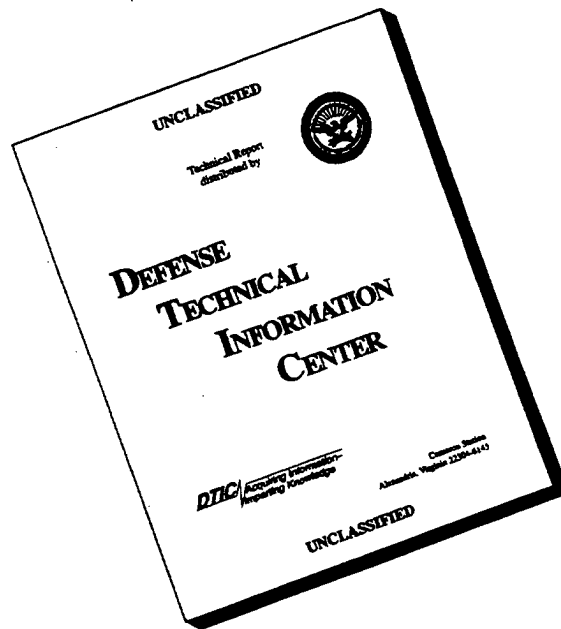


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ASEAN: FROM REGIONAL EXPERIMENT TO VIALE ALLIANCE

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May 1984

*Authors: Ronald Cima
Warren W. Darkow*

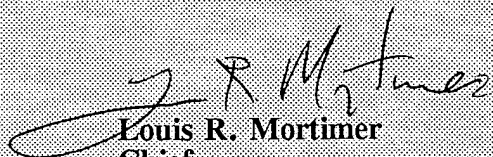
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PREFACE

This study surveys the historical development and current status of economic and military cooperation among the six member states of the Association of Southeast Asian Nations (ASEAN) and discusses the possibility of ASEAN evolving into a regional defense alliance. Data on the foreign relations of ASEAN are presented, as is information on the geography, demography, economy, and military capabilities of each of the ASEAN nations.

All information is derived from open sources available as of 1 May 1984.

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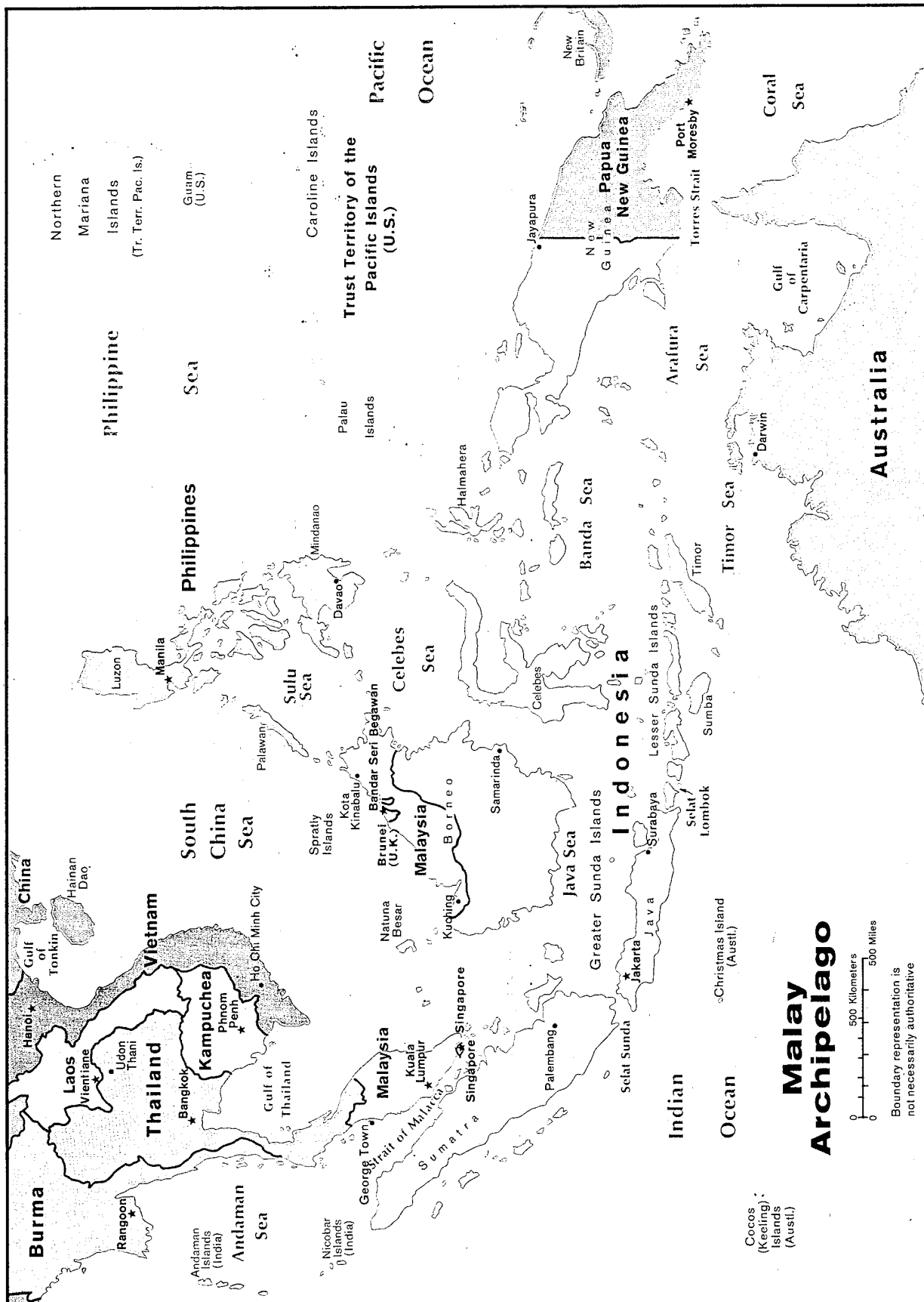
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SUMMARY

The Association of Southeast Asian Nations (ASEAN), formed in 1967 to further regional economic cooperation, began to realize its full potential only after the Communist victory in Vietnam in 1975. This event, and the subsequently less active role of the United States in the region, gave impetus to the organization's five original members--Indonesia, Malaysia, Philippines, Singapore, and Thailand (Brunei gained membership in January 1984)--to develop political cohesiveness as well as economic cooperation. The Bali heads of government summit of 1976 provided the outline for a bureaucracy and evinced a new resolve to keep the organization viable. The Vietnamese invasion and occupation of Kampuchea in late 1978 gave further incentive to ASEAN to attain a still more authoritative status among its members and in the international community.

ASEAN gained new diplomatic strength by focusing United Nations attention on the Kampuchea situation and encouraging the formation of a Kampuchean government-in-exile by Khmer anti-Vietnamese factions. The presence of Vietnamese troops in Kampuchea imbued ASEAN with a sense of unity that probably could not have been achieved otherwise. This was also demonstrated economically with the removal of trade barriers on an unprecedented number of mutually traded goods.

Most significant were changes that began to occur militarily and speculation regarding ASEAN's chances as a military alliance. Although the Kampuchean predicament caused the military budgets of the individual ASEAN nations to soar, talk of a defense alliance remained veiled. Nevertheless, initial steps were taken with proposals to standardize arms, create weapons pools, convert bilateral military maneuvers to trilateral or quadrilateral exercises, and encourage complementary domestic arms production. Further activity in this direction, with continued restraint on open reference to a strategic alliance, is very likely. Compared to the Armed Forces of Vietnam, ASEAN's military forces remain decidedly weaker. Therefore, it remains to ASEAN's advantage to keep the defense alliance issue alive while maintaining a low profile until its military arm is competitive.



Map of the ASEAN Region.

INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) was formed in Bangkok in 1967 as a regional economic, cultural, and social cooperative.* The original five member nations--Indonesia, Malaysia, the Philippines, Singapore, and Thailand (the sixth member, Brunei, was admitted in January 1984)--were a disparate grouping with little to recommend their prospects for unified activity. They harbored cultural, historical, and political differences that on past occasions had resulted in military confrontations, and all previous attempts at establishing similarly institutionalized cooperation had failed. Nevertheless, ASEAN survived and flourished economically and diplomatically. It is currently experiencing the fastest growth of any economic grouping in the world and its viability as a diplomatic force is a key element in maintaining Southeast Asian regional stability.

The conditions that encouraged ASEAN's development also introduced the question of military cooperation, a sensitive issue foreign to the organization's charter and one to which the majority of member nations are reluctant to call attention. Beginning with the uncertainty that followed the withdrawal of US military forces from Vietnam, these conditions have included the shifting pattern of Soviet and Chinese interests in the region and Hanoi's subsequent invasions of South Vietnam and Kampuchea. ASEAN members were prompted to look to one another for mutual support, particularly in security matters. The Kampuchean situation, more than any other factor, impressed on ASEAN the necessity for unity and underlined the need for military cooperation. It appears less than accidental that ASEAN's current prosperity coincides with the crisis in Kampuchea and that, as talk of military cooperation increases, barriers to economic cooperation recede. For ASEAN, the Kampuchean issue represents a means of uniting and strengthening the organization by offering it an unprecedented *raison d'etre*. As a result, military progress has become associated with economic progress, and external phenomena such as Kampuchea more than the volition of its own membership are directing ASEAN's future course.

ASEAN's transition from an experiment in cooperation to a viable alliance is the product of a number of factors, including geographic and demographic conditions, economic and military considerations, and foreign relations. The interplay of outside forces with indigenous ones remains a theme throughout as do the manifestations of military cooperation. ASEAN's course in the years ahead can best be assessed by understanding the path it has taken to date.

*See appendix A for the text of the "ASEAN Declaration."

PART 1 - ASEAN: THE ORGANIZATION

a. History

(1) Background

The term Southeast Asia is a Western fabrication, designating a World War II theater of combat operations. It comprises a multitude of tribal domains, ethnic identities, languages, and religions. With the exception of Thailand, the nations of the region are largely products of colonial pasts that engendered closer relationships with Western colonial rulers than with each other. When the founders of ASEAN gathered in Bangkok in August 1967 to launch the organization, few believed that the five governments were capable of operating as a single entity. In fact, the five founding nations harbored numerous historical hostilities. Open conflicts and divergent foreign policies at the time of ASEAN's establishment appeared to be overwhelming barriers to forming and maintaining the Association.

Indonesia had openly harassed Malaysia and Singapore for several years in the early 1960s, with a policy of "confrontation" in retaliation for the formation of the Federation of Malaysia in 1963. The new state had been established by the Malay ethnic group with British cooperation, in order to neutralize the ethnic Chinese in Singapore and the west coast states of Malaya. Refusing to recognize this "neo-colonial" creation, Indonesia undertook a guerrilla campaign against Malaysia in Sarawak. Despite the threat from Indonesia, the Malay elite in Kuala Lumpur and the Singapore Chinese could not lay aside their own hostilities long enough to sustain the new state. As a result, Singapore separated from the Federation in 1965.

At the same time, the Philippines pressed an old claim against Malaysia for sovereignty over the territory of Sabah in North Borneo. Even with ASEAN firmly established, the Philippines was unwilling to abandon the claim, going so far as to break off diplomatic relations with Malaysia from 1968 to 1972. Only in 1977, as ASEAN celebrated its 10th anniversary, was the claim formally renounced.

Of the ASEAN countries, only Thailand, which did not have a Western colonial legacy, managed to avoid open conflict with neighboring members. The absence of struggle in its relations with Malaysia, however, belies the potential for problems over the established frontiers between the two states, borders which could easily be challenged by either side on historical, ethnic, and religious grounds.

Divergent foreign policies also kept the ASEAN nations apart. Indonesia made an early commitment to nonalignment, while Thailand and the Philippines relied on bilateral security arrangements with the United States. Malaysia and Singapore, on the other hand, looked to defense aid from Australia, New Zealand, and Britain, fellow members of the British Commonwealth. In addition, Malaysia and Indonesia viewed China as the most serious threat to regional security, while Thailand, Singapore, and the Philippines placed Vietnam and the Soviet Union in that role.

The history of ASEAN can be divided into three periods: 1967-75, 1975-79, and 1979 to the present.¹ The first was one of marking time. Having only secured their independence within the previous 2 decades, most of the former colonies were reluctant to surrender any sovereignty to a larger multi-lateral entity. The five governments took this time to overcome mutual suspicions and hostilities. The fall of Indochina to Communist forces in 1975 ushered in the second period. The United States appeared to the ASEAN nations to have abandoned the region at a time when Vietnam was emerging as a military power with greater capabilities than the combined resources of its ASEAN neighbors. Sino-Soviet rivalry in the region also intensified. In the face of these shifts, the ASEAN nations nurtured a growing sentiment toward cooperation, a momentum which led to their first heads of government summit in Denpasar, Bali, Indonesia, in February 1976, and a second in Kuala Lumpur in August 1977. The Bali meeting stressed cooperation between members, while the Kuala Lumpur conference focused on cooperation with outside powers, notably Japan. The third period built on the accomplishments of these summit meetings. Member countries began to work together effectively, not only as an economic unit but as a diplomatic bloc, demonstrating considerable influence on UN policy with respect to Kampuchea. Once again, the catalyst for unity came from events in Indochina, specifically Vietnam's invasion of Kampuchea and the consequent consolidation of Indochina under Hanoi's rule. During this latest period, member countries significantly increased defense spending and discussions about ASEAN becoming a military alliance.

Vietnam has played a crucial role in ASEAN's development since its creation at the height of the Vietnam War. Vietnamese critics initially perceived ASEAN to be a US Government ploy to rally Southeast Asia behind its war effort.² President Nixon's 1969 "Guam Doctrine," born of US war-weariness in Vietnam, required American friends and allies in Asia to attend more directly to their own security instead of counting on US intervention. This policy, combined with the US rapprochement with China, underscored the need for the nations of Southeast Asia to seek coordination and support from their regional neighbors.

(2) Precursors

(a) Southeast Asia Treaty Organization (SEATO)

Organizations promoting Southeast Asian regional cooperation existed before 1967. ASEAN's founding was hardly innovative, but rather the outcome of an evolutionary process. After World War II, a number of multi-lateral groupings emerged in Southeast Asia. The most important was the Southeast Asia Treaty Organization (SEATO). Formed in 1954, its chief architect was US Secretary of State John Foster Dulles, who envisioned it as a link in a wide arc of anti-Communist alliances including NATO (North Atlantic Treaty Organization), CENTO (Central Treaty Organization), and ANZUS (Australia-New Zealand-US Pact). SEATO's legal basis was the Manila Collective Defense Treaty, whose signatories were the United States, United Kingdom, France, Australia, New Zealand, Pakistan, Thailand, and the Philippines. In addition to forming a defense alliance among these nations, SEATO also provided reinforcement to US bilateral military agreements with the Philippines and Thailand.

A product of the Cold War, SEATO's solidarity began to dissolve when the political climate in the West evolved from cold war to detente. France and Pakistan ceased to take an active part in the alliance, while Britain made it clear that it would not support any military moves undertaken by the organization. In its final years, SEATO became, in effect, an alliance between the United States and the remaining Asian members. It was dissolved in 1977.

Not generally known at the time was that the Manila Collective Defense Treaty remained in force even after SEATO's demise. Responding to the crisis caused by the Vietnamese invasion of Kampuchea, the United States, Britain, and Australia declared that they regarded the Manila Treaty as still binding, and it remains so today.

(b) Association of Southeast Asia (ASA)

SEATO's failure exposed the weakness of a Southeast Asia alliance heavily dependent on partners from outside the region. Thonath Khoman, the veteran foreign minister of Thailand, believing that the time was right for a purely regional grouping, took the initiative in forming the Association of Southeast Asia (ASA) in 1961. It brought Thailand, Malaya (soon to be Malaysia), and the Philippines together in an informal consultative organization. Although there is some evidence that ASA came about as a result of Indonesia President Soekarno's territorial ambitions, it was too narrowly based and, if anything, emphasized the need for a more comprehensive grouping. ASA's basic weakness was that as a regional organization it failed to persuade Indonesia, the region's most populous state, to join. Under Soekarno, Indonesia had fallen increasingly under the influence of the PKI (Indonesian Communist Party), and Jakarta had launched a guerrilla war against the Federation of Malaysia. Both were antithetical to ASA's goals.

(c) Maphilindo

With the end of the Soekarno era and Indonesia's opposition to the creation of Malaysia, a more comprehensive grouping became possible. Ironically, it was Soekarno, while at a conference in Manila in 1963, who suggested the concept of Maphilindo, an acronym standing for Malaya, the Philippines, and Indonesia, and it was Soekarno, through his opposition to the formation of Malaysia, who sabotaged the idea that same year. Organized in an attempt to surmount differences that had caused the demise of ASA, Maphilindo was never given the opportunity to be tested. Soekarno's fall from power in 1966 led to a rapprochement between Indonesia and Malaysia, and ASA was revived only to give way to ASEAN a year later.

