pesos)	31,512	32,959	36,208	32,782	46,113
Singapore	(in millions of S\$)	7,678	7,595	7,701	8,141	—
Thailand	(in million of bahts)	86,133	74,809	71,268	75,413	76,725

Source: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2003* (Manila: Asian Development Bank, 2003).

of the Philippine peso has fallen lower still since 2000. Even if ASEAN member states increase the defense budget in local currency in step with their economic recovery, the low exchange rate has put a damper on military modernization programs, which rely on foreign suppliers as their main source of military equipment. Owing to a tight budget and an unfavorable exchange rate, arms procurement programs submitted by the military for its modernization were often rejected by the parliament. For all that, however, some air force or naval modernization programs have been carried out. Noteworthy has been the procurement of low-cost Russian-made weapons, some of which have been bartered in exchange for agricultural products.

(2) Defense Modernization in ASEAN

As their economies started to pick up in 2002, ASEAN members began to replace obsolete equipment and push ahead with weapons upgrades. Arms procurement by Malaysia, whose economy was first to turn around, stood out. In 2002, Malaysia decided to purchase three submarines from France, including one for training. In addition, it drew up a plan to purchase fighters, helicopters and tanks, and started implementing it in 2003. In April, it decided to purchase forty-eight PT-91M tanks worth \$650 million from Poland. In May, it decided to purchase eighteen Su-30MKM fighter aircraft for deployment in 2006, and signed a contract worth more than \$900 million. For the aircraft, Malaysia will pay 70 percent in cash and 30 percent in palm oil exports. In addition, it decided to purchase from the United Kingdom three Superlinx helicopters

capable of launching air-to-surface missiles. Its air force also wants to purchase airborne warning and control system (AWACS), a move seen as a reaction to the proposal by Australian Defense Minister Robert Hill who, at the IISS Asian Security Conference held May 30 to June 1 in Singapore, advocated “anticipatory actions to preempt adversaries.” The air force said that it needed at least four AWACS, but Defense Minister Sri Najib Tun Razak stopped short at saying that because of the large sums of money involved, he would look into the matter in the coming months.

Indonesia announced in 2002 a plan to purchase Russian-built fighters and helicopters. As the United States has banned arms exports to Indonesia over its human rights violations in East Timor in 1999, the Indonesian armed forces have not been able to maintain or replace their equipment, and, on account of a tight budget, have had to find a low-cost source.

The purpose of President Megawati’s visit to Russia in April was to strengthen economic and military cooperation and purchase weapons. During her visit, she struck a deal to purchase Sukhoi fighters. More specifically, Indonesia bought two Su-27 and Su-30 fighters respectively and two Mi-35 helicopters. The contract is worth about \$500 million in total. Sukhoi fighters were delivered to Indonesia in August and September. The Defense Ministry announced that it would continue to purchase Sukhoi fighters and form a squadron of twelve. In addition, the Defense Ministry plans to purchase ten Su-27s and two Su-30s in 2004.

Under the agreement worth a total of \$500 million, Indonesia will pay \$190 million in cash and the rest will be set off by countertrade. As agricultural products will be bartered for these fighters, the National Logistics Agency (Bulog), which is in charge of food distribution, was given the responsibility for overseeing the exchange. As a result, President Megawati and the military were questioned by the legislature over suspected irregularities. However, the inquiry found no evidence of any wrongdoing. In addition, the government announced a plan to procure two submarines, one in 2005 and another in 2009, as part of its plan for the modernization of the navy. It also plans to purchase four guided-missile destroyers, two minesweepers, and French-made Exocet missiles.

Even in Thailand, where defense modernization had fallen behind Malaysia, the government started taking steps to procure weapons in 2003. However, as Prime Minister Thaksin put a high priority on boosting the economy, he rigorously vetted procurement projects and weeded out nonurgent or poorly

articulated ones. In July, Thaksin sent a procurement plan back to the military on the grounds that it was not necessary and lacked medium- and long-term development strategy. Even so, there are several plans for arms purchases. The government authorized the introduction of an air defense system consisting of radar and a communications system. The system will cost 3 billion baht and will be deployed along the borders with Myanmar and Cambodia. Thailand decided to purchase two frigates from the United Kingdom worth about 4 billion baht that it will pay for with the countertrade of agricultural products. It is now studying a plan to purchase 160 used Swiss-made Pz-68/88 tanks to replace its U.S.-made M41-A3 tanks, and four U.S.-made UH-60 Blackhawk helicopters. It has shelved the navy's plan to purchase Harrier fighters for reasons of budgetary constraint. At present, Thailand has nine Harrier fighters, of which only two are operational because the economic crisis forced an inadequate maintenance budget .

As for the procurement of fighter aircraft, ASEAN states such as Indonesia and Malaysia are actively buying Russian-made Sukhoi fighters. In response to the growing demand for its products, Sukhoi is said to be planning to build a service center in Malaysia to promote sales and offer maintenance services to customers in Southeast Asia. Thailand and Russia have signed an agreement under which Russia will pay the price of agricultural imports from Thailand with military equipment and spare parts. The barter trade in weapons and spare parts for agricultural products seems likely to boost Russia's arms sales to Southeast Asia in the coming years.

Though their economies have recovered, ASEAN members are still facing severe financial constraints. In order to secure domestic stability and eradicate terrorism, each member country has to make every effort to tackle urgent tasks such as closing income gaps and strengthening the morale of police and military personnel. Striking a suitable balance between the cost of meeting these needs and the expenditures for military modernization will pose a serious challenge to ASEAN members in the coming years.