Chapter 5

Southeast Asia: Forming an ASEAN Political-Security Community and Further Challenges

In 2015, the passing of Lee Kuan Yew, founding father of Singapore who nurtured the city-state's development, marked the end of an era for Southeast Asia. At the same time, however, the year seemed to unfold the start of a new age for the region as the Association of Southeast Asian Nations (ASEAN) announced formation of the ASEAN Community supported by three main pillars: the Political-Security Community, the Economic Community, and the Socio-Cultural Community. The goal of the ASEAN Political-Security Community (APSC) is to bring greater stability to the region's strategic environment, but the year of its birth also brought ASEAN further challenges in dealing with South China Sea issues. In addition to the external influence of the United States' greater engagement in the South China Sea, ASEAN also had to deal with internal factors such as its members' divergent views toward these issues, resulting in questioning of ASEAN's relevance as an effective political body to deal with the South China Sea. In communiqués issued by ASEAN conferences of national leaders and foreign ministers, ASEAN has expressed its "grave concern" with the situation in the South China Sea, but rather than being decisive statements, these pronouncements appear to represent the limit of ASEAN unity on the subject.

Apart from ASEAN's engagement as a regional entity, its various member states have displayed a wide range of bilateral responses toward China and the South China Sea. Malaysia, which chaired ASEAN during 2015, further developed the "quiet diplomacy" it has used to be very careful about keeping cordial ties with China, but given China's expansion of its engagement in the area, Malaysia has been searching for ways to apply restraints through both bilateral and multilateral diplomacy. Vietnam made notable efforts to strengthen its cooperative relationship with the United States, including the first ever official visit to the United States by the General Secretary of the Communist Party, the country's top political leader, while the Philippines continued its policy of applying simultaneous reliance on alliance, ASEAN, and international law.

During 2015, some Southeast Asian countries experienced considerable political instability. Thailand discarded its draft for a new constitution and elected to continue rule by its provisional military government. Myanmar continued to face problems with its minority populations, and it remains to be seen whether there will be a stable transfer of political power to the National League for Democracy (NLD) after its landslide victory in the general elections. Since Indonesia is

seeking to establish itself as a maritime country and deal with reinvigorating its lagging economy, it must place due importance on its relationship with China, which in turn is influencing its approach to issues in the South China Sea.

The countries of Southeast Asia are moving forward with modernization of their navies. The Tenth Malaysia Plan calls for construction of new warships and greater potential for Malaysia's use of submarines. Singapore is seeking to provide itself with a third-generation military involving ongoing purchases of littoral combat ships and submarines, at the same time seeking to strengthen its cooperation with ASEAN members and other countries in the region regarding submarine operations.

1. The ASEAN Community and Security in Southeast Asia

(1) Formation of the ASEAN Community

Lee Kuan Yew, Singapore's founding father and the guiding force behind its development, passed away on March 23, 2015. Lee served as leader of Singapore for over thirty years, from 1959, when Singapore was still an internally self-governing state within the Commonwealth, to 1990. During that period, Singapore separated from Malaysia in 1965, and in 1967, it was one of the five founding members of ASEAN. Thereafter Singapore developed into Asia's most advanced economy and played a major role in promotion of ASEAN's role as a regional institution for political, economic, and security cooperation. The passing of this giant who left his mark not only on Singapore but on the history of the region as a whole means that all of the leaders who played a seminal role in ASEAN's establishment are now gone, in a way bringing down the curtain on an era for Southeast Asia and ASEAN.

At the same time, however, 2015 also marked the opening of a new age for Southeast Asia and ASEAN. At the end of the Twenty-seventh ASEAN Summit in November, the gathering announced that the ASEAN Community would be established at the end of the year, resting on the three pillars of a Political-Security Community, an Economic Community, and a Socio-Cultural Community.[1)] In 2003, ASEAN adopted the Declaration of ASEAN Concord II (the Bali Concord II), stating that an ASEAN Community would be established by 2020. Later, at the 2007 Cebu Summit, ASEAN decided to move up the Community's establishment, setting the new goal as 2015. The purpose for creating the

Community was to strengthen ASEAN as a regional institution which could respond more effectively to external factors such as the rise of China and India and to respond to increases in nontraditional security challenges such as terrorism. After drawing up "blueprints" for each of the three pillars of the new Community, ASEAN set up specific goals for each to move toward realization of the ASEAN Community. Just as scheduled, at the Kuala Lumpur Summit of November 2015, ASEAN confirmed that the three pillars had each reached its intended goals and proclaimed the establishment of the Community. For ASEAN, the formal establishment of the Community was "culmination of a five-decade long effort of community building since the signing of the Bangkok Declaration in 1967."[2)]

(2) Formation of the ASEAN Political-Security Community

In general, the term "security community" refers to a group of nations acting together in ways which should insure the sustained maintenance of peace and stability.[3)] In light of such a definition and in keeping with the nature of Southeast Asia, what kind of security community has been ASEAN's goal? The answer is closely linked to ASEAN's own outlook on security and its sense of just what it can do for the peace and stability of Southeast Asia and for East Asia as a whole. First, ASEAN is not seeking a military alliance; instead, based on a concept of "comprehensive security," it is seeking a cooperative structure aimed primarily at cooperation in nontraditional security. This policy has been consistent since its inception early in the twenty-first century, and the APSC Blueprint adopted at the 2009 ASEAN Summit lays out transboundary crimes, terrorism, and disaster relief as specific areas for cooperation in nontraditional security.[4)]

The ASEAN Defence Ministers' Meeting (ADMM) is a framework for pursuing security cooperation in nontraditional areas. Begun in 2006 as an element in seeking a security community, the ADMM is seeking cooperation in specific undertakings within the region, in particular regarding the two areas of humanitarian assistance and disaster relief (HA/DR) and peacekeeping operations.

At the Ninth ADMM held in Langkawi, Malaysia, in March 2015, the ASEAN members adopted a concept paper on ASEAN military "ready groups" on HA/DR seeking to promote smooth and rapid disaster relief activities. This concept paper provided, for example, that relief units would be dispatched based on the request and agreement of countries facing disaster and that the afflicted countries would carry out overall direction of such units; that each member country would put together a database on the units and equipment which could be made available and points of communication; and that joint exercises would be conducted to promote the common procedures and interoperability of the participating countries' military units.[5)]

Malaysia, the ASEAN chair for 2015, took the initiative in deepening ADMM cooperation. In order to restrict the import of equipment from outside the region, Malaysia showed itself ready to promote an ASEAN Defense Industry Collaboration networking program which would further cooperation among the ASEAN members' defense industries.[6)] A topic for future attention will likely be whether such efforts can follow up on HA/DR cooperation with concrete achievements in defense industry cooperation. In addition, the Islamic State of Iraq and the Levant (ISIL) is garnering a growing number of supporters in Southeast Asia, raising the problem of supporters who may try to reach the Middle East to join ISIL. Radical Islamists are a recurring problem in Southeast Asia, and attention will be paid to whether ASEAN members will be able to unite in applying effective preventive policies.