(d) Asian and Pacific Council (ASPAC)

The intensifying conflict in Vietnam in the mid-1960s was reason enough to call for a more hard-line organization. The initiative came from South Korean President Park Chung-hee, who played a leading role in setting up the Asian and Pacific Council (ASPAC) in 1966. Its membership comprised Australia, New Zealand, the Philippines, Malaysia, Thailand, South Vietnam, Japan, South Korea, and Taiwan. The United States was not asked to join but remained favorably inclined toward the organization.

ASPAC devoted considerable energy to denying charges that it was a military alliance. Several of the members were anti-Communist hard-liners, but there were also those who preferred a more conciliatory approach. Differences grew more pronounced as the growing mood of detente in Asia seemed to bypass ASPAC. It was dissolved early in 1973 at the same time that major non-Communist powers were normalizing their relations with Beijing.

(3) Building ASEAN

(a) Its Virtues

At the time that ASPAC was being dissolved, ASEAN's beneficial qualities were becoming increasingly apparent. Indonesia's membership was viewed by the remaining partners as a positive step, as was the organization's low profile in its early years. ASEAN's creation was a well-timed collective move to end conflict and initiate an era of cooperation among Indonesia, Malaysia, the Philippines, Singapore, and Thailand. From the time of its inception in Bangkok on 8 August 1967, the five member governments made sustained efforts to strengthen mutual relations. The founding document speaks of economic growth and "social progress" through unspecified "joint ventures" and of promoting "regional peace and stability through abiding respect for justice and the rule of law." It declares further that membership is open to all states in the region³--a gesture toward Vietnam which Hanoi has repeatedly rebuffed, persisting in its claim that ASEAN is simply a continuation of SEATO.

While bearing little resemblance to SEATO, ASEAN managed to inherit from ASA and ASPAC a collection of committees on trade, transportation, "rehabilitation of Indochina," negotiations with the European Economic Community (EEC), cultural cooperation, and so on. These committees, in turn, proposed numerous projects, very few of which were actually implemented. Instead, ASEAN's activities for almost 8 years were limited to consultations among foreign ministers and some instances of functional cooperation. The original treaty provided only for an annual meeting of foreign ministers as the supreme organ of the group. Only in 1971 was it decided to hold summit meetings of the heads of state, but the first did not take place until 1976.

(b) The Bali Summit

The February 1976 summit meeting in Denpasar, Bali, Indonesia, produced three basic documents credited with beginning a more active phase in regional cooperation and giving substance to ASEAN's decisionmaking process. The first, entitled Declaration of ASEAN Concord, specified areas of cooperation in the establishment of large-scale industrial plants, the production of food and energy, and the making of intraregional preferential trading arrangements. It also bound members collectively to fight threats "posed by subversion" and to strengthen "national and ASEAN resilience."

The second document was the Treaty of Amity and Cooperation in Southeast Asia, committing ASEAN states to a broad policy of mutual respect. ASEAN states were admonished not to interfere in the domestic affairs of one another and not to violate each other's territorial integrity. The agreement

also called for further collaboration in the "accelerated" economic growth of the region and--in an obvious invitation to Vietnam--stated that the treaty "shall be open for accession by other states in Southeast Asia." The third document agreed to the establishment of an ASEAN Secretariat to be housed in Jakarta and described the responsibilities of an ASEAN Secretary General and his staff. Three bureaus--economic, scientific-technological, and social-cultural affairs--were established to coordinate the activities of permanent and ad hoc committees.⁴

The ASEAN Secretariat was not fully operational, however, until mid-1977 when Indonesia's attempt to enlarge the executive powers of the Secretary General failed. Singapore and Malaysia opposed Indonesia's move, fearing the additional influence Indonesia might gain as a result.

Participants in the Bali Summit initiated extensive cooperation to make it as explicit as possible that ASEAN was not being transformed into a military alliance. Cooperation in security matters, while emphasized, was discussed on a strictly non-ASEAN basis. The overall image ASEAN nations attempted to convey was that economic development was not only a means of improving the welfare of their populations, but also a means of consolidating national independence and regional stability. ASEAN governments saw the need to strengthen national and regional stability as a legitimate means of resisting the political pressures of external powers.

The joint press communique issued at the end of the conference expressed hope that other powers would pursue policies which would contribute to the achievement of peace, stability, and progress in Southeast Asia, and, in a clear appeal to the United States, the Soviet Union, and China, requested that external powers curtail their geopolitical and strategic competition within the region.

(c) The Kuala Lumpur Declaration and the Doctrine of Regional Resilience

The Kuala Lumpur Declaration, promulgated at a foreign minister's conference in the Malaysian capital in 1971, sought international recognition of Southeast Asia as a "zone of peace, freedom, and neutrality" free from interference from outside powers. The ASEAN doctrine of "regional resilience," introduced 5 years later at the Bali Summit, more clearly defined this policy objective. Originating in the Indonesian doctrine known as Ketahanan nasional [national resilience], "ASEAN resilience" entails the consolidation of strengths of individual member countries as well as a regional cooperation policy. Defensive rather than offensive, the doctrine is meant to be perceived as nonthreatening to those outside the region.⁵ Thus, the militant anti-Communism of ASEAN members (and the existing pattern of bilateral, noncollective, military agreements and joint maneuvers among them) need not stand in the way of friendly relations with Communist governments, particularly those in Indochina.

NOTES

¹Russell H. Fifield, "ASEAN: Image and Reality," Asian Survey, December 1979, p. 1200, divides ASEAN's history into 2 periods: 1967-1975 and 1975-1979. The authors have added the third period.

²Justus M. van der Kroef, "ASEAN: The New Southeast Asia," Contemporary Review, November 1977, p. 245.

³Ibid.

⁴Rolf Hanisch, "ASEAN: The Long Road to Regional Cooperation," Inter-economics, January-February 1978, pp. 38-43.

⁵van der Kroef, "ASEAN: The New Southeast Asia," p. 249.

b. Economic Cooperation

(1) Introduction

ASEAN is reported to be the fastest growing capitalist economic grouping in the world.¹ With a population of 250 million (greater than that of either the United States or the European Economic Community), it is large enough to permit substantial economies of scale in industrial investment and is already one of the world's major suppliers of such basic resources as tin, rubber, timber, rice, and other agricultural commodities. It is also an oil surplus area situated on a broad segment of the continental shelf--one fifth of the world's area--where petroleum deposits are considered most likely to exist.² The area was designated by The Economist as the world's next center for highly developed capitalism, following in the footsteps of Western Europe, North America, and Japan.³

To fulfill its promise, however, ASEAN will be required to act as an economic unit and cooperate to a degree that it has yet to achieve. A 1972 UN study focusing on the potential for economic cooperation concluded that earnings from the region's export of raw materials would not cover its import requirements and that industrial development would be needed to fill the gap. To facilitate the industrialization process, the study recommended that ASEAN liberalize trade between members and ultimately create a free trade area, that it work out "complementarity" agreements, and that it create joint ASEAN projects.⁴ It was not until the 1976 Bali Summit, however, that economic cooperation became a primary topic for discussion. At that time, the UN's recommendations were considered, and preferential trading agreements to liberalize trade within the region were suggested, as was a scheme for allocating joint ASEAN industrial plants to member countries.⁵

The level of trade among ASEAN nations is still very low. Extra-regional trade links are markedly stronger than regional links and there continues to be a heavy dependence on the industrialized market economies of the West. Intra-ASEAN trade accounted for only 15 percent of ASEAN's total trade in 1982.⁶ Of the ASEAN members, only Singapore and Malaysia's bilateral trade exceeded 10 percent of their total trade.⁷

This low intra-ASEAN trade level is partially the result of the homogeneous nature of the ASEAN economies. With the exception of Singapore and Brunei, each member state's economy is agriculturally based and tends to produce the same exports as other members.⁸ The rise of industrial structures and the consequent substitution of manufactured goods for agricultural exports has not changed this pattern. In effect, the ASEAN countries continue to compete with one another even as they develop new economies. As in agriculture, their industries either currently produce or plan to produce much of the same goods.⁹ A 1983 study commissioned as the first independent assessment of ASEAN and completed by a team of businessmen and technocrats known as the "15 wisemen," confirms this. The report, presented to the ASEAN foreign ministers in June 1983, but not publicized, corroborated that ASEAN member countries were reluctant to cooperate in trade and industry and that they were more willing to pool resources than to share markets. It further suggested that member countries were taking a short-view "based on perceived immediate gains and losses."¹⁰

(2) Promoting Economic Cooperation

(a) Emergency Reserves

The 1976 Bali Summit introduced the idea of mutual help in the supply of basic commodities such as rice and crude oil in times of disasters or critical shortages.¹¹ The ASEAN countries have since agreed to share petroleum during emergencies and to set aside 50,000 tons of rice for use in times of need.¹² Because the plan requires only the pooling of resources, not the sharing of markets, Emergency Reserves has thus far been the easiest and the most successful cooperation scheme to implement.

(b) ASEAN Industrial Projects (AIP)

AIP emerged at the Bali Summit as a plan to establish government-owned ASEAN industrial plants as a way of meeting regional requirements in needed commodities. Four projects were subsequently started--two ammonia-urea projects for Indonesia and Malaysia, one rocksalt-soda ash project for Thailand, and one copper fabrication project for the Philippines. A diesel engine plant originally planned for Singapore was later dropped due to difficulties in getting ASEAN agreement on market support.¹³

Indonesia's ammonia-urea project was dedicated in January 1984.¹⁴ The \$410 million plant, 77 percent financed by Japan, will manufacture 570,000 tons of urea a year. In the first year of production, Indonesia will take close to half the output, while Malaysia, the Philippines, and Thailand will together import 180,000 tons. Singapore, which holds a nominal 1 percent share (against Indonesia's 60 percent and Malaysia's, the Philippines', and Thailand's 13 percent each), has yet to decide.¹⁵

The urea project in Malaysia is under construction and is expected to be completed in 1985. Also under construction is the copper fabrication plant in the Philippines which, when finished, is expected to have an annual capacity of 100,000 tons.¹⁶

The progress of Thailand's rocksalt-soda ash project has been slowed by the high cost and low grade of the rocksalt which limits the product's marketability.¹⁷

Finally, Singapore, blocked from building diesel engines by ASEAN, proposed to build a hepatitis vaccine plant instead. By proposing something as small-scale as a vaccine plant, Singapore is seen as having little to lose because the AIPs are not likely to proliferate. Expectations are that the current five projects will be the first and last.

(c) ASEAN Industrial Complementation (AIC)

The aim of AIC is to expand intra-ASEAN trade of industrial products by promoting regional division of labor and specialization of labor.¹⁸ The private sectors of member countries produce complementary products in specific industries and then must obtain government commitments to investment promotion and tariff preferences. Thus far, only the automotive

industry has been included, and of the two groups of motor vehicle-complementation products, only the first covering a handful of existing parts and components has been implemented.¹⁹

(d) ASEAN Industrial Joint Ventures (AIJV)

AIJV promotes intra-ASEAN investment by permitting the private sector to have a stake in ASEAN's economic ventures. Under the plan, approved products made by joint ventures and controlled by two or more ASEAN private investors owning a combined 51 percent minimum equity can qualify for a 50 percent tariff reduction when traded between ASEAN countries participating in the venture.²⁰ The plan primarily seeks to help ASEAN-controlled manufacturing operations gain access to broader markets, but non-ASEAN minority equity holders in a venture can also benefit from it. There is even room for non-ASEAN controlled ventures to benefit from tariff cuts, but in most cases ASEAN nationals are required to own at least 51 percent of the equity of any enterprise for its products to receive preferential treatment. ASEAN-based ventures can qualify for tariff reductions only when at least 50 percent of their output is exported beyond ASEAN's borders.²¹

AIJV received the endorsement of ASEAN governments in late 1983. There was some disagreement among the ASEAN participants over the number of years the joint ventures would receive special tariff treatment. An earlier version had stipulated 3 years, but some of the countries felt that 3 years was not long enough to give the joint venture a foothold in the market. They also believed that nonparticipating countries should not be forced to honor the tariff preferences after the initial period. In the final version, the protection period was extended to 4 years and nonparticipating countries were given the freedom to refrain from joining the scheme even after the 4-year limit.²²

Restrictions on non-ASEAN investors also have been a source of disagreement among ASEAN members. Singapore, with an economy that depends on foreign investment, favors a nonrestrictive policy. Other ASEAN members, with less developed economies, argue that a policy which lifts all restrictions would conflict with ASEAN's initial purpose in establishing joint ventures--that of encouraging intra-ASEAN investment.²³

At the time of ASEAN's endorsement of the AIJV, there were 21 projects waiting to be started. However, most are nowhere near implementation.²⁴

(e) Preferential Trading Arrangements (PTA)

It is expected that the lowering of regional trade barriers through PTA will serve to promote intra-ASEAN trade. Progress on the issue has been slow. The Bali Summit viewed PTA as a "long-term objective" and only Singapore was initially enthusiastic about it. However, within a year, Singapore had persuaded the Philippines to take the first step and an agreement between the two countries was signed in 1977 providing for a 10 percent tariff reduction on all goods traded. A similar agreement between Singapore and Thailand followed shortly thereafter. These accords led to an ASEAN-wide

preferential trading arrangement which resulted in some 335 products being proposed as eligible for preferential tariff cuts ranging from 10 to 30 percent. Agricultural commodities such as rice, spices, sorghum, coffee extracts and concentrates, raw sugar, maize, and some vegetable products were among the items declared eligible for tariff reductions and preferential arrangements.²⁵

Initially, the ASEAN-wide trading arrangement involved a product-by-product approach with members making voluntary offers. Since 1980, however, it has been complemented by across-the-board tariff reductions on items below a certain import value (\$2.5 million) with provision for an exclusion list.²⁶ Tariff cuts started at 10 percent for most products and were raised to a minimum of 20 percent in 1980. As of 1984, the maximum cut permitted was 50 percent.²⁷ By March 1983, over 11,000 items qualified for reduced tariffs under PTA.²⁸ In October 1983, the number of voluntary items was boosted to 18,933 as the item import value ceiling was raised to \$10 million. The effect on intra-ASEAN trade was minimal, however. The items volunteered were those scarcely traded within ASEAN,²⁹ and the exclusion lists eliminated virtually all potentially tradeable items from the lists of preferred items. The problem is being addressed, however, and excluded items now must meet certain criteria, such as being sensitive to competition from within ASEAN or promoting national interest.³⁰

(3) Barriers to Cooperation

(a) Import Substitution

With the exception of Singapore, ASEAN countries have been following similar economic strategies. They inherited colonial economies with large export sectors linked to world markets and dependent on the production of a small number of primary commodities for Western consumers. Thailand, while not a former colony, also developed this type of economy. Export profits were either remitted to the West or reinvested in the narrow Western enclave serving the export sector.³¹

As independent nations determined to industrialize in order to be free of dependence on the West, the ASEAN states promoted a policy of import substitution by encouraging private investment in textiles and various consumer goods that were formerly imported. Although these promoted industries tended to be inefficient because they were small and excessively capital-intensive, they were able to survive by means of tariff protection.³²

The excessive protection required by the enterprises minimized intra-ASEAN trade as well. Current ASEAN sentiment holds the price is too high, particularly when it sustains a policy whose contribution to development has come increasingly into question. Because of the limited size of each ASEAN country's local market, import substitution industries rapidly exhaust their potential for growth and the small scale discourages export into the world market. Moreover, they do not reduce dependence on foreign trade because they rely partly on imported raw materials and intermediate inputs. The argument that they create employment is also ill-founded since the technology is often imported from industrialized nations where labor is expensive

and is therefore designed to economize on labor rather than promote it. In the end, items produced domestically under import substitution as often as not are more expensive than similar articles imported in the absence of protection.³³

In general, the policy of import substitution tends to reinforce the noncomplementary nature of the existing industrial structures. By prolonging the existence of fragile, poorly conceived industries, the ASEAN economies prevent the maturation that complementarity might otherwise induce. All member countries are encouraged by import substitution to maintain more open policies with the advanced countries from whom they obtain finance, machinery, and technology than with their ASEAN mates, a process resulting in ASEAN economies being more complementary to the industrialized nations than to one another.

