
THE CHANGING POLITICAL-MILITARY
ENVIRONMENT: SOUTHEAST ASIA

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Southeast Asia derives its geopolitical importance principally from its location at the crossroads between the concentration of industrial, technological, and military power in Northeast Asia to the north, the Indian subcontinent and the oil resources of the Middle East to the east, and Australia to the south. A high proportion of the trade of Japan, the Republic of Korea, Taiwan, and Australia, including much of their oil imports, transits the straits and SLOCs in Southeast Asia.¹ From a military perspective, these sea lanes are critical to the movement of U.S. forces from the Western Pacific to the Indian Ocean and the Persian Gulf.

With a population of more than 500 million, a wealth of natural resources, and economies growing at rapid rates before the 1997–1998 economic crisis, the region is also important in its own right as a component of the Asian and global balance of power as well as a market for the United States. From 1993 to 1997, Southeast Asia was second only to Japan and well ahead of China and Hong Kong in terms of U.S. exports to the Pacific Rim.² U.S. exports to the region fell about 20 percent in the immediate aftermath of the Asian financial crisis, but trade is expected to resume its robust level of growth when the region emerges from that crisis. Southeast Asia was also an

¹Shipping transiting the region must pass through one of three or four chokepoints: the straits of Malacca, Sunda, or Lombok, or possibly the straits east of East Timor. See John H. Noer, *Chokepoints: Maritime Economic Concerns in Southeast Asia*, Washington, D.C.: National Defense University, 1996.

²U.S. Department of Commerce, *Statistical Abstract of the United States*, No. 1323, 1998, p. 801.

important destination of U.S. direct investment, having surpassed Japan and Brazil by 1997.³

Southeast Asia is, moreover, the cultural as well as geographic crossroads of Asia, where Sinitic, Hindu, Islamic, and Western civilizations have met and interacted for almost a millennium.⁴ The struggles that play out in the region therefore resonate well beyond the region. For instance, how Indonesia—the world's largest Muslim majority country—deals with the issues of democracy and political and religious diversity could well influence the course of events in Asia and the larger Islamic world.

A DYNAMIC REGIONAL SECURITY ENVIRONMENT

The Asian economic crisis and the associated political upheaval in Indonesia knocked out the underpinnings of the Southeast Asian security system and brought about dynamic changes in the region's security environment. This study seeks to identify key factors shaping the regional security environment and to postulate potential geopolitical events that the interplay of these factors might produce. Finally, we will examine the implications of these scenarios for the political stability and security of Southeast Asian countries and U.S. interests in the region.

There is no question that the economic crisis of 1997–1998 was a transformational event in Southeast Asia and that the forces set in motion by this event have not yet played themselves out.

First, the Asian economic crisis seriously weakened the cohesion and regional security role of ASEAN. The crisis also coincided with two other developments that, taken together, further reduced ASEAN's ability to function as a regional security organization. One such development was the political crisis in Indonesia. With Indonesia—

³U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, July 1998, Table 3.2.

⁴Trade routes linking peninsular and insular Southeast Asia to China and India began to emerge in the first century A.D. Islam had become entrenched in the Malayan peninsula and Sumatra by the 13th century and spread widely in Southeast Asia from the 14th to the 17th centuries. European colonization began with the Portuguese capture of Malacca, center of the most important Malay state, in 1511, and the Spanish settlement of Manila in 1571.

historically the center of gravity and de facto leader of ASEAN—beset by grave domestic problems and with its very future uncertain, Jakarta has been unable to exercise its customary regional leadership. ASEAN therefore has been left to drift, as was demonstrated by its passive role during the East Timor crisis of 1999. The other development was ASEAN's decision to expand its membership by incorporating Vietnam, Laos, Cambodia, and Burma. The inclusion of these far less developed states, with their rudimentary market economies and more authoritarian and, in some cases, neo-communist political cultures, diluted the ASEAN consensus and further paralyzed its decisionmaking process.⁵

Second, and of more immediate concern to defense planners, the economic crisis put a severe strain on defense budgets throughout the region. Military modernization programs in all Southeast Asian countries, with the notable exception of Singapore, have been canceled or postponed, as shown in Table C.1. Readiness has been affected as militaries have been forced to cut back on training and exercises and become more focused on internal security.

Table C.1
Impact of the Economic Crisis on Procurement of Major Air Systems by ASEAN Countries

Country	System	Status
Indonesia	12 SU-30 MK aircraft	Canceled
	8 Mi-17 helicopters	Canceled
Thailand	8 F/A-18 aircraft	Canceled
	16 F-16A/Bs	LOA ^a requested
Malaysia	Additional F/A-18 aircraft	Suspended
Philippines	New multirole aircraft	Uncertain

^aLOA = letter of offer and acceptance.

Third, economic hardships increased political volatility and ethnic and religious tensions in a number of Southeast Asian states. Indonesia is the starkest case. The collapse of the rupiah and the consequent financial and economic crisis brought down the 32-year

⁵See James Clad, "Fin de Siècle, Fin de l'ASEAN?" Center for Strategic and International Studies, Pacific Forum CSIS, *Pac Net Newsletter*, March 3, 2000.

Suharto regime and sparked anti-Chinese riots in major Indonesian cities. The collapse of the Suharto order led to the separation of East Timor, the growth of armed separatist movements in other Indonesian provinces, massive religious violence on the eastern islands, and a loss of central authority over the provinces. In the Philippines, there has been an intensification of both communist and Islamic insurgencies, and in Malaysia the growth of Islamic fundamentalism is a potential factor of instability.

The strategic implications of these changes in the regional security environment center on a diminished ability on the part of the ASEAN states to counter security threats. The unstable regional security environment presents unprecedented opportunities for internal and external actors—whether political dissidents, religious extremists, separatists, or prospective hegemon—seeking to overturn the status quo. In particular, it could present a rising China with opportunities to extend its presence and influence in the region.

This is a dynamic security environment. The only certainty is that it could and likely will evolve rapidly over the next decade. The interplay of several key factors will define the security problems in Southeast Asia and the range of demands and constraints likely to be imposed on the United States and the USAF during this time frame. These factors are the Southeast Asian states' economic and political evolution, China's economic and military strength and its interaction with Southeast Asia, the regional states' success in maintaining their national cohesion and in dealing with ethnic and religious conflicts, and the course of regional integration. The United States and Japan—the key extraregional actors—represent additional and potentially decisive factors. Australia and the European Union can also play smaller but important roles in defining the future Southeast Asian security environment.

SOUTHEAST ASIAN THREAT PERCEPTIONS—GENERAL

For some of the Southeast Asian states, concerns about national cohesion trump external threats. In Indonesia, nothing less than the survival of the state is at stake. Although not to the same extent as Indonesia, the Philippines also faces issues of national stability and cohesion—issues that in a way go back more than 400 years to the Spanish colonization of the Philippines and to Manila's efforts to as-

simulate the Muslim-majority areas of the southern Philippines. In all Southeast Asian countries, there is a sense of the interrelatedness of these trends. The ripple effect of political tremors in Sumatra is felt across the strait in Singapore and Malaysia. In both the Philippines and Thailand, there is concern about the demonstration effect of Muslim separatism in Indonesia on their own Muslim minorities.

Transnational threats have been magnified by chaotic conditions in the region. Piracy has been on the increase, particularly in waters around Indonesia and the Philippines. In the first nine months of 1999, 66 actual or attempted pirate attacks took place on Indonesian waters—representing 67 percent of the total for Southeast Asia—and double the number of incidents for the same period in 1998.⁶ Illegal migration is increasingly viewed as a security problem. There are hundreds of thousands of illegal Indonesian migrants in Malaysia, including many Acehnese suspected of links with Acehnese secessionist organizations. In April 1998, in an effort to avoid deportation, several dozen Indonesians forced their way into a number of embassies and the U.N. compound in Kuala Lumpur. The operation was apparently orchestrated by the Acehnese separatist organization GAM. Narcotics trafficking has long been an endemic problem as well, particularly in mainland Southeast Asia, but of late it has taken on some new dimensions. The Thais consider the smuggling of methamphetamines from Burma a major security concern.

Turning to external threats, the primary potential threat from the standpoint of a number of Southeast Asian states is China—but Southeast Asian perceptions of China are far from monolithic. These perceptions are shaped by the power asymmetries between China and the Southeast Asian countries; expansive Chinese claims to the South China Sea; the development of Chinese power projection capabilities; historic fears of Chinese domination on the part of some regional states, especially Vietnam; and fear of Beijing's manipulation of the ethnic Chinese communities in a number of Southeast Asian countries.