Second, ASEAN initially sought to establish the APSC through expansion of the ASEAN Security Community (ASC), but the APSC can not only contribute to security in the narrow sense but can also serve as a structure for broader political cooperation. Since the Singapore Summit in 2007, ASEAN has formally adopted the APSC concept, and it is probably significant that as expressed in the ASEAN Charter adopted at the same Summit, ASEAN sees the goal of security as more clearly laying out its respect for democratic values and human rights and at the same time creating a peaceful, democratic, and harmonious environment which can support ASEAN's political values as well as peace and stability. In the APSC, the focus of political cooperation is on promotion of democracy and human rights. As one specific example of its approach to such goals, an ASEAN Intergovernmental Commission on Human Rights (AICHR) was set up in 2009. AICHR aims to promote human rights and the development of civil society and is engaged in holding

a wide range of related seminars and cooperating with the UN in various undertakings.

Third, ASEAN does not see its security community as a closed body locked within its members' borders; from the outset, ASEAN has sought an outward-looking security community, which seeks active cooperation with countries outside the region. One specific policy to that end is the ADMM-Plus. Inaugurated in 2010, the ADMM-Plus centers on the activities of Experts' Working Groups (EWG) covering six areas of nontraditional security and has achieved considerable results. According to the chairman's statement at the Third ADMM-Plus in November 2015, the region's security problems are becoming increasingly more complex, and ASEAN should both maintain its central role in the region and strengthen its ties to its partners from outside the region. In that sense, by launching the ASEAN Community, ASEAN is expected to strengthen its role in pulling together the members of the region, thereby promoting even greater development of its cooperation outside of the region through the central role of the ADMM-Plus.

Blueprint for the ASEAN Political-Security Community (APSC)

The ASEAN Political-Security Community Blueprint is based on the ASEAN Security Community Plan of Action and the Vientiane Action Program (both from 2004) and was adopted in 2009 at the Fourteenth ASEAN Summit. This Blueprint provided a roadmap and timetable for the establishment of the APSC by 2015. The Blueprint also provided a flexible program whereby the various ASEAN plans of action then in effect would maintain their significance even after the appearance of the APSC.

The Blueprint consists of three parts—Introduction, Characteristics and Elements of the APSC, and Implementation and Review of the APSC Blueprint—with primary attention given to Characteristics and Elements. The goal of the APSC is defined as to "ensure that the peoples and Member States of ASEAN live in peace with one another and with the world at large in a just, democratic and harmonious environment." The Blueprint provides that the APSC shall promote political development in adherence to the principles of democracy, the rule of law and good governance, respect for and promotion and protection of human rights and fundamental freedoms as inscribed in the ASEAN Charter. The three key characteristics of the APSC are: (1) a rules-based community of shared values and norms; (2) a cohesive, peaceful, stable and resilient region with shared responsibility for comprehensive security; and (3) a dynamic and outward-looking region in an increasingly integrated and interdependent world.

Regarding shared values and norms, the document offers a list of rather abstract goals for action, such as promotion of mutual understanding towards the member states' political systems and cultures, promotion of good governance, and promotion of the principles of democracy. The goals, however, also include a number that are relatively specific, including combating corruption through promotion of cooperation among the various judicial institutions, adoption of a Declaration on the Conduct of Parties in the South China Sea, and promotion of maritime cooperation.

Goals of action regarding security center on three points: prevention of conflicts, resolution and conciliation of conflicts, and post-conflict peace building. The main point of focus regarding conflict prevention is an emphasis on dialogue, while conflict resolution stresses use of the conciliation system prescribed in the Treaty of Amity and Cooperation in Southeast Asia (TAC) and post-conflict peace building emphasizes support for human rights. Stress is also placed on cooperation in nontraditional areas of security and promotion of cooperation in investigation and judicial handling of transnational crimes, human trafficking, drug smuggling, smuggling of small arms and light weapons, and cybercrime among other examples. It also makes reference to separate areas for cooperation, such as counterterrorism and disaster relief.

Regarding the third characteristic, building an outward-looking community, emphasis is placed on strengthening the central role of ASEAN and cooperation with countries outside the region.

As described above, the APSC Blueprint stresses political cooperation rather than military concerns and cooperation in both traditional areas of security and nontraditional areas as well and seeks to crystallize such concerns. Such an approach appears to reflect ASEAN's goal of creating a political-security community based not on military alliances but on the concept of comprehensive security.

(3) A Test for the Political-Security Community—Struggles with the South China Sea Issue

In recent years, whenever discussion turns to trends in security in Southeast Asia, it is impossible to avoid addressing the South China Sea issue. ASEAN proclaimed the launching of its political-security community at the end of 2015, which was also a year of struggles with the South China Sea, and a period when the situation there became increasingly complex. As China proceeded with reclamation in areas under its control in the Spratly Islands, the United States increased both its vigilance and its criticism, and the South China Sea issue has been escalating and expanding from the level of rival territorial claims between China and ASEAN members into questions of freedom of navigation and overflight and a confrontation between China and the United States over international maritime order.

The way in which the South China Sea has become one focus for US-Chinese confrontation faces ASEAN with three strategic implications. First, the stronger US engagement will likely change the response of the ASEAN claimants. The Philippines and Vietnam in particular, where China's forceful stance in the South China Sea has generated a strong sense of crisis, will probably move toward strengthening their bilateral cooperation with the United States (see Section 2).

Second, there are fears that the differences between these great powers, the United States and China, will weaken ASEAN's significance. In order for ASEAN to maintain its leading role as a meaningful actor in the South China Sea issue, it is essential for it to achieve the peaceful resolution it has stressed ever since the 1990s, in particular the Code of Conduct (COC) with China. Primarily because of China's negative stance, however, the negotiations for a COC have been halting and unproductive, with China agreeing to "initiation" of discussion on a COC at the China-ASEAN summit in autumn 2013.

At present, the main stage for COC negotiations is the China-ASEAN Senior Officials' Meeting (SOM). The Ninth SOM was held in Tianjin in late June 2015, a full ten months after the Eighth SOM in October 2014. According to a statement by the Chinese Ministry of Foreign Affairs, the meeting prepared concept documents presenting a "list of commonalities" in discussions of the COC, defined the prerogatives of the Eminent Persons Group, and dealt with a system of hotlines between high-level foreign affairs officers in China and the ASEAN countries for use in response to maritime emergencies.[7] The Tenth SOM met in Chengdu in October and prepared two lists regarding the crucial and complex issues to be faced and the elements for the outline of a COC.[8] Thus the SOM, meeting once or twice a year, has reached the stage of formulating China and ASEAN's common concerns as a precursor to setting up the COC, meaning that it is unlikely to achieve a COC in the near future. In that sense, discussions with China regarding the COC seem unprepared to deal with the rapid changes in the situation in the South China Sea, and ASEAN seems to have no effective means to speed up the pace of the negotiations with China. Just as with ASEAN's other meetings, it is difficult to evaluate the effectiveness of current COC discussions beyond saying that they represent a framework for regular consultations with China. On October 16, the Fifth China-ASEAN Defense Ministers' Informal Meeting was held in Beijing. At the meeting, China's Minister of National Defense Chang Wanquan proposed that China and ASEAN hold joint exercises for

unexpected collisions at sea and search and rescue activities.[9] This proposal was clearly yet another example of China's attempts to stabilize its relations with ASEAN through a crisis management mechanism.

