

## **Chapter 4**

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# **Southeast Asia: China-Vietnam Confrontation Grows Ever More Apparent**



**D**uring 2014, Southeast Asia was again kept off balance by problems in the South China Sea. In May, China started oil drilling operations in waters off the Paracel Islands, where Vietnam claims an exclusive economic zone (EEZ). This set off a two-month series of nose-to-nose confrontations between official vessels and fishing boats on both sides; the violence escalated to include the capsizing of a Vietnamese fishing vessel. After the Chinese side withdrew in July, both sides made diplomatic efforts to repair their relationship, but China has nevertheless continued to strengthen its effective control over the Paracel and Spratly Islands. The Association of Southeast Asian Nations (ASEAN) expressed its grave concern over the situation, but its negotiations with China for a Code of Conduct (COC) have achieved no notable progress toward actually drawing up a draft COC. At the same time, the United States is becoming more involved in the region, in October rescinding some of its restrictions on weapons exports to Vietnam and in April concluding an Enhanced Defense Cooperation Agreement (EDCA) with the Philippines that permits the access of US forces there on a rotating basis.

Looking at the situation of individual countries in the region, Thailand experienced a coup d'état in May. The Thai government, which had faced deadlocks in its various political and social confrontations, once again returned to military control, but it is an unknown factor whether the provisional government will be able to open a road to reconciliation after the long years of confrontation. In the Philippines, a peace agreement was reached in Mindanao, the site of over forty years of struggle between the government and Islamic militias, and work has begun on a new arrangement for self-rule there. In Indonesia, President Susilo Bambang Yudhoyono completed his two terms, ten years, in office in October and a new president was sworn in: Joko Widodo, who has made "Indonesia, a global maritime nexus" his personal slogan.

Various countries in Southeast Asia are addressing the need to strengthen their defensive capabilities and modernize their military equipment. Vietnam has sought to increase its submarines and surface war vessels, primarily procured from Russia, though it has made more efforts of late to procure equipment from the West as well. The Philippines has suffered a marked decline in its air and sea combat capabilities in recent years because of the aging and deterioration of its equipment. It is aiming at applying its limited financial resources effectively, including procurement of new equipment that will boost its desired force mix.

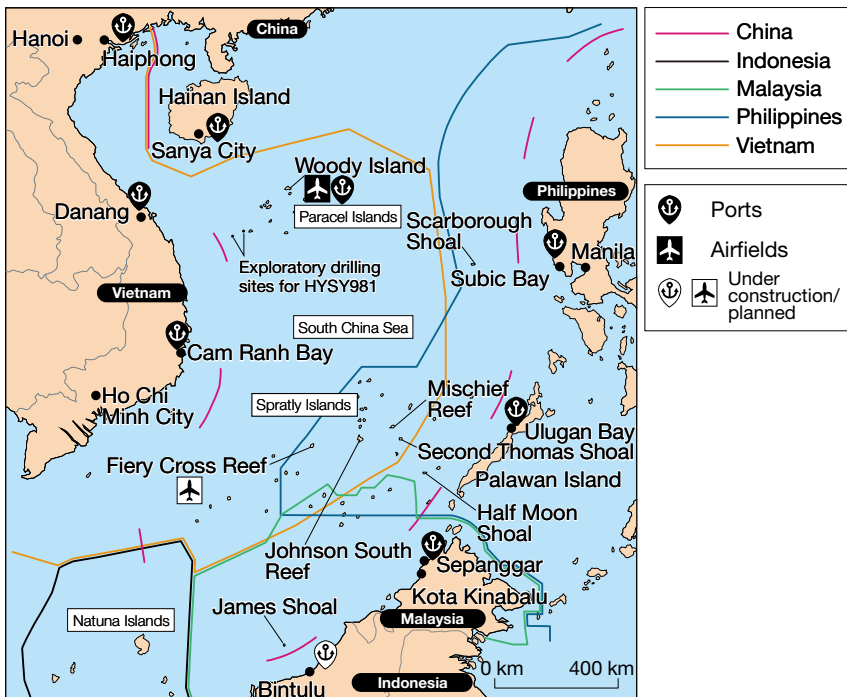
Indonesia is employing the concept of Minimum Essential Force, seeking to build a “green-water navy” capable of defending its territorial seas and archipelagic waters, while also attempting to encourage domestic production of its equipment.

## 1. South China Sea Problems Heading Downhill

### (1) Vietnam: Worsening Confrontations with China, and Attempts to Repair Relations

During 2014, the most closely watched of Southeast Asia’s important security problems was the question of territorial rights involving the Parcel and Spratly Islands in the South China Sea and the increasingly violent confrontations that question has sparked. In particular, as China has tried ever more forcefully to

Figure 4.1. National claims in the South China Sea



Sources: Compiled by authors from sources including [www.nytimes.com](http://www.nytimes.com) and the US State Department Office of the Geographer and Global Issues. Information on Vietnam drawn from Felix Chang, “Comparative Southeast Asian Military Modernization-I” (*The Asian Forum*, October 1, 2014), etc.

claim its place in the South China Sea, its confrontations with Vietnam and the Philippines have taken on new dimensions.

On January 1, the government of China's Hainan Province put into effect new legal measures limiting foreign vessels' fishing in the South China Sea. It is unclear whether there is any tie-in to the new regulations, but at the beginning of January officers from Chinese patrol boats reportedly boarded Vietnamese fishing boats operating near the Paracel Islands, destroyed fishing equipment, and seized equipment and their catches. On January 9, the US Department of State expressed its concern that the Hainan Province regulations were provocative and dangerous.<sup>1)</sup> ASEAN likewise expressed concern on January 17 at the ASEAN Foreign Ministers' Retreat in Bagan, Myanmar.<sup>2)</sup> Also in January there were reports suggesting that China, which had earlier declared an air defense identification zone in the East China Sea, would do the same in the South China Sea,<sup>3)</sup> which drew a statement from the US Department of State seeking that China refrain from such a step.<sup>4)</sup> Responding to the heightened tension in the South China Sea, the government of Vietnam set up and deployed a new Fisheries Surveillance Force under the Ministry of Agriculture and Rural Development to monitor illegal activities, protect fisheries resources, and ensure the security of Vietnamese fishing vessels and their crews.<sup>5)</sup>

Then, in May, an even more crucial incident took place. China's state-owned oil company, the China National Offshore Oil Corporation (CNOOC), on May 2 moved an oil drilling platform into waters claimed by Vietnam as part of an exclusive economic zone (EEZ) and began ocean-floor drilling; the location was some 220 kilometers off Vietnam's shores and near the Paracel Islands. On May 4, Vietnam's Ministry of Foreign Affairs decried China's actions, saying that any activity conducted by foreign countries in Vietnamese waters without permission was illegal.<sup>6)</sup> The US Department of State also called China's actions provocative and unhelpful in maintaining peace and stability in the region.<sup>7)</sup> At a press conference on May 7, the Vietnamese government revealed, and illustrated with videos, that since May 3, official Chinese vessels in that area had collided

with and sprayed water cannons at Vietnamese patrol boats on duty there a number of times, causing numerous Vietnamese injuries.<sup>8)</sup> According to the Vietnamese side, China had roughly eighty vessels there involved in the confrontation and Vietnam had twenty-nine.<sup>9)</sup> The following day, May 8, the Chinese government held its own press conference and counterargued that the site of the drilling was in Chinese offshore waters and that Vietnam was obstructing China's legitimate activities there.<sup>10)</sup>