Over the years, relations between the ASEAN states and China have gone through several stages. Throughout the 1960s and early 1970s,

⁶See *Piracy and Armed Robbery Against Ships: Report for the Period 1 January–30 September 1999*, London: International Maritime Bureau, p. 3.

fear and suspicion of China were pervasive in Southeast Asian capitals because of Beijing's support for communist insurgencies in several countries and its involvement in the attempted 1965 coup in Indonesia. Beginning in the 1980s, a thaw emerged in China's relations with the ASEAN countries, largely as a result of growing trade and investment links spurred by China's economic reforms, the declining role of ideology in Beijing's policies toward the region, China's determined drive to improve relations with the ASEAN states, and ASEAN's support of China as a counterweight to Vietnam. Since the late 1980s, however, a more ambivalent attitude toward China has emerged. On the one hand, relations between most of ASEAN and China improved markedly, reflecting a common desire to achieve economic growth through expanded trade and investment as well as the belief in ASEAN circles that as China's power grows it may have to be accommodated. On the other hand, many in ASEAN, particularly in the insular states, remain apprehensive of China's intentions.⁷

At the same time, China is not the only perceived external threat. In some countries, there remains considerable residual suspicion of Japan, which derives from unpleasant memories of the Japanese occupation during World War II. Among nationalist circles in Indonesia and Malaysia in particular but in other countries as well, there is also a distrust of Western powers. During the East Timor crisis of 1999, for instance, the view that the West and Australia were conspiring to keep Indonesia weak received widespread credence in Jakarta. Finally, despite ASEAN's success in managing disputes among member states (which was in fact the original *raison d'être* of the organization), there is considerable potential for intra-ASEAN conflict.

SOUTHEAST ASIAN THREAT PERCEPTIONS—INDIVIDUAL COUNTRIES

The Philippines

Filipinos view Chinese expansionism as the main long-term threat, with insurgencies, communist and Islamic, in second place. In dis-

⁷For a more detailed analysis, see Sokolsky et al. (2000).

cussions with senior Philippine military officers in Manila in November 1999, our interlocutors not only spoke of potential Chinese hegemony but maintained that China was already well on its way to establishing its hegemony on the South China Sea.

In 1995 the Chinese occupied an outpost on Mischief Reef, which lies only 150 miles from the Philippines and well within the Philippines' Exclusive Economic Zone (EEZ), and built what were alleged to be fishermen's shelters. Manila's strategy for dealing with China's encroachment was to rely on diplomacy. The Philippines and China held two rounds of bilateral discussions in 1995, resulting in agreement on a code of conduct. According to the Philippines, however, China has violated this code of conduct, moving military assets in and out of the area without informing Manila and upgrading its facilities on Mischief Reef.⁸ Between November 1998 and January 1999, the Chinese substantially expanded these structures, adding electronics communication and surveillance equipment and building multistory buildings on concrete platforms large enough to serve as landing pads for helicopters and manned by Chinese military personnel.⁹

After decades of defense efforts concentrated on the internal communist and separatist threats, the Mischief Reef incident galvanized the Philippine government into a decision to launch a modernization plan focused on capabilities (e.g., naval combatants and combat aircraft) that would allow the Philippine armed forces to better defend its claims in the Spratlys and its 200-mile EEZ. Unlike other ASEAN states, the Philippines' economic ties with China are relatively modest and therefore less of an inhibition on Manila's willingness to confront China over its aggressive behavior in the South China Sea. This military modernization plan—originally proposed by then-Vice President Fidel Ramos in 1990—has foundered on a lack of resources and political will. The Philippine government is currently exploring alternative ways of meeting its defense needs, but

⁸Ian James Storey, "Creeping Assertiveness: China, the Philippines, and the South China Sea Dispute," *Contemporary Southeast Asia*, Vol. 21, No. 1, April 1999; and B. Raman, "Chinese Assertion of Territorial Claims: The Mischief Reef, a Case Study," Chennai, India: South Asia Analysis Group Papers, 1999.

⁹Ian James Storey, "Manila Looks to USA for Help over Spratlys," *Jane's Intelligence Review*, August 1999, p. 47.

there do not appear to be any practical proposals for funding major military equipment purchases.¹⁰

The Filipinos identify two distinct internal threats: communist insurgents and Islamic separatists. According to Philippine security officials speaking at the end of 1999, communist revolutionaries pose the more serious threat. The New People's Army, the military arm of the Communist Party of the Philippines (CPP), has been waging an armed struggle for more than 30 years. It reached the peak of its strength in 1986, with more than 20,000 armed fighters, declined to about 5000 by the mid-1990s, and strengthened to about 9000 in 1999. At present, the communists are divided into several factions: three factions broke away from the CPP in 1992 and another split took place in 1998. The largest faction is led by Netherlands-based CPP founding chairman Jose Maria Sison. There have been on-and-off negotiations with the communists for several years, but the communists broke off talks after the Philippine Senate ratified the VFA with the United States in May 1999. Since then the Sison faction has escalated its attacks—some in connection with demonstrations by leftists protesting higher oil prices. Philippine security officials believe that the communists may be seeking to take advantage of the economic crisis to regain their strength.

Islamic separatism centers on the islands of Mindanao and the Sulu archipelago, historically Muslim areas in which the ethnic and religious consciousness of the Muslim population has been sharpened by decades of assimilationist policies and Catholic transmigration from the northern Philippines. There are three main Islamic separatist movements, all active in the majority Muslim regions of Mindanao and the Sulu archipelago in the Southern Philippines.

The Moro National Liberation Front (MNLF), the largest of the Islamic rebel movements, has not been considered a threat since the peace agreement signed with the Ramos government that established the Autonomous Region of Muslim Mindanao. The MNLF leadership, which includes individuals educated in the University of

¹⁰In a discussion with the chairman of the Philippine Senate Defense Committee, Senator Biazon, in November 1999, the senator suggested reactivating the U.S.-Philippines Military Assistance Agreement, through which the Philippines received most of its military equipment from 1947 to 1992.

the Philippines, has a more secular outlook than do the other Moro organizations and is primarily interested in the implementation of the government's economic aid package. The agreement between the government of the Philippines and the MNLF provides for economic incentives to the region, and the government is seeking to comply within the constraints of a difficult economic and budgetary situation. Philippine authorities are aware that failure to meet the government's commitments could affect the credibility of the MNLF and the viability of the peace agreement.

The Moro Islamic Liberation Front (MILF) has a stronger Islamic identity than the MNLF and a base of support among the Islamic religious establishment (*ulema*) of southern Mindanao. The MILF's current strength is about 10,000 fighters, trained by Afghan war veterans. On-and-off negotiations are taking place with this group, but so far no agreement has been reached. The MILF advocates an Islamic state on Mindanao, but in the view of Philippine security officials it may be willing to settle for an autonomous region. The MILF suffered a severe blow when Philippine government forces captured its headquarters, Camp Abubakar, in May 2000, but despite this defeat the MILF retains its military capabilities. Military operations in Mindanao will increase pressure on the Philippine budget and may not bring a political settlement any closer.

Abu Sayyaf is the third and most radical group. It advocates the establishment of a fundamentalist Islamic state and sees its struggle linked to a worldwide Islamic movement. Abu Sayyaf was in the news in 2000 over the kidnapping of tourists in Malaysia. According to Philippine authorities, it has an estimated 1000 fighters in the Sulu archipelago and includes veterans of the Afghan war and individuals identified with the bin Laden network. Abductions of elementary-school teachers and children on the island of Basilan and of foreign tourists at a resort in Malaysia by Abu Sayyaf in the spring of 2000 provoked large-scale Philippine military operations against the group in its stronghold of Jolo and Basilan.

The communist and Islamic rebel movements, of course, have different agendas and are driven by different dynamics, but there appear to be tactical linkages between the underground Communist Party of Jose Maria Sison and the MILF.

Singapore

Singapore is concerned primarily about the situation in Indonesia, secondarily about Malaysia, and only tangentially with China. During the Suharto era, Singapore shared with Jakarta an interest in upholding regional order and stability. As the Indonesian economic and political order began to collapse, Singapore played an important role in international efforts to stabilize Indonesia. Senior Minister Lee Kuan Yew has agreed to serve with Henry Kissinger and others on a board of distinguished international advisers to Indonesian President Wahid. Nonetheless, the Singaporeans are exceedingly careful not to be perceived as interfering in Indonesia's internal affairs; they are conscious of both the limitations of their influence and the potential for a nationalist backlash, especially if they are perceived as pressing unpopular or painful policies on the Indonesians.

By and large, Singaporean analysts are not optimistic about Indonesia's future prospects. They believe that the Wahid government is unfocused, particularly on economic policy, and that the security situation is worsening. In their view, some radical Muslims are fostering violence in the Moluccas as a warning to Jakarta not to ignore Islamic interests. From their perspective, the most likely prospect for Indonesia is a succession of short-lived governments. Other scenarios, such as Islamization and fragmentation, are also seen as possible, with dire consequences for the security of Singapore and the region.

Malaysia is seen as a smaller problem but remains a priority. The Singaporeans are carefully watching Malaysia's political evolution, especially the growth of the Islamic Party of Malaysia (PAS). They believe that the problem, from the standpoint of Malaysia's stability, is that the Malays themselves are divided. Many rank-and-file members of the Malaysian ruling party, the United Malays National Organization (UMNO), realize that their leadership under Prime Minister Mahathir is not prepared to accept change and are thus defecting to the Islamic Party. The Singaporeans do not believe that a Malaysian political crisis is at hand and do not expect the Islamic Party to come to power without non-Malay support. They also believe, however, that the fact that only the Chinese and Indian vote kept Mahathir and UMNO in power in the last election is an ominous indication of the state of Malay politics.