A third point related to the above two is that ASEAN is having an increasingly difficult time presenting a unified front regarding the South China Sea issue. As the US and Chinese confrontation in the South China Sea grows, individual ASEAN members are faced with taking which side to support. ASEAN members are basically seeking some means to avoid taking a clear-cut position toward the two by not openly supporting either on most issues, and many of these countries are expressing middle-of-the-road positions toward South China Sea issues as well. Still, the Philippines is a US ally and is in the forefront of criticizing China for its actions in the South China Sea, while Vietnam controls the largest number of reefs and shoals in the Spratly Islands, and yet, both are most vehement in their response to problems in the South China Sea. Recently Indonesia and Malaysia have also shown a new level of concern regarding Chinese advances. Brunei likewise claims sovereignty over territory there, and no one has forgotten how actively it worked for ASEAN to present a unified position in 2013, while it was serving as the ASEAN chair. Singapore has characterized the South China Sea as a matter not for the individual countries but between ASEAN and China and has sought a solution of problems there through a COC, though more recently Singapore has appeared as the coordinating country of ASEAN with China, showing its strong concern over such problems becoming more heated.

In contrast, Thailand, Laos, and Myanmar—continental members of ASEAN that claim no sovereignty in the South China Sea and also are subject to increasing Chinese economic influence—have sought to avoid actively expressing a position regarding South China Sea issues and are wary that such problems could negatively impact the ASEAN-China relationship. Cambodia in particular has repeatedly expressed its active support for China's position regarding South China Sea issues.

In 2015, ASEAN was beset by difficulties in seeking to express a unified position of concern toward the progress of Chinese reclamation in the South China Sea. The Chairman's Statement coming out of the ASEAN Summit held April 26–27, 2015, on the island of Langkawi, Malaysia, was released on the morning of April 28 and addressed the South China Sea as follows: "We share the serious concerns expressed by some Leaders on the land reclamation being undertaken in the South China Sea."[10]

As chair, Malaysia was forced to make some difficult choices and finally included "land reclamation" and "serious concerns" in the statement, and this was likely the strongest possible choice of any expression of concern in a Chairman's Statement. In other words, this was the limit of criticism of China possible in an ASEAN official statement at that time. In an interview following the close of the Summit, Cambodian Prime Minister Hun Sen said that a resolution with China should be left to the countries directly concerned, the Philippines, Vietnam, Malaysia, and Brunei, and the other countries should wait and see the outcome. In addition to echoing the Chinese attitude toward South China Sea issues, this position also reflected Cambodia's reluctance to being drawn into the problem.[11)]

At the Forty-eighth ASEAN Foreign Ministers Meeting in Kuala Lumpur on August 4, pulling together a joint communiqué was likewise a difficult process. It took an additional two days after the meeting to adjust the language of the communiqué, which was released on August 6 and dealt with South China Sea issues by saying: "We discussed extensively the matters relating to the South China Sea and remained seriously concerned over recent and ongoing developments in the area. We took note of the serious concerns expressed by some Ministers on the land reclamations in the South China Sea, which have eroded trust and confidence, increased tensions and may undermine peace, security and stability in the South China Sea."[12)]

This statement characterizes the "concern" toward Chinese land reclamation not as an attitude of ASEAN as a whole but as limited to "some" of the foreign ministers, and the statement goes to great lengths not to call for a halt to the reclamation. In that sense, in avoiding mention of the actions of any particular country and resorting only to vague references to "concerns over the current situation in the South China Sea," this joint communiqué represented the limit of any possible external expression of ASEAN unanimity toward the current situation.

The Fourth ADMM-Plus held November 2015 in Kuala Lumpur ended without issuing a joint communiqué because consensus could not be reached on wording involving the South China Sea. Coordination of positions toward the South China Sea has become an even knottier matter in ASEAN's multilateral dealings, including relations with countries outside the region such as China and the United States, which reflects not only the difficulty of reaching a coordinated position within ASEAN but also the difficulty ASEAN has in dealing with problems on its own initiative. Although ASEAN has so prominently highlighted its establishment

of a political-security community, there is a growing concern over a breakup of ASEAN over South China Sea issues and the US-China confrontation. The confrontation between the United States and China has moved beyond security and become more vigorous in economic relations as well. Basic agreement on the Trans-Pacific Partnership (TPP) trade agreement was reached in October 2015, and since then Indonesia, the Philippines, and Thailand have announced they are also studying possible participation; in contrast, all of the members of ASEAN have formally become members of the Asian Infrastructure Investment Bank (AIIB) promoted by China. Given the situation in the South China Sea, ASEAN is thus faced with continuing its efforts to become a true political-security community.

2. ASEAN Members' Positions toward the South China Sea

(1) Malaysia—Moving Away from "Quiet Diplomacy"

Malaysia is one of the countries engaged in the South China Sea, but given its bilateral relations with China and particularly the importance it places on its economic relations, it has chosen to deal with South China Sea issues through "quiet diplomacy" and has clearly set itself apart from the occasional vehement criticism of China heard from the Philippines and Vietnam.[13] The relationship between Malaysia and China continued to develop during 2015, and in March the two agreed to further strengthen their comprehensive strategic partnership.[14]

During 2015, however, there were two new factors regarding the South China Sea which brought delicate adjustment of Malaysia's South China Sea policies. The first was that during 2015 Malaysia served as the ASEAN chair, giving it the responsibility of taking the initiative in forming and maintaining a unified ASEAN position toward the South China Sea. Malaysia searched for ways to achieve the seemingly contradictory positions of seeking greater stability in ASEAN's relationship with China while strengthening the group's wariness toward the South China Sea. The result was that ASEAN, as described above, was somehow or other able to maintain a unified position of "concern" toward "developments in the area." At a press conference accompanying the April 2015 ASEAN gathering of foreign ministers, Datuk Anifah bin Aman, minister of foreign affairs for Malaysia, indicated that his country would continue to deal with South China Sea issues through "non-confrontational approaches;" at the same time, however, he stated that Malaysia would appreciate it if China were to stop its reclamation work

Figure 5.1. South China Sea

Source: Compiled by authors.

and "sit down with ASEAN to find amicable solutions for the South China Sea disputes." Even though he avoided adopting a critical tone he still sought a halt to Chinese land reclamation, reflecting Malaysia's complicated position.[15] Even though it is impossible to say that Malaysia has changed its "quiet diplomacy" approach to South China Seas issues, it still recognizes the growing seriousness of the situation there and has made delicate changes in its course, keeping in mind a balance between its own economic cooperation with China and ASEAN politics.

A second factor would be a continuation of the trend of recent years, in that Malaysia lies at the southern end of the South China Sea and claims sovereignty over territorial waters there even while China is making greater inroads in that same area, resulting in a greater Malaysian sense of caution. In June 2015, the Malaysian government announced that a Chinese Coast Guard patrol boat was anchored near the Luconia Shoals, which Malaysia claims as part of its EEZ, and Prime Minister Najib Razak indicated his intention of raising the matter directly with President Xi Jinping.[16] In the past the Malaysian government had avoided

overt reactions to any Chinese encroachment on Malaysian-claimed territories, but this occurrence clearly revealed a greater willingness to raise diplomatic issues with the Chinese. And a third factor would be the Eleventh Malaysia Plan, which revealed a program for major and wide-ranging program for strengthening its navy's equipment (see Section 4). Since China is foreseen continuing and expanding its activities in the South China Sea, attention should be directed toward the extent to which Malaysia will go on repeatedly making fine adjustments to its position in hopes of checking those activities.