Demonstrations were held throughout Vietnam beginning May 11 to protest the Chinese drilling. It was reported that during demonstrations on May 14 in the central province of Ha Tinh, twenty-one people died, including sixteen Chinese who got caught up in them, and many Chinese were injured. China's Ministry of Foreign Affairs protested the deaths to Vietnam, while simultaneously maintaining that it had legal authority to conduct its drilling and had no intention of removing the drilling platform.<sup>11)</sup>

Collisions continued occasionally between the two countries' ships. Vietnamese media reported that during June, China had dispatched 136 vessels. On May 26, a Vietnamese fishing vessel was even rammed by a Chinese fishing boat and capsized.<sup>12)</sup>

Early on in their stand-offs, the Vietnamese government reportedly proposed that Nguyen Phu Trong, Vietnam's Communist Party general secretary, talk by telephone with China's President Xi Jinping to seek a solution to the problem, but China declined the proposal.<sup>13)</sup> Chinese State Councilor Yang Jiechi visited Hanoi on June 18 to make preparations for regularly scheduled bilateral discussions and met with Pham Binh Minh, deputy prime minister and minister of foreign affairs. The two officials agreed that the dialogue should be continued but remained apart on discussions of the drilling problem. On July 1, General Secretary Trong emphasized that a peaceful solution should be found to the problem but stated, "Many have asked what if war comes. We have to prepare for all possibilities."<sup>14)</sup>

On July 16, the Chinese government announced that the natural resource exploration in the waters around the Paracels had been completed on the 15th and the drilling rig had been removed.<sup>15)</sup> Early in the drilling process, China had announced that operations would continue until August 15, meaning the process was concluded earlier than planned. It is possible to imagine that this early withdrawal reflected wariness over Vietnam's hard-line stand, including indications by General Secretary Trong among others that even war was not out of the question, as well as over the likelihood that China would be even more vigorously

criticized at ASEAN-related meetings in August than it had been criticized by ASEAN members and the United States in May; some, however, view this as merely the result of early completion of the operations.

On August 27, Le Hong Anh, Politburo member and a standing member of the Secretariat of the Communist Party of Vietnam, acting as special envoy of General Secretary Trong, visited China and met with President Xi Jinping to indicate Vietnam's hopes that the relationship be repaired. In addition, Vietnamese Prime Minister Nguyen Tan Dung met with China's Premier Li Keqiang at the Asia-Europe Meeting (ASEM) on October 16 in Milan, Italy. Dung sought China's agreement that the two states maintain effective control of the maritime situation and take no steps that would further complicate that situation; in return, China responded with hopes that the two states could deal with the complicated questions between them satisfactorily based on China's mutually friendly relationship with Vietnam.<sup>16)</sup> Subsequently, in the latter part of October, the exchange of visits by high-ranking leaders resumed, with Defense Minister General Phung Quang Thanh and Minister of Public Security General Tran Dai Quang separately visiting China and State Councilor Yang Jiechi calling on Vietnam, which indicated that at least for the moment problems involving oil drilling had subsided. The media reported that at the Seventh meeting of the Vietnam-China Steering Committee for Bilateral Cooperation, attended by State Councilor Yang and Foreign Minister Pham Binh Minh, China and Vietnam agreed to pursue negotiations involving their maritime problems.<sup>17)</sup>

Meanwhile, Vietnamese fishing boats continued to be harassed by Chinese vessels in the waters around the Paracels even after the removal of the drilling platform in July. A Chinese company started offering tourist cruises to the Paracels in September.<sup>18)</sup> In early October, according to Chinese and other media reports, Chinese finished up its expansion construction projects on Woody Island in the Paracels, building an airstrip, fuel tanks, radar installations and other facilities; using the island as a Chinese base will greatly improve China's defense capabilities in the Paracels and the Spratlys.<sup>19)</sup> China is similarly carrying out large-scale land reclamation at Fiery Cross Reef and other locations in the Spratlys. It is expected to construct its first airstrip in the Spratlys, meaning that Chinese control of the area would be a *fait accompli* as it continues to move toward effective domination there. In November, *IHS Jane's* addressed the Fiery Cross Reef situation, releasing satellite photographs showing the land reclamation there<sup>20)</sup> and once again

attracting world attention; Prime Minister Dung, replying to a question in the National Assembly, stated that Vietnam, which holds sovereignty over the Spratly archipelago, strongly opposed China's illegal activities in those islands.<sup>21)</sup>

Amidst such developments, Foreign Minister Minh visited the United States and met with Secretary of State John Kerry on October 2. Kerry made it known that the United States was removing some of the restrictions on weapons export to Vietnam, which had been put in place because of human rights concerns. The State Department now foresaw transfer of defense articles to Vietnam appropriate to defense of its maritime security.<sup>22)</sup> According to media reports, a high-ranking State Department official, while not specifically saying that the State Department leadership was concerned over Chinese and Vietnamese problems in the South China Sea, did remark it would be advantageous to redress some of the gap in the maritime capabilities of the countries in the region.<sup>23)</sup> Given such problems in the South China Sea, Vietnam has carried out staged development in its military exchanges with the United States, but the sudden decision on transfer of military equipment suggests that for both Vietnam and the United States, the Chinese oil drilling and the subsequent face-offs represented a turning point in their relations.

Over the last few years there has also been a gradual enhancement of Vietnam's military ties to India (see section 3 below). On October 28, Prime Minister Dung visited India, where he met with Prime Minister Narendra Modi. The two are said to have reached agreement on India providing a loan of up to \$100 million for Vietnam to procure naval vessels from India.<sup>24)</sup>

Regarding its disputes with China over territorial rights, Vietnam is leaving open its option of bringing the matter before the Permanent Court of Arbitration (PCA) under the United Nations Convention on the Law of the Sea (UNCLOS). In a May interview with US media, Prime Minister Dung noted that Vietnam had completed its preparations for such legal steps and was studying when would be best to proceed,<sup>25)</sup> and in June Vietnam signed Exchange Letters on Cooperation with the PCA to facilitate their referral.<sup>26)</sup> Vietnam's relations with China subsequently began to improve, so it is unlikely to play the PCA card right away. In December, however, when China refused to recognize the PCA's jurisdiction in conjunction with the Philippines' appeal and reiterated that its own claims were wholly legitimate,<sup>27)</sup> Vietnam refuted China's claims and asked the court to pay due attention to the legal rights and interests of Vietnam,<sup>28)</sup> with the implication that it could still make use of the arbitration.



Vietnam is thus avoiding a definitive confrontation with its giant neighbor China and is working on improving its diplomatic relations with it, but it is gaining multilateral international support not only from its traditional partner Russia but also from the United States and international organizations as well, and building on such support, Vietnam seems to be seeking to be able to dig in its heels when it wishes. Given its traditional position, however, on forming alliances with other states and using those as a source of collective strength, it is unlikely to be seeking such arrangements, in contrast with the Philippines. Development in its military cooperation with the United States will likely also take time, not only because of the technological challenge of meshing Vietnam's primarily Soviet and Russian military equipment and systems with their US counterparts, but also because of the unresolved problems and psychological barriers related to the Vietnam War.

## **(2) The Philippines: Forging a New Military Agreement with the United States**

In the Spratlys, China has effective control over Mischief Reef, and the Philippines seems to have attempted to exercise the same effective control over the nearby Second Thomas Shoal by grounding a ship on the shoal and then stationing its Marines there. In March, official Chinese vessels forced the withdrawal of a Philippine civilian ship carrying supplies and replacements for the Philippine Marine Corps troops stationed there on Second Thomas Shoal, preventing their delivery.<sup>29)</sup> US Department of State Assistant Secretary for East Asian and Pacific Affairs Daniel Russel, speaking before the US Senate Foreign Affairs Committee in April, indicated that the United States was paying close attention to China's assignment of a large number of patrol vessels to the area of Second Thomas Shoal.<sup>30)</sup> China has since continued its attempt to block supply ships.