With regard to China, Singapore's approach is prudential. As a small, predominantly ethnic-Chinese state in the proverbial sea of Malays, and as an entity dependent on international trade for economic survival, Singapore cannot afford to antagonize a major regional power. Singapore is also one of the largest investors in China and has developed close economic ties with China, although some of Singapore's major investments, such as the industrial township in Suzhou, have fallen far short of expectations.

On the other hand, Singaporeans, like their neighbors, fear the long-term threat a hegemonic China could pose to their country's independence and look to the United States as the indispensable "balancing" power in Asia. For this reason, Singapore strongly supports a continued U.S. military presence in the region and hosts a broad spectrum of U.S. military activities. At the same time, Singaporeans are not uniformly confident of U.S. resolve. As one Singaporean scholar noted, the United States might decide to withdraw from the region, but Singapore will always have to live with China.

On Taiwan, the Singaporeans have struck a balance between Beijing and Taipei, maintaining strong commercial and informal political ties with Taiwan while advising Taipei against any action that might precipitate a PRC military response. They do not want a conflict with China even if China were to attack Taiwan (although they do not expect this to happen unless there is a Taiwanese declaration of independence), and they recognize that a conflict between the United States and China would create a painful policy dilemma for them.

In Singapore's thinking, ASEAN's security space extends well beyond the immediate Southeast Asian region and includes the evolution of the situation in Northeast Asia, particularly on the Korean peninsula. In their view, Russia has disappeared as a factor in Southeast Asian security, but the agreements on peace cooperation and the arms supply relationship with China place Russia on the Chinese side. India was not yet seen as a factor in Southeast Asia in a strategic, economic, or military sense, although this perception might change following the Indian naval exercises with Vietnam and the visit of Indian Defense Minister Fernandes in the spring of 2000.¹¹

¹¹The above analysis of Singaporean views on regional security issues is based on discussions with Singapore Defense and Foreign Ministry officials and defense experts

Indonesia

As discussed in Chapter Two, the most important question about Indonesia's future in the post-Suharto era is whether that country will survive in its present configuration or whether it will splinter in the manner of Yugoslavia or the former Soviet Union. Other pivotal issues are the fate of Indonesia's democratic transformation and the future role of the armed forces.

Jakarta's disarray and the separation of East Timor have, as discussed, encouraged secessionist movements in the key provinces of Aceh, Riau, and Irian Jaya. In addition, religious and ethnic violence has been escalating in eastern Indonesia. Taken together, these factors are creating stresses that Indonesia may not be able to endure.

Most Indonesians view the Aceh insurgency as the gravest challenge to Indonesia's territorial integrity. The resurgent Acehese Liberation Movement, GAM, is reported to have more than 800 armed fighters—four times as many as there were in the early 1990s. They are well funded by sympathizers abroad and are armed through a pipeline extending from the mainland of Southeast Asia—which reportedly extends to the Tamil Tigers in Sri Lanka and to the Muslim separatist guerrillas in the Philippines.¹²

The Wahid government's strategy in Aceh is to address the political and economic demands of the Acehese, short of granting independence. There are two key demands that analysts agree would have to be satisfied for Jakarta to gain the confidence and trust of the Acehese:

- Greater local control, especially control of the province's economic resources. This demand could be met through measures that have been passed or are under consideration by Parliament that would give Aceh control of 70 percent of the revenues from

at the Institute of Defence and Strategic Studies at Nanyang Technological University, held in February 2000, and on publicly available materials, particularly *Defending Singapore in the 21st Century*, Singapore: Republic of Singapore Ministry of Defence, 2000; and Andrew T.H. Tan, "Singapore's Defence: Capabilities, Trends, and Implications," *Contemporary Southeast Asia*, Vol. 21, No. 3, December 1999, pp. 451–474.

¹²"Indonesia: Worse to Come," *Far Eastern Economic Review*, July 29, 1999, p. 16.

extractive industries and extensive local autonomy, including the introduction of Islamic law for the province.

- Accountability for human rights violations by the security forces during the Suharto period. Jakarta has tried to accommodate this demand through investigations of alleged human rights violations, which led to the trial of soldiers accused of participating in the killing of civilians in Aceh. In May 2000, 24 soldiers and one civilian were convicted of the massacre of 57 Aceh villagers.

The Indonesian government and the GAM agreed on a temporary cease-fire in May 2000 and agreed to withdraw some combat elements from the province. The question that remains is whether the government's concessions will satisfy Acehnese demands. Currently neither the government nor the insurgents are strong enough to defeat the other, so an accommodation that permits significant autonomy for Aceh within Indonesia may well be viewed by both sides as the best possible outcome. Yet a perceived weakening of Jakarta's authority or political will might stimulate demands for full independence.

In the view of one senior Indonesian military officer, the insurgency in Irian Jaya—a region that did not become part of Indonesia until 1963 and that therefore shares few cultural or social characteristics with the rest of Indonesia—might prove even more dangerous than that in Aceh. This view holds that the rebels in Irian Jaya are Christian and are therefore more likely to garner Western support than are the Muslim rebels in Aceh. It also maintains that the border with Papua New Guinea might afford the insurgents the possibility of cross-border sanctuaries.

The eastern islands of Indonesia have also seen large-scale violence between Muslims and Christians, centering on Ambon and other islands in the Moluccas and in Sulawesi. A variety of theories have been put forth in Indonesia on who is behind this sectarian violence, with some pointing to Muslim radicals and others to Indonesian army factions. Although the possibility of political manipulation cannot be eliminated, the most likely trigger was the collapse of authority following the fall of Suharto, which unleashed tensions between the region's original Christian inhabitants and Muslim immigrants from Java who had moved in under Suharto's resettlement

program. It is postulated that these tensions developed into an economic and religious civil war.

Given the gravity of these internal threats, external threats have not been accorded priority in Indonesian defense thinking. President Wahid's government has initiated a policy of rapprochement with China that represents a departure from that of the Suharto government. Citing the distance from Chinese operating bases to Indonesian waters and the fact that Indonesians expect the Philippines and Vietnam to block China's southern expansion, senior Indonesian military officers do not believe that China poses a direct military threat to Indonesia in the near to midterm. Nevertheless, they do see China as a long-term threat. They are particularly concerned about China's potential ability to intervene in domestic Indonesian politics.

At a time when the Indonesian military is confronting some of its most demanding challenges since the mid-1960s, it is itself in a process of transformation. Even senior military officers acknowledge that the armed forces suffered a severe loss of reputation and credibility as a result of its association with the Suharto regime. The armed forces are retreating from their traditional political role—which included corporate representation in the Parliament and a territorial structure that reached down to the village level—and are developing a new doctrine that shifts the focus from internal security to external defense.¹³

Thailand

With a long and continuous history as an independent state and the institution of the monarchy as a unifying factor, Thailand does not have the severe national cohesion problems that other regional countries face. Nonetheless, radical Islamic groups are active in the

¹³The above discussion on Indonesia is based on discussions with senior Indonesian military officers and defense academics in Jakarta in March 2000. Particularly valuable were the discussions with Dr. Hadi Soesastro, Executive Director, Centre for Strategic and International Studies (CSIS); Brigadier General (retired) Soedibyo, Senior Fellow, Institute for Strategic Studies of Indonesia; and Dr. Indria Samego, Center for Political and Regional Studies, Indonesian Institute of Sciences. The analysis also benefited from presentations and discussions at the international seminar on Indonesia's future challenges and implications for the region, sponsored by the Council for Security Cooperation in the Asia Pacific in Jakarta on March 8–9, 2000.

four southernmost provinces of Thailand. The two principal militant Islamic groups in southern Thailand are the Pattani United Liberation Organization (PULO) and the New PULO, a dissident faction that broke away from PULO in 1995. The various militant groups have close links with their ethnic kin in the northern Malaysian state of Kelantan—an Islamic stronghold and the only Malaysian state governed by the PAS—and reportedly operated in the early 1990s with tacit support from Kelantan's PAS government. In 1997, however, the Malaysian government sanctioned a crackdown on Thai separatists in northern Malaysia, depriving them of sanctuary and support. Since then, separatist activity in southern Thailand has declined. Although these groups do not pose an immediate threat, Bangkok is concerned about the demonstration effect of Islamic insurgencies elsewhere in the region and is keeping a watchful eye on their southern provinces.¹⁴

As discussed in Chapter Two, the Thais do not see China as a threat. Thailand is not party to the South China Sea dispute, and in contrast to the Southeast Asian states to the south, the ethnic Chinese community in Thailand is well integrated into Thai society. Moreover, the Thai-Chinese relationship has a strategic component based on common opposition to Vietnamese designs in Indochina in the 1970s and 1980s. After the Vietnamese invasion of Cambodia, Thailand cooperated with China as well as with the United States in opposing Vietnamese regional hegemony and became a conduit for logistical support of the anti-Vietnamese forces in Cambodia.