(b) National Self-Interest and Perceptions

The political difficulties likely to be encountered in dismantling intraregional restrictions on trade are great. The process involves some loss of autonomy for ASEAN's members and requires sacrificing, to a degree, the idea of national self-sufficiency.³⁵ Economic nationalism is not likely to give way easily to regional interests. Until recent years, regional interests were only accorded priority if they coincided with national interests. Now, if sharing markets is an option, cooperation normally is stalled by prolonged negotiations because members want to assure that domestic producers are not threatened by possible imports from other members. Although conceptually economic cooperation is readily accepted, none of the countries is eager to take the risk necessary to initiate the process.

Varying perceptions of gains can be discerned. ASEAN's self-evaluative report claims:

Economic cooperation is a positive sum game in which the gains to all exceed the sum total of individual losses. Hence arrangements can be made whereby--over a period of time--each and every party would gain.³⁶

However, perceptions of gains vary as does the acceptable time span within which such gains can be realized. The report also observes that "finding a general formula to insure an equitable sharing of benefits is acceptable to all is, therefore, no easy task."³⁷ The report comments that the task is made more difficult by the ease with which losses are perceived over gains. Losses, such as employment, revenues, and profits, are more measurable and hence discernible than gains, such as increased efficiency and better allocation of resources, which tend to be more diffused and less given to ready measurement.³⁸

(c) The ASEAN Organizational Structure

The structure of ASEAN does not facilitate economic cooperation because it is too decentralized and lacks a full-time technical staff. The economic committees rely on a series of discussions, consultations, or

negotiations in working groups or subcommittees, all of which require international travel. Moreover, because most decisions require consensus, all countries have to be represented. To avoid this cumbersome procedure, the 1983 ASEAN report recommended that the Secretariat be strengthened by establishing an ASEAN council of ministers to incorporate the meetings of ASEAN foreign ministers and economic ministers as well as other ministerial meetings. Furthermore, it recommended that the ASEAN standing committee be replaced by a committee of permanent representatives of no less than ambassadorial level based in Jakarta to provide continuity and a better defined direction to ASEAN activities.³⁹

It also has been reported that, among ASEAN's leaders, there is a belief that ASEAN could start moving in the direction of economic cooperation if it were to choose a "real heavyweight" as secretary general.⁴⁰

(4) Conclusion

ASEAN has made real progress in creating the framework for intra-regional economic cooperation. It has set in place a number of mechanisms to facilitate member-to-member trade and economic integration, but progress has been slow. In the beginning, economic cooperation within ASEAN may have been set at a modest pace deliberately, and even today some ASEAN governments believe there is little to lose by keeping economic cooperation at the current low level. However, the more prevalent feeling is one of impatience and frustration at the limited progress in intraregional trade and investment. For ASEAN members, it is not a question of accepting the idea of regional economic integration, it is more one of creating the will to carry it out. Member countries have yet to come to grips fully with the sublimation of national concerns to regional aims that successful regional economic cooperation requires.

NOTES

¹Tim Sharp, "Industrialization is a Necessity, Not Simply an Option for ASEAN," Asian Business, February 1983, p. 46.

². Stifel, "ASEAN Cooperation and Economic Growth in Southeast Asia," Asia Pacific Community, no. 4 (Spring-Summer 1979), p. 122.

³"ASEAN: The Polyglot Community," Banker, vol. 130 (April-May 1980), p. 111.

⁴Stuart Drummond, "ASEAN: The Growth of an Economic Dimension," World Today, vol. 35 (January 1979), p. 32.

⁵Stifel, "ASEAN Cooperation and Economic Growth in Southeast Asia," p. 133.

⁶Raphael Pura, "ASEAN Backs Plans to Boost Trade," Asian Wall Street Journal (Hong Kong), 15 September 1982, p. 1.

⁷R.J.G. Wells, "ASEAN Intraregional Trading in Food and Agricultural Crops--The Way Ahead," Asian Survey, vol. 20 (June 1980), p. 665.

⁸"The Paradox of ASEAN Economic Cooperation," Bangkok Post, 17 January 1982, p. 8.

⁹Barry Wain, "Study Finds ASEAN Lack Cooperation," Asian Wall Street Journal (Hong Kong), 23 February 1984, p. 1.

¹⁰Ibid.

¹¹Lalita Prasad Singh, Power Politics and Southeast Asia, (Atlantic Highlands, NJ: 1979), Humanities Press, p. 153.

¹²Wells, "ASEAN Intraregional Trading in Food and Agricultural Crops--The Way Ahead," p. 664, notes that a 1980 agreement on rice stocks proposed the establishment of an ASEAN Food Security Reserve to improve joint food security. The 50,000 tons of rice in the ASEAN Emergency Reserve for Rice is arrived at by each ASEAN member country earmarking within its own national rice stockpile specified quantities for joint use--Singapore 5,000 tons, Malaysia 6,000 tons, Indonesia 12,000 tons, Philippines 12,000 tons and Thailand 15,000 tons. The agreement preceded Brunei's admission to membership in January 1984.

¹³"The Paradox of ASEAN Economic Cooperation," p. 8.

¹⁴Susumu Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," FEER, 15 March 1984, p. 61.

¹⁵Indonesia Times, 18 January 1984, pp. 1, 7, 8.

¹⁶As with the urea plant in Indonesia, it is 60 percent owned by the host country and 13 percent owned by each of the remaining ASEAN members except for Singapore with one percent. It is also 70 percent financed by Japan. This information is available in Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 61.

¹⁷Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 61.

¹⁸"Paradox of ASEAN Economic Cooperation," p. 8.

¹⁹Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 62.

²⁰Pura, "ASEAN Backs Plans to Boost Trade," p. 1.

²¹Ibid.

²²Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 62.

²³Wain, "Study Finds ASEAN Lacks Cooperation," p. 1.

²⁴Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 62.

²⁵Wells, "ASEAN Intraregional Trading in Food and Agricultural Crops--The Way Ahead," p. 666.

²⁶Wain, "Study Finds ASEAN Lacks Cooperation, p. 1.

²⁷Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 62.

²⁸Wain, "Study Finds ASEAN Lacks Cooperation," p. 1.

²⁹Ibid.

³⁰Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 62.

³¹Stifel, "ASEAN Cooperation and Economic Growth in Southeast Asia," p. 124.

³²Ibid., p. 125.

³³Ibid., pp. 125-26.

³⁴This idea is expressed in ASEAN's assessment of itself prepared by the "15 wisemen" and is cited by Awanohara, p. 62.

³⁵Wells, "ASEAN Intraregional Trading in Food and Agricultural Crops--The Way Ahead," p. 667.

³⁶Awanohara, "Task Force: Platitudes, Pious Hopes and Mediocrity," p. 63.

³⁷Ibid.

³⁸Ibid.

³⁹Ibid.

⁴⁰Ibid.

c. Military Cooperation

(1) General

The impetus for ASEAN's unprecedented concentration on its military was the emergence of a common security threat embodied in the unification of Vietnam under Communist rule in 1976, followed by Vietnam's conquest of Kampuchea in 1979. Some analysts say ASEAN languished as an organization until these events.¹ The emergence of a common security threat embodied in Vietnam knitted the organization together as had nothing previously. Aside from the stepped up economic cooperation that occurred during this period, ASEAN became a diplomatic force with which to be reckoned. The association was successful in engineering the formation of a coalition Kampuchean government-in-exile to oppose the Vietnamese-backed regime in Phnom Penh.

The most impressive change, however, was the soaring military expenditures of the member countries separately and the singular priority of each to strengthen its own armed forces. In 1980, the ASEAN countries' military expenditures totalled \$5.5 billion, a 45 percent increase over 1979 and nearly twice that of 1975.² In 1981 the figure jumped to \$7.167 billion.³ From 1975 to 1980, US military aid to ASEAN increased 2.5 times over that of the first half of the 1970s (from \$327 million to \$820 million).⁴

The defense budgets of Indonesia, the Philippines, and Thailand more than doubled while Malaysia's increased sixfold. In fiscal year 1982 total ASEAN defense expenditures jumped another 18 percent,⁵ and amounted to an estimated \$30 per capita.⁶

There also was a change in the way in which military funds were expended. In the past, defense spending usually was for counterinsurgency operations. Emphasis now has shifted to conventional warfare, and recent allocations have been for long-term strategic items, such as airbases, sophisticated weaponry, and highly technical units.

For the moment, the priority is the strengthening of each ASEAN country's armed forces, but talk of a regional defensive alliance is increasing and becoming more controversial. The topic is sensitive because many members value their nonaligned status and past military alliances such as SEATO were largely ineffective and negatively connoted superpower dominance. At this time, a military pact would be a diplomatic formality with greater symbolic than deterrent value, as it would be an alliance among militarily weak states.⁷

Nevertheless, the pressure for greater military cooperation is present. Before Hanoi's military forces intervened in Kampuchea, the prevailing opinion had been that a unified Vietnam would not pose an immediate threat to ASEAN. The chances for Indochina becoming a unified Communist monolith were judged remote because the Pol Pot regime in Phnom Penh, while sharing Communist ideology, appeared intent on remaining independent of Hanoi. Vietnam's December 1978 invasion of Kampuchea changed that opinion and spurred efforts to forge closer military ties. Pledges of military solidarity were made by ASEAN leaders and at one point the calls for some kind of ASEAN

collective security arrangement became so vociferous that three separate ASEAN leaders publicly reaffirmed ASEAN's nonmilitary intentions.⁸

Since then, however, the statements of ASEAN leaders have become more contradictory and ambivalent. In July 1980, after a Vietnamese incursion across the Thai-Kampuchean border, Singapore Prime Minister Lee Kuan Yew stated that he had an "open mind" on the question of ASEAN reaching a military understanding on security issues. His Foreign Minister, Suppiah Dhanabalan, added that "whether ASEAN is forced into some sort of military alliance will depend mostly on what the Soviets and the Vietnamese do."⁹ Lee's suggestion of an ASEAN-wide military exercise in September 1982 was a gambit to test the acceptability of the five-nation grouping as a military bloc.¹⁰ More than reflecting a growing impetus toward a military alliance, statements of ASEAN's leaders such as Lee demonstrated a willingness to use the threat of a military pact for diplomatic leverage with Vietnam.¹¹

(2) Arguments Against Military Cooperation

ASEAN leaders believe there is little to be gained by declaring a formal ASEAN military alliance, while much could be lost. Such an action would be viewed as extremely provocative by Vietnam and would harden attitudes on both sides, reducing the chances for a negotiated solution in Kampuchea. And since, given the present military capabilities of the individual states, there is little one could do to come to the aid of another if threatened, a declared alliance would create a crisis with little to assuage it. Even the leaders of ASEAN's most threatened state--Thailand--maintain that an ASEAN pact might provoke Vietnam to greater bellicosity, rather than increase regional security.¹²

The military balance in Southeast Asia strongly favors Vietnam. In 1982, Vietnam's armed forces numbered more than a million seasoned troops compared to the combined ASEAN total of 768,000, many of whom have never experienced a conventional war.¹³ Moreover, many of the ASEAN countries' armed forces are engaged in civil and administrative duties. This is especially true in Indonesia which has about a third of the largest army in ASEAN, so assigned.¹⁴ The ASEAN armed forces also have had little experience in combined operations or fighting on foreign soil, other than the small contingents of Thai and Philippine forces who supported the United States in Vietnam. Arms standardization is just beginning and there are a myriad of problems created by differences in training and command systems as well as language.¹⁶ Singapore's Lee summed up the situation in 1978 when he asserted "the first unhappy admission we must make is that for at least 10 years there is no combination of military forces in ASEAN that can stop or check the Vietnamese army in any open conflict."¹⁵

Not all ASEAN leaders believe Vietnam to be the enemy with which they must contend. Indonesian and Malaysia are more inclined to look beyond Vietnam and focus on China's long-term intentions. Needed for any type of military pact would be a consensus on who the enemy is; the ASEAN countries have yet to reach such agreement.

The greatest barrier to defense integration may be the fear that a militarily united ASEAN would be drawn into a superpower conflict that might otherwise be avoided if ASEAN keeps a low profile and remains nonaligned militarily.

(3) Movement in the Direction of Military Cooperation

The militarization of ASEAN is proceeding along two lines: increased bilateral cooperation in logistics coordination and integration of ground troops during military exercises; and greater standardization of sophisticated weaponry, particularly combat aircraft and field and infantry arms.

Malaysia and Indonesia, which have closer cultural and religious links than any of the other ASEAN members, have been particularly active. In 1978 during a visit to Indonesia, the Malaysian army chief of staff stated that it would be beneficial for both nations to have standardized armaments. Commitments for mutual defense followed when, in 1979, Malaysian Home Affairs Minister Tan Sri Ghazali Shafie said that any threat to either would be regarded as a threat to both.¹⁷ Indonesian Commander of the Armed Forces General Moerdani confirmed in 1983 that Indonesia was ready to help Malaysia if that country was attacked.¹⁸ Joint exercises by the two have become fairly common.

Joint exercises between Indonesia and other ASEAN states also have occurred. In mid-1980, war games were held between Indonesia and Singapore and air force units from both took part in an exercise in East Java. Indonesian-Thai joint maneuvers in October 1980 also involved air forces units. Indonesia further maintains a security arrangement with the Philippines to deter smuggling.¹⁹

Cooperation occurs between other ASEAN nations as well. Singapore and Philippine air force pilots have taken part together in a training program run by the US Air Force. Malaysia and Indonesia have expressed an interest in sending observers to the program.²⁰ Malaysia and Singapore have conducted air exercises with Australia; and Thailand has developed into an important training center for Singapore's expanding armed forces.²² Thailand and Malaysia have for some time conducted joint operations to maintain security along their common border. Their navies also have engaged in joint exercises.²³ Thai Navy Commander in Chief Admiral Somboon Chuapibul disclosed in April 1983 that Singapore would participate with Thailand and Malaysia in joint naval maneuvers in 1984.

The Deputy Defense Minister of Malaysia was reported in December 1982 to have proposed that ASEAN save several million dollars in the purchase of military hardware and weapons by jointly purchasing similar types of military equipment and taking advantage of the discount opportunities available for bulk purchases.²⁵ The proposal is under discussion.

Also being discussed is a Thai proposal to establish a common weapons pool for US allies in Southeast Asia. Under the plan, a regional reserve from which Thailand and other regional countries could draw logistic

items in an emergency would be set up. "Pool member" nations would allocate to the proposed war reserve the military items they planned to purchase from the United States under the Foreign Military Sales (FMS) program while the United States would bear the maintenance costs.²⁶ Washington is studying the legal aspects of the proposal.²⁷

The ASEAN nations have already reached a degree of air force standardization. Two American-designed aircraft feature prominently in the ASEAN air forces: the Northrop F-5E fighter and the McDonnell-Douglas A-4 Skyhawk attack fighter. All ASEAN air forces are currently using the F-5E. The Skyhawk is used or on order by Malaysia, Singapore, and Indonesia.²⁸ Recently, Thailand, Singapore, Indonesia, and the Philippines have indicated interest in acquiring high performance F-16 fighters from the United States.²⁹

The establishment of a regional early warning system could be a step toward an integrated ASEAN air defense command. The Integrated Air Defense System (IADS) for Malaysia and Singapore has worked well and could become the model for a regional network.³⁰ Thailand has already expressed an interest in sharing air warning and ground mobile radar systems.³¹

Military cooperation with larger powers remains a factor in ASEAN's defense picture. After the regional Commonwealth meeting in India in September 1980, Australian Prime Minister Malcolm Fraser announced that the Five-Power Defense Arrangement (FPDA) among Malaysia, Singapore, New Zealand, Australia, and Britain would be revived and strengthened. The agreement, largely manifested in joint air and naval exercises, does not oblige any nation to intervene militarily in defense of another.³²

The Australians keep two squadrons of Mirage fighter planes at Malaysia's Butterworth Airfield near Penang and another at Singapore's Tengah Base. New Zealand maintains an 800-man army battalion in Singapore. However, both Australia and New Zealand have declared their intention to remove forces from Singapore. Australia's decision to remove one Mirage Squadron from Butterworth by 1985 was reversed and there is now "no time limit" on the squadron's stay.³³

The Philippines hosts the largest foreign military contingent with 16,000 US personnel stationed at Clark Air Base and Subic Naval Base. Subic is the headquarters of the US 7th Fleet and Clark houses the 13th Air Force.¹³

(4) Conclusion

Military cooperation among the ASEAN nations remains in a state of flux. The potential aggressor has not been defined to each country's satisfaction. With elements of ten Vietnamese Divisions active near the Thai-Kampuchean border, ASEAN members are generally looking in that direction. The US role remains unclear to the ASEAN leaders who are said to believe they cannot depend on military intervention by the United States.³⁵ Yet, none of the new ASEAN armies could last long in an all-out war involving Vietnam or the Soviet Union. As stated by President Marcos on his visit to the United States in 1982, "we probably would have to depend on the US for a war in the seas and in the air as well as a nuclear umbrella."³⁶

ASEAN's military course at the moment is, therefore, not well defined. While remaining bound to the concept of ASEAN as a nonmilitary effort for regional development, individual member countries continue to modernize their armed forces and develop their arms industries. The consensus appears to be that now is not a particularly propitious time for a military pact, but that the way should nevertheless be prepared for the future.