The Philippine National Police Maritime Command in May seized a Chinese fishing ship for poaching sea turtles at Half Moon Shoal off Palawan Island. China insisted that it had indisputable sovereignty over the Spratly Islands and the adjacent waters, including Half Moon Shoal, and decried the Philippine action as provocative.<sup>31)</sup> (In November the nine arrested Chinese were sentenced to fines by the Philippine court of jurisdiction.<sup>32)</sup> Also in May, the Philippine foreign ministry criticized China for moving large amounts of earth and materials to Johnson South Reef, which China effectively controlled, to reclaim the reef and use it as a base; such actions, the foreign ministry declared, were in violation of

the Declaration on the Conduct of Parties in the South China Sea and UNCLOS.<sup>33)</sup> Additional Philippine announcements in August noted the construction of large structures there as well as installation of port facilities.<sup>34)</sup>

Given such developments, the Philippines sought to further strengthen its already tight relationship with the United States.

On April 28 the two governments signed a new military agreement. Timed to coincide with President Obama's visit to the Philippines, the Enhanced Defense Cooperation Agreement (EDCA) gives the US-Philippine alliance more flexibility to deal with the challenges of the twenty-first century, for example by giving greater latitude in locating US troops in the Philippines on a rotational basis. It also makes possible US construction of facilities there, enhances humanitarian assistance and disaster relief (HA/DR) activities in the Philippines and the region, and provides better opportunities for joint training exercises. The EDCA offers the Philippine armed forces support for long-term modernization to provide a minimum credible defense capability.<sup>35)</sup> Specific details such as the scale of a US presence and bases to be used will be worked out in future negotiations, but media reports say that the United States is proposing use of three to five Philippine bases and access to four civilian airfields.<sup>36)</sup> While President Obama stated that the aim of the agreement was not to counter China,<sup>37)</sup> he also stressed that the United States and the Philippines are bound by a mutual defense treaty and that "[the US] commitment to defend the Philippines is ironclad."<sup>38)</sup> Although the agreement did not provide for permanent stationing of troops, it does represent a move toward the greatest bilateral military cooperation since the US bases were closed in the 1990s, and in light of China's hard-line activities of late, it represents a meeting of goals between the United States and the Philippines: the Philippines wants to push forward with modernization of its defense capabilities, and the United States seeks a rebalance of its position toward Asia and the Pacific. According to reports, the two are conducting joint exercises based on the EDCA aimed to increase their combat capabilities at sea.<sup>39)</sup> Part of the annual Balikatan exercise in May 2014

was joint training on retaking islands, held at a base in the Province of Zambales near Scarborough Shoal.<sup>40)</sup> June saw a US-Philippine joint exercise on island assault landings as part of Cooperation Afloat Readiness and Training (CARAT),<sup>41)</sup> and again in October, their respective Marines carried out a joint amphibious assault landing exercise on an island near Palawan.<sup>42)</sup>

In 2013, the Philippine Navy deployed the frigate *Ramon Alcaraz*, the second such retired US patrol vessel transferred from the US Coast Guard.<sup>43)</sup> Japanese Prime Minister Shinzo Abe, speaking at the May 2014 IISS Asia Security Summit (Shangri-La Dialogue), reaffirmed Japan's decision the preceding year to provide ten new patrol vessels to the Philippine Coast Guard.<sup>44)</sup> South Korea has also shown a proactive attitude toward exporting military equipment to the Philippines (see section 3 below). During a May visit by Philippine Secretary of National Defense Voltaire Gazmin, the Philippine delegation announced an offer by South Korea to provide a decommissioned corvette and a landing craft from its navy<sup>45)</sup>. In these and other ways, various states are providing support to elevation of the Philippines' maritime protection capabilities.

On March 30, the Philippines presented the UNCLOS Permanent Court of Arbitration (PCA) with the paperwork supporting the Philippine position in its appeal for the court's ruling on the legitimacy of China's claims on the "nine-dash line" representing Chinese territorial sovereignty in the South China Sea. The court in June gave China until December 15 to present a response.<sup>46)</sup> China's Ministry of Foreign Affairs in June announced that there had been no change in its established position that China would not participate in the case before the PCA.<sup>47)</sup> In November, President Benigno Aquino III had an informal private conversation with President Xi Jinping at the ASEAN Summit Meeting. In a later interview with Singapore media, Aquino noted that if a code of conduct were ever finalized, there would be no need to appeal to the PCA, but that for the present the Philippines needed to continue pressing its appeal, in what could be called a slightly softer approach to this problem with China.<sup>48)</sup> On December 7, however, China again maintained that the matter did not fall under the jurisdiction of the PCA and that China had sovereignty over the concerned parts of the South China Sea.<sup>49)</sup> In addition to the Vietnamese reaction described above, the United States on December 9 released a document noting that the Chinese claims were not in keeping with international law.<sup>50)</sup>

## Malaysia and the Problem of the Spratlys

Malaysia is chairing ASEAN during 2015. It is also one of the parties to the territorial issues in the Spratlys and has conducted the greatest development of marine resources in those waters. Malaysia has traditionally shown itself willing to work closely with China to try to resolve their territorial dispute in the South China Sea bilaterally, but it has also made plain that its position is changing. In October 2013 Malaysia announced it would establish a new naval base in Bintulu, Sarawak State, on the South China Sea and create a marine corps to give the country greater capabilities on land and at sea.<sup>100</sup> Likely underlying such changes are, for example, China's threatening actions in March 2013 and January 2014, when Chinese naval vessels conducted "sovereignty oath-taking ceremonies" near James Shoal, an area claimed by Malaysia off the Malaysian state of Sarawak.<sup>101</sup> Close attention should be paid to the role Malaysia adopts for itself in this regard.

In addition, the Japanese Maritime Self-Defense Force destroyers *Inazuma* and *Umigiri* in September 2014 called in the Teluk Sepanggar Royal Malaysian Navy Base on the South China Sea in Kota Kinabalu, Sabah State, on their way back to Japan after taking part in antipiracy operations off the coast of Somalia and in the Gulf of Aden.<sup>102</sup> This base was established as the home port for Malaysia's new submarines first deployed in 2009, and the port call by those destroyers was the first for Japan's Maritime Self-Defense Force.

### (3) ASEAN Actions regarding South China Sea Issues

ASEAN has stayed focused on the various issues in the South China Sea. As already mentioned, in January it expressed its concern over the new fishing regulations issued by Hainan Province, and at the May meetings of foreign ministers and national leaders in Naypyidaw, Myanmar, ASEAN faced the test of whether it could make a unanimous response of all ten ASEAN member states regarding the Chinese-Vietnamese confrontations that took place around China's oil drilling in the Paracels immediately before the meetings. In 2012, China-leaning Cambodia failed to issue a joint communiqué by ASEAN foreign ministers due to disagreement over South China Sea problem when the country held the ASEAN chair; since Myanmar, which itself had close ties to China, was the chair in 2014, there were worries that the same type of situation might reoccur.