Vietnam's withdrawal from Cambodia and its entry into ASEAN, combined with the withdrawal of Russian forces from Vietnam, diminished the strategic rationale for Thai-Chinese security cooperation. There are stirrings of Thai uneasiness with Chinese intentions and capabilities on the South China Sea. Of more direct concern to Bangkok are China's expanding military ties with Burma and the possibility that the Sino-Burmese relationship could lead to Burma's acquisition of offensive weapons. Border tensions between Thailand and Burma, in the view of some Thai analysts, have the potential to escalate into armed conflict. The Thais are also concerned about reports of Chinese use of Burmese facilities on the Indian Ocean—a

¹⁴PULO has a website at <http://pulo.cjb.net/>.

development that could turn the Bay of Bengal into an arena of strategic competition between India and China.¹⁵

Malaysia

Malaysia's defense policy is based on national resilience—a concept also found in the defense strategies and doctrines of other Southeast Asian states—and conventional deterrence.¹⁶ It considers itself to be a “front-line” state on the South China Sea dispute and has stationed small garrisons on islets on the southern Spratlys claimed by China and the Philippines. Malaysia also has boundary disputes with Indonesia in Borneo as well as a long-standing dispute with the Philippines over ownership of the Malaysian state of Sabah. Strains in Malaysia's relationship with Singapore and the possibility, however improbable, of a conflict between the two also affect Malaysia's security environment.

Many Malaysians, especially among the Malay elite and the military establishment, harbor deep suspicions about China's long-term intentions. These attitudes are due to some extent to the historic legacy of China's support for the predominantly ethnic Chinese guerrillas during the insurgency of the 1950s and 1960s. At a deeper level, Malaysian attitudes toward China are also influenced by the interplay of ethnic politics at the core of the Malaysian political system. Although Malaysia has been governed by coalitions of parties representing all the major ethnic groups since independence from Great Britain in 1957, the politics of the Malay majority has been driven by the Malays' fear of losing their dominant position in the state. Singapore's forced separation from the Malaysian Federation in 1965 was an outcome of this dynamic, as were the Kuala Lumpur race riots of May 1969.

The political and economic power-sharing arrangements in place for the last 30 years satisfied the Malays' demand for political control

¹⁵The above discussion of Thai security concerns is based on discussions in Bangkok with Thai military officials and defense academics in November 1999. I am particularly indebted to Professor Surachart Bamrungasuk of Chulalongkorn University.

¹⁶Charles E. Morrison (ed.), *Asia Pacific Security Outlook 1999*, Tokyo: Japan Center for International Exchange, 1999, p. 118.

and the preservation of their special privileges and gave the Chinese and Indian minorities a role as junior partners in the governing coalition. Taken together with the high rates of economic growth Malaysia experienced during much of this period, these arrangements have prevented a recurrence of ethnic strife. Yet a protracted economic contraction could lead to the recurrence of ethnic tensions and could spill over into Malaysian-Singaporean and Malaysian-Chinese relations.

For the moment, however, Kuala Lumpur is firmly embarked on a policy of rapprochement with Beijing. The Mahathir government has expanded economic and political ties with China. Both Mahathir and China have found common ground against alleged Western economic domination and so-called international speculators supposedly responsible for precipitating the Asian economic crisis. On the South China Sea dispute, the Mahathir government has also chosen to “bandwagon” with China rather than join an ASEAN front, as proposed by the Philippines, and has even emulated Chinese tactics in its own dealings with the Philippines.¹⁷

Vietnam

The security environment in mainland Southeast Asia was transformed by the Vietnamese withdrawal from Cambodia in 1989, the subsequent settlement of the Cambodian civil war, and Vietnam’s accession to ASEAN. Despite the periodic breakdown of fragile internal political arrangements in Cambodia, the U.N.-sponsored settlement in Cambodia ended the strategic competition between Vietnam and the coalition opposed to the Vietnamese presence in Cambodia. It enabled Vietnam to break out of its isolation within the region yet maintain sufficient influence in Cambodia to protect its interests, which include preventing Cambodia’s alignment with a potentially hostile power and protection of the Vietnamese ethnic minority.

¹⁷In June 1999 the Philippines protested Malaysia’s occupation of two uninhabited locations in the Investigator Shoal in the Spratlys and construction of a concrete platform, helipad, and two-story building featuring a radar facility. In a private conversation, a senior Philippine official noted that the Malaysian construction, at a site also claimed by China, did not bring about a Chinese protest and thus wondered if there was collusion.

Despite its normalization of relations with China in 1991 and expanding bilateral trade, Vietnam continues to see China as a significant external threat and remains suspicious of China's intentions and ambitions. China casts a large shadow over Hanoi's strategic outlook for several reasons. First, the bitter and violent legacy of Vietnam's historic relationship with China—including several Chinese invasions and armed confrontations, most recently the 1979 border war—has engendered deep and abiding mistrust. Second, Vietnam is one of the main protagonists in the Spratlys dispute, and the two countries have had armed confrontations in 1974 and 1988 over the Paracel Islands and the Spratlys, respectively. A third source of tension was removed with the signing of a land border agreement in Hanoi in December 1999. In December 2000, Vietnam and China signed an agreement demarcating maritime territory in the Gulf of Tonkin and issued a joint statement outlining a comprehensive program of future cooperation.

The current reconciliation between Vietnam and China remains fragile, however, and further belligerent Chinese actions in the South China Sea could revive Vietnam's fear of China and lead to a more hostile and confrontational posture. That said, the Vietnamese are keenly aware of their own vulnerabilities vis-à-vis China and remain preoccupied with addressing the country's economic and social development through expanded foreign trade and investment. At least for the moment, therefore, Vietnam's strategy for dealing with China emphasizes continued normalization of relations, solidarity and integration with ASEAN, and expanding economic and political ties with outside powers, especially the United States and Japan.

Vietnamese military capabilities declined sharply with the end of Soviet support in the late 1980s. Nevertheless, the Vietnamese have pursued a program of military modernization with Russian equipment. The centerpiece of this program is the planned acquisition by Vietnam of Russian Su-27 air superiority/ground attack aircraft with a combat radius that will enable Vietnam to contest for air superiority over disputed areas of the South China Sea. The Russian Navy still maintains several hundred personnel attached to the Pacific Fleet's 15th Operational Squadron at Cam Ranh Bay. Russia has a

25-year lease on the Cam Ranh base that expires in 2004 and that Moscow reportedly seeks to extend.¹⁸

MOTIVES AND OBSTACLES TO REGIONAL COUNTRIES' COOPERATION WITH THE UNITED STATES AND THE USAF

Since the withdrawal of the British from Southeast Asia, the United States has played the indispensable role of regional stabilizer. However, because of both historic reasons and sensitivities in some countries about the U.S. presence, there have been substantial differences in ASEAN countries' approaches to defense arrangements with the United States.

Philippines. The Philippines and Thailand are both treaty allies and part of the network of bilateral defense agreements that constitute the U.S. security architecture in Asia. Throughout the Aquino and Ramos presidencies, the operation of the Philippines' defense relationship was hampered by residual acrimony over the removal of the U.S. bases and the absence of a status-of-forces agreement. Although the United States has made it clear that it takes no sides on the dispute over the Spratlys, the U.S. withdrawal from Subic Bay and Clark Air Force Base in 1992 brought about a change in the strategic environment in the South China Sea and, in the view of Philippine decisionmakers, was undoubtedly a factor in the Chinese decision to occupy Mischief Reef.¹⁹ Continued Chinese pressure on the Spratlys has led to renewed Philippine interest in lending substance to the bilateral defense relationship.

In any event, the episode drove home to Philippine decisionmakers the need to revitalize the security relationship with the United States, which had been damaged by the failed effort to conclude a new base agreement. In line with the new thinking in Philippine defense, the Ramos government negotiated and signed the functional equivalent

¹⁸Stein Tønnesson, "Vietnam's Objective in the South China Sea," *Contemporary Southeast Asia*, Vol. 22, No. 1, April 2000, pp. 204 and 217.

¹⁹The U.S.-Philippine Mutual Defense Treaty applies only to the metropolitan territory of the Philippines but calls for bilateral consultations in the event of an attack on the Philippine armed forces.

of a status-of-forces agreement—a visiting forces agreement (VFA) that would permit the resumption of cooperative military activities with the United States. The VFA was endorsed by the new government of President Joseph Estrada (a former base opponent) and was ratified by the Philippine Senate at the end of May 1999.

For the Philippines, closer military relations with the United States is a way to prevent a security vacuum from developing and reestablish deterrence in the region. The overriding Philippine concern in the defense and security area is military modernization. The Philippines simply does not have the capabilities to project power on the South China Sea. The Philippine Air Force has only five airworthy F-5s, and the Navy has World War II-era vessels in poor state of repair. A modernization plan proposed by then-Vice President Ramos during the Aquino administration called for the acquisition of a squadron of modern multirole aircraft, reconnaissance aircraft, and fast patrol boats. Although the priorities have not changed, no progress has been made in funding the modernization program.