NOTES

¹Ho Kwon Ping and Cheah Cheng Hye, "Five Fingers on the Trigger," FEER, 24 October 1980, p. 32.

²Ibid.

³"A New Call for Unity," Asiaweek, 22 October 1982, p. 32.

⁴Ho and Cheah, "Five Fingers on the Trigger," p. 32.

⁵"A New Call for Unity," Asiaweek, p. 32.

⁶Dilip Mukerjee, "ASEAN Military Spending Skyrockets," Asia Record, November 1982, p. 2.

⁷Ho and Cheah, "Five Fingers on the Trigger," p. 33.

⁸Ibid.

⁹Ibid.

¹⁰Nation Review (Bangkok), 13 September 1982 in FBIS, Daily Report: Asia and Pacific, 14 September 1982, p. 51.

¹¹Ho and Cheah, "Five Fingers on the Trigger," p. 33.

¹²"A New Call for Unity," Asiaweek, p. 31.

¹³Ibid., p. 32.

¹⁴Ho and Cheah, "Five Fingers on the Trigger," p. 33.

¹⁵Ibid.

¹⁶Ibid.

¹⁷Ibid., p. 34.

¹⁸"Indonesia to Help Malaysia," Kompas (Jakarta), 17 November 1983, pp. 1, 12.

¹⁹Ho and Cheah, "Five Fingers on the Trigger," p. 34.

²⁰Ibid.

²¹Asian Defense Journal, May 1983, p. 7.

²²"Thais Provide Training for Singapore Troops," New Straits Times (Kuala Lumpur), 19 July 1983, p. 8.

- ²³Asian Defense Journal, August 1983, p. 6.
- ²⁴Asian Defense Journal, April 1983, p. 4.
- ²⁵Asian Defense Journal, December 1982, p. 7.
- ²⁶Asian Defense Journal, April 1983, p. 4.
- ²⁷"Thai: ASEAN Should Buy Arms Together," The Asian Record, February 1983, p. 5.
- ²⁸Ho and Cheah, "Five Fingers on the Trigger," p. 34.
- ²⁹Indonesian Times, 3 January 1984, p. 3.
- ³⁰Ho and Cheah, "Five Fingers on the Trigger," p. 34.
- ³¹Asian Defense Journal, February 1983, p. 3.
- ³²Ho and Cheah, "Five Fingers on the Trigger," p. 34.
- ³³"A New Call for Unity," Asiaweek, p. 31.
- ³⁴Ibid.
- ³⁵Goh Keng Swee, Singapore Deputy Prime Minister, quoted in Ho Kwon Ping and Cheah Cheng Hye, "The Military Shopping List Grows Longer," FEER, 24 October 1980, p. 35.
- ³⁶"A New Call For Unity," Asiaweek, p. 32.

d. Foreign Relations

(1) United States

(a) US Policy in Transition

The January 1973 accords signaling the end of the US military presence in South Vietnam also marked a change in the role of the United States as the principal guarantor of regional security. The United States has replaced its deterrence and intervention policy, practiced during the Vietnam War era, with the "Nixon Doctrine," originally promulgated in 1969, which calls for friendly governments to play a larger role in their own security but assures the region that the United States will remain a Pacific power. The doctrine was enunciated, however, preceding the US troop withdrawal from South Vietnam. US and Asian perspectives changed dramatically following the withdrawal, and US resolve to remain in Asia came under close scrutiny by both the United States and Southeast Asia. It appeared to ASEAN that Nixon Doctrine assurances of US staying power in the Pacific, however well conceived, were optimistic. Between 1975 and the Soviet-Vietnam Friendship Treaty in November 1978, SEATO (the military alliance initiated by the United States to link Australia, Britain, France, New Zealand, Pakistan, the Philippines, Thailand, and the United States) was dissolved, US bases in Thailand were closed at the request of the Thai Government, and the Philippines, although retaining US bases, distanced itself from the United States. President Marcos visited China in 1975 and Moscow in 1976. He also applied for admission to the Nonaligned Conference of 1976.¹

The position of the ASEAN countries with respect to Vietnam increasingly diverged from that of the United States. In contrast to the US refusal to seek rapprochement with Vietnam, some ASEAN members sought accommodation with Hanoi. Indonesia and Malaysia, for example, nations with large ethnic Chinese populations and Communist insurgency problems, were more pre-occupied with Chinese influence in the area than with potential Vietnamese aggression. They viewed Vietnam not as a threat but as a buffer against the greater threat--China. Thailand followed a policy of accommodation even after the Vietnamese invasion of Kampuchea. The pervasive feeling in Southeast Asia was that the United States could not be counted on and that it might leave the region altogether. In Japan, as late as 1978, a commonly held view was that the United States had chosen to turn away from Asia.²

Following the communist victory in South Vietnam in 1975, there were indications in the United States which seemed to confirm the Japanese view. The 1976 presidential campaign of Jimmy Carter included a call for the withdrawal of US ground forces from South Korea and the mood in America was one of seeking to avoid a repetition of the Vietnam experience. The Korean troop removal proposal was later reversed and the United States moved to strengthen its naval forces in the Pacific. The 1980s brought a significant change in American attitudes toward the Vietnam War and as controversy over the war subsided, US Government policy reemphasized US military strength vis-a-vis the Soviet Union in Asia.

The emphasis on defense caused Asians to revert to earlier perceptions of the United States and the assumption that it would remain actively engaged in the defense of the region. Having assessed the situation in terms of the Nixon Doctrine, they chose to ignore the stress on self-reliance while focusing on US intentions to remain an Asian power. Given the choice, there is little doubt that most Asian nations would prefer the United States to return to the role it played in the 1960s or earlier when the Americans provided ultimate security and asked for little in return.

The United States, on the other hand, seeks to reorder its Asian relations based on prevailing global circumstances. Asian nations have changed considerably in the past two decades, and it is the goal of US foreign policy to be consistent with new developments.

Washington's determination to revise its earlier deterrence and intervention policy coincided with the ASEAN nations' need to establish a new basis for their collective security. Thus, the United States and ASEAN were able to reach a policy consensus that ASEAN would become the central focus of US policy for the region in place of the previous stress on bilateral ties. More importantly, policy has shifted from an emphasis on military and political issues to concerns of a more economic nature. In effect, the United States adapted its traditional commitment to political freedom to include free enterprise,³ a change which seemed particularly well-suited to ASEAN and its avowedly economic purpose.

The most significant developments in ASEAN-US relations have taken place in the private sector. The first American-ASEAN dialog in August 1978 created the ASEAN-US Business Council, an organization administered by the US Chamber of Commerce and the ASEAN Chamber of Commerce and Industry. The Council's goals include the identification and establishment of opportunities for American investors in the ASEAN region and the formation of joint study groups for the promotion of two-way trade. Because of the volume of investment and trade, the council figures prominently in US policy in the region.

ASEAN is the fifth largest US trading partner. At the latest ASEAN-US dialog in December 1983, it was reported that US-ASEAN trade had doubled from \$11.2 billion in 1977 to \$22 billion in 1982 and that total US investments had escalated from an estimated \$4.4 billion in 1976 to an estimated \$6 billion in 1982.⁴ A call by the United States for the gradual elimination of all trade barriers, if agreed to, will increase trade substantially.⁵ Philippine Deputy Foreign Minister Manuel Collantes noted, however, that there was room for improvement and that "what is lacking is a greater political will on the part of the US Government which seems to have been standing aside so far, leaving the initiatives to be taken by the private sector."⁶ US spokesman Allen Wallis responded that the United States would continue to rely on free market mechanisms.⁷

An economic focus is not inconsistent with past US policy. The ASEAN-US Business Council is but the latest incarnation of the US "open door" policy. The ASEAN states historically have constituted one of the core areas for business opportunities in the Pacific and the United States has

traditionally combined business with diplomacy in dealing with them. The other side of the "open door," however, is the principle that no single power should be permitted to dominate the region.

(b) ASEAN Perceptions of US Policy Objectives

The United States has yet to agree with ASEAN members as to which outside power currently poses the greatest threat. ASEAN only partially accepts the US determination that it is the Soviet Union. Generally, ASEAN members believe that the United States is too preoccupied with the Soviet Union and that the Soviet threat to the region is exaggerated. Soviet capability in support of subversion is not rated highly, and the Soviet military presence at Cam Ranh Bay, while provoking protests, fails to spark significant concern.⁸ In contrast, China is widely viewed to be the preeminent threat and US policy is criticized as having become too deferential to the Chinese. ASEAN leaders hold the view that the United States overrates the benefit of its strategic consensus with Beijing and that deference to China could be detrimental to Southeast Asia's interests. US arms sales to the Chinese are a case in point. Despite US assurances that nothing remotely resembling strategic weapons will be sold, Secretary of Defense Weinberger reportedly offered to sell defense weapons, including improved versions of the TOW antitank missile and the Hawk anti-aircraft missile during his September 1983 visit to China.⁹ US support for China's rather inflexible policy toward Vietnam in Kampuchea is similarly seen as contrary to the region's interests because it has made the possibility of a negotiated settlement more remote.

ASEAN leaders are therefore ambivalent over US policy. While welcoming its posture of strength, they are concerned that the effects it has had on US-Soviet detente will spill over into Southeast Asia. They also fear that Washington's relationship with Beijing will ultimately destabilize the area by strengthening China's military arm and hinder chances for a solution in Kampuchea.

The object of the US Asia policy is to reconfirm the United States as a Pacific power, to maintain security in the area, and to bolster security in response to events perceived to have dangerously changed the power balance in the area. These events include the shift in the power balance on the Korean peninsula in favor of North Korea, the deployment of Soviet naval forces in the Pacific and Indian Oceans to a degree equivalent to US naval power in the region, the alteration of the military balance due to the abrogation of the US-Taiwan Mutual Defense Treaty, and the strengthening of the Moscow-Hanoi axis.¹⁰

The question for both Southeast Asia and the United States is whether these key foreign affairs objectives can be accomplished with a policy stressing economics. The United States has, nevertheless, hedged its heavy reliance on economic means by expressing its resolve to respond militarily in Asia.

The transitional nature of US policy under the Reagan administration has left ASEAN unclear as to US goals in Kampuchea. While the United States has backed ASEAN on the issue in the United Nations and other international fora, ASEAN is uncertain if support will continue on a verbal and

moral level or whether US intentions are more substantive. When the war in Kampuchea extended across the Thai border in 1983, the United States sent urgent military supplies. ASEAN's concern, however, is that this assistance may have been unique and the United States will not provide similar assistance to the ASEAN-supported Coalition Government of Democratic Kampuchea. The Communist affiliation of the Khmer Rouge, a prominent coalition partner, and its reputation for having engaged in genocide in Kampuchea while in power from 1975 to 1978 preclude US public support for any kind of aid.

ASEAN also is uncertain about Washington's policy toward Hanoi. ASEAN perceives continuing US isolation of Hanoi and near total embargo on US trade with the Indochina countries (an effort that has sought to prevent even multilateral assistance from reaching them) as extremely costly. The paradox is that US policy is regarded as directly contrary to the US goal of limiting Soviet influence in Asia, for the longer Vietnam's political and economic isolation continues, the more its dependence on the USSR will grow and the more difficult it will be to counter a Soviet presence in the region.

US relations with the Philippines, always a special case because of Philippine status as a former US-administered territory and the site of key US bases, represent another instance of an apparent contradiction in policy goals. Washington's 1984 offer to assist the Philippines in dealing with its enormous foreign debt, clearly a gesture intended to bolster the Marcos regime's questionable stability, is coincident with a nascent move in the US Congress, spearheaded by Congressman Stephan Solarz, a Marcos critic, which seeks to distance the United States from Marcos.¹¹

The mixed signals inherent in the situation were echoed by the removal of the Philippines, Indonesia, and Thailand from President Reagan's itinerary during a November 1983 visit to Asia that included Japan and South Korea. The United States was eager to avoid a trip to Manila just after the assassination of opposition leader Benigno Aquino. There was growing US concern that the President's visit to the Philippines would be viewed as an endorsement of the Marcos regime at a time when evidence of its culpability in the assassination was building, and when massive anti-Marcos and anti-US demonstrations might result. By avoiding Manila, the United States could not escape the appearance of shunning Marcos. Deleting the Philippines from the President's travel plans entailed dropping Indonesia and Thailand as well. Thai officials looked on the snub as a blow to ASEAN prestige; while in Indonesia, many attributed the change in plans to Jakarta's unwillingness to hold an ASEAN summit to welcome Reagan. The summit idea was rejected because it was seen as reducing ASEAN heads of government to the status of "Reagan's stooges."¹² That President Reagan went ahead with his scheduled stops in Japan and South Korea, visits whose purposes were more symbolic than substantive, did nothing to deflect ASEAN's sense of expendability in the entire affair.

NOTES

¹Paul Kelemen, "Southeast Asia Between the Superpowers," Economic and Political Weekly (Bombay), 12 September 1981, p. 1504.

²Bernard K. Gordon, "Wanted: A US Policy for Asia in the 1980s," Threats to Security in East Asia-Pacific, Charles E. Morrison ed., Lexington, Ma: Lexington Books, 1983, p. 197.

³Martin H. Sours, "ASEAN and US Foreign Policy," Asia and US Foreign Policy, p. 176.

⁴Indonesia Times, 7 December 1983, p. 2.

⁵Bangkok Post, 10 February 1983, p. 17.

⁶Indonesia Times, 7 December 1983, p. 2.

⁷Ibid.

⁸Gordon, "Wanted: A US Policy for Asia in the 1980s," p. 201.

⁹Larry A. Niksch, "China-US Relations," Congressional Research Service, The Library of Congress, Issue Brief Number IB76053, updated 12 March 1984, p. 9.

¹⁰Reiji Toba, "ASEAN Favors Reagan's Hard-Line Foreign Policy," Asia Pacific Community, no. 11, Winter 1981, p. 55.

¹¹The move proposes to alter, for the 1985 fiscal year, the ratio of military to economic aid designated in the June 1983 accord governing use of the American bases through 1988. (The agreement, which included a compensation package of \$900 million in aid to the Philippines, stipulated that \$300 million be in the form of foreign military sales credits, \$125 million be given to the Philippine armed forces, and \$475 million be set aside for economic grants.) Solarz's plan calls for the first \$180 million of the \$900 million package to be divided into \$25 million in military aid and \$155 million in economic aid instead of \$85 million and \$95 million respectively, as originally called for. For further information, see The Washington Post, 26 February 1984, p. A22.

¹²Susumu Awanohara, "The Spurred Hosts," FEER, 13 October 1983, p. 14.

(2) Japan

(a) Background Tension

Although Japan and the five ASEAN countries are linked ideologically, geopolitically, and economically, the relationships remain tenuous. ASEAN anxiety over Japan's rearming can be traced to lingering resentment of Japanese brutality in the region during World War II; but resentment is only part of the reason for Southeast Asia's continued distrust of Japan. The image of the "ugly Japanese" also remains very real in many Southeast Asian minds. A common view among the ASEAN governments is that Japanese investments are made on the basis of Japanese industrial interests, with almost no consideration given to host country needs. There is resentment toward what is seen as Japan's attempt to keep the region as a producer of Japan's primary commodity needs, while blocking burgeoning exports of processed and semi-processed goods through a maze of tariff and nontariff barriers.¹ There is also a belief that Japan's economic priorities lie with Europe and the United States.

(b) Economic Cooperation

Closer economic cooperation has often been the theme of annual Japan-ASEAN conferences since 1974. Early efforts were not particularly successful because Japan tended to emphasize bilateral relations with the individual member-nations rather than with ASEAN as a single economic community. ASEAN, too, was to blame for not having the institutional framework to promote cooperation. Also, in the beginning, the prospect of economic cooperation with Japan could not help but revive memories of Japanese efforts during World War II to construct an "East Asia Co-Prosperity Sphere," a euphemism for Japanese hegemony.

Conditions have changed in the past 4 years. ASEAN has taken a more concrete shape as an economic community, having concluded an ASEAN Industrial Complementation Agreement and a more comprehensive ASEAN Industrial Joint Venture Agreement in 1981. Both have opened the way for cooperative ASEAN industrialization and heightened possibilities for Japanese investment. The Japanese Government and business community in turn have responded by altering their thinking to reflect a new focus on the ASEAN economic community as a whole. The ASEAN-Japan Development Corporation--the first concrete achievement of the annual ASEAN-Japanese Businessmen's Conferences--formed in November 1981, for example, is intended to promote joint ASEAN-Japanese ventures that are ASEAN-based rather than focused on individual member-nations.