At the ASEAN Foreign Ministers' Meeting (AMM) on May 10, a dedicated joint statement was issued to express the serious concerns over the worsening situation, though efforts were made to avoid specifically naming China.<sup>51</sup> The ASEAN Summit the next day adopted a Naypyitaw Declaration in which the

leaders asking all parties to exercise self-restraint and refrain from use of force and calling for the early conclusion of a COC.<sup>52)</sup> According to media reports, Vietnam and the Philippines, engaged as they were in deepening confrontations with China, were highly critical, and even Malaysia and Indonesia, which normally took more middle-of-the-road positions, were critical as well. Since pro-China Cambodia and Laos also showed no objection,<sup>53)</sup> ASEAN was successful in reaching a unanimous stand on this issue.

Later, in August, the AMM, the Post Ministerial Conference (PMC), and the ASEAN Regional Forum (ARF) all met in Naypyidaw. The August 8 AMM, remaining seriously concerned over the heightening of tensions in the South China Sea, reaffirmed its commitments to the principles stipulated in its May 10 joint statement and agreed to engage in substantive negotiations for early adoption of a COC. The joint communiqué also noted the paper on the Triple Action Plan introduced by the Philippines.<sup>54)</sup> This Philippine plan had been drawn up with attention to the China-Vietnam collision over Chinese oil drilling and addressed immediate, intermediate, and final measures, including a moratorium on activities that escalate tension.<sup>55)</sup> On August 9, however, at the meeting between ASEAN foreign ministers and China, China reportedly refused to recognize the Philippine proposal and declined to take up its bilateral problems with Vietnam over oil drilling for discussion in an ASEAN venue.<sup>56)</sup>

US Secretary of State Kerry, speaking at the ARF on August 10, noted the Philippine Triple Action Plan and further pointed out US concern over China's land reclamation and setting up of military bases in the South China Sea, calling on the parties to voluntarily freeze the activities that would complicate or escalate disputes.<sup>57)</sup> Chinese Foreign Minister Wang Yi addressed the situation in a press conference on May 9, stressing that the problem should be resolved only by the parties directly involved, and indirectly criticized the United States by stating that China did not welcome suggestions from states outside the region that would "create new trouble or dissension, or even serve ulterior purposes."<sup>58)</sup>

Regarding work on drafting a COC for the South China Sea, a joint working group session was held in Bali, Indonesia, in June, leading to the third formal discussions in Bangkok in October. As "early harvest measures" to build confidence, this meeting reached agreement on setting up a hotline and conducting a tabletop exercise on search and rescue, but little was done toward the actual drafting of a COC beyond settlement on a First List of Commonalities to express

the common understanding regarding a COC and agreement to make a Second List. The discussions also decided to recognize that the process of consultation between ASEAN and China was in and of itself equally as important as the contents of a COC.<sup>59)</sup>

The Chairman's Statement that came out of the November ASEAN Summit in Naypyidaw dealt with continuing concern over the situation in the South China Sea, speeding up the work toward drafting of a COC at an early date, and study of a variety of early measures to promote trust and confidence in the region.<sup>60)</sup> The Statement did not, however, reflect any great changes toward solution of the problems.

While the tension between China and Vietnam over oil drilling may have reduced to manageable proportions for the moment, there has been no fundamental change in the situation surrounding the China-Philippines and China-Vietnam confrontation in the South China Sea. The consultations between ASEAN and China regarding a COC are seeking its early completion, but there has been no appreciable progress. ASEAN members include both states that are parties to the problem and those that are not, and their approaches to a COC differ; even among those states directly involved in the South China Sea problem, they differ among themselves in what they seek from a COC. It is said that China is approaching some ASEAN members to urge that any COC have little binding force. In some opinions, the stress on the importance of the consultative process is designed to detract from the relative weight of the COC itself. If in the end the COC turns out to be toothless, then this can only call into question ASEAN's ability to achieve "maintenance and enhancement of the peace and stability of the region," the goal that ASEAN has set for itself in 2015, both for the ASEAN community as a whole and as a collective for political and security purposes.

## **2. Domestic Problems of Importance to Regional Security**

### **(1) Thailand's Coup d'État and a New Provisional Government**

In Thailand, which since the 2006 coup d'état that brought down Prime Minister Thaksin Shinawatra had experienced years of political confrontation between pro- and anti-Thaksin factions, the election held in February 2014 was declared invalid by the Constitutional Court, and an election was rescheduled for July. Then on May 7, the Constitutional Court issued a decision determining that interference in personnel affairs involving high-ranking government officers three years earlier

by Prime Minister Yingluck Shinawatra (Thaksin's younger sister) had violated the Constitution. The result of this decision was that Yingluck and nine other members of her cabinet were removed from office, and the anti-Thaksin groups sought to take advantage of this by going on the attack, boosting their confrontation with Thaksin supporters by using demonstrations to seek formation of a provisional government.

To bring some order to the ensuing chaos, which included deaths, the Thai military on May 20 declared nationwide martial law. On May 22, talks between the pro- and anti-Thaksin factions brokered by the military collapsed, whereupon Gen. Prayut Chan-o-cha, commander in chief of the Royal Thai Army, named himself head of a new National Council for Peace and Order (NCPO) consisting of the military and the police, which took complete charge throughout Thailand.

The NCPO brought forth a three-phase roadmap to reestablish democracy in Thailand—reconciliation, reforms, and elections.<sup>61</sup> The provisional constitution set up in July provided for a National Legislative Assembly, which on August 21 named Prayut as interim prime minister. On August 25 the King gave his official imprimatur to Prayut, who put together a provisional cabinet on the 31st. At the end of September, Interim Prime Minister Prayut retired from the Thai Army, but one-third of his cabinet ministers had ties to the military or police, and he had the support of the NCPO as well, making clear the military nature of Prayut's rule. Originally the provisional government aimed to hold general elections by autumn of 2015 under a new constitution and to hand over the reins to a new government by the end of the year. As of early 2015, however, the general elections seem likely to slip to the first half of 2016.

The 2014 military coup d'état was the first in Thailand since 2006, but it still remains to be seen whether the efforts of the military government can ease the political and social confrontations that had prevented any solutions being reached since the earlier coup. One element causing concern is that the interim Prayut administration, rather than seeking a solution to the standoff between the pro- and anti-Thaksin factions, is itself taking an anti-Thaksin position by seeking to correct the political policies introduced by the preceding Yingluck government. If the confrontations among the political factions in Bangkok cannot be improved and if stability cannot be brought to the political situation that brought down successive governments, then it will remain difficult to allot resources to finding a religious and ethnic reconciliation in the south and bringing an end to the

conflicts with the armed Islamic groups there. One authoritative former Thai politician has noted that national reconciliation cannot take place without political reform and a decentralization of the power concentrated in Bangkok; he also pointed out that the necessary decentralization must include not only the Muslim Malays in the south, it must also include granting authority to the northern and northeastern communities who were strong supporters of Thaksin, and he showed concern that the provisional government displayed little enthusiasm for decentralization.<sup>62)</sup>

It is also worrisome that during Thailand's history with constitutional government, it has become normal and accepted for administrations to change via coup d'état. Even though the most recent coup avoided becoming a bloodletting, the spread of democracy and the development of the global economy have brought new levels of criticism from international society toward taking over government by means other than rule of law. Indeed, the United States and the European Union halted military cooperation with Thailand immediately after the coup. Some believe that the current situation has also encouraged China to seek closer ties with Thailand. The indecisiveness of Thai diplomacy amidst the current political instability has lessened its ability to play a diplomatic role in ASEAN, and given China's growing influence on ASEAN's member states, the confusion in Thailand could even affect the stability of Southeast Asia as a whole.