(2) Vietnam—Rebalancing Its Relations with China and the United States

In 2014, when China conducted sea-floor oil drilling near the Paracel Islands, Vietnam reacted strongly and confronted China by sending out coast guard patrol vessels, resulting in collisions with Chinese patrol vessels. This became the trigger for changes in Vietnam's approach to the South China Sea and, in a larger sense, in Vietnam's policy toward the balance in its relations with China and the United States. The change became most apparent in 2015 when the ranking leader of Vietnam's government, the general secretary of the Communist Party of Vietnam, travelled abroad.

In February 2015, Vietnam's Ministry of Foreign Affairs announced that Nguyen Phu Trong, general secretary of the Communist Party of Vietnam, had been invited to visit the United States to celebrate the twentieth anniversary of the establishment of diplomatic relations.[17] This first-ever visit by a leader of Vietnam's government to its old enemy in its war for independence went well beyond just simple leadership talks, representing a major turning point in the history of Vietnamese diplomacy. In other words, when seen in the context of the existing strategic environment, it meant a sudden deepening of Vietnam's relationship with the United States.

Despite the nature of the general secretary's visit to the United States, however, Vietnam basically maintained its existing policy of balance in its relations with the United States and China. Trong preceded his trip to the United States with a visit to China April 7–10, 2015, for discussions with President Xi Jinping and others. Official party documents released during the general secretary's visit expressed official Vietnamese thinking, indicating that the situation in the South China Sea had had no small influence on the bilateral relations with China and

that those relations were just in the first stages of recovery.[18)]

Reports in the Vietnamese and Chinese media on Trong's talks with President Xi on April 7 revealed interesting differences in coverage. In dealing with that meeting, the *People's Daily* made only passing mention that South China Sea issues would be "resolved peacefully" and instead emphasized cooperation in finance and other economic areas as well as cooperation regarding the Twenty-first Century Maritime Silk Road that China had been espousing.[19)] In contrast, *Nhan Dan* (The People), the official organ of the Communist Party of Vietnam, perhaps reflecting the critical domestic view of China, carried relatively little coverage of the visit and started by dealing with the South China Sea; coverage described the common attitude of the two leaders as an awareness that the bilateral relationship contained some very challenging elements and that true cooperation was still to be achieved in some areas.[20)] Such differences in handling of the visit by the two countries clearly highlighted China's view stressing economic cooperation and the gap with Vietnam's position that South China Sea issues remained the most important topic in the bilateral relationship. The Vietnamese position made clear that it was very wary and cautious toward China.

In contrast, Vietnam showed itself enthusiastic and constructive during the general secretary's visit to the United States. During the July 6–10 visit, the first ever by a leader of Vietnam's Communist Party, General Secretary Trong emphasized his country's readiness to cooperate with the United States on South China Sea issues; at the same time, while avoiding naming China specifically, Trong repeatedly hinted at criticism of China and a need to contain its actions. In the July 7 summit meeting, the two countries agreed on the responsibility of all the countries in the South China Sea area to protect the freedom of navigation there; on resolving territorial issues peacefully in keeping with international law; and on not tolerating the use of force or unilateral changes in the status quo. The two leaders also discussed the TPP and human rights questions, with Vietnam stressing it intended to continue a frank and constructive dialogue with the United States on human rights problems, one of the most important topics for each side.[21)] In the Joint Vision Statement released after the summit talks, both countries expressed their concern over "recent developments in the South China Sea that have increased tensions, eroded trust, and threatened to undermine peace, security, and stability," also rejecting "coercion, intimidation, and the use or threat of force."[22)] On July 8, Trong spoke at the Center for Strategic and International

Studies (CSIS), one of Washington's leading strategic think tanks, where he welcomed the greater US attention to South China Sea issues and stressed that problems there touched on the common interests of Vietnam and the United States. When Trong spoke in particular about refraining from the use or threat of force on or above the South China Sea and not unilaterally changing the status quo, militarizing the area, or adopting forced inspections there, he clearly had China in mind. Trong's CSIS speech was a rather venturesome statement for a general secretary of Vietnam's Communist Party.[23)]

Generally speaking, while rapidly developing its relationship with the United States, Vietnam is also taking great pains to stabilize its relations with China. By serving something of a balancing function between the United States and China, it is trying to form relations with each which would match Vietnam's strategic interests. Such efforts are reminiscent of the equal distance it sought to maintain with China and the USSR during the Vietnam War reflecting the confrontation between those two countries. Given the relatively minor influence that Vietnam can exercise over either China or the United States, however, Vietnam's position is intrinsically unstable, meaning that it will necessarily steer a fine course in its future foreign relations and may find itself pushed into a corner in responding to the unilateral actions of one or the other of these big powers.

China appears to be paying attention to how Vietnam is edging nearer the United States. In advance of General Secretary Trong's visit to the United States, China appeared ready to resume oil drilling in the South China Sea and increased its pressure on Vietnamese fishing vessels, but this can be interpreted as a diversionary feint. On July 16, just a week after Trong's visit to the United States, Chinese Vice Premier Zhang Gaoli visited Vietnam and held talks with the three top figures in Vietnamese politics, General Secretary Trong, President Truong Tan Sang, and Prime Minister Nguyen Tan Dung.[24)] Since Vietnam's Ministry of Foreign Affairs announced Zhang's visit a mere three days before his arrival, the government seems to have done its best to keep the visit low key. During Zhang's visit, General Secretary Trong explained his US visit to the Chinese, most likely aiming to avoid insofar as possible unnecessarily stirring up China's misgivings over the visit.[25)]

In September 2015, General Secretary Trong paid a visit to Japan that symbolized Japan's importance to Vietnam, coming in third behind only the United States and China. Trong was accompanied by Deputy Minister of Defense

Nguyen Chi Vinh, and during the visit Vietnam's Ministry of National Defense and Japan's Ministry of Defense signed a memorandum on cooperation in peacekeeping operations.[26] Japan agreed to provide Vietnam with six used patrol boats, four of which were provided to Vietnam by the following November. Vietnam has also sought to improve its maritime defense capabilities by procuring Russian *Kilo*-class submarines, the third and fourth of which were deployed to the Cam Ranh naval base during 2015. In terms of its dealings with the South China Sea, Vietnam has in particular sought to build up its cooperation with Russia on procurement of equipment and training.