In light of Manila's financial difficulties, the Philippines has looked to the United States for assistance with military modernization. Philippine government officials understand that there is no linkage between approval of the VFA and U.S. security assistance, but they hope for some level of U.S. assistance to bridge the gap until the Philippines can begin its military modernization program. On the matter of U.S. access to military facilities in the Philippines, the general view of Philippine security experts is that for domestic political reasons it would be difficult to give the appearance that the United States is reestablishing its bases in the Philippines. Opposition to a U.S. military presence is not as intense as it was in the immediate post-Marcos era, but it remains strong among certain groups, especially in universities, leftist political parties, and religious organizations. On the other hand, opposition to the U.S. presence is more of an elite than a broad-based sentiment. Thus, a decision by the Philippine government to allow the United States operational use of Philippine facilities in a regional security emergency is not out of the question if there is a clear Philippine national security rationale for the decision.

Thailand. The treaty-based defense relationship with the United States remains the mainstay of Thailand's security. Thailand hosts

Cobra Gold, the largest combined exercise in Asia outside Korea, which is important to the Thais as reassurance of the U.S. defense commitment. Thailand has been seeking to strengthen bilateral ties and allows the United States the use of Utapao Naval Air Station for exercises and real-life operations. Some Thai defense analysts, however, believe that with the end of the Cold War and the disappearance of the communist threat in Southeast Asia, a new rationale must be found for the U.S.-Thai defense relationship. They fear that, in the absence of this rationale, the decades-long bilateral defense relationship could wither on the vine.

The Thais were hard hit by the Asian economic crisis, which in fact began with the attack on the baht and the Thai Central Bank's decision to abandon the baht's tie to the dollar. Thailand's ambitious military modernization plans suffered as a result. The Thai Air Force canceled plans to purchase F-18 aircraft and put other programs on hold. The resumption of economic growth in Thailand in 1999 has made possible a reinstatement of a more modest program of military modernization. The Thai Air Force has requested a letter of offer and acceptance (LOA) for one squadron of F16-A/Bs (16 aircraft), which can be funded through planned overages in the Thai account in the Federal Financing Bank (FFB).

Singapore. Singapore does not have a defense treaty with the United States, but the Singaporeans see a strong coincidence of interests with the U.S., including the maintenance of freedom of navigation, access to regional markets, and global financial stability. Singapore and the United States also cooperated closely in dealing with the consequences of the regional economic crisis and the political crisis in Indonesia. The security relationship with the United States is also important to Singapore in the context of Singapore's strategy of leveraging technology to compensate for its lack of strategic depth and manpower limitations.²⁰ From the Singapore Air Force's standpoint, the relationship with the USAF provides the opportunity to train with the USAF, improve their capabilities, and benchmark themselves against the best in the world.²¹

²⁰See *Defending Singapore in the 21st Century* (2000).

²¹Discussion with Major General Raymund Ng, Republic of Singapore Air Force Commander, February 2000.

Reflecting this outlook, Singapore has sought to anchor the U.S. military firmly in the region. Singapore hosts the U.S. Navy Logistic Group West Pacific (relocated from Subic Bay) and the USAF 497th Combat Training Squadron and is constructing berthing facilities to accommodate U.S. aircraft carriers. Singapore has also contributed significantly to burden sharing in the form of the provision of no-cost facilities and air force operational support. On the political side, U.S. perceptions of the Singaporean political system as authoritarian or insufficiently sensitive to U.S. conceptions of human rights were once obstacles to the development of closer bilateral cooperation, but these issues do not appear to have been a salient factor in recent years. More intractable are the problems of sheer space and geographic constraints, which place a limit on increased USAF use of Singapore facilities.²²

Malaysia. By contrast, Malaysia has sought to diversify both its defense relationships—for instance, through the purchase of Russian MiG-29s, U.S. F/A-18s, and European naval systems—and its diplomatic relationships (i.e., through efforts to play Japan and the East Asian Economic Caucus as an economic counterweight to the United States). Malaysian policy, in fact, appears highly idiosyncratic, largely because it reflects Prime Minister Mahathir's personal proclivities as much as traditional strategic considerations.

Before the onset of the economic crisis, Malaysia conducted a broad range of military-to-military activities with the United States, but the tempo of these activities was slowed by the Malaysian defense budget squeeze. The prospects of expanded defense cooperation with Malaysia are difficult to predict and will depend largely on the future course of the Malaysian government. Prime Minister Mahathir's prickly policies and authoritarian tendencies could prove a serious obstacle to the development of closer defense relations. That said, Malaysia is now in a process of political and even generational change. Given the community of interests between the United States and Malaysia, the post-Mahathir era could open up the prospect of expanded defense cooperation.

²²The policies of neighboring countries are also an important factor in the USAF's ability to optimize the use of facilities in Singapore. For instance, access to Indonesian ranges enhances training opportunities for aircraft deployed to Singapore, while Malaysia's denial of overflights renders use of Singaporean airfields more hazardous.

Indonesia. Indonesian defense policy has been informed both by the country's status as a founder and leading member of the Non-Aligned Movement and by the experience of the failed 1965 communist-backed coup. Although formally nonaligned, Indonesia's security orientation during the Suharto era coincided to a large extent with U.S. regional strategic interests. The development of a defense relationship consistent with shared security interests, however, was hampered under Suharto's New Order regime by controversies over human rights and the question of East Timor, which resonated in the U.S. Congress and led to restrictions on the transfer of U.S. military equipment and training to Indonesia.

The fall of Suharto and the transition to the new era opened a new chapter in Indonesian political development and perhaps in U.S.-Indonesian defense cooperation. A successful democratic evolution and cooperation with the international community in stabilizing East Timor would open a window for expanded bilateral defense cooperation. On the other hand, a political reversal leading either to a return to authoritarianism or to military rule, civil conflict, or a foreign policy shift in an anti-Western direction would undermine the prospects for cooperation and generate greater demands on the United States and the USAF.

The Indonesian military is acutely aware of the importance of establishing a solid relationship with the United States and the U.S. military, but it is frustrated by continuing U.S. restrictions on military-to-military relations and on the transfer of U.S. equipment and spare parts. Some harbor the suspicion that the West is seeking to keep Indonesia weak. Relations with Australia, once one of Indonesia's closest partners in regional security cooperation, have frayed badly in the wake of mutual recriminations over East Timor.

Both Air Force and Navy officers noted, in discussions in Jakarta in March 2000, that their services—unlike those of the Army—were not involved in internal security and needed U.S. help to perform their defense functions. The Air Force in particular has been hard hit both by the economic crisis and by the U.S. embargo and is unable to provide the air links critical to connect an archipelago of 17,000 islands. Of one squadron of F-16s (10 aircraft), only one-half are operational. The same holds true of Indonesia's two squadrons of C-130s. The Air Force budget has declined 50 percent in dollar terms

since the onset of the crisis, and the number of flight hours has fallen by almost one-half.

Clearly there is a strong rationale for a closer relationship between the United States and the Indonesian military. If it is to shift from a politicized territorial-based force with an internal security mission to a modern military focused on external defense, and if it is to modernize its obsolescent equipment, the Indonesian armed forces need the technical support and training that the U.S. military can provide. For its part, the United States could enhance its ability to influence the most important national institution in Indonesia at a critical point in its evolution and, beyond that, help Indonesia resume its role as an agent of stability in Southeast Asia through a policy of engagement.

The obstacles to U.S. engagement with the Indonesian military are mostly political and perceptual. On the Indonesian side, there is the residual pull of the country's tradition of nonalignment and self-reliance in military matters as well as some suspicion of U.S. motives. On the U.S. side, the Indonesian military is associated with human rights violations and excesses during the East Timor crisis. These perceptions have been reflected in congressional restrictions on U.S. arms transfers and training of Indonesian military personnel. The first requirement of a policy of engagement with Indonesia, therefore, is to reduce the volatility in the relationship. This may be accomplished through a step-by-step process. As Indonesia continues to democratize, the United States should commit to deliver needed military equipment, spare parts, and training at predictable points in this process.

Vietnam. Vietnam's strategic importance derives from its long coastline on the South China Sea and its control of the base at Cam Ranh Bay—major assets in strategic competition on the South China Sea. Hence, there is an underlying logic to cooperation between the United States and Vietnam to prevent a Chinese bid for regional hegemony.

This is not to say that the U.S. military can be expected to return to Cam Ranh Bay anytime soon—aside from the fact that the Russian Navy is still there. For one thing, the threat to U.S. and Vietnamese security interests on the South China Sea has not risen to a level that would compel military cooperation. The continued rule of an au-

thoritarian neo-communist regime in Hanoi and the legacy of the Vietnam War also constitute barriers to military cooperation between the United States and the Socialist Republic of Vietnam. This could change, however, in the context of a serious threat to regional security in which U.S. and Vietnamese strategic interests (and possibly the interests of other ASEAN states) converged. Multinational cooperation could in fact provide the cover needed to minimize historical sensitivities and bring together the two erstwhile adversaries of the Vietnam War if regional security conditions so required.