## **(2) Peace Agreement in Mindanao**

In the Philippines, peace negotiations among the armed Islamic forces on Mindanao in the south, the Moro Islamic Liberation Front (MILF), and the Philippine government continue through the good offices of the government of Malaysia and others, and brought the signing of a comprehensive peace agreement between the parties at the President's office in Manila on March 27, 2014.<sup>63)</sup> Hopes are that this agreement will bring a halt to more than forty years of fighting on Mindanao.

Mindanao Island and the Sulu Archipelago are home to many followers of Islam, who call themselves Moros. The armed Islamic factions there have demanded independence from the Philippines since the 1970s and have carried on armed conflict. Government negotiations centering on the Moro National Liberation Front (MNLF), formerly the most powerful faction, brought a peace agreement in 1996, with MNLF chairman Nur Misuari becoming governor of the



Autonomous Region in Muslim Mindanao (ARMM). Splinters opposing the arrangement joined the MILF or the Abu Sanyaf Group (ASG) and continued battle against Manila. The government and the MILF went through a series of negotiations and reopening of hostilities, but in August 2011, through mediation by the Japanese government, President Aquino and MILF Chairman al-Hajj Murad Ebrahim met at Narita International Airport for top-secret talks; in October 2012, the two sides agreed on a framework that became the basis for the March 2014 peace agreement.

Under this peace agreement, an autonomous Bangsamoro government with its own chief minister and parliament would be set up in 2016 within the Republic of the Philippines. The Philippine Congress deliberates a draft Bangsamoro Basic Law<sup>64</sup>) as a prerequisite, but there is some concern that the process is behind schedule. (As of January 2015, the original target of completing the Basic Law during 2014 has slipped to March 2015.) Chairman Murad and others supporting the peace agreement are apprehensive that if the agreement cannot be put into effect during President Aquino's term in office, which is until mid-2016, there are no guarantees that his successor will respect the agreement.<sup>65</sup>)

Meanwhile, the armed Islamic groups have sought disarmament, and as of the end of 2014, both the MILF and the government were observing a ceasefire. In December, the MILF established a new political party, the United Bangsamoro Justice Party (UBJP), with an eye to the transition to political activities. Nevertheless, groups opposing peace such as the ASG and the Bangsamoro Islamic Freedom Fighters (BIFF) have continued the armed struggle, prompting concern that fighting and harm from terrorist acts will persist. The ASG in particular pledged allegiance to the Islamic State of Iraq and the Levant (ISIL) in the Middle East, proclaimed that it had killed a kidnapped German hostage, and threatened the German government for supporting an anti-Islamic coalition of nations. It is unclear exactly what relationship ASG and other armed Islamic factions in the Philippines share with ISIL, and opinion is strong that the

ASG declaration is just words,<sup>66)</sup> but the question remains whether outside support for such groups can be cut off and public order can be restored to allow for peace to be achieved.

Japan has been deeply involved in the Mindanao peace process. From the first half of the decade of the 2000s, the Japan International Cooperation Agency (JICA) has dispatched development specialists to the region, providing grassroots technological support during the conflict and offering economic cooperation. In December 2006, Prime Minister Abe instituted the Japan-Bangsamoro Initiatives for Reconstruction and Development (J-BIRD) to provide support for rebuilding Mindanao, and since 2009 Japan has participated as an observer at the peace talks.<sup>67)</sup> In June 2014, nearly three months after the peace agreement was signed, a seminar on “The Consolidation for Peace for Mindanao” was held in Hiroshima; there, President Aquino noted that his 2011 talks with MILF Chairman Murad mentioned above had provided a chance to build a relationship of trust.<sup>68)</sup> Japan’s involvement in the Mindanao peace process is an example of achieving peace on the basis of trust built up over long years of support in the civil sector.

### **(3) Presidential Succession in Indonesia**

In Indonesia, the country’s sixth president, Susilo Bambang Yudhoyono, left office in October 2014 and was followed by Joko Widodo, winner in the July presidential election. President Yudhoyono completed two elected terms in office, a total of ten years, a signal that Indonesia had become a stable democratic state after experiencing three presidents in quick succession during the six years after Suharto stepped down in 1998.

During President Yudhoyono’s ten years in office, Indonesia achieved relatively firm economic growth with an average annual real GDP growth rate of 5.8 percent. He can also be given much credit for achievement of a peace accord in Aceh (with the opportunity presented by the 2004 Indian Ocean earthquake and tsunami) and a formal reconciliation in Timor-Leste, resolving the country’s long years of domestic conflict and their aftermath. He is also credited with success in containing domestic terrorism by groups such as Jemaah Islamiyah and improving domestic stability. Externally, progress was resumed on security cooperation with Australia, which had been frozen by the impasse in Timor-Leste, and the country is once again becoming active in organizations such as ASEAN and the G20 group of twenty main states and regions, allowing Indonesia to play a role not

only as a regional power but as a global power as well. Professionalization of the national military has taken root, and it is important to note that with the aim of “Minimum Essential Force” (MEF, discussed in section 3 below), the military is being given appropriate resources and priority to move toward building the capabilities necessary for Indonesia’s national defense.

In his inaugural address on October 20, President Joko noted that as the world’s third largest democracy and a nation that was independent politically, economically, and culturally, Indonesia must aspire to a free and active diplomacy, and it should also seek to develop as a global maritime nexus.<sup>69)</sup> With this in mind, the cabinet he announced on October 26 notably included the new post of coordinating minister for maritime affairs, and the former navy chief of staff was given the position of coordinating minister for political, legal and security affairs. The last remaining major domestic conflict is in Papua Province, making it worth noting that the first female cabinet officer from Papua was also named, serving as minister of women’s empowerment and child protection.

Before beginning his political career as mayor of Surakarta City and governor of Jakarta DKI (the Special Capital Region of Jakarta), President Joko was an entrepreneur, and his cabinet consists of people of demonstrated ability and achievements, with over half of its thirty-four members civilians (scholars and entrepreneurs). Attention should be paid, however, to whether appropriate control can be maintained over the national military, particularly regarding priority in budget allotment and equipment procurement.

At the East Asia Summit held in Naypyidaw, Myanmar, in November, President Joko spoke on his concept of Indonesia as a maritime power. He pointed out five pillars for Indonesia’s development as a global maritime nexus: (1) rebuilding Indonesia’s maritime culture; (2) improving its fishing industry to ensure the stability of its sea-based food products; (3) promotion of its maritime economy, including port and harbor infrastructure, the shipbuilding industry, and maritime tourism; (4) promotion of maritime diplomacy to prevent violation of Indonesia’s sovereignty and territorial rights and preclude conflicts over, for example, piracy and environmental problems; and (5) building up its maritime defense power to permit Indonesia to protect its maritime rights and play a role in maritime safety and security.<sup>70)</sup> It will be important to watch just how President Joko goes about setting specific policy for these purposes. In this connection, when President Joko visited Beijing in November for the APEC Summit, he held talks with Chinese

President Xi Jinping, where it is said that one topic of attention was how the Chinese concept of new maritime Silk Roads could benefit both sides in an Indonesia-China partnership.<sup>71)</sup> Meanwhile, Indonesian authorities are strengthening their efforts to control illegal operations by foreign fishing vessels.

## Myanmar Today

In 2014 Myanmar had its first turn in the rotating position of ASEAN chair. The country is receiving steadily growing foreign investment and is in general returning to a role in international society. Plans call for the first general elections under the restored civilian government to be held the second half of 2015, but there are two points that deserve particular attention for how they might influence Myanmar's political system.