The framework for economic cooperation between ASEAN and Japan is constructed on the basis of each side's comparative advantages. ASEAN's appeal to Japan lies in its abundant raw materials and low cost manpower as well as its many and low-cost industrial sites. Japan, for its part, offers available capital at a generally lower cost, more advanced industrial technology, and an existing industrial infrastructure. Both sides hold the prospect of large domestic markets.²

Total Japan-ASEAN two-way trade grew from \$34 billion in 1980 to \$36.2 billion in 1981. ASEAN, after the United States, is Japan's largest trading partner and accounted for 12.7 percent of Japan's total trade in 1982. Japan is ASEAN's biggest trading partner, providing 21 percent of ASEAN imports and taking 31 percent of its exports in 1981. Since 1973 the overall trade balance has remained in ASEAN's favor; Japan has retained a trade surplus with Thailand, Singapore, and the Philippines individually, and a deficit with Indonesia and Malaysia.³

Japan's cumulative direct investment in the ASEAN region reached \$10.657 billion at the end of March 1983 and represented 20 percent of Japan's total direct overseas investment, making ASEAN second only to the United States as a locale for Japanese private investment.⁴ One-third of Japan's Official Development Assistance (ODA) goes to ASEAN. The amount received from Japan is larger than from any other source of foreign assistance, and accounts for 50.5 percent of all economic aid to the region.⁵

(c) The Investment Situation

The current ASEAN economic recession resulted from the world-wide slump in prices for primary commodities, the major income source for ASEAN. ASEAN states are key suppliers of primary goods to Japan, accounting for as much as 99 percent of Japan's natural rubber and zinc imports and 95 percent of its tropical lumber. Japan is also heavily dependent on ASEAN for vegetable oil, nickel, copper, bauxite, and many other commodities.⁶

New Japanese investment in ASEAN has stagnated during the recession, while investments in Europe and the United States have increased. The reason, the Japanese insist, is not that they are shifting priorities; rather, they are simply catching up on long-needed investments in the United States and Europe.⁷

The facile explanation from Tokyo, however, does not preclude the existence of problems with Japanese investment in the ASEAN region. Those singled out at an ASEAN-Japan investment symposium in November 1983 ranged from taxation to restrictions on raising local funds to problems with local ownership of foreign-invested enterprises. From the Japanese, there were complaints regarding frequent shifts in income tax policies and collection procedures. Local financing was also identified as problematical because the Japanese required increased access to equity financing in ASEAN capital markets but in all cases, Japanese investment exceeded the amount of domestic savings required to provide such financing. The Japanese claimed further that there was often informal pressure applied by governments to increase the equity share of host country investors in joint enterprises. Lastly, the question of host country political stability is significant for potential Japanese investors in the ASEAN region. The Japanese have pointed out that few of ASEAN's top leaders have provided for their political succession to insure future domestic stability in their countries.⁸

ASEAN, in turn, has claimed that there were not enough Japanese investments in projects that promised greater and speedier transfers of technology. The Japanese were further accused of placing minimum emphasis on ASEAN exports and paying little attention to small- and medium-sized businesses.⁹

(d) The Fukuda Doctrine

Japanese Prime Minister Takeo Fukuda's tour of the ASEAN region in 1977 initiated the Fukuda Doctrine to transform the area into a neutral, independent, and peaceful region via a policy that emphasized economic relations. The Japan-ASEAN Joint Declaration of August 1977 resulted in Fukuda's offer of \$1 billion in soft loans for ASEAN industrial projects with the condition that each project be financed and certified as an ASEAN venture, and that its feasibility be confirmed.¹⁰ First Malaysia, then Indonesia declared their candidacies with urea projects. The Philippines requested a feasibility study on a superphosphate of lime project and Singapore proposed a plan to construct small diesel engines.¹¹

The Fukuda Doctrine reassured Southeast Asia that Japan had no military ambitions and that, as Fukuda expressed it, the Japanese were looking for a "heart-to-heart relationship" with the people of Southeast Asia.¹² Although Fukuda's maneuver in 1977 is viewed as a turning point in relations, tangible results were not immediately apparent. The Japanese tariff on shrimp was reduced by one percent, \$10 million was pledged as the first installment of a Tokyo contribution to the ASEAN Cultural Fund, and a decision was made to treat ASEAN processed goods on a cumulative basis if necessary when considering granting preferential trading treatment.¹³

(e) The Impact of Events in Indochina on ASEAN-Japan Relations

In contrast to the economic emphasis of 1977, the events of 1978 required Japanese policy to be more political due to Vietnam's invasion of Kampuchea. There followed a period of confusion for Japan regarding its relationship with Vietnam, and Japan's Southeast Asia policy seemed to lose direction temporarily. Under Fukuda, Japan regarded itself as the only country in the Western camp friendly with both ASEAN and Indochina. The issue for Japan in Indochina centered on aid to Vietnam. For Japan, the Kampuchean invasion was a lesson in Vietnamese credibility. Japan had decided to continue assistance to Vietnam when Vietnam's Foreign Minister Nguyen Duy Trinh, on his visit to Tokyo in December 1978, pledged "the peaceful settlement of the Indochina dispute."¹⁴ Following the invasion of Kampuchea, Japan suspended fresh assistance to Vietnam and froze already promised aid. These steps, however, were meant only to restrain Vietnam and were not intended to change Japan's long-range strategy toward Hanoi. Fukuda's intention was to return Vietnam to a state of self-reliant independence, and make it a stabilizing force in Southeast Asia. If rejected by Japan, it was believed that Hanoi would lean increasingly toward the Soviet Union. Excessive cooperation with Vietnam, on the other hand, risked the displeasure of the ASEAN countries. It was nevertheless believed that economic assistance to both sides enhanced the chances for developing the area into an independent, neutral, and peaceful region. Within the Japanese Government, opinion was heavily in favor of accepting Vietnam's incursion in Kampuchea as a fait accompli. However, Japanese hopes for stabilizing the region through aid to both ASEAN and Vietnam were never realized. Consequently, the Fukuda Doctrine collapsed, causing ASEAN's mistrust of Vietnam and Japan to deepen.

(f) The Role of China in ASEAN-Japanese Relations

ASEAN also was critical of Japan's strengthened ties with China through the 1978 Treaty of Peace and Friendship and concerned that China would replace ASEAN as a major trading partner to Japan. Japan and China pledged in their treaty not to seek hegemony in the Asia-Pacific region and Japan emphasized to other nations that the treaty would contribute to peace and stability in the region.

(g) Nakasone's Policy

Japanese Prime Minister Yasuhiro Nakasone's trip to Southeast Asia in May 1983 charted a new policy path by stressing economic development in such areas as agriculture and manpower training. He called for personal exchanges and technical cooperation, illustrating the shift "from hard to soft," "from objects to hearts."¹⁵ His plans for cooperation seemed modest to ASEAN members, as his last speech in the region emphasized closer emotional links between Japan and ASEAN through technical training, education, and personal exchanges. One such exchange was for 3,750 ASEAN teachers, students, and others to visit Japan over the next 5 years. Japanese leaders suggested that youths involved could form the nucleus of a "new Asian culture" consolidating ASEAN and Japanese societies.¹⁶ The first 150 youths departed for Japan in April 1984.¹⁷

Nakasone's concentration on improving Japan's image by means of the softer aspects of development aid overshadowed a handful of economic measures designed to help ASEAN more directly. These measures included a pledge to maintain current high levels of soft credits to the region, a promise of greater access to Japan's markets for manufactured goods, and an offer to help ASEAN countries renovate aging industrial plants originally launched with Japanese assistance.¹⁸

Politically, Nakasone presented two policies of special importance to ASEAN: full support for ASEAN efforts to drive Vietnam from Kampuchea and rejection of a Japanese military role in the region. With respect to the former, he stated that Japan would not offer economic aid to Vietnam until it withdrew its troops from Kampuchea. As to the latter, he asserted that Japan would limit its military buildup to purposes of self-defense. He promised that plans to defend Japanese sea-lanes would not threaten ASEAN waters or extend beyond 1,600 kilometers from the Japanese home islands.¹⁹ He also announced larger 1983 aid packages for Indonesia; Thailand, and the Philippines, and pledged to expand import quotas 50 percent, to about \$5 billion in 1984, for goods from developing countries.²⁰

These promises were well-received, but the Nakasone visit failed to settle several economic issues. For example, the Japanese leader offered no tariff cuts for products such as Malaysian palm oil, Philippine bananas, and Thai poultry. Instead, he said he would pass such requests on to Tokyo trade officials for consideration. He also equivocated on requests from Indonesia and Malaysia to increase Japanese purchases of petroleum, and a request from Thailand to buy liquified natural gas. This was a twist because Prime Minister Zenko Suzuki in 1981, had specifically sought a pledge from

Indonesia guaranteeing a steady supply of crude oil and had made Japanese support for ASEAN energy development a key policy goal.²¹

Nakasone's decision to visit the ASEAN states at that time was made with the goal of enhancing his prominence at the upcoming June 1983 Williamsburg Summit and increasing his chances of winning the House of Councillors election shortly thereafter. The Japanese Foreign Ministry, however, worried about the tour. The biggest concern was that the region's economies had slumped because of the world recession and the difficulties might be blamed on Japan. The Ministry was also uneasy over Southeast Asia's concern that Japan might be looking to become a major military power once again. Japan could not allay all suspicion simply by saying it had plans to build up its defenses, because US pressure on Japan to increase its defense capability significantly was well known. The Japanese Foreign Ministry already had sought to obtain ASEAN's understanding of Japan's sealane defense plan, explaining that the southeast sealanes would not extend westward beyond Guam and the southwest sealanes would not extend to the Bashi Channel. However, the Philippines and Indonesia remained suspicious about Japan's real intention.

(h) Relations with Individual ASEAN Member States

1. Indonesia

For Indonesia, Nakasone proposed:

- an approximately \$281-million loan for 1983;
- efforts to maintain Indonesia's share of oil exports;
- raising Indonesian-produced rice food assistance to developing countries to 140,000 tons; and
- a further increase in imports of Indonesian nonoil products.

In connection with the defense issue, Nakasone explained that Japan would continue to adhere to its war-renouncing constitution and maintain the three nonnuclear principles. Japan would do the minimum for self-defense in the face of the Soviet military buildup and would defend its sealanes in the event of an emergency. In response, Indonesian President Soeharto stressed the need for restraint in Japan's defense buildup, thereby conditionally approving Japan's defense buildup.²³

The Indonesian Government clearly wants to reverse the precipitous slide in Japanese investments which have been about 20 percent of the 1973 level in recent years. The country's most recent 5-year plan, Repelita III (1979-84), has elevated industrialization to the highest order of priority. The main objective is to achieve sufficient momentum during the plan period to transform Indonesia into an industrial country by the time it becomes a net petroleum importing country, estimated to be about 1995.²⁴ This will require a basic change in attitude toward foreign investment in general. If Indonesia is to reach the ambitious targets of the new 5-year plan, Japan must play a key role. Japanese investments will still account for 37 percent of total foreign investments; these amount to as much as 14 percent of Japan's

private direct investments abroad.²⁵ Just as Japan ranks highest among foreign countries investing in Indonesia, Indonesia tops the list of countries in which Japan has invested. Indonesia's vast cheap labor resources are attractive to Japanese firms seeking manufacturing sites for labor-intensive production abroad.

2. Malaysia

Apart from Indonesia, Malaysia--also an oil exporting country--is the only other member of ASEAN with a trade surplus with Japan. Slated to have its aid phased out because of its growing prosperity, Malaysia, nevertheless, won a hefty increase in soft loans from Japan and export credits for \$212.8 million early in 1983 for the remainder of the year.²⁶ As a demonstration of Malaysia's significance to Japan, Nakasone chose to make his "policy speech" concluding his ASEAN tour in Kuala Lumpur.

3. Philippines

The Philippines was highlighted during the second half of Nakasone's tour. In a reception speech, Nakasone expressed "deep reflection" on the Japanese Army's acts in World War II, marking the first time that a post-war Japanese leader had apologized to the Philippine people so frankly. Philippine suspicions regarding Japan's defense buildup were seemingly overruled by the country's eagerness to receive increased Japanese aid (its accumulated foreign debt had reached \$13 billion in 1982 and its debt service ratio was at 19.4 percent).²⁷ In talks with Nakasone, President Ferdinand Marcos was reported to have stated that Japan's self-defense was its inherent right, and added that Japan should bolster its defense capability even further.

Prior to Nakasone's trip, the Philippines had requested Japan to triple its 1982 yen loan (approximately \$208 million) in imitation of Japan's economic cooperation agreement with South Korea in January 1983. The agreement with South Korea committed Japan to \$4 billion in economic aid over a 7-year period.²⁸ To meet this request, however, would have caused Japan's Overseas Development Aid (ODA) to skyrocket. Nakasone, instead, pledged to increase yen loans to the Philippines by 30 percent over 1982 (approximately \$270.8 million). He also promised to consider cutting tariffs on bananas (currently 25 percent in summer and 40 percent in winter) and to examine the possibility of cooperation for the San Roque Multipurpose Dam Project (total cost approximately \$1.2 billion).²⁹

With the assassination of opposition leader Benigno Aquino in August 1983, and the consequent lack of trust in the Marcos government that it engendered, the Philippine economy plunged into even more serious trouble. Nihon Keizai Shimbun, a major Japanese economic daily, speculated that Japanese exports to the Philippines might stop in 1984 if export risk insurance were not extended.³⁰

4. Singapore

Singapore, the third country visited on Nakasone's ASEAN tour, is the only ASEAN state that does not need Japanese aid. The two countries have launched a joint project involving a petrochemical plant in Singapore, and Singapore is currently promoting expanded cultural exchanges with Japan under the slogan "Learn from Japan."³¹

5. Thailand

In his talks with Thai Premier General Prem Tinsulanonda, Nakasone declared that Japan would not lift the ban on economic aid to Vietnam as long as Hanoi refused to withdraw its troops from Kampuchea. He thus supported the ASEAN stance on the Kampuchean question and pledged further refugee aid through international institutions. Moreover, Nakasone promised an approximately \$280.6-million loan, an amount comparable to the loan promised Indonesia for 1983.

Although Thailand's lack of major energy resources and raw materials have made it unattractive to large-scale Japanese investment, its appearance on the stage of serious capital investment has nevertheless drawn attention. Huge projects mapped out for the near future--from a gas pipeline and power stations to a soda ash scheme and construction plans for airports, deep sea harbors, and massive new rail links--are intended to bring large infusions of capital into Thailand, particularly from Japan. Already Thailand's largest trading partner and largest investor, Japan has the financial leverage required to win bids for the majority of the bigger contracts. Japan's share of total foreign investment in Thailand is 35 percent, well ahead of the United States' 15.4 percent.³²

The Thais have been dissatisfied with trade imbalances favoring Japan. The ratio of imports to exports was 2.4:1 in 1972. This gradually decreased to 1.5:1 in 1976 before increasing in 1977 to 2.2:1.³³ The Japanese insist that they are doing all they can to alleviate the situation, but the Thais remain skeptical. Japan also believes that Thailand, as a developing country, should tolerate the trade deficit because the gap can be financed by loans which would accelerate the country's economic development.³⁴

In January 1983 the Thai Government sought financial aid totaling more than \$1 billion from Japan under the 10th Yen Loan, one of the largest loan packages ever sought by Thailand. It also was reported at the time that \$.575 million would be sought from Japan to aid the multimillion dollar chemical fertilizer project. In May 1982 the Japanese Government, through the Overseas Economic Cooperation Fund (OECF), had granted a \$298-million loan for about 10 projects as proposed by the Thai Government under the 9th Yen Loan.³⁵

6. Brunei

Brunei exports 60 to 70 percent of its oil and 100 percent of its liquified natural gas to Japan.³⁶ In anticipation of Brunei's impending independence and membership in ASEAN, Nakasone spent 5 hours in Bandar Seri Begawan in the course of his regional tour.

(i) Conclusion

Japanese-ASEAN relations were expanded from economy-oriented cooperation to political concordance as a result of Prime Minister Nakasone's 1983 tour. Although stronger political ties may be just ASEAN's means of drawing further economic cooperation from Japan, the character of Japanese-ASEAN cooperation has, nevertheless, changed. Japan's diplomacy may be more problematical henceforth. Stepping into a political relationship with ASEAN will prevent its consideration of issues solely on an economic basis. Nakasone's first moves in this new political direction, however, did quell ASEAN's fears about Japan's boosted defense policy.