MAJOR POSSIBLE GEOPOLITICAL EVENTS IN THE SOUTHEAST ASIA REGION

The future security environment in Southeast Asia will be shaped by the interplay of a number of political and economic factors, some endogenous and others exogenous. The key factors, in our view, are the following: Southeast Asia's economic evolution; China's economic and political development and its interaction with Southeast Asia; the success of regional states in dealing with dissident movements and maintaining their national cohesion; the course of regional integration and cooperation; and the ability of key external actors, especially the United States, Japan, and Australia, to influence the regional security environment.

These drivers could interact to produce three basic scenarios, each with different implications for the political stability and security of Southeast Asian countries and for U.S. interests in the region:

- (1) **Continuation of existing trends:** This would involve recovery from the economic crisis; a steady increase in Chinese influence and capabilities; a fragile trend toward democratization; continued threats to national cohesion in Indonesia and other regional states; weakened regional institutions; and a continued U.S. military presence.
- (2) **Best-case scenario:** This scenario would entail steady economic recovery; a benign Chinese role in regional security; strengthening of democratic institutions in key states; resumed regional integration and a more effective role for ASEAN; and strengthened U.S. security relations with regional actors.

- (3) **Downside scenario:** This would encompass economic reversal; an aggressive, hegemonic or chaotic China; an increase in ethnic and religious conflict; political breakdown or fragmentation of Indonesia; loss of cohesion of ASEAN; interstate conflict within Southeast Asia; and a regional security environment too unstable to permit successful security cooperation between ASEAN states and the United States. This scenario would also be likely to generate more severe transnational problems, including increased refugee flows, piracy, drug trafficking and smuggling, and other criminal activities.

Impact of Economic Factors

The economic evolution of Southeast Asia will clearly have a major impact in shaping the future security environment, just as the economic crisis of 1997–1998 brought about fundamental change in political and security conditions. In the best-case scenario, the regional economies would continue their recovery from the crisis. In Thailand, Malaysia, and the Philippines, currencies and stock markets would stabilize and economic growth resume. Indonesia would begin to emerge from the crisis, but the economic recovery would be fragile and vulnerable to political and social unrest.

A less optimistic scenario postulates a more uneven regional economic performance in which there would be greater differentiation among countries depending on each country's ability to maintain political stability and appropriate economic and fiscal policies. In these circumstances, Singapore and Thailand would present the best prospects for recovery and Indonesia the most problematic, and Malaysia and the Philippines would fall in between.

The worst-case scenario could come about as the result of a regional or extraregional shock—for instance, further economic deterioration in Japan, a Chinese banking crisis or currency devaluation, or competitive devaluations by other Asian countries. All Southeast Asian countries would be affected, although the political impact would be most severe in Indonesia, the country most weakened by the crisis. Economic deterioration could also threaten the stability of democratic institutions in the Philippines and Thailand, bring about the collapse of the political order in Malaysia, and aggravate interstate

tensions as governments seek foreign scapegoats for domestic difficulties.

The interplay of the trends described above could produce a number of major geopolitical events, which would in turn generate demands on the United States and the U.S. military. Two of the most demanding of these events—Indonesian disintegration or political breakdown and an armed conflict involving China—will be discussed below.

Indonesian Disintegration or Political Breakdown

Indonesia's geopolitical weight makes it the key to Southeast Asia's security. Indonesia has 40 percent of Southeast Asia's total population and a landmass greater than the rest of Southeast Asia combined. It stretches over 3000 miles and straddles critical SLOCs and straits connecting the Western Pacific with the Indian Ocean. Although the world's largest Muslim-majority country, Indonesia is culturally and religiously diverse and is organized as a secular state. This vast country is currently in a process of systemic political transition in which the strategic interaction between the government, other political actors, and the armed forces could lead to a variety of outcomes. Three possible outcomes suggest themselves:

1. Successful Democratic Transition. The best-case scenario presumes that the current government in Jakarta will move the political reform process forward toward a stable democratic order. However, the coalition that elected President Wahid—which included traditional Muslims, secular-minded supporters of Vice President Megawati Sukarnoputri, and factions of the former pro-Suharto Golkar party—has frayed badly. A positive outcome will thus depend on whether Wahid or his successor can build a viable parliamentary majority. It will also depend on whether the government is able to get a grip on the economy, bring about some improvement in the standard of living of ordinary Indonesians, and foster the return of the predominantly ethnic Chinese capital that has fled the country. If the Wahid government manages these challenges successfully, the prospects for democratic consolidation will improve. The trend lines are, however, unclear. According to reports from Singapore, some of the ethnic-Chinese capital that had fled Indonesia returned after Wahid's election, but the flow of capital has since slowed because of

a lack of confidence in the Wahid government's economic management. The key problem of the corporate debt overhang has not been cleared, for example, and the banks have not resumed lending.²³

In addition, a number of wild cards could derail the process, one of which is the government's handling of insurgencies and separatist movements, particularly in Aceh. If the government's efforts to conciliate the Acehnese fail, its options would be to concede independence to Aceh as it did to East Timor, which would be unacceptable to many Indonesians, especially in the military, or to prosecute a difficult and costly war. As mentioned earlier, there is also an armed insurgency in the province of Irian Jaya at the opposite end of the Indonesian archipelago as well as what amounts to a religious civil war on some of the islands of the Moluccas, which could spread to other parts of the country and perhaps generate unsustainable strains on the military and the political system.

Beyond demands for outright separation, Jakarta faces a significant political challenge in managing the demand on the part of the provinces, especially outside Java, for greater autonomy and control over local resources. The government has responded by passing laws that devolve power and revenue to the provincial and village level. In the view of some, only Indonesia's transformation into a federated state can in the long run save the country from disintegration. On the other hand, dismantling the old centralized state represents an enormous challenge. The experience of the Philippines with decentralization was not entirely happy; it fostered corruption at the local level, the creation of local fiefdoms, and reductions in government services.²⁴ If not managed carefully, decentralization in Indonesia could reduce the central government's ability to fund essential functions and could thus create greater imbalances between resource-rich and resource-poor provinces.

2. Aborted Transition and Political Breakdown. Given this outline of the problems confronting the Jakarta government, it goes without saying that there is no guarantee that it will successfully navigate the

²³Discussion with analysts in Singapore, February 2000.

²⁴Presentation by former Philippine National Security Adviser Jose Almonte at the Council for Security Cooperation in the Asia Pacific international seminar on Indonesia's future challenges and implications for the region, Jakarta, March 8, 2000.

transition to a stable democratic system. One key factor in this context is leadership. By both temper and political philosophy, Wahid is well qualified to promote national conciliation and cohesion, but he has been unable to effectively address the country's pressing problems, and his political support has eroded. Vice President Megawati's political skills are unproven.

If the Jakarta government's economic and political policies were a conspicuous failure, the democratic transition could be aborted. Violence could increase and spread to Java, possibly fostered by Islamic radicals. The armed forces, which view themselves as guardians of the country's territorial integrity and political stability, could thus see no option but to reinsert themselves into politics, and the country could revert to authoritarian or military rule.

An aborted transition could widen fissures in Indonesian society, overwhelm key institutions, and lead to a breakdown of central authority. A breakdown scenario could in turn involve a collapse of authority in Jakarta, with different factions vying for power. It could, moreover, involve the loss of central control over the periphery and, in the most extreme case, the outright secession or attempted secession of outlying provinces.

3. Disintegration. This worst-case scenario could come about as a result of a split in the military, which could conceivably fracture along some of the many divides in Indonesian society, or from the simultaneous outbreak of large-scale violence in Java and secessionist or dissident challenges in the outer islands that the thinly stretched military proved unable to control. Needless to say, this scenario, while not the most likely, would be the most demanding one for the United States and the USAF. Chaotic conditions in Indonesia could generate requirements for a variety of military operations other than war (MOOTW) and at the same time raise the bar for cooperation with the Indonesian civil authorities and military.

Failure of East Timor Settlement

Indonesia's acceptance of East Timor's separation and the Indonesian military's withdrawal from the half-island have lessened considerably the prospect that East Timor will continue to be a factor of instability in Indonesia's relations with the United States and the

international community. The best-case scenario would be one in which Jakarta cooperates with the international community in stabilizing East Timor. An arrangement that saves Jakarta's face and protects the interests of all of the parties—including Indonesia and its former supporters on East Timor—is most likely to produce a viable East Timorese state, strengthen the process of political reform in Indonesia, and reduce the prospects of international conflict over East Timor. Yet, despite the goodwill manifested by both President Wahid and the East Timor leadership, prospects for a favorable outcome have been clouded by continued incursions into East Timor by pro-Indonesian militias based across the border in West Timor.