Point 1 would be the current political system. Many expect the next president to be Aung San Suu Kyi, General Secretary of the National League for Democracy, Myanmar's largest opposition party. Because her deceased husband and their children held British nationality, the current constitution would not permit her to take office as president; this has brought calls for amendment of the constitution, although Assembly of the Union committees have refused this option. On October 31, 2014, President Thein Sein, after top-level talks with Suu Kyi as well as the leadership of the military, decided that the matter would be brought up for discussion in the Assembly of the Union, where the outcome is uncertain. At present, despite the nominal return to civilian rule, many figures in the former military regime are members of the Union Solidarity and Development Party, the party currently in power, or occupy legislative seats reserved for the military, meaning that the military continues to have political clout. Even assuming that the opposition parties make considerable progress in the next general elections, attention should be paid to whether the military chooses to abide by the voice of the voter.

The second point concerns improvement in the situation involving ethnic minorities. Fighting still continues with some armed factions despite the ongoing ceasefire talks. Some of the ethnic groups are seeking a political dialogue that would recognize a high level of autonomy before being willing to engage in a ceasefire. In contrast, the government steadfastly makes agreement to a ceasefire its priority, so the outlook for achieving peace is unclear. In addition, the government continues to view the Rohingyas, an Islamic minority group, as illegal immigrants from Bangladesh and reportedly continues to persecute them. A resolution was adopted by the United Nations General Assembly in December calling for Myanmar nationality to be conferred on the Rohingyas.<sup>103)</sup> Some Buddhist monks, however, continue to make statements attacking Muslims or the UN. The next important stage in Myanmar's democratization will likely need to be reaching a broad national reconciliation that goes beyond ethnic and religious confrontation and includes humane treatment for such groups.

It has been reported that in December, Indonesia seized fishing boats from Vietnam, Papua New Guinea, and Thailand, offloading their crews before destroying and sinking the vessels,<sup>72)</sup> and a diplomatic advisor to the president has suggested that twenty-two seized Chinese vessels might likewise be scuttled.<sup>73)</sup>

### **3. Modernization of Naval Equipment in Southeast Asia**

#### **(1) Improvement of the Vietnamese Navy's Submarine Capabilities and Russian Cooperation**

Regarding the tensions with China that have developed in the South China Sea, Vietnam on the one hand is trying to stay in step with the other members of ASEAN in seeking a solution based on international law, but on the other hand, it is attempting to find some tangible way to deal with the problem on its own in the bilateral relationship with China. In the case of latter approach, Vietnam is making efforts to build up its power, and in recent years it has been increasing investments in modernizing naval equipment to strengthen the capabilities of the Vietnam People's Navy.

Vietnam relies almost solely on Russia for procurement of its major military platforms. As part of its economic development, Vietnam has been improving the capabilities of its armed forces since the 1990s. When Vietnamese Prime Minister Nguyen Tan Dung visited Moscow in 2009, he reached agreement with President Vladimir Putin on a procurement plan for Russian-made equipment said to amount to \$1.8 to \$2.0 billion, and its reliance on Russia for defense acquisition has been made even clearer. The agreement included procurement of a total of six improved Kilo-class submarines, and even though provision of the submarines is running behind the original schedule, at the end of 2013 the first of these submarines, the HQ-182 *Hanoi*, was handed over to the Vietnamese Navy, followed shortly in 2014 by the second, the HQ-183 *Ho Chi Minh City*, and the third, the HQ-184 *Haiphong*. Under this program's current plan, the reminding submarines will be delivered by

2016, and for all six will be commissioned by 2018.<sup>74)</sup> The agreement also included training of submarine crews; a crew training center built in Cam Ranh Bay was handed over to the Navy in January 2014 and Vietnamese naval officers took up their duties as instructors and trainers, for which they had received eighteen months of training in Russia.<sup>75)</sup> In parallel, Vietnam has also been working to develop related capabilities of the submarine operations. In 2011, the oceanographic ship HQ-888 *Tran Dai Nghia* was commissioned.<sup>76)</sup>

Vietnam's aim to build up its submarine capabilities is said to be counter with China's expansion of its surface fleet at a pace none of its neighbors could keep up with.<sup>77)</sup> Professor James Holmes of the US Naval War College has said that Vietnam's submarines are expected to carry out an asymmetric threat, supplementing its disadvantage in surface ship's number by ensuring an antiaccess/area-denial (A2/AD) effect toward China. Even though the submarines may not have enough power in absolute terms to deter China's aggression, it is expected that they will restrict the activities of the PLA Navy in the strategically important foothold of Hainan Island's base.<sup>78)</sup>

The Vietnamese Navy is also putting efforts into expanding its naval surface fleet. The procurement contract with Russia in 2009 also included two Gepard-class frigates that were provided to Vietnam in 2011 to become the HQ-001 *Dinh Tien Hoang* and the HQ-012 *Ly Thai Ho*. At the end of 2011 Vietnam concluded a new procurement contract for two additional vessels modified for modern submarine warfare capabilities,<sup>79)</sup> and it plans to procure yet another two vessels, though the type and delivery schedule are still to be determined. Vietnam's cooperative relationship with Russia is not limited to the supply of equipment; it has shown development in various areas of service support, including operational support and the setting of a credit line. For instance, in addition to Russia's construction of the submarine crew training center mentioned above, in 2013 Russia agreed to a joint venture with Vietnam to establish a naval vessel maintenance and repair facility in Cam Ranh Bay intended for use by the Vietnamese Navy.<sup>80)</sup>

India, another large importer of Russian-made weaponry, is also cooperating in bolstering the Vietnam People's Navy operations and support capabilities. The Indian Navy has plentiful experience in operating Kilo-class submarines, and beginning in October 2013,<sup>81)</sup> it conducted training for Vietnamese Navy crewmembers in submarine technology, escape, and warfare at its submarine

school, INS Satavahana.<sup>82)</sup> This was announced in 2013 by Vietnam Communist Party General Secretary Nguyen Phu Trong and Indian Prime Minister Manmohan Singh during the former's visit to India, which they cited as a defense cooperation measure to strengthen the countries' strategic partnership.

There were media reports that in August 2013 Vietnam would contract for two SIGMA-class corvettes from the Netherlands. This decision could be seen as a new approach for Vietnam, to choose a Western company for advanced equipment to access to the latest sensors and weapons systems.<sup>83)</sup> In addition, it is said that as an offset conditions, other same-type vessels are planned to be constructed at Vietnam's shipyard. This will be a notable step forward for Vietnam's defense industry policy. An offset contract calls for a various forms of cooperation when a developing nation, carries out procurement from a foreign country. The Southeast Asian countries have clearly pursued the policy of bolstering their own national defense capability and industries by using offset contracts when they procure equipment from foreign countries. Such offset arrangements that provide for technological cooperation and support for domestic production will likely increase in defense procurement by Vietnam and other Southeast Asian countries in the future.<sup>84)</sup>

A further development is that in October 2014, the United States relaxed some of its restrictions on the export of weapons to Vietnam, announcing a policy of permitting exports that would contribute to maritime security. Vietnam's Navy can thus be expected to add procurement from Western companies to its purchasing from Russia and to modernize its equipment with an eye to cooperative relationships with its neighbors.