NOTES

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⁵Hideo Matsuzaka, "Future of Japan-ASEAN Relations," Asia Pacific Community, no. 21 (Summer 1983), p. 13.

⁶Ibid.

⁷Bradley K. Martin, "Japanese List Business Gripes for ASEAN," Asian Wall Street Journal, 16 November 1983, pp. 1, 9.

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⁹Ibid.

¹⁰Toru Yano, "Fukuda's Hanoi-ASEAN House of Cards has Collapsed," FEER, 23 March 1979, p. 41.

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¹⁴Ibid., p. 40.

¹⁵John Marcom Jr., "Nakasone's ASEAN Trip May Chart New Path in Policy," Asian Wall Street Journal, 28 April 1983, pp. 1, 4.

¹⁶Raphael Pura, "Nakasone Tries to Win Hearts on ASEAN Tour," Asian Wall Street Journal, 10 May 1983, p. 1.

¹⁷"Youth from ASEAN Countries to Study in Japan," Indonesia Times, 30 December 1983, p. 3.

¹⁸Pura, "Nakasone Tries to Win Hearts on ASEAN Tour," p. 1.

¹⁹Ibid.

²⁰Ibid.

- ²¹Ibid.
- ²²Matsuzaka, "Future of Japan-ASEAN Relations," p. 12.
- ²³Ibid., pp. 15, 16.
- ²⁴Gene Gregory, "Repelita III - Catapult for Industrial Takeoff," FEER, 23 March 1979, p. 60.
- ²⁵Ibid, p. 62.
- ²⁶Pura, "Nakasone Tries to Win Hearts on ASEAN Tour," p. 1.
- ²⁷Matsuzaka, "Future of Japan-ASEAN Relations," p. 19.
- ²⁸Ibid., p. 13.
- ²⁹Ibid., p. 19.
- ³⁰"Philippines to Get Help from Japan," Bangkok Post, 26 November 1983, p. 6.
- ³¹Matsuzaka, "Future of Japan--ASEAN Relations," p. 17.
- ³²Glenn Garven, "Some Reassessments Due to Southeast Asia War Clouds," FEER, 23 March 1979, p. 55.
- ³³Ibid.
- ³⁴Ibid.
- ³⁵Kowit Sanandang, "Govt. Seeking Massive Loan From Japan," Bangkok Post, 28 January 1983, section II, p. 19.
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(3) Vietnam/Kampuchea

(a) Introduction

Prior to Vietnam's invasion and occupation of Kampuchea in December 1978, integration of the three Indochinese states and ASEAN into a larger regional organization was discussed within the ASEAN community as a possible solution to regional problems. The proposal surfaced after Vietnam's reunification, when Vietnam reportedly requested observer status at ASEAN meetings. It was understood, however, that the inclusion of Communist states within a grouping of free market countries was unprecedented and the idea was interpreted to be more of a goodwill gesture than a serious proposition.¹

The split between Vietnam and ASEAN widened considerably following the Kampuchea invasion and the idea was entertained no further. Instead, ASEAN cast Vietnam into the role of the region's primary destabilizing influence and took the lead in mobilizing international public opinion against its move into Kampuchea. ASEAN was able to publicize the Kampuchean issue in the UN General Assembly by sponsoring for 5 successive years a resolution calling for the removal of all foreign forces from Kampuchea and for the right of Kampucheans to determine their own future through internationally supervised free elections. ASEAN also was instrumental in keeping the Vietnam-sponsored Heng Samrin regime in Phnom Penh from taking over Kampuchea's UN seat. The Democratic Kampuchean Government under Pol Pot, despite its bloodied history, was able to retain the seat by virtue of its having been the victim of external aggression.²

Vietnam's move into Kampuchea spurred the ASEAN countries, as perhaps few other events could have, into a regional alliance of new-found diplomatic force. It demonstrated their capacity to overcome divergent national threat perceptions for the sake of unity in the face of a commonly perceived regional threat, and it unquestionably was responsible for initiating the substantial growth and development that ASEAN has experienced since. Indeed, ASEAN's recent advances in regional cooperation are so closely tied to the Kampuchean issue to invite speculation over how this new-found unity might fare should the issue be resolved.³

(b) ASEAN's View

ASEAN's concern with the Kampuchean problem is a combination of the following issues:

- o the right of self-determination for the Kampuchean people;
- o the security concerns of Vietnam;
- o the threat to the security of Thailand;
- o the stability of Southeast Asia; and
- o the role of the major powers in Southeast Asia.⁴

ASEAN's position concurs largely with that taken by the International Conference on Kampuchea (ICK) held at UN Headquarters in July 1981. The conference called for the withdrawal of Vietnamese forces and the establishment of a neutral nonaligned Kampuchea. ASEAN further subscribes to the idea espoused

by the United States and China of bringing as much international pressure as possible to bear on Vietnam to compel its military withdrawal from Kampuchea. The ASEAN members, however, disagree regarding the amount of pressure that should be applied and the extent to which Vietnam actually represents a threat to the region.

1. Indonesia

Far from the front line, Indonesia does not view Vietnam as a serious near-term threat, but rather as a necessary buffer to the region's far greater threat--China. Indonesian leaders have claimed more than once that their struggle for independence against the Dutch created a common revolutionary bond between Vietnam and Indonesia.⁵

2. Malaysia

Few Malaysians view Vietnam as a serious threat. Like the Indonesians they are far more concerned with China. Malaysia has gone so far as to claim to be the ASEAN state with the best relations with Vietnam.⁶ However, Vietnam's relationship with the Soviet Union has been an issue of concern, and for this reason the Malaysians have made an effort to induce Vietnam to accept a negotiated settlement of the Kampuchean issue.⁷

3. Philippines

As a consequence of geographical distance, the outcome of events in Indochina would perhaps affect the Philippines least of all ASEAN's members. The large US military presence in the Philippines contributes to Filipino complacency in this matter, but the issue of Japanese rearmament is probably more significant to the Philippines than is the threat of a Soviet-supported Vietnam or even a powerful China.⁸

4. Singapore

Singapore, of all the ASEAN states, has been the strongest exponent of a hard line toward Vietnam, even though geographically it is somewhat removed from the threat. Singapore sees itself as a spokesman for Thai views which Thai officials--closer to Vietnam and therefore more exposed--are reluctant to articulate.⁹ Singapore is particularly vulnerable because of the size of its tiny island-state and because of the strategic position it occupies.¹⁰ As a state dependent on foreign investment, Singapore also is sensitive to instability in the region which could drive away foreign investors.¹¹

5. Thailand

As the ASEAN state most vulnerable to a potential Vietnamese threat, Thailand has consistently looked to the United States for support. Thailand cooperated with the United States during the Vietnam war and, after Vietnam's reunification, moved to align with China as well. The fortuitous convergence of interests between China and the United States over Vietnam's occupation of Kampuchea is currently regarded by Thai leaders as the basis of their country's security.¹²

Thailand's security link with China remains a source of tension with its ASEAN partners, and may have reduced the flexibility of ASEAN's diplomacy over Kampuchea. The organization, nevertheless, continues to accommodate the relationship.

(c) Vietnam's View

Fundamental to Vietnam's foreign policy is its claim to a "special relationship" with Kampuchea (and Laos) and its perceptions of a "Chinese threat."¹³ To the Vietnamese, the Kampuchean situation is an outgrowth of both. China is viewed as the core problem and the December 1978 invasion that toppled the regime in Phnom Penh was intended to eliminate the threat represented by Pol Pot's alignment with China. Rather than have its activity in Kampuchea perceived as potentially damaging to ASEAN's security, Vietnam would like to convince ASEAN that its real interests lie in joining with Vietnam to counter the Chinese threat to the region.¹⁴

Vietnam has looked for ASEAN recognition of Vietnamese control over Kampuchea and its endorsement of the Heng Samrin regime. The position ASEAN takes on Kampuchea is important to Hanoi because it is through ASEAN's efforts at the United Nations that the world's attention continues to focus on Kampuchea. The Vietnamese thus see ASEAN as having the power to confer or deny them legitimacy in Kampuchea. They also see ASEAN as the least committed of their opponents to a policy of prolonged hostility toward Vietnam.¹⁵ The aim therefore is to convince ASEAN that Vietnamese domination of Kampuchea is an effective counterforce to Chinese assertion in the region. At the same time, Vietnamese diplomacy has sought to aggravate internal divisions within ASEAN over the Kampuchean issue in the expectation that long-term fear of China will eventually undermine ASEAN's unity.¹⁶

Vietnam has made substantial efforts to maintain good bilateral relations with key ASEAN members, including the 1978 agreement between Vietnam and the Philippines to negotiate their conflicting claims in the Spratly Islands and the conciliatory position taken over competing claims to the Natuna Islands by Foreign Minister Nguyen Co Thach during his late 1982 visit to Indonesia.¹⁷ So too with Thailand, Thach has asserted that, "we do not see any major obstacles to the development of relations between Thailand and Vietnam because the two countries' interests do not come into conflict."¹⁸ Vietnam's relations with ASEAN members, however, are to a large extent determined by their connection with external forces. Thus, the problem with Thailand in Vietnam's view is that Bangkok has allowed itself to be used as a pawn by Beijing.¹⁹

(d) Toward an Anti-Vietnamese Coalition in Kampuchea

After several failures, the ASEAN countries were instrumental in persuading the three anti-Vietnamese factions to form a coalition government in June 1982. Known as the Coalition Government of Democratic Kampuchea (CGDK), it was comprised of Pol Pot's Khmer Rouge, Son Sann's Kampuchean National Liberation Front, and Prince Sihanouk's Moulinaka. ASEAN's reason for broadening the Democratic Kampuchean Government of the Khmer Rouge was its concern about future international support for the Khmer Rouge. In order to

sustain international support at the United Nations, a Kampuchean government-in-exile needed the added legitimacy that non-Communist factions and the prestige of Prince Sihanouk's name could contribute to counterbalance negative feeling invoked by the image of Pol Pot and his Khmer Rouge. ASEAN would have liked to drop the Khmer Rouge altogether but recognized that Chinese support would be required for any broadening effort. The Chinese were reluctant to withdraw their support from the Khmer Rouge because they viewed it as the only effective anti-Vietnamese fighting force and a fundamental ally of China in Indochina. They were persuaded to support the coalition and eventually began supplying arms to Son Sann and Sihanouk as well as Pol Pot.

The CGDK has survived, although tenuously, in spite of an enormous amount of infighting and numerous threats by Prince Sihanouk to resign as its president. It has been successful in accomplishing its original goal of providing an alternative to the Heng Samrin regime in Phnom Penh, with more international appeal than the Pol Pot forces alone were capable of inspiring.

(e) Vietnamese Tactics

The conflict within Kampuchea has followed a predictable pattern. Vietnamese offensives are mounted in the February to May dry season when coalition resistance is driven back toward the Thai border and frequent border violations and exchanges of fire between Thai and Vietnamese forces occur. This is followed by a wet season lull when resistance forces are able to reoccupy their bases and launch guerrilla operations.²⁰

Vietnam launched its heaviest dry-season offensive in January 1983 on a scale which reflected the significance Vietnam attached to destroying the CGDK. The offensive created the greatest movement of refugees into Thailand since the dry-season attacks of 1979 but failed to dislodge resistance forces from their border area bases. The use of Thai territory by the resistance forces as a sanctuary apparently has given them an edge in maneuverability that defies encirclement. The Vietnamese thus may be condemned to annual dry-season offensives which contain but hardly eliminate resistance forces.²¹

The Vietnamese have attempted to establish a Kampuchean army capable of participating in operations against the resistance forces. The army has a strength of between 20,000 and 30,000 men based on conscription and is dependent on the Vietnamese for artillery and air support. Because of morale and desertion problems, the units are regarded as unreliable by the Vietnamese.²²

The Vietnamese also have initiated an ethnic Vietnamese emigration into Kampuchea. The Heng Samrin regime's news agency (SPK) confirmed in September 1983 that a policy of emigration was in effect and that 60,000 Vietnamese had settled in the country. Most new settlers, it explained, were prior residents ejected by Pol Pot.²³ The CGDK's Son Sann claimed that 600,000 Vietnamese settlers had been introduced,²⁴ and the Bangkok Post reported in June 1983 that highly reliable Vietnamese military documents had revealed that Hanoi planned to set up "development villages" throughout

Kampuchea to accelerate its plans to "Vietnamise" the Khmer people. In such villages, the Kampuchean people would be separated into various groups mixed with Vietnamese in proportion to the density of the population. The proportion given was ten Kampuchean families to two Vietnamese families in a village, thus indirectly calling for Vietnamese to make up 20 percent of the population.²⁵ The Thais call it a long-term policy of colonization designed to solve the problem of questionable loyalty of sections of the indigenous population by the creation of Vietnamese-dominated areas.²⁶

(f) Factors Influencing Vietnam's Policy in Kampuchea

Kampuchea has been referred to as "Vietnam's Vietnam" since the Vietnamese fighting there do not have the sustained advantage of operating within a familiar ethnic and cultural environment that they enjoyed in their wars against France and the United States. By basing political goals on the use of force alone, they are, in fact, duplicating the failures of their former enemies.

While it has been Soviet policy to induce ASEAN to acquiesce in Vietnam's domination of Indochina, this has often been in conflict with the Soviet's wider goal of enticing ASEAN into accepting the Soviet presence in the region. This cannot be achieved while ASEAN and Vietnam are in conflict. Therefore, the Soviet Union would prefer greater flexibility from Vietnam on Kampuchea and is not beyond applying pressure on Vietnam to accede to some ASEAN demands in order to effect a reconciliation between the two.²⁷ The reopening of Sino-Soviet talks in October 1982 represented one means of applying pressure because it signaled to the Vietnamese that the Soviets were not necessarily bound by Vietnamese objectives.²⁸

In the end, the situation within Kampuchea may prove the factor influencing Vietnamese policy. While it is unlikely that Vietnamese forces will be ejected militarily from the country, it is equally unlikely that prospects for uncontested control by Vietnam will improve in the future. Even though Hanoi may continue to maintain security in the cities for the Heng Samrin regime, it probably will not be able to eliminate the Khmer resistance forces, particularly since the coalition was formed and the threat became more political than military. The irony for Vietnam is that it will take a Vietnamese troop withdrawal to satisfy ASEAN and international demands for a legitimate government, but that the absence of Vietnamese troops could open the way for the Khmer Rouge to return to power.²⁹

(g) Toward a Solution

For over 4 years, the word "stalemate" has aptly described the state of negotiations between the ASEAN countries and Vietnam over Kampuchea. A fundamental difference has been ASEAN's insistence on internationalizing the issue and placing it in a UN framework where the overall balance of forces continues to oppose Hanoi. Vietnam, in an attempt to thwart this effort, has continued to assert its position that the issue be settled through a regional conference. However, there has been some give and take. Vietnam is no longer adamant that the agenda of a meeting include discussions of US military bases in the Philippines or Indonesia's annexation of East Timor.³⁰ It also agreed,

at the Seventh Non-Aligned Conference in New Delhi in March 1983, to hold talks without the participation of the Heng Samrin regime but later retreated from that position.