(3) The Philippines—Continuing with "Alliance, ASEAN, International Law"

Comparing Malaysia, Vietnam, and the Philippines, it is the latter that has the strongest cooperative relationship with the United States and the strongest critical stance toward China. Under the initiative of President Benigno Aquino, the Philippines has relied on three major tools—alliance, ASEAN, and international law—using all three together during 2015. First, it has used the US-Philippines alliance as a mean to strengthen the US military presence in the South China Sea. The Enhanced Defense Cooperation Agreement (EDCA), instituted in 2014, has been at the core of these efforts, and with the Supreme Court finding that this agreement is constitutional, it is seen as the basis for the two governments' actions to achieve a stronger US military presence there. US military sources have indicated that in February 2015, the United States put its newest P-8A Poseidon patrol aircraft to work patrolling the South China Sea from bases in the Philippines, and according to press reports, bilateral plans call for US military access to eight Philippine bases. Plans have been announced for reopening the Subic Bay naval station that was shut down after withdrawal of US bases in the 1990s. Such developments are examples of bilateral measures considered when the EDCA was concluded that are already being put into action.[27] In October 2015, the government of the Philippines announced its support for the US Navy's freedom of navigation operations as being fully in line with the UN Convention on the Law of the Sea and with the rule of law. Attention should be paid to whether such positions will also influence stronger cooperation with other US allies, Japan in particular. The joint exercises undertaken by the two countries in the South China Sea during 2015 demonstrate their shared determination to deal with maritime

problems jointly. The Philippines also has strong expectations that Japan will support the modernization of its military.

Second, discussion of South China Sea issues at various ASEAN meetings is moving forward. At the beginning of the April 2015 ASEAN Foreign Ministers' Meeting, Philippine Secretary of Foreign Affairs Albert Ferreros del Rosario gave a detailed report on the status of Chinese land reclamation and criticized China soundly, continuing to take the lead in diplomatic activity critical of China. Third is the struggle going on in international courts. In January 2013, the Philippines appealed to the Permanent Court of Arbitration (PCA) to contest the legality of China's claim that the "nine-dash line" defined its territory. Since then, PCA deliberation has continued regarding its jurisdiction over this matter, and at the end of October 2015, the PCA recognized its jurisdiction over seven out of the fifteen of the specific appeals submitted by the Philippines (jurisdiction over the remaining eight is still reserved). Based on that determination, the second round of oral arguments were heard during the last week of November (following the first round in July), for which the Philippine government dispatched delegates led by Foreign Secretary Del Rosario. It is expected that results of the court's deliberations will be released during 2016.

Much of the Philippines' current policy on the South China Sea derives from the initiatives of President Aquino. He will come to the end of his term in office (six years without possibility of reelection) during 2016, and a new presidential election will be held. Future Philippine policy on the South China Sea will be open to the influences of the new president. Philippine domestic media cite Vice President Jejomar Binay as a strong candidate for the office. Binay has already indicated that if elected, he will seek improvement in relations with China by promoting joint China-Philippines development in the contested areas.[28] Indications that they would continue to follow President Aquino's lead have been heard from former Secretary of the Interior Manuel Roxas, whom Aquino would like to see as his successor, and Senator Grace Poe, widely cited as the strongest contender. There is a strong possibility that the change of administrations in 2016 could bring changes in the Philippines' approach to China and the South China Sea, which could have a notable effect on US, Japanese, and Vietnamese policies.

3. Political Change and Its Aftermath in Southeast Asian Countries—Challenges for Political Liberalization

(1) Thailand—Seeking Its Own Political System

During 2015, Thailand's military administration searched for a way for the country to build its own independent form of politics to replace the traditional parliamentary democracy. The military administration has continued its efforts to drive out members of the Thaksin clan, including former prime minister Yingluck Shinawatra, and render their return to politics impossible. At the same time, it has established a Constitution Drafting Committee and released a draft Constitution. The draft includes a provision that during emergencies, the military has the right to invoke military rule, institutionalizing military intervention in politics. In September, however, the National Reform Council rejected the draft and sent the process back to the starting point. It is likely this was the result of the council's determination that given the poor economy and the social instability reflected by a series of bombings in Bangkok, as well as the low level of popular support for the military administration, it would be very difficult to bring in a new constitution which guaranteed the military's right to intervene in politics. In October, the administration named a new drafting committee. With the revision of the draft constitution, the next general elections are expected in 2017 at the earliest.

One strategic implication of the military administration's continuation on security in Thailand and the entire region as well appears in Thailand's relations with the United States versus China. The relationship between Thailand and the United States has cooled, while that with China has become closer. The fortieth anniversary of diplomatic relations between the two was celebrated in grand form in 2015, and in June the Thai Navy decided to purchase submarines built in China, indicating a deepening of their security relationship and a growing shift in Thailand's perceived partner in its security policies from the United States to China. Plans for procuring submarines have since been shelved, but such twists and turns of policy so aptly reflect how the Thai government is vacillating between China and the United States.

(2) Myanmar—Handing Over the Administration, and More Severe Ethnic Problems

Two of the main political challenges for Myanmar during 2015 were ethnic minorities and political stability following the general elections. Fighting between

the central government's military forces and ethnic minorities continued to break out sporadically during the year, and in February, there was intense fighting in the Kokang region of Shan State between the government forces and the Myanmar National Democratic Alliance Army. The fighting at times also affected relations with Myanmar's neighbors. China maintained that bombing by the Myanmar military crossed the border into China, which caused tension in the bilateral relationship. There was, however, some degree of progress in negotiation of a cease fire between the two sides. On March 30, talks which had stretched out for two years at last achieved results, and a draft ceasefire agreement was reached between the government forces and fifteen armed groups. Armed groups from Kokang did not participate, however.[29] On October 15, the government of Myanmar concluded a ceasefire agreement with eight out of the fifteen armed militias.

General elections were held in Myanmar on November 8, 2015. The NLD won overwhelmingly, taking 390 seats in the upper and lower house of the legislature, well over half of the total 664 seats. The government has now moved on to the process of electing a president. Given that provisions of the Constitution make Aung San Suu Kyi ineligible to become president, the question of how to sustain political leadership will be a challenge for the NLD. Attention will be on whether the NLD can maintain its relationship with the military, which will continue to have some degree of political influence, while achieving a stable transfer of administrations and election of a president. Among the security questions which the new NLD administration must address are the ethnic minority problems mentioned above and another which has drawn attention not only in Southeast Asia but on the broader international scene as well: the outflow of Rohingya refugees to other countries, at times as boat people, which has plagued the Myanmar government. The new administration will be harboring hopes for major development of relations with the United States and Europe, but at the same time it is faced with a need to build stable relations with the nearby big powers China and India as well as providing an environment where it can also concentrate on economic development.

(3) Indonesia—Operating an Administration with an Eye to the Economy, and Security

Indonesia has set as its goal the building of a maritime country, and the focus of concern at present is developing an infrastructure to fuel economic development

along with cooperation with other countries. As Jakarta tries to rebuild an economy that shows signs of being in retreat, economic cooperation with China takes on all the more importance. With the direction of the administration guided by such an emphasis on the economy, that vector is also influencing Indonesia's approach to security and particularly to South China Sea issues. The question of whether the Joko Widodo administration will follow the lead of the previous Susilo Bambang Yudhoyono administration and continue to emphasize ASEAN in relation to security and foreign policy still remains unclear even after the new administration's first year in office.