Even in the best of circumstances, however, East Timor will require the employment of considerable peacekeeping assets on the part of the international community. Despite the Indonesian withdrawal and the presence of an international force, East Timor is far from stabilized. The Indonesians are unlikely to try to reassert control over East Timor, particularly if they are preoccupied with separatists in Aceh and other parts of Indonesia. In the context of political instability and power struggles in Indonesia, however, some Indonesian political and military factions might view it as in their interests to encourage continued violence and confrontation on East Timor. In this scenario, dissatisfied pro-Indonesian militias and their supporters might carry out attacks against the proindependence population and the peacekeeping force. The Indonesian authorities on West Timor might be unwilling or unable to suppress the militias—and under some circumstances might actively encourage them. The unfinished conflict on East Timor could thus become a permanent drain on international peacekeeping assets as well as a potential source of international conflict.

Threats to Democracy and Stability in the Philippines

A deterioration of conditions in Southeast Asia could also threaten democratic institutions in countries where democracy has taken root, particularly the Philippines. The democratic tradition in the Philippines strengthened steadily from the fall of the Marcos regime in 1986 to President Estrada's election in 1998. During this period, there were three successive democratic presidential elections; democratic civilian control of the military was strengthened; and former

military coup makers and guerrillas alike were incorporated into the political system.

Despite the impressive achievements of Filipino democracy, strong political and economic threats to stability remain. Estrada was driven out of office in January 2001 by an uprising backed by opposition political sectors and the military. As discussed previously, the Philippine government must contend with communist and Islamic insurgents. Inadequate implementation of the peace agreement with the former Moro rebels in Mindanao—particularly the lack of tangible economic benefits for the former rank-and-file guerrillas—could undermine the viability of the accord and lead to renewed large-scale conflict. The fragility of the situation in southern Mindanao was exposed, as noted above, by Abu Sayyaf's kidnapping of foreign tourists and Filipinos in May 2000, and the Philippine military's rescue operations on Abu Sayyaf's stronghold of Basilan Island triggered the worst outbreak of violence in years. The MILF broke off peace negotiations with the Manila government in protest and staged a series of attacks in Mindanao.

Estrada's removal from office may have unpredictable consequences. Chaotic conditions could lead to a resurgence of violence and social protests—some of the conditions that undermined Philippine democracy in the past. The worst-case scenario would be a conjunction of authoritarian or chaotic political conditions in Manila with the strengthening of Islamic separatist enclaves in the southern Philippines.

Intra-ASEAN Conflict

Thirty years of interaction within ASEAN have nurtured a strong norm against the use of force to resolve conflicts among ASEAN states. Therefore, an intra-ASEAN armed conflict should be considered a low-probability event. Nevertheless, the economic crisis has weakened the ASEAN consensus and stoked intraregional tensions. Long-standing antagonisms—never far below the surface—could flare up and fuel an international conflict.

Malaysia's relations with both Singapore and Indonesia have been strained over refugee, immigration, and other economic issues. Friction between Thailand and Burma over political and border is-

sues is also on the rise. In discussions in Bangkok in February 2000, Thai defense analysts expressed their belief that a conflict between Thailand and Burma was the most likely international conflict in mainland Southeast Asia. Potential conflicts could also arise over any of a number of land and sea border disputes.

A possible intra-ASEAN conflict between Malaysia and Singapore could come about as a result of a political crisis in Malaysia. Both countries are in the process of generational leadership transition. The Singaporean transition is proceeding at a deliberate pace and is likely to be stable, but the Malaysian transition could generate a dangerous political dynamic. Prime Minister Mahathir appears to have overcome the immediate political crisis provoked by the dismissal and imprisonment of former Deputy Prime Minister Anwar Ibrahim, but any one of a series of events, including a serious economic downturn or a rupture in the Malaysian government's Malay power base, could threaten its hold on power. In such circumstances, ratcheting tensions with Singapore could be viewed as a way to rally Malay and army support for the government. In this scenario, Kuala Lumpur might not necessarily intend the tensions to develop into an armed conflict, but crises could quickly veer out of control.

Singapore is unlikely to provoke a military conflict with Malaysia, but if Singapore is convinced that Malaysia planned to attack, its lack of strategic depth could induce it to launch an Israeli-style preemptive strike. Singapore could not sustain a prolonged conflict and would seek an early end to the fighting, with international monitoring and, to the extent possible, demilitarization of the border area.

Although a Malaysia-Singapore armed confrontation should at this time be considered a low-probability event, the consequences for regional security were it to occur would be far-reaching. It could, for example, divide Southeast Asia into antagonistic blocs and bring about the effective end of ASEAN. It could also revive the environment of national and ethnic conflict that preceded the establishment of ASEAN, endanger ethnic minorities, and invite external interference in Southeast Asian affairs.

Conflicts Involving China

The potential threats China poses to Southeast Asia can be placed in two broad categories: conventional military threats and more ambiguous and subtle challenges, possibly in the guise of maintaining regional order. It should be recognized, however, that these categories are part of a continuum: China employs both approaches as needed, beginning with more subtle or indirect threats and escalating when that approach fails or where a “lesson” is required.²⁵ Nevertheless, the distinction between the two kinds of threats is analytically useful: Threats in the first category are easily identifiable and therefore more amenable to deliberate planning, including deterrence and response. Because of their lower profile and more ambiguous nature, threats in the second category may be more likely to materialize but harder to anticipate or counter effectively.

1. Conventional Military Threats. In the category of conventional military threats, there are two contingencies that would require a U.S. diplomatic or military response. One would be an incident that spins out of control—for instance, if a regional state resisted a Chinese attempt at encroachment on the South China Sea or decided to challenge a Chinese outpost within its claimed area of jurisdiction. In either case, an incident could escalate into a full-scale military confrontation.

The second would be a deliberate Chinese decision to establish and maintain physical control over all or most of the Spratlys. Such a Chinese operation could feature the threat or use of force against the territory of an ASEAN state, either to compel acceptance of Chinese demands or to defeat opposing military forces.

In the event of a conventional conflict, the Chinese would quickly overrun the garrisons on the islands, since none of the Southeast Asian states, either alone or in combination, have the capability to defeat a determined Chinese attack. However, the demands of a South China Sea conflict on the logistics and operational capabilities of China and the Southeast Asian states would be substantial, as neither side has the capability to sustain operations over a prolonged period of time. That said, the Chinese might not require prolonged

²⁵The 1979 border war with Vietnam would fall into the latter category.

operations to achieve their political aims, which could be coercion or intimidation of regional states.

2. Ambiguous Threats. Alternatively, China could expand its “salami tactics” and more ambiguous use of force to assert control over territory. The Chinese have been adept at camouflaging their politico-military operations in ostensibly innocuous garb—from the construction of “fishermen’s shelters” on Philippines-claimed Mischief Reef to the July 1999 seizure, for “smuggling,” of a Taiwanese vessel carrying supplies to Matsu. The Chinese could continue their “island-hopping” tactics and steadily increase their presence on disputed areas. They could also engage in selective harassment of regional states in the guise of antipiracy or order-keeping operations or protection of Chinese fishermen or so-called civilian facilities.

Under either of these circumstances, the governments under attack could request a more visible and substantial U.S. military presence including, in the event of a conventional Chinese attack, the deployment of U.S. naval vessels and combat aircraft to deter further attacks or induce China to withdraw.

If the country involved in a conflict with China were to be the Philippines, the Manila government could seek to invoke the Mutual Defense Treaty under the provision covering an attack on Philippine armed forces. The United States would then be placed in the difficult position of either complying with requests for assistance, thereby raising the prospect of involvement in a conflict with China, or refraining from doing so, which would risk diminishing the credibility of U.S. commitment to the security of the region and increase the incentive for regional states to “bandwagon” with China.

3. Spillover of Taiwan Conflict. A third and perhaps more probable scenario for a conflict in Southeast Asia involving China would involve the spillover of a conflict over Taiwan. In this scenario, the Chinese would likely seek to interdict shipping to Taiwan, possibly extending interdiction efforts to the South China Sea. If the attack on Taiwan is viewed as unprovoked—e.g., not in response to a Taiwanese declaration of independence—the ASEAN states would likely condemn it but would not be likely to provide military assistance to Taiwan. If Chinese actions were perceived as interfering with freedom of navigation on the South China Sea, some ASEAN states might

be willing to join the United States in providing escorts to civilian shipping. In these circumstances, a military clash with China could not be excluded.

The stakes would be higher if the United States were to come to the defense of Taiwan. The United States could ask for the use of bases in Southeast Asia for both logistical support and combat missions. Use of air bases in Luzon could be critical in the unlikely event that Japan were to deny the United States the use of bases in Okinawa. Whether to cooperate with the United States in actual combat operations against China would be an excruciatingly difficult decision, as the political costs would be high either way. In addition, a decision to cooperate militarily with the United States could expose the cooperating countries to military retaliation by China. Therefore, in order to secure Southeast Asian military cooperation, the United States should be prepared to offer an adequate *quid pro quo* as well as protection from Chinese military retaliation, perhaps in the form of theater missile defense.