## **(2) Modernizing the Philippine Military and Transforming National Defense**

In 2011, when two official Chinese ships harassed a Philippine oil survey vessel near Reed Bank off Palawan Island, the Armed Forces of the Philippines could only dispatch a BN-2 reconnaissance plane and an OV-10 light attack aircraft, and the Chinese vessels had already departed when the two old turboprop aircraft arrived overhead the site.<sup>85)</sup> Incidents of Philippine fishing boats and aircraft in that area being approached by unidentified aircraft continued thereafter, but the Philippine authorities could not take any effective reaction.<sup>86)</sup> Even before the tension with China in the Spratlys escalated, the US-Philippine joint assessment

conducted in 2003 and the 2007 assessment of Armed Forces of the Philippines (AFP) capabilities pointed out that at the time the Navy and the Air Force were lacking in capability and could not easily provide any necessary sustained response in the country's territorial waters and EEZ. After the incidents in 2011, despite urging from the United States and others, the Philippines was clearly unable to devote sufficient resources to building up an adequate force structure. In fact, at that time the Philippine Navy had not a single large vessel that could provide modern air defense capabilities, and after the Philippines decommissioned its last F-5A fighters in 2005,<sup>87)</sup> the Air Force had not a single jet fighter.

In response to such incidents, President Aquino decided to devote a greater share of resources to the AFP. But rather than seeking to hurriedly acquire the latest in equipment and enhance the military's capabilities, the government is taking a more measured approach in keeping with the development of human resources and organizational capability. For example, the two *Gregorio del Pilar*-class frigates the Philippines decided to acquire during 2011 were recommissioned *Hamilton*-class patrol boats retired from the US Coast Guard.<sup>88)</sup> That same year the Philippine Navy requested procurement of a patrol frigate incorporating the latest in weapons systems based on designs from the US Naval Sea Systems Command, and the Air Force sought to create a squadron of the latest multirole fighters, looking at the F/A-18 and MiG-29 as possible candidates. The Department of National Defense, however, turned down these requests as ad hoc and uncoordinated. The next year, 2012, Lt. Commander Nerelito Martinez, Philippine Fleet chief of staff for plans and programs, released a report that sought to increase the navy's air defense, antisubmarine, and long-range patrol abilities. The report saw a desirable force mix for the future as including six frigates configured for air defense, twelve corvettes designed for antisubmarine warfare, and patrol helicopters with antisubmarine capabilities.<sup>89)</sup> Reports indicate that during 2014, the Philippine Navy made plans to acquire two more *Gregorio del Pilar*-class frigates and two antisubmarine helicopters.

In the past, the Philippine Navy has used decommissioned frigates and corvettes it acquired from the United States or other sources, repairing and refitting them to provide greater capabilities. Some think, however, that rather than repairing old equipment, a more effective use of funds would be to buy new equipment that had been designed to meet specific needs, and plans now call for procuring newly-built frigates.<sup>90)</sup> Reports indicate that a shipbuilding firm will be selected and



contracts signed early in 2015,<sup>91)</sup> and AFP acquisition of new equipment from foreign companies seems likely to increase in the future. South Korean defense equipment manufacturers as well as European defense companies are actively

**Table 4.1. Modernization of the Philippine Navy equipment**

	<i>Philippine Military Modernization Program— Plans for Development of Capability, Equipment, and Technology (1999)</i>	<b>Current combat capability (end of 2013)</b>	<b>Desired Capability Mix (2020)</b>
Frigates	0 (+3)	3 (+3)	6 [Air defense capability]
Corvettes	3 (+3)	3 [Emilio Jacinto-class]	12 [Anti-submarine capability]
High seas patrol boats	7 (+5)	9	18
Patrol boats	10 (+6)	10	12
Patrol vessels	18 (+6)	24	30
Minesweepers	1 (+2)	0	3
Submarines [Kilo-class]	—	—	3
Landing craft	—	0 (+3)	4
General-purpose landing craft	—	6	18
Supply vessels	—	0	3
Multi-purpose attack craft (MPAC)	—	6 (+3)	42
Rigid-hulled inflatable boats (RHIB)	—	4?	24
Maritime reconnaissance aircraft	—	4	8 [Seaplanes]
Multi-purpose helicopters	—	4	8
Maritime reconnaissance helicopters [ship-based]	—	4 (+2)	18

Sources: Compiled by authors from sources including *The Philippine Star* (May 24, 2012), *Philippine Defense Forum* (May 27, 2012), *The Philippines—1998 Defense Policy Paper*, and *The Military Balance 2014*.

Note: Figures in parentheses indicate later additions to original goals.

interested in entering the Philippine market to fill this demand. South Korea already has a proven record as it has provided the Philippine Navy with ten used patrol vessels since 1995, and the two countries have maintained a close relationship regarding military equipment, as further shown by the May 2014 South Korean decision to provide the Philippine Navy with a decommissioned corvette (see section 1 above). In addition, the South Korean FA-50 light attack aircraft from Korea Aerospace Industries has been selected for the Philippine Air Force fighter procurement program, with a twelve-fighter procurement contract signed in March 2014 in another display of South Korea's successful approach. South Korean defense companies are also said to be showing interest in the Philippine procurement programs for close air support aircraft and amphibious vehicles.

In 2012, Manila adopted the revised AFP Modernization Act to provide a legal framework for investment in the military. At the same time, the AFP Modernization Act Trust Fund was set up to manage resources for upgrading the military, based on which President Aquino announced his intention to allocate \$1.8 billion to military modernization over the next five years separate from the general budget, also indicating that the modernization program had been reviewed. The earlier program dated from 1996, but with the later Asian financial crisis and the priority subsequently given to applying resources to counterterrorism and counterinsurgency activities, the funds for modernization fell far short. This fifteen-year modernization program came to an end in 2011 with some forty-five percent of its goals unachieved, only about ten percent of the originally requested funding having been made available. The government determined that the failure to achieve adequate results was caused not just by the fiscal situation but also likely by a lack of project management skills in the Department of National Defense and its structural inefficiency.<sup>92)</sup> Reflecting awareness of such problems, the new AFP modernization program is carrying out structural reforms that will make responsibility clearer and procedures more transparent.

On the one hand, the Philippine government has been aiming to increase capabilities by investing in "hardware," but it is also moving forward with investment in "software" such as structural development through investment in education and operational reforms. In 2011, President Aquino directed that the national defense reform program be reactivated, which would improve the working efficiency of the military and the Department of National Defense. In addition, work has begun under the new Philippine Defense Transformation Roadmap that aims to bring

about a military with the fighting capacity to respond to challenges to the Philippines' defense and security by 2028, and ways are being sought to bring both the military modernization program and the defense reform program into close coordination.<sup>93)</sup>

### **(3) Equipping the Indonesian Navy for Minimum Essential Force**

So far, the government of Indonesia has been unable to declare a clear position on its concern that China's claims in the South China Sea might expand to violate Indonesia's own territorial waters. In February 2014, Indonesian National Defense Forces (TNI) Chief General Moeldoko disclosed that troops would be dispatched to the Natuna Islands, and the following month a high-ranking government official stated in an interview with the Antara news service that part of the Indonesian EEZ around the Natuna Islands was included in the "nine-dash line" showing Chinese claims. Soon later, Foreign Minister Marty Natalegawa stated that there was no dispute between Indonesia and China over maritime territorial claims, taking a consistent position that Indonesia was maintaining its "strategic ambiguity" on this issues.<sup>94)</sup> Along with such diplomatic tactics, however, the Indonesia has continued its efforts to maintain a presence in the South China Sea and is moving forward with modernization of its naval equipment to heighten its operational capability across its surrounding waters.