Regarding the South China Sea, Indonesia, like Malaysia, seems to be seeking some way to accomplish the dual aims of stabilizing its relations with China while remaining wary of China at the same time. Politically, Indonesia has made clear its intention to carry on with the past position of not being engaged in any disputes and of seeking to serve as a mediator between the contending ASEAN member states and China. At the same time, however, the Jokowi administration has shown a readiness to strengthen defense of the Natuna Islands, which has the latent potential of becoming a hotspot, and in April 2015, Indonesia conducted joint exercises there with the United States. Further, in order to preserve the fisheries resources of its nearby waters, Indonesia has seized foreign vessels including Chinese boats fishing there illegally and scuttled some of them, an approach designed to have strong domestic appeal and display Indonesian resolve at the same time. In November 2015, the Indonesian government determined that China's "nine-dash line" did not follow international law and expressed a readiness to refer the problem to international legal bodies if a peaceful resolution could not be found. As South China Sea issues become more complex, the Jokowi administration seems to be moving toward addressing them more actively.

4. Development of Capabilities in Littoral Waters and Underwater—Naval Modernization of Malaysia and Singapore

(1) Malaysia—Expanding Role in the Era of Austerity

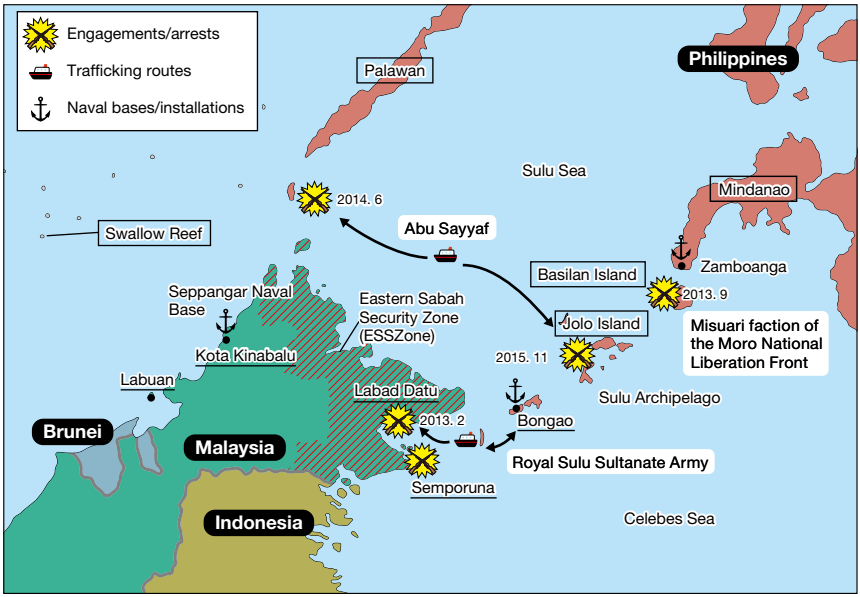
As China expands its range of engagement in the South China Sea, Malaysia and other countries directly involved in the disputes of that region are harboring a greater sense of caution and are also seeking ways to strengthen their capacity to

deal with other maritime security demands. The various navies in the region hope to use their limited resources to respond flexibly to changing demands, with one approach being acquisition of new types of vessels such as offshore patrol vessels. Even Singapore, not directly involved in any active controversies with China, is making plans that seem influenced by this new trend in the international defense equipment markets. Acquisition of submarines and upgrading of their capabilities are also something that deserves close attention in the context of naval equipment modernization efforts in the region.

Malaysia's navy is urgently seeking to provide itself with greater capabilities, responding to changes in the security environment and the demands of performing a variety of roles dictated by its geographic characteristics. These efforts, in brief, are not solely the result of trying to deal effectively with the increased tension in the South China Sea.[30] The Royal Malaysian Navy has traditionally seen one of its major roles as ensuring the safety of the Strait of Malacca, a vital sea lane of communication. To this has been added a need to deal with a variety of other circumstances, including terrorism and cross-border crime by armed groups in nearby waters not effectively controlled by surrounding countries. For example, in 2013 over 200 members of an armed ethnic group from the Philippines calling itself the "Royal Security Forces of the Sultanate of Sulu and North Borneo" landed on the east coast of Sabah. The group was put down in an exchange of fire with security forces there, including the Royal Malaysian Army.[31] Malaysian forces are in need of greater resources to ensure security in the waters of Sulu and the Celebes.[32] Faced with a trying financial situation combined with diversifying demands on its services, the Royal Malaysian Navy is expected to repair and improve its existing equipment and seek service life extension programs for its current naval vessels while also trying to procure new high-priority equipment.[33]

In preparation for the Eleventh Malaysia Plan, the five-year plan released in 2015 reflecting governmental policies, the Ministry of Defence sought thirty-six different programs that totaled 10.2 billion ringgit. Among the proposals were budget for eight new corvettes for the navy, along with procurement of six antisubmarine helicopters, a training helicopter, and a multipurpose support ship (MSS), as well as renovation of a *Laksamana*-class corvette.[34] The price of oil, however, is a major element in the Malaysian Government's finances, and as it tumbled beginning in the second half of 2014, it put those finances deeper into the red, compounded by flood damage starting at the end of that year. Such demands

Figure 5.2. Security situation in sea areas surrounding the Eastern Sabah Security Zone



Source: Compiled by the author.

required a rethinking of the budget proposal in January 2015 and created growing pressure to reduce general outlays.[35] In May 2015, Minister of Defence Hishammuddin Hussein commented in the Eleventh Malaysia Plan that "the purchase of defense assets depends on the nation's financial capability,"[36] leading to media speculation that new procurement, including the antisubmarine helicopters and an MSS, will be pushed back.[37]

According to media reports, construction began in July 2015 on a new type of warship that had been budgeted for in the Tenth Malaysia Plan. Under a program for second generation patrol vessel (SGPV), also called a littoral combat ship (LCS), such vessels had been developed based on the hull for the Gowind family of corvettes as designed by the French shipbuilding company DCNS, which specialized in military vessels; the vessels themselves would be assembled in Malaysia. The SGPV-LCS program was a successor of the Next Generation Patrol Vessel (NGPV) program covered in the Ninth Malaysia Plan, and current plans call for construction of six vessels. The previous NGPV program dates from 1996 planning and originally called for construction of 27 vessels, but due to project

management failures, plans were revised to call only for construction of six *Kedah*-class corvettes. The SGPV-LCS construction seems to have replaced procurement of an additional two *Lekiu*-class frigates as a result of priority on acquiring a greater number of ships. SGPV-LCS vessels are slightly larger than the *Kedah*-class corvettes, and while details have not been unveiled on their combat systems, they offer air defense systems, antiship missiles, towed-array sonar, and torpedo tubes[38] and are said to be designed to offer antisubmarine capabilities and full-fledged combat service.[39] While the *Kedah*-class vessels were not originally equipped with strong weapon systems, it is reported that four of the six are scheduled to be fitted out with antisubmarine combat capabilities, including the use of antisubmarine helicopters, and plans call for the other two to get air defense capability and antiship missiles.[40] By increasing surface warships' capabilities and boosting the number of vessels, the Royal Malaysian Navy is strengthening its ability to serve effectively in the country's littoral waters.