IMPLICATIONS OF CHANGES IN THE REGIONAL SECURITY ENVIRONMENT FOR REGIONAL AIRPOWER

Given the more volatile security environment in Southeast Asia and the archipelagic character of the theater, the Southeast Asian states need to upgrade their airpower both to counter growing Chinese power projection capabilities and to deal with regional contingencies. As a result of the economic crisis and a growing preoccupation with internal security problems, however, most of the ASEAN states, with the exception of Singapore, have slashed defense expenditures, weapon procurement, and force modernization. As a result, there has been a decline in combined exercises and training. Air and naval force modernization and other programs to enhance ASEAN force projection capabilities have been delayed, cut back, or canceled. Moreover, because ASEAN states have not coordinated any of these decisions, interoperability within ASEAN—which has traditionally been weak—has been dealt a further setback.

As the region pulls itself from the crisis, military modernization will resume. The Thais have requested an LOA on F-16s, and the acqui-

sition of a modern multirole aircraft remains one of the Philippines' highest acquisition priorities.

Nevertheless, the gap in military capabilities between the ASEAN countries and China is likely to grow over the next 10 to 15 years. Therefore, the Southeast Asian states will continue to rely on the United States to maintain the regional balance of power and deter Chinese expansionism.

IMPLICATIONS OF THE CHANGES IN THE REGIONAL SECURITY ENVIRONMENT FOR THE UNITED STATES AND THE USAF

The scenarios discussed above are not predictive but suggest different sets of demands and requirements for the United States and the USAF as well as opportunities for the United States to promote its core security interests in Southeast Asia. A conflict involving China would be the most demanding scenario. The Chinese could be expected to seek to deter U.S. involvement by raising the costs of conflict through a variety of means, including challenges to U.S. global interests. In the Southeast Asian theater, Chinese ballistic or cruise missiles and submarines could place U.S. military assets at risk.

Scenarios involving political disintegration or threats to democracy in Southeast Asian countries could generate greater demands for noncombatant evacuation operations (NEO), peacekeeping and peacemaking operations, SLOC protection, and humanitarian and disaster relief operations. These requirements would increase the burden on the USAF and affect its readiness and ability to conduct major regional contingency (MRC) combat missions in the short and long run. Indonesian disintegration or political breakdown would be particularly dangerous and burdensome, not only because of the humanitarian crises such a course of events will likely generate and the accompanying demands on U.S. and USAF resources, but also because Indonesia's disintegration could change the entire geopolitical complexion of Southeast Asia in ways we cannot even begin to anticipate.

The most promising approach for the United States and the USAF is in our view to seek to affect the "demand" side through a robust shaping and hedging strategy. In this regard, the same unstable

conditions that could generate greater demands would also provide greater opportunities for closer engagement with ASEAN militaries, improved multilateral cooperation, and enhanced and expanded access to regional facilities.

AN ENGAGEMENT AND HEDGING STRATEGY

From the above considerations, it follows that the United States should think of a step-by-step approach focusing on shaping a more favorable security environment through engagement with regional governments and militaries while diversifying options for U.S. access and laying the foundation for an expanded U.S. military presence if needed.

Engagement

Over the next several years, the United States will have the opportunity to cultivate stronger military ties with many ASEAN states. The priority during this period should be to expand military-to-military contacts and training to assist ASEAN countries with the modernization of their air forces and the use of their assets to combat illicit drug trafficking, smuggling, and piracy and to conduct sea monitoring, search-and-rescue, disaster relief, and humanitarian operations. Since budgetary constraints have forced ASEAN air forces to cut back on training and exercises, rotational deployments and combined exercises should be structured to minimize the counterpart country's financial outlays. Exercise Cope Thunder (which in its last iteration included Japanese, Thai, and Singaporean air force participation) could be expanded to include other ASEAN countries. The USAF could also increase periodic deployments of AWACS aircraft for training in a maritime surveillance mode with ASEAN militaries.

A democratic Indonesia should make it possible for the United States to resume international military education and training (IMET) and to provide equipment and training under the Foreign Military Sales (FMS) program. Whenever possible, the United States could foster cooperation and interoperability among regional states—for instance, by exploring the establishment of a regional “Red Flag” training center (possibly in the Philippines), an integrated air defense

system, or combined interoperability programs linked to the transfer of U.S.-origin advanced weapon systems. The United States should also intensify a strategic dialogue with partners, since the importance of a shared strategic perspective cannot be underestimated in facilitating cooperation and burden sharing.

Military-to-military cooperation may be more difficult to attain if regional militaries regress into practices inconsistent with U.S. views of democratic governance and human rights. The dilemma is that, while domestic political considerations may require that the United States distance itself from local militaries, the effect may be to reduce the U.S. ability to influence a key institution on behalf of U.S. interests, including democratization and human rights improvements. Clearly, each situation would have to be evaluated on its own merits, but it could be argued that, in problematic cases, a degree of compartmentalization would serve U.S. interests. Since air forces and navies are usually less involved in internal security than ground forces, from a political perspective they can be more viable interlocutors than other elements of a regional state's armed forces.

The U.S. engagement strategy should, of course, be adapted to the historical experience and political and technical requirements of each counterpart country. With the Philippines and Thailand, the United States could build on long-standing relationships and could help, especially in the former case, with badly needed military modernization. In Singapore, as noted above, there is extensive ongoing cooperation. While Singapore is not a treaty ally, the United States would be justified in treating it as an ally, particularly with regard to high-tech transfer and advanced training. With Malaysia, there is a need to resume a normal tempo of bilateral activities, interrupted by the financial crisis, and to insulate the military-to-military relationship from controversies emanating from the political arena.

Access and Basing Arrangements

Just as engagement is key to the shaping side of the U.S. strategy, access is at the heart of its hedging component. Since the U.S. withdrawal from bases in the Philippines, there have been no permanently stationed forces in Southeast Asia, although the United States has varying degrees of access to facilities in Thailand, the Philippines, Singapore, Malaysia, and Brunei. What shape U.S. require-

ments will take in the future will depend largely on the way the regional security situation develops. In circumstances where their security is threatened, however, some ASEAN states would be more likely to agree to support an expanded U.S. military presence.

From a practical standpoint, it would be advisable to maximize access options to increase flexibility—that is, to adopt a “portfolio” approach to basing and access. Political considerations argue for spreading access and basing arrangements among several countries to avoid overdependence on any single country and to hedge against the loss of access or the placing of operational restrictions on U.S. forces. This approach recognizes that there is no single solution to the problem and lays the groundwork for an expansion of the U.S. military presence if required by changes in the security environment, such as the loss of bases in Northeast Asia or a more aggressive Chinese stance.

In terms of operational requirements, the near-term priorities should be the Philippines and Singapore, but the United States should also be improving military ties and cooperation with Malaysia, Indonesia, and Thailand. In the case of Malaysia and Indonesia—both of which are committed to national and regional “self-reliance” and are sensitive to their position within the nonaligned movement—the United States and the USAF will have to be patient in building trust in the relationship and improving defense capabilities. Enhanced U.S. intelligence sharing and arms transfers—especially those that enhance interoperability with U.S. forces—as well as U.S. assistance tied to improving inter-ASEAN cooperation could pave the way for expanded military cooperation.

Specific options for improved or expanded air access could include the following:

Philippines. Use of the facilities in Luzon would permit U.S. aircraft to respond to either a Taiwan or a South China Sea contingency. Despite residual controversy over the U.S. bases, the Philippine government will probably allow U.S. operational use of facilities in country if Philippine security interests are directly at stake. The United States may be asked to provide security guarantees or assistance for military modernization programs. In some envisioned cir-

cumstances, the United States would have to redefine its position on the Philippines' contested territories in the South China Sea.

Singapore. Singapore has placed at the disposal of the United States dedicated and dual-use facilities at Paya Lebar Air Base. Facilities at Singapore are close to critical straits and can be used to access Indonesian ranges. USAF operational use of facilities in Singapore is possible in the context of U.S.-Singaporean strategic cooperation. U.S. access arrangements with Singapore could be expanded into a defense agreement that would spell out conditions under which the United States could use those facilities for out-of-area contingencies, possibly including a Taiwan contingency. Geographic and space limitations, however, could constrain air operations from Singapore. There would also be political limits imposed by Malay suspicion of Singapore's relationship with the United States.

Thailand. Thailand allows the United States broad access to Utapao for exercises and real-life operations and will probably agree to an expanded U.S. presence in a regional security emergency. Unless there is further evolution in Thai attitudes toward China, Thai facilities may not be available for a China-centered contingency.

Indonesia. Indonesia has upgraded air and naval facilities at Ranai (Natuna Besar) on the South China Sea near Kalimantan. Under some circumstances arrangements could be negotiated with Jakarta, although it would require overcoming significant political obstacles on both sides. Infrastructure improvements would probably be needed.

Malaysia. Malaysia hosts regular bilateral exercises with the USAF, but operational use of Malaysian facilities for regional contingencies is unlikely unless Malaysian security was threatened. Prospects for bilateral cooperation might be better in the post-Mahathir era.

Australia. Australia is the closest U.S. ally in the Southwestern Pacific/Indian Ocean region, with vital interests in Southeast Asia. The Australians are interested in developing Tindal Air Force Base near Darwin as a training range and in accommodating Southeast Asian combined training. This could present an opportunity to expand cooperation and interoperability with regional states but will require working to rebuild trust and cooperation between Australia and Indonesia.