First, in 2014 the Indonesian Navy commissioned the first two of three *Bung Tomo*-class corvettes it had purchased cheaply after they had been moored since 1999 when a contract between the builder, BAE Systems, and the Royal Brunei Navy collapsed. These corvettes were originally designed to be armable with VL Mica-N surface-to-air missiles and MM 40 Block-II Exocet antiship missiles, and these weapon systems are expected to be installed later. A contract was signed in June 2012 for two newly-built 2,400-ton-class frigates based on the SIGMA 10514 corvette. Construction began on the first of these vessels in April 2014, conducted by Damen Schelde Naval Shipbuilding (DSNS) of the Netherlands and the Indonesian government-linked shipbuilder PT PAL, and these are planned to be commissioned in 2017. Indonesia has also directed efforts at modernizing its existing fleet, for instance, refitting two Type 9113 *Diponegoro*-class corvettes which have acquired in 2007 with MM 40 Block-II missiles and, equipping two *Ahmad Yani*-class recommissioned vessels for the Russian P-800 Yakhont and China's C-802 antiship missiles. In such ways, the Indonesian Navy is seeking to work within a limited budget to expand its fleet and increase its capabilities.

Looking at Indonesia's submarines, two of the U209/*Cakra*-class submarines it made part of the TNI Navy in 1981 are being refitted and modernized, and the navy has ongoing plans for procuring newly-built submarines. According to such plans, by 2017 Indonesia will import two U209/*Chang Bogo*-class submarines, the same type as the U209, from South Korea's Daewoo Shipbuilding & Marine Engineering (DSME). Thanks to technological cooperation from DSME, plans call for PAL to build a third such submarine in Indonesia, to be completed by 2019 or 2020.<sup>95)</sup> Meanwhile, Defense Minister Purnomo Yusgiantoro made known at the end of 2013 that Indonesia planned to purchase a refurbished Kilo-class submarine from Russia, and an observation group from the Indonesian military and the Ministry of Defense is reported to have visited Russia in January 2014. Reports indicate, however, that in March it was decided that repairing old equipment was too expensive and the plan was being reviewed. In the future Indonesia is likely to increase its interest in domestic production of submarines.

President Yudhoyono was elected to a second term in 2009, and under his administration, the Ministry of Defense conducted the 2009 Strategic Defense Review and released its Minimum Essential Force (MEF) document in February 2010. This document described a future capability that TNI would need and thereafter served the directions for force development until 2024. Indeed, from 2010 President Yudhoyono was very positive toward a budget for MEF, and while the national defense budget for fiscal 2010 stood at 42 trillion rupiah, Yudhoyono doubled this to 83 trillion for fiscal 2014.<sup>96)</sup> A variety of important acquisition projects are currently under way, in particular for the navy and air force. Under the Strategic Plan 2024, Indonesia's navy is enhancing and modernizing its equipment with the goal, it is said, of having a 274-vessel "green-water navy" by 2024. This is thought as an ambitious force structure appropriate to Indonesia's particular geographic environment as a state with broad territorial waters and a myriad of islands. For example, according to analysis by Ristian Atriandi Supriyanto, a researcher at the S. Rajaratnam School of International Studies (RSIS), the navy is putting its emphasis on (1) control of its territorial waters and the EEZ, (2) defense of sea lanes of communication including "strategic funnels" such as the Malacca Strait, the Lombok Strait, and the Sunda Strait, and (3) transport of troops to isolated islands for disaster relief and to deal with terrorism or riots.<sup>97)</sup> This would suggest that provision of important equipment over the last few years has followed a pattern of staged reinforcement in keeping with the above plan.

Among measures to support the MEF concept are modernization of military equipment as well as promotion of the domestic defense industry, in particular achieving domestic production of defense equipment. Indonesia is making more efforts than ever before toward domestic production, and in 2010 domestic production was formally adopted as a national strategy. The Defense Industry Policy Committee (KKIP in Indonesian) was established that same year, and in 2012 a Defense Industry Law was passed, giving Indonesia a good support framework for the domestic defense sector. New President Joko Widodo has shown his readiness to carry this policy forward, so efforts should continue to build up the domestic defense industry. Protectionism of the defense industry can be seen in the examples of the SIGMA 10514 corvette and the U209/*Chang Bogo*-class submarines mentioned above, and procurement of equipment from abroad is often done via offset contracts that seek the foreign companies' technological cooperation for domestic production. Responsibility for the domestic production and introduction of technology lies with government-owned arms producing companies, such as PAL. The Defense Industry Law places such strategic industries under the authority of the KKIP, which is actually directed by the minister of defense, and when equipment is procured from abroad, defense industries negotiate offset conditions such as technological cooperation and local contents ratio to progress self-reliance target.<sup>98)</sup> Thus the Indonesian Government is one of the leading forces in seeking to develop the domestic defense industry, through such means as protective policies and increased procurement budgets, but Indonesia's past experience with military embargoes and pressure from foreign governments is said to also be greatly influencing its domestication policies.<sup>99)</sup>

### Japan-ASEAN Defense Ministerial Roundtable

On November 19, 2014, Japan's Defense Minister Akinori Eto joined with the ten defense ministers from the ASEAN member states in Bagan, Myanmar, for the Japan-ASEAN Defense Ministerial Roundtable meeting.<sup>104)</sup> This was the first occasion for a track-one gathering of the defense minister-class officials from ASEAN and Japan and represented a new stage for defense cooperation between Japan and the nations of Southeast Asia. The meeting can also be called a sign of Japan's emphasis on Southeast Asia.

The genesis of the Japan-ASEAN Defense Ministerial Roundtable came in the

Vision Statement on ASEAN-Japan Friendship and Cooperation at the ASEAN-Japan Commemorative Summit Meeting in December 2013, where Japan and ASEAN declared themselves Partners for Peace and Stability, and given the strong interest on both sides toward promotion of defense cooperation, Prime Minister Shinzo Abe proposed the gathering.<sup>105)</sup> Since taking office, Prime Minister Abe had made official visits to all of the ASEAN member countries, and promotion of cooperation in the areas of defense and maritime security was an important item in each visit. In a speech in May 2014 at the Shangri-La Dialogue, Prime Minister Abe had maritime problems in mind as he stressed the vital nature of rule of law.<sup>106)</sup> Discussion at the Sixth Japan-ASEAN Defense Vice-Ministerial Forum in October centered on promotion of defense cooperation at sea, and the importance of cooperation in the fields of equipment and technology cooperation and capacity building was also taken up.<sup>107)</sup> The November 2014 roundtable also conducted discussion on cooperation in such nontraditional areas of security as HA/DR and maritime security, and both sides expressed their expectations toward increased future cooperation between Japan and ASEAN through capacity building assistance and joint training as well as cooperation regarding equipment and technology.

In its security cooperation with Southeast Asia, Japan has a long record of experience with peace building, for example through cooperation by its Coast Guard and the Nippon Foundation in antipiracy activities and maritime security and through the joint efforts of its Ministry of Foreign Affairs, JICA and nongovernmental organizations (NGOs), among others, in helping to bring peace to Mindanao (see section 2 above). In addition, besides recent bilateral support for capacity building, Japan is also finding a growing number of opportunities for defense cooperation involving practical concerns in multilateral fora, such as the ASEAN Defense Ministers' Meeting-Plus (ADMM-Plus), and the Pacific Partnership. Further cooperation provided by the Ministry of Defense and the Self-Defense Forces in new areas may include defense equipment and technology cooperation which have been made possible by the Three Principles on Transfer of Defense Equipment and Technology, as well as a seamless

collaboration of capacity building efforts in military and civic sector with a review of the basic guidelines of official development assistance (ODA) highlighting the removal of proscriptions on aid for nonmilitary purposes to the military or persons belonging to the military. By such, Japan is looking for ways that all sectors of the country can become part of a cooperative system in international cooperation.



**ASEAN-Japan Defence Ministers' Informal Meeting** (Japanese Ministry of Defense)

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