In addition to combat vessel procurement, MSS procurement is also attracting attention. There have long been plans for the MSS, and when the Sri Indera-class support ship KD *Sri Indera Pura* had to be pulled from service in 2009 following a fire on board, calls were heard that the MSS was necessary as a substitute.[41] There seemed, however, no way for one to be procured in a time of budget-cutting. Despite limited budgets, however, what was prepared as an alternative sea-borne platform was the naval auxiliary vessel *Bunga Mas 5* which the Royal Malaysian Navy put into service in 2009. This was a converted civilian container ship that was assigned a role in Operation Al Fajr when naval vessels were dispatched to the Gulf of Aden so that the Royal Malaysian Navy could protect Malaysian shipping from pirates. In January 2011, when a tanker was taken over by pirates, *Bunga Mas 5* served as a base at sea for the rigid-hulled inflatable boats and helicopters used by the Malaysian naval special operations unit PASKAL.[42] The vessel was also dispatched in 2014 to the Eastern Sabah Security Zone, where it has been in service as a sea base ship along with a decommissioned oil rig which has been turned into a military base.[43] Even though procurement of an MSS has been delayed, the Royal Malaysian Navy has been inventive in finding ways to bolster maritime security in the region and to ensure the transport of surface units and access for air units.

Turning to submarines, following the end of the cold war, Malaysia was relatively early among the countries of Southeast Asia to seek greater military

***Kedah*-class corvette** (US Navy photo by Mass Communication Specialist 2nd Class Adrian T. White)

capabilities. As it pushed ahead with development of offshore oil and natural resources, Malaysia decided that submarines, with their asymmetrical power, would be useful as a deterrent, and the Navy had already showed its interest in acquiring some by the late 1980s. Fiscal circumstances meant that any specific planning had to be put off for the moment, but as various countries began to press for their maritime interests and surrounding countries showed their intentions to acquire military equipment, plans again surfaced at the end of the 1990s for acquiring a submarine.[44] In 2002, a contract was finalized with a joint venture between the French company DCN (the current DCNS) and Spain's Izar (now called Navantia) to acquire two Scorpène-class submarines.[45] The first, the Perdana Menteri-class KD *Tunku Abdul Rahman*, and the second, KD *Tun Abdul Razak*, were handed over to the Royal Malaysian Navy in 2009.[46] The headquarters for the submarines was set up on the Teluk Sepanggar naval base, which fronts on the South China Sea. Perhaps because of the base's location in the tropics, but the submarines were beset by problems from the outset, and some expressed concern about whether they could be effectively used.[47] Still, July 2010 saw the successful test firing of the Exocet SM39 Bik.2 submarine antiship missile,[48] and during exercises in the South China Sea in November 2014, a submarine successfully launched a Black Shark torpedo,[49] demonstrating their antiship and antisubmarine attack capabilities. In April 2015 it was announced that the submarines' first major repairs would be conducted by a local DCNS joint venture formed to support the submarines' operations. It was also indicated that servicing infrastructure would be built at the same time, and that local companies would be encouraged to take over related operations.[50] A submarine training center was built at the base in September 2009 to educate the needed personnel. Training courses started in June 2010, meaning that Malaysia now had a system for domestic training of the necessary personnel,[51] demonstrating Malaysia's steady progress in increasing its submarine operation capabilities.

(2) Singapore—Investment in Defense Capabilities for 2030

Singapore, like Malaysia, has a strong interest in the stability of the vital sea lanes of communication and feels a responsibility for maintaining that stability. Since 1990, Singapore has pushed forward with a "transformation" aimed at realizing a "Third-Generation Singapore Armed Forces" (SAF), i.e., military capabilities that account for changes in the strategic environment and progress in military technology and that will put Singapore's military equipment and abilities on a level with the advanced nations.[52] Part of this effort has been a procurement program for littoral mission vessels (LMV) and 218SG submarines as mainstays of the Singaporean Navy. In March 2013, when Minister for Defence Ng Eng Hen explained plans for the equipment and capabilities of the SAF in 2030, he noted that serious study was being given to next-generation landing ships tank (LST) and unmanned underwater vehicles (UUV).[53]

Looking at LMVs, in July 2015 the LMV *Independence*, first in Singapore's *Independence* class, was launched in the shipyards of Singaporean shipbuilder ST Marine.[54] It is scheduled to be transferred to the navy in 2017 and deployed in 2018, with the full complement of eight LMVs being completed and deployed by 2020.[55] Just like the US Navy's littoral combat ship (LCS) scheduled for the Changi Naval Base over the seventeen-month period starting in December 2014,[56] Singapore's LMVs are planned to respond to the diversification in combat and other service demands in littoral waters. Compared to the six *Formidable*-class frigates from the 2000s, more emphasis will be on the LMVs' operability in the shallow waters of the Malacca Strait, but in comparison with the *Fearless*-class patrol vessels they are to replace, they will be somewhat larger. This difference is explained as the result of the need to increase both their capabilities and the time that can be spent at sea.[57] They are designed to cover a wide range of responsibilities, from full combat to HA/DR, and one feature of their design is that depending on duties at a specific time, mission modules can be switched to permit a variety of functions from a limited space. Attention has been given to data links and system uniformity so that they can function both independently and in functional connection with other ships, aircraft, and drones, a great step forward in the basic LCS concept.

In March 2015, Singapore's Ministry of Defence announced that out of the four submarines it had been operating since 2000, the *Challenger*-class *Challenger* and *Centurion* would be retired.[58] These two vessels were originally A-11

Table 5.1. Surface vessels (offshore patrol vessels, and littoral vessels) of Malaysia and Singapore

Class	Length (m)	Displace-ment (t)	Data processing	Shipboard heli storage	Air def./antisub/ antiship armament, etc.
			Singapore		
LMV	80	Approx. 1,250	Sagem GFCS (France)	Deck	VL MICA (antiair)/ mission modules
Fearless class	55	500	Elbit ST-3100 WCS (Israel)	—	Mistral/S (close-in defense)/A244S (short torpedo)
Formidable class	114.8	3,200	DSCS-DSO CMS (Singapore)	Hangar	ASTER15/30 (antiair, antimissile)/ A244S/Harpoon
			Malaysia		
SGPV	111	Approx. 3,000	DCNS SETIS (France)	Deck	VL-MICA (antiair)/ short torpedo/ Kongsberg NSM
Kedah class	90.1	1,650	Atlas Elektronik COSYS-110 M1/ ARGOS (Germany)	Hangar	—/—/—
Lekiu class	106	2,270	BAE Systems Insyte NAUTIS-F (Italy)	Hangar	Sea Wolf GWS-2 (antiair)/ A224S/ Exocet MM40 blk.2
			Others (reference)		
LCS-1	118.1	3,400 (full load)	LM COMBATSS-21 (US)	Deck	SeaRAM (close-in air defense)/ mission modules

Sources: Compiled from *Jane's Naval Weapon Systems*, Naval Technology websites, and other sources.