Vietnamese gestures at withdrawing troops have not been particularly well received. After a 1982 troop withdrawal was disputed as a routine rotation of troops, Hanoi withdrew a contingent of troops known as the "Cuu Long Military Group" amid great fanfare in the spring of 1983. However, it was not made clear how many troops were being withdrawn or of what the Cuu Long group consisted.³¹ The Vietnamese stated their position in the so-called "Vientiane proposal" put forward following a meeting of the Indochina foreign ministers in January 1984. Among other points, it stipulated that a total withdrawal of Vietnamese troops required an end to the Chinese threat, an end to use of Thai territory as a safe haven for Khmer insurgents, and an end to irregular warfare by the Khmer Rouge and other "Khmer reactionaries" against the Phnom Penh government.³²

A further appeal was made to the Vietnamese in September 1983 for partial withdrawal of Vietnamese troops on a territorial basis, beginning with withdrawal from Kampuchea's westernmost territory along the Thai-Kampuchean border.³⁴ ASEAN was prepared to discuss this proposal on the occasion of Foreign Minister Nguyen Co Thach's visit to Jakarta in March 1984, but Thach dismissed it as a call for unilateral withdrawal of Vietnamese troops.³⁵ He later softened his stand somewhat by stating that although Vietnam rejected the idea of unilateral withdrawal, it was still a negotiable item providing ASEAN agreed to negotiate "our proposal" (the Vientiane proposal).³⁶

Prior to Thach's visit, the Indonesians had taken several initiatives on the issue that raised hopes and supported the impression that something was about to happen. A visit by General Benny Moerdani, commander of Indonesia's Armed Forces, to Hanoi was followed by a Vietnamese-Indonesian political seminar in the Vietnamese capital. And, in what was termed a personal initiative, former Indonesian Vice President Adam Malik called on China, Vietnam, and the Soviet Union to discuss Kampuchea.³⁷

Thach's stop in Jakarta was merely the first in a diplomatic mission that took him to Canberra and Bangkok as well. In Australia, he announced that the Khmer Rouge rather than the Chinese were now Hanoi's primary worry. He also disclosed that the Vietnamese were prepared to give Kampuchea priority in any discussion with the ASEAN countries. In Thailand, however, where the Thais hoped to pin him down further with an unequivocal confirmation that the Kampuchean issue would indeed be discussed, he pleaded illness and cancelled his scheduled meeting with Foreign Minister Siddhi.³⁸

ASEAN had placed great hope in Thach's trip, particularly Indonesia which was hoping to justify the initiatives it had taken. Although Vietnam may have thought it was demonstrating flexibility, the ASEAN countries could not help but be disappointed at the negative turn of events. The only positive effect for ASEAN was the new sense of unity in the anti-Vietnamese resistance coalition created by Thach's remark isolating the Khmer Rouge.³⁹

(h) Conclusion

At present, Vietnam seems to be seeking unilateral concessions from ASEAN to ratify Hanoi's preeminence in Indochina. This may imply that Vietnam regards Kampuchea as significant enough to its security, vis-a-vis China, to preclude the possibility of compromise. Hanoi's strategy may be, therefore, to simply out wait ASEAN and hope that, with time, ASEAN will accept its presence there. Such a strategy, however, is dependent on Vietnam's ability to dominate all of Kampuchea, a possible but not likely outcome.⁴⁰

The Vietnamese have yet to realize that their goals in Kampuchea perhaps cannot be fulfilled and that they may have to settle for less than complete domination. Current Vietnamese leaders may not be able psychologically or politically to modify their policies; however, they are advanced in age and Vietnam will soon experience a transfer of power to a new generation of leaders expected to be more pragmatic in outlook.⁴¹

If Vietnam should seek an alternative to its present predicament based on some understanding with ASEAN, then it is possible that it may agree to a partition of Kampuchea, or it may agree to a government of reconciliation in Phnom Penh involving Sihanouk but excluding the Khmer Rouge.⁴²

A safe assumption about the future of the region is that ASEAN will have to adjust to a Hanoi-dominated Indochina. One of the dangers of ASEAN's current focus on the Vietnamese presence in Kampuchea is that it has obscured the question of long-range relations with Vietnam. Regardless of how the Kampuchean problem is resolved, the future stability of the region requires Vietnam and ASEAN's members to arrive at some viable basis for long-term relations.

NOTES

¹Leszek Buszynski, "Vietnamese Threat Helps Unify ASEAN," Asian Wall Street Journal, 18 August 1983, p. 6.

²Russell Fifield, "ASEAN, Kampuchea and the UN," Asia Pacific Community, Summer 1982, p. 87, explained that Pol Pot's genocidal practices have nevertheless remained an issue in the international community so that support for him is probably declining in the General Assembly in favor of leaving Kampuchea's seat vacant.

³Buszynski, "Vietnamese Threat Helps Unify ASEAN," p. 6.

⁴Lau Teik Soon, "ASEAN and the Cambodian Problem," Asian Survey, June 1982, p. 548.

⁵Astri Suhrke, "ASEAN: Adjusting to New Regional Alignments," Asia Pacific Community, Spring 1981, p. 24.

⁶Ibid.

⁷Buszynski, "Vietnamese Threat Helps Unify ASEAN," p. 6.

⁸Ibid.

⁹Suhrke, "ASEAN: Adjusting to New Regional Alignments," p. 22.

¹⁰H.M.F. Howarth, "ASEAN Perceptions of Vietnam," International Defense Review (Geneva), July 1983, p. 926.

¹¹Buszynski, "Vietnamese Threat Helps Unify ASEAN," p. 6.

¹²Ibid.

¹³David W.P. Elliott, "Vietnam in Asia: Strategy and Diplomacy in a New Context," International Journal (Toronto), Spring 1983, p. 288.

¹⁴Leszek Buszynski, "Vietnam's ASEAN Diplomacy: Incentives for Change," World Today, January 1984, p. 29.

¹⁵Ibid.

¹⁶Ibid., p. 30.

¹⁷Elliott, "Vietnam in Asia: Strategy and Diplomacy in a New Context," p. 310.

¹⁸Siam Post (Bangkok), 6 February 1983, in FBIS, Daily Report: Asia and Pacific, 10 February 1983, p. K8.

¹⁹Elliott, "Vietnam in Asia: Strategy and Diplomacy in a New Context," p. 310.

- ²⁰Howarth, "ASEAN Perceptions of Vietnam," p. 926.
- ²¹Buszynski, "Vietnam's ASEAN Diplomacy: Incentives for Change," p. 33.
- ²²Ibid., p. 34.
- ²³Bangkok Post, 28 September 1982, p. 1.
- ²⁴Bangkok Post, 9 September 1983, p. 1.
- ²⁵Bangkok Post, 20 June 1983, p. 1.
- ²⁶Buszynski, "Vietnam's ASEAN Diplomacy: Incentives for Change," p. 34.
- ²⁷Ibid., pp. 31-32.
- ²⁸Ibid.
- ²⁹Ibid., p. 33.
- ³⁰Rodney Tasker, "Ready--and Waiting," FEER, 29 September 1983, p. 26.
- ³¹Paul Quinn-Judge, "Put Out More Flags," FEER, 19 May 1983, p. 23.
- ³²Susumu Awanohara, "Up Against the Wall," FEER, 22 March 1984, p. 12.
- ³³Elizabeth Becker, "Cambodian Solution," New York Times, 27 September 1983, p. A33.
- ³⁴Awanohara, "Up Against the Wall," p. 12.
- ³⁵Ibid.
- ³⁶Ibid.
- ³⁷Ibid.
- ³⁸Rodney Tasker, "Feeling the Chill," FEER, 5 April 1984, p. 18.
- ³⁹"Taking Aim at Pol Pot," Asiaweek, 30 March 1984, p. 6.
- ⁴⁰Buszynski, "Vietnam's ASEAN Diplomacy: Incentives for Change," p. 36.
- ⁴¹Ibid., p. 31.
- ⁴²Ibid.

(4) China

(a) Introduction

The formation of ASEAN coincided with China's Cultural Revolution (1966-76) and US escalation of the Vietnam War, two events that significantly colored China's initial perception of the organization. The Cultural Revolution required China to focus inward, thereby discouraging foreign policy initiatives that might otherwise have eased ASEAN's acceptance. The US escalation of the war fueled China's already substantial hostility toward the United States and those non-Communist Southeast Asian nations with which it was allied. China wrote ASEAN off as a successor to SEATO and remained hostile until its own relationship with the United States changed following the February 1972 Shanghai Communiqué. At that point, relations assumed a more positive direction at a time of growing Soviet influence in Southeast Asia. The Soviet-Vietnamese Peace, Friendship and Cooperation Agreement of November 1978 signaled to China the critical need for some kind of rapprochement of its own with the ASEAN nations to counter Soviet efforts. Vice Premier Deng Xiaoping's visit to three ASEAN capitals at that time was a harbinger of the diplomacy of good will to follow.

From the viewpoint of the ASEAN nations, China has always been more of a threat than a friend. China's open support for Communist insurgency in the ASEAN region and ties, real or imagined, with the region's large overseas Chinese population have tended to encourage the ASEAN governments to remain at a distance from Beijing. Indonesia and Brunei do not have official relations with China; Singapore maintains only a trade representative in Beijing; and Malaysia, despite having established relations, remains suspicious of China's continued ties with the Malaysian Communists.

(b) The Role of Vietnam and the Soviet Union

Vietnam's December 1978 invasion of Kampuchea was a turning point for both China and the ASEAN nations. For China, the invasion represented a Vietnamese move to assist Soviet Communist Party Secretary Leonid Brezhnev in reviving his 1969 Asian Collective Security System, a plan to encircle China. Consequently, ASEAN immediately took on new dimensions in Chinese eyes as an organization capable of slowing Soviet advances in the region. ASEAN, in turn, began to perceive China as a possible foil to further Vietnamese aggression, an option particularly appealing to Thailand, whose common border with Kampuchea made it a frontline state. Because of this, the Thais assumed an especially close relationship to China, a move which, as discussed later, caused discomfort for some of Thailand's ASEAN partners.

The invasion of Kampuchea thus contributed to improving ASEAN's attitude toward China by hardening its attitude toward Vietnam. Hanoi was condemned by ASEAN not only for its aggression in Kampuchea but for its policies in generating refugees whose overwhelming numbers the ASEAN nations ultimately had to deal with. In turning to China, the ASEAN nations were looking for Chinese pressure to coerce Vietnam not only to remove its troops from Kampuchea, but also to alter its policies with respect to refugees, many of Chinese descent.

(c) Ally or Threat

In March 1980, Indonesian President Soeharto and Malaysian Prime Minister Datuk Hussein Onn strongly hinted in their "Kuantan Declaration" that a political solution in Kampuchea was possible only when the Vietnamese were relieved of their fear of a Chinese threat. The declaration assumed that the threat from China had caused Vietnam to invade Kampuchea and became increasingly dependent on the Soviet Union. As a statement of policy, it openly countered the official position of Thailand, Singapore, and the Philippines, which had been developed on the assumption that Vietnam's dependence on the Soviet Union had not been forged by the Chinese threat but was instead the product of mutual interests.

The Chinese position defined Soviet-Vietnamese interests as hegemonic and couched under the rubric of antihegemonism any actions China took opposing Vietnam and the Soviet Union. The month-long border war waged against Vietnam in February and March 1979 was an example of such an action. Under an antihegemonist banner, China decided to "teach Vietnam a lesson" through a punitive war following Hanoi's move into Kampuchea. The war was controversial and further complicated China's position with ASEAN. To be sure, Southeast Asia had been very critical of Vietnam's invasion of Kampuchea, but China's war against it made Vietnam's threatening image less decisive. In sum, the war was more negative than positive in ASEAN-China relations.¹

At the same time that Malaysia and Indonesia began to publicize China as a larger threat to regional security than Vietnam, the prime ministers of Thailand and Singapore were emphasizing the role that, China could play in solving the Kampuchean crisis. It was their belief that without the cooperation of China, Vietnam was unlikely to withdraw from Kampuchea either militarily or politically. With this in mind, both Lee Kuan Yew and Prem Tinsulanonda visited China in October 1980. Their object was to improve China's image with both Indonesia and Malaysia by urging Beijing to follow a more moderate policy in its support for Communist parties in the region, and to convince the Chinese to reduce their support for the internationally condemned Khmer Rouge in Kampuchea in favor of an alternative coalition of anti-Vietnamese forces with a less onerous reputation.

(d) Kampuchea

China's eventual support of the ASEAN-sponsored Coalition Government of Democratic Kampuchea (a group which in addition to the Communist Khmer Rouge, includes the non-Communist forces of Son Sann's Kampuchean People's National Liberation Front and Prince Sihanouk's Moulinaka) was in part a response to the Lee/Prem request. Although the Khmer Rouge remains by far the strongest military force of the three factions within the Coalition Government, its partnership with the other two groups has tempered its image and restored an international sanction to the Kampuchean anti-Vietnamese effort. As of December 1983, China's support of the coalition was increased to include military aid.²

China also has endorsed all ASEAN-sponsored UN resolutions on Kampuchea as well as the declaration resulting from the ASEAN-initiated International Conference on Kampuchea calling for free elections following the withdrawal of all foreign troops. Moreover, it is indicative of ASEAN's importance that Beijing eased its conditions for bilateral talks with Vietnam, stipulating that the submission of an incremental plan for troop withdrawal would suffice to initiate talks. Previously, it had demanded a total troop withdrawal. China's interest in courting the ASEAN nations is responsible for Beijing changing its stand on Kampuchea from one of singlemindedly looking to bleed Vietnam to one in which China recognizes and guarantees the future sovereignty and neutrality of Kampuchea.³

(e) Insurgency

The largest problem in ASEAN-China relations has been China's reportedly continued support for Communist insurgent movements in the ASEAN states. Despite China's interest in fostering closer relations with the ASEAN governments, it has failed to appreciate fully the suspicions of ASEAN leaders regarding its bilevel foreign policy--a policy that on one level can endorse ASEAN and on another level support revolutionary movements bent on overthrowing the governments of its member states.

As with Chinese policy in Kampuchea, Prem and Lee's visit to China contributed to a change in the Chinese policy of supporting insurgencies. In his visit to Malaysia, Singapore, and Thailand in February 1981, Chinese Premier Zhao Ziyang assured ASEAN leaders that Chinese support for the Communist parties of the region had become largely moral rather than substantive. However, in response to a suggestion that China should abandon support altogether, Zhao commented that it was unwise to do so at a time when the Soviet-Vietnamese faction was trying to gain a foothold in Southeast Asia.⁴ Reducing aid below a certain level, the Chinese believed, would invite Soviet and Vietnamese meddling.

China's support of insurgent organizations has lessened. In Thailand, the outlawed Communist Party of Thailand declined due in part to a decrease in Chinese aid and, in 1979, as a friendly gesture to the Thai Government, China shut down the radio station located in Kunming which broadcast the Voice of the Communist Party of Thailand.⁵ Similarly, there is no evidence that China is giving material or monetary aid to the rebels in Malaysia, and the Malayan Communist radio station, beaming its message from Kunming in southern China, was closed in 1981.⁶

(f) Overseas Chinese

The overseas Chinese communities of the ASEAN nations have traditionally been viewed with mistrust, fear, and suspicion by their host governments. Indonesia has perhaps the largest overseas Chinese population, estimated to have doubled from the 2.75 million in 1965, the year a Communist-inspired coup (seen as Chinese backed) occurred. Of the other ASEAN countries, Singapore is dominated by a large Chinese population (76.1 percent of 2.4 million), Malaysia's 13 million population is 33.4 percent Chinese or of Chinese descent, Thailand has 3 million Chinese concentrated mostly in the Bangkok area, and the Chinese community in the Philippines numbers 600,000.⁷

The trauma of the 1965 attempted coup in Indonesia persists and attitudes toward the Chinese are strongly negative. Singapore's staunchly anti-Communist leadership fears China's connection with the Communist insurgency in Malaysia and does not want to see the problem exported across the border, while Malaysia is still very sensitive to Chinese participation in the Communist insurgency that almost paralyzed the country from 1948 to 1960. A program to uplift indigenous Malays [bumiputras] to the economic level of the Chinese is a major government priority in Malaysia, but the Chinese segment of the population resists its implementation. In Thailand, the Chinese have become a strong economic group which has succeeded, in at least the upper social levels, in meshing their interests with the Thais. However, close to a half million ethnic Chinese are considered second-class citizens and are barred from various economic activities. The Chinese community in the Philippines is not as big as in other ASEAN countries, as the government's naturalization policy has encouraged the Chinese to assume Filipino citizenship. Although there is some traditional anti-Chinese feeling, Filipinos appear to have a more tolerant attitude toward their Chinese minority than do other ASEAN nations.⁸

China's main concern in its relations with the overseas Chinese in the region appears to have been to protect or promote its own national interests rather than the interests of the overseas Chinese. For example, China was very vocal when Vietnam adopted an antiethnic Chinese policy in March 1978, but remained silent when the overseas Chinese of Kampuchea were persecuted by China-protege Pol Pot.⁹ China's failure to act in Kampuchea contradicted a predominant belief in the ASEAN region that China always protected its own. Nevertheless, the ethnic Chinese factor continues to be a liability in China's relations with ASEAN. ASEAN members are concerned that any increase in Chinese influence in the region might jeopardize assimilation intended to integrate local Chinese into their respective societies.¹⁰

In an attempt to cultivate better relations with the Southeast Asian governments, China is trying to clarify ambiguities associated with its former dual nationality policy whereby overseas Chinese could be citizens of both China and the country in which they resided. A clause declaring China's "renunciation . . . of any claim on the citizenship of those overseas Chinese who acquire the citizenship of the country of their residence," was included in the joint communiques establishing China's relations with Malaysia (June 1974), the Philippines (June 1975), and Thailand (July 1975).

(g) General Economic Relations with ASEAN

Growth in China's trade with the ASEAN countries remains low because the economies of both sides are similar enough to preclude the degree of complementation necessary to sustain a truly flourishing trade. According to US Government figures, overall two-way trade rose from \$2.3 billion in 1981 to \$2.7 billion in 1982, representing 5.7 percent and 6.7 percent respectively of China's foreign trade. China's exports to ASEAN for the same period rose from \$1.7 billion to \$1.8 billion while imports from ASEAN increased from \$.5 billion to \$.9 billion. China maintained a formidable trade surplus with each of the ASEAN nations during this time.¹²

China exports petroleum, light manufactures, and food products in exchange for raw materials such as natural rubber, timber, sugar, and coconut oil. Singapore is called on to provide technical services.