Sjöormen-class submarines retired from the Swedish Navy and returned to service after repairs. Even though they meant Singapore was starting with somewhat outdated models, they did help make it possible for Singapore to gain a thoroughgoing ability to operate submarines more quickly after the cold war than other countries in Southeast Asia. Retirement of the *Challenger* was accompanied by the opening of a new Ministry of Defence training center for submarine crews at the Changi Naval Base. The training center, it was announced, would be named *Challenger* after the training ship that had achieved such excellent results in the past, and the center represented Singapore's achievement of a complete domestic system for submarine training and operation.[59)]

In 2005, Singapore again procured submarines from Sweden, ships from the A-17 *Västergötland*-class which had been retired early, and by 2013, two such submarines had been returned to service in the *Archer* class.[60] Faced with the increasingly pressing need to replace the other two *Challenger*-class vessels, Singapore signed a contract in December 2013 with the German shipbuilder ThyssenKrupp Marine Systems (TKMS) for two 218SG submarines.[61] The 218SG is diesel powered with an air-independent propulsion system, and TKMS is said to have redesigned details of the 214 model to meet Singapore's requirements, with construction starting in June 2015.[62]

In recent years, the various countries of Southeast Asia have moved forward with acquisition of submarines, with a notable element of competition,[63] but with the development of cooperative ties as well.[64] Singapore is the only country in the region to have put together its own submarine rescue system, and it has exchanged bilateral memoranda of understanding on submarine rescue cooperation with Vietnam and Indonesia.[65] It is also building cooperative arrangements with other countries in the region, including India[66] and Australia.[67] Singapore is maintaining its longstanding cooperative ties with the United States,[68] and in May 2015 it exchanged a memorandum of understanding with the US Navy on Joint Standard Operating Procedures. Further, in conjunction with the IMDEX Asia international naval exhibition, Singapore served as joint chair of the Asia-Pacific Submarine Conference,[69] and through such international conferences and joint training exercises,[70] Singapore seems to be serving as a hub for international cooperation.

(3) Government-Linked Companies in the Regional Defense Marketplace—The Strategy for International Collaboration with European Defense Manufacturers

In light of the developing countries' growing demand for defense equipment, equipment manufacturers in the developed world are growing increasingly competitive. Southeast Asia is seen as a particularly promising market, and to stake a place for themselves, sellers have become more willing to accept offset agreements (where, for example, the supplier may agree to provide compensating benefits to the other party).[71] These offset agreements can come in a variety of forms[72] and their details are often not public knowledge, but in general in the case of more economically developed countries such as Singapore and Malaysia, the conditions can frequently include technology transfer and division of labor that

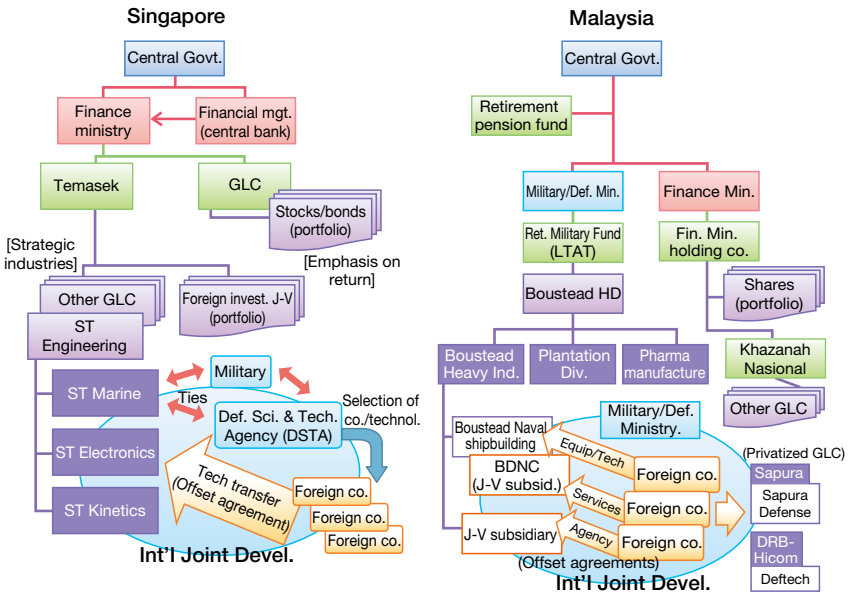
will contribute to growth and more advanced technology for domestic companies.[73]

Singapore's LMV program includes joint development between its own ST Marine and Sweden's Kockums, whereby ST Marine will perform production in Singapore.[74] ST Marine is part of the ST Engineering group, a major defense equipment maker, while Kockums falls under the umbrella of the Saab group, manufacturers of aircraft and defense equipment. As a shipbuilding concern, Kockums has worked jointly in the past with Northrop Grumman Marine Systems on an early program for LCS development. It has advanced design experience in construction, for example, of stealth hulls and mission modules, and it is a perfect partner for ST Marine to acquire advanced design technology.

ST Engineering is a government-linked company (GLC) with 49 percent of its stock held by the Temasek Holdings investment company owned by the government of Singapore, but its shares are traded on the Singapore Stock Exchange like private enterprises, and it engages in the same type of efficient management as the private sector.[75] In the 218SG submarine program, the platform is produced at Germany's TKMS Howaldtswerke-Deutsche Werft (TKMS-HDW) shipyard at Kiel, but Atlas Elektronik of Germany and ST Engineering are said to be jointly developing the combat systems, giving ST Engineering the opportunity to acquire the related technology.[76]

A joint venture between Malaysia's Boustead Heavy Industries Corporation (BHIC) and France's DCNS is the main contracting company for the Malaysian SCPV-LTC program, and part of the design and production is designated for the Boustead Naval Shipyard in Perak State.[77] The shipyard is a subsidiary of BHIC. BHIC is also a GLC, but unlike Singapore's case, the ownership structure is indirect, and its corporate governance and policy goals seem to differ. For example, the major undertakings of Boustead Holdings (BHB), the parent company's investment holding company, have been in plantation and real estate development, and the Boustead Naval Shipyard was originally the PSC Naval Shipyard that had received orders for the *Kedah*-class corvette program. When the PSC Naval Shipyard, however, suffered a financial downturn, BHB's close ties with the Malaysian military led it into a relief merger, through which it took over and somehow managed to fulfill the outstanding agreements. This seems to account for the role of BHB in carrying out this procurement program which will require even more efficiency than attempts to acquire technology for domestic industry.[78] The Malaysian government itself sees ties between GLCs and foreign

Figure 5.3. Comparison of Defence GLC governance structures



Source: Compiled by authors.

companies as an economic development policy as well as a means to invite multinational enterprises created through direct investment to locate in Malaysia, and it has actively promoted both. In 2009, its Ministry of Defence created the Malaysia Defence and Security Technology Park (MDSTP) in Perak State; it is trying to attract both domestic defense equipment makers and those from abroad as well, with the concept in mind of forming a regional hub for the defense industry in Southeast Asia.[79)]

Meanwhile, the defense industries of the developed countries, the source of the desired ties, are themselves changing greatly. Exports of equipment and patents and the establishment of industrial bases are being supported not only by the defense equipment manufacturers themselves, but also by the companies and institutions which provide education and training, finance, offset agreement management,[80)] and other related services. In the case of the Royal Malaysian Navy, for instance, cooperation in operation of the submarine training center is coming from NAVFCO, the naval operations division of DCI, while DCI itself is a French GLC providing national defense education and training services.[81)]

Another example would be the MDSTP mentioned above; the Malaysian Ministry of Defence is working with the local company Masterplan Consulting, a member of the group led by French communications firm Evidian, in developing the technology park.[82)]

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