(h) Relations with Individual ASEAN Nations

1. Indonesia

Indonesia was the first country among the ASEAN states to establish diplomatic relations with China (28 March 1950) and to maintain close ties with Beijing until the downfall of President Soekarno in 1967. Since then diplomatic relations have been suspended. Since 1971, however, China occasionally has expressed a desire to normalize relations and as late as May 1983, requested Japanese Prime Minister Yasuhiro Nakasone convey such a message to President Soeharto during his visit to Jakarta.¹³ The response from Jakarta has been consistently negative despite growing pressure from some of the more progressive army generals and liberal civilian politicians to normalize relations. A majority of the military elite and powerful Islamic groups, however, still oppose such a move on the grounds that China will continue to subvert the security of the country through clandestine support of the Indonesian Communist Party (PKI).

Deng Xiaoping's 1978 visit to Thailand, Malaysia, and Singapore, during which he refused to forego Chinese support of the PKI, was watched very closely by Indonesia, as was China's attack on Vietnam in February 1979. Both events further stalled the normalization of relations. One school of thought within the Indonesian Ministry of Defense holds that Indonesia shares a "China problem" with Vietnam and should align with Vietnam as protection against China.¹⁴

Two-way trade continues informally and is conducted mostly through Singapore and Hong Kong.¹⁵ In 1982, the trade volume reached \$240.7 million and the balance (\$211.7 million)¹⁶ was heavily in China's favor. China imports Indonesian timber, rubber, fertilizers, coffee, and pepper in return for light industry products, building hardware, herbs, and other commodities.¹⁷ Over 23 percent of Indonesia's plywood exports were reported to have been shipped to China through Hong Kong in 1982.¹⁸

Few foresee an early resumption of normal bilateral relations as long as President Soeharto is in power, as he is said to be absolutely convinced of Beijing's involvement in the 1965 coup.¹⁹

2. Malaysia

Malaysia established diplomatic relations with China in May 1974 following a change in leadership. Tun Abdul Razak, who came to power in 1970, effectively ended the anti-Communist, anti-China policy of his predecessor Tunku Abdul Rahman who had been in power since 1957. Tunku Rahman had feared the subversion of Malaysia's 4 million ethnic Chinese if China were recognized, while Tun Razak hoped that by gaining Beijing's friendship he could diminish China's ties to the Malaysian Communist Party (CPM). China's potential as a market for rubber, Malaysia's chief export, also was appealing.

However, the most important impetus for seeking normal relations with China was the declining presence of Western powers in the region.²⁰

A perennial problem between the two countries remains broadcasts by clandestine CPM radio stations. One station, Radio Suara Revolusi, originally based in China, moved to southern Thailand and was closed in mid-1981. But it was immediately replaced by another mobile transmitter, Radio Suara Demokrasi, located between Yala and Banang Setar in southern Thailand. Chinese-supported programs have become less provocative by not attacking the current Malaysian leadership, but, on the other hand, the station continues to promote Malay participation in revolutionary activity by urging Malays to join the clandestine Revolutionary Malay National Party.²¹

Malaysia ranked second after Singapore among ASEAN nations in 1980 for volume of exports to China (\$217 million with natural rubber as the biggest item). This all-time high in exports was followed in 1981 by a record low amount of \$88.4 million²² due to a slowdown in Chinese demand for industrial raw materials. Exports of rubber, for example, dipped from 95,000 tons in 1980 to 54,000 tons in 1981, as a result of an apparent oversupply of tires in China.²³ The 1981 trade balance was the largest in China's favor in 23 years of trade (\$173 million) but has since declined (\$153.3 million in 1982).²⁴

3. Philippines

Following President Richard Nixon's trip to Beijing in February 1972, Philippines President Ferdinand Marcos developed a strategy to minimize his country's dependence on the United States. By the end of March 1972, he had formed a Special Cabinet Committee to investigate the feasibility of abandoning the "two Chinas" policy and explore the possibility of Filipinizing local Chinese schools, newspapers, and the Chinese-dominated economy. He also began working to establish formal trade ties with China. The visits of his wife Imelda and brother-in-law Benjamin Romualdez to Beijing in 1974 helped improve relations, and Chinese assurances that Beijing would cease supporting the Partido Komunista ng Pilipinas (PKP) convinced Marcos to establish relations in June 1975.²⁵

Since then, two-way trade between the Philippines and China has expanded substantially. In the 1971-82 period, trade increased from \$.4 million²⁶ to \$317.2 million²⁷ and, by 1981, China had become the Philippines' 13th largest trading partner.²⁸ Except for isolated years such as 1971 and 1977, the Philippines has sustained a marked trade deficit in the exchange. The deficit fell from \$163.7 million in 1980 to \$106.8 million in 1982,²⁹ but the worsening economic crisis in the Philippines and its deteriorating foreign exchange position may reverse that trend.

4. Singapore

Singapore has traded with China since the 19th century and political relations have always taken second place to economic ties. The present government has maintained that the island republic will be the last ASEAN nation to establish diplomatic relations because, as a country whose

population is 75 percent ethnic Chinese, a closer alignment with China would invoke a strong negative reaction from neighboring states. Singapore remains very sensitive to regional reactions and, despite political contacts and diplomatic visits between Chinese and Singapore leaders, the two countries have tacitly agreed to maintain the status quo by continuing to exchange trade representatives but refraining from formal trade agreements.

Singapore was China's fifth largest export market in 1982³⁰ accounting for \$838.6 million in goods.³¹ China, on the other hand, ranked 11th³² for Singapore's exports worth \$240.4 million.³³ Singapore refined .5 million tons of Chinese crude oil in 1982 and was eager to buy more to replace shipments from Malaysia and Indonesia, which are doing more of their own refining.³⁴

In China's view, Singapore has now surpassed Hong Kong in expertise in servicing the oil industry, and China is looking to Singapore to provide offshore expertise until a domestic oil support infrastructure can be established.³⁵

5. Thailand

China's relations with Thailand have continued to improve since the downfall of the Thanom-Prapass regime in October 1973 ended a decade of anti-Communist pro-US foreign policy. Relations were actually established in 1975, when Kukrit Pramoj came to power and the Communists were victorious in Indochina. Of these two events, the most critical to normal relations was the Communist victory in Indochina. Thailand's hoped that recognition would induce China to exercise some control over Vietnam as well as persuade the Chinese to reduce support for the Communist Party of Thailand (CPT). As Thailand became more self-reliant and less dependent on the United States, China did, in fact, decrease its support of the CPT and advised it in 1979 to co-operate with the Thai Government against the Vietnamese.

Vietnam's invasion of Kampuchea in December 1978 heightened Vietnam's potential threat to Thailand. As the ASEAN state most vulnerable to further Vietnamese aggression, Thailand's reasons for looking to China were supposedly understood by the other ASEAN states. Chinese Chief of General Staff Yang Dezhi's spring 1983 visit to Thailand, nevertheless, rekindled questions among the ASEAN partners over Bangkok's close relationship with Beijing. Yang's statement that China would stand by Thailand if there was a threat to its territory, the first warning a Chinese military leader had delivered to Hanoi while on Thai soil, was particularly discomfiting for its unabashed militancy and Yang's credibility as commander in charge of China's 1979 invasion of Vietnam. Malaysia hinted that the ASEAN partners had tacitly agreed to an unwritten limit to Thailand's cooperation with China and that expressions of open concern would only be voiced when that limit was breached.³⁶ Thailand, in the face of such questionable support, continues to see itself as a bridge between Beijing and the other ASEAN nations. In its view, realism demands that China remain a factor in the Kampuchea question.

Trade between Thailand and China has continued to increase since diplomatic relations were established. While bilateral trade totaled

little more than \$21 million in 1975,³⁷ it soared to \$673 million in 1982.³⁸ The pattern of trade has changed, however, as crude oil, once nearly 95 percent of all imports from China, has played a decreasing role,³⁹ and China has made an attempt to rectify the trade imbalance by purchasing more Thai agricultural products.⁴⁰

6. Brunei

Available information on China's relationship with Brunei is insufficient for effective analysis. The two countries established diplomatic relations following Brunei's proclamation of independence from Britain in December 1983.⁴¹

(i) Conclusion

For China and the ASEAN nations, entente came about as a reaction to commonly perceived threats from Vietnam and the Soviet Union. Differences within ASEAN over the reality of such a threat and its weight in comparison to that normally ascribed to China fell short of reversing what otherwise is viewed as an ASEAN-wide trend toward improved China ties. The trend, evident in trade relations as well as political ones, remains a function of Sino-Soviet and Sino-Vietnamese rivalries and will continue to be dependent on the vagaries of those relationships.

Table 1
ASEAN Trade Balance, 1980-82

	<u>1980</u>	<u>1981</u>	<u>1982</u>
(All figures in US\$ millions)			
China Exports*			
Indonesia	187.8	241.5	226.2
Malaysia	241.4	261.4	263.7
Philippines	208.7	199.8	212.0
Singapore	598.8	735.6	838.6
Thailand	396.8	305.5	277.1
ASEAN	1,633.5	1,743.8	1,817.6
China Imports*			
Indonesia	0.1	8.3	14.5
Malaysia	217.0	88.4	110.4
Philippines	45.0	78.2	105.2
Singapore	307.5	178.6	240.4
Thailand	123.7	186.0	395.8
ASEAN	693.3	539.5	866.3
Trade Balance*			
Indonesia	187.7	233.2	211.7
Malaysia	24.4	173.0	153.3
Philippines	163.7	121.5	106.8
Singapore	291.3	557.0	598.2
Thailand	273.1	119.5	- 118.7
ASEAN	940.2	1,204.2	951.3
Total Trade**			
Indonesia	187.9	249.8	240.7
Malaysia	458.4	349.8	374.1
Philippines	253.7	278.0	317.2
Singapore	906.3	914.2	1,079.0
Thailand	520.5	491.5	672.9
ASEAN	2,326.8	2,283.3	2,683.9
China			
Total Exports		21,496.9	23,502.7
Total Imports		17,948.8	16,625.0
% Exports to			
ASEAN		8%	7%
Total Trade		39,445.7	40,127.7
% of Total Trade			
with ASEAN		5.7%	6.7%

*CIA Director of Intelligence, China International Trade, Second Quarter, 1983, December 1983, EA CIT 83-004, Tables 2, 3, 4, pp. 2, 4, 6.

**Figures cited below are based on calculations derived from figures above.

NOTES

¹C.Y. Chang, "The Sino-Vietnam Rift: Political Impact on China's Relation with Southeast Asia," Contemporary Southeast Asia, March 1983, p. 548.

²"China Offers Arms Aid to Coalition," Bangkok Post, 19 December 1983, p. 1.

³John McBeth, "Close Ties for Comfort," FEER, 19 March 1983, p. 20.

⁴Chang, "The Sino-Vietnam Rift: Political Impact on China's Relation with Southeast Asia," p. 542.

⁵Shee Poon Kim, "China and the ASEAN States: From Hostility to Rapprochement," in China's Foreign Relations: New Perspectives Chun-tu Hsueh (ed), New York: Praeger Publishers, 1982, p. 83.

⁶Denis, Gray, "Southeast Asians 'Still Wary of China,'" Bangkok Post, 19 November 1982, p. 6.

⁷E.P. Patanne, "ASEAN Finds Itself Ranged Alongside China in (most) Major Issues," Asian Business, Hong Kong, March 1981, pp. 69-72.

⁸Ibid.

⁹Kim, "China and the ASEAN States: From Hostility to Rapprochement," p. 74.

¹⁰Ibid., p. 83.

¹¹Tao-tai Hsia and Kathryn A. Haun, Peking's Policy Toward the Dual Nationality of the Overseas Chinese: A Survey of its Development, Washington, D.C.: Law Library, Library of Congress, 1976, p. 2.

¹²These calculations are derived from figures obtained in CIA, Directorate of Intelligence, China: International Trade, Second Quarter, 1983, December 1983, pp. 2-6.

¹³Hideo Matsuzaka, "Future of Japan-ASEAN Relations," Asia Pacific Community, Summer 1983, p. 16.

¹⁴Kim, "China and the ASEAN States: From Hostility to Rapprochement," p. 79.

¹⁵Patanne, "ASEAN Finds Itself Ranged Alongside China in (most) Major Issues," p. 71.

¹⁶Trade volume figure based on calculation derived from figures available in China International Trade, Tables 2-4, pp. 2, 4, 6. Trade balance figure comes from the same publication, Table 4, p. 6.

- ¹⁷Marine Week, 28 March-10 April 1980, p. 7.
- ¹⁸China Trade Report, 19 October 1982, p. 12.
- ¹⁹Susumu Awanohara, "A Sense of Unease," FEER, 17 March 1983, p. 21.
- ²⁰Kim, "China and the ASEAN States: From Hostility to Rapprochement," p. 76.
- ²¹K. Das, "Cordial But Cautious," FEER, 17 March 1983, p. 21.
- ²²China International Trade, Second Quarter 1983, Table 3, p. 4.
- ²³China Trade Report, 19 October 1982, p. 8.
- ²⁴China International Trade, Second Quarter 1983, Table 4, p. 6.
- ²⁵Kim, "China and the ASEAN States: From Hostility to Rapprochement," p. 78.
- ²⁶China Trade Report, 19 October 1982, p. 10.
- ²⁷Derived from figures available in China International Trade, Second Quarter 1983, Tables 2-4, pp. 2, 4, 6.
- ²⁸China Trade Report, 19 October 1982, p. 10.
- ²⁹China International Trade, Second Quarter 1983, Table 4, p. 6.
- ³⁰"The Sweet Taste of Cooperation," Economist, 21 January 1984, p. 71.
- ³¹China International Trade, Second Quarter 1983, Table 2, p. 2.
- ³²"The Sweet Taste of Cooperation," p. 71.
- ³³China International Trade, Second Quarter 1983, Table 3, p. 4.
- ³⁴"The Sweet Taste of Cooperation," p. 71.
- ³⁵"A Role For Singapore," China Trade Report, 19 February 1984, p. 9.
- ³⁶McBeth, "Close Ties for Comfort," p. 19.
- ³⁷"New Progress Made in Sino-Thai Economic and Scientific-Technical Cooperation," Xinhua, 16 November 1982, reported in Foreign Broadcast Information Service, Daily Report: China, 19 November 1982, p. E3.
- ³⁸Based on a calculations derived from figures available in China International Trade Second Quarter 1983, CIA, Directorate of Intelligence, December 1983, Tables 2-4, pp. 2, 4, 6.
- ³⁹China Trade Report, October 1982, p. 11.

⁴⁰16 November 1982, Xinhua, in FBIS/China, 19 November 1982, p. E3.

⁴¹31 December 1983, Xinhua, in FBIS/China, 3 January 1984, p. E1.

(5) USSR

(a) Soviet Interest In ASEAN

Soviet interest in ASEAN is a function of Moscow's global priorities emphasizing ASEAN's proximity to areas of strategic interest to the Soviet Union and its importance to the West. The Soviet goals of containing China and competing with the United States for worldwide influence have given the ASEAN nations a new importance for Moscow. The nations are situated astride key sealanes of vital interest to the United States and its Asian allies; through them oil crucial to the economy of Japan is shipped from the Middle East and elements of the US 7th Fleet routinely pass. Inroads in the region are perceived by the Kremlin as a means of separating the United States from its Asian allies and friends. With the post-Vietnam war decline of US power and prestige in Southeast Asia, the defeat of US allies in Vietnam theoretically created a vacuum which Moscow could aspire to fill.¹ Most importantly, the ASEAN nations are regarded as necessary to isolate what Kremlin leaders see as the rising threat of China. If won to the Soviet side, ASEAN could potentially join Indochina in Moscow's efforts to encircle China.

In pursuit of their goals, the Soviets have provided economic and military assistance to Vietnam, helping the Vietnamese to consolidate. They have built a powerful Pacific fleet with access to Vietnamese ports and have exploited, whenever possible, the fear of China and the overseas Chinese widespread in the region.² In effect, the Soviet Union has presented itself to the ASEAN governments as a great power willing to provide smaller powers of the region with an "insurance policy" against a potentially threatening China that might one day become too powerful and an unreliable and erratic United States.³

(b) The Collective Security Proposal and Soviet Policy

The Soviet collective security proposal, originated by Leonid Brezhnev in June 1969, is fundamental to Moscow's Southeast Asia policy. Although it implied a regional call for the participation of all great powers in negotiations, its real purpose was to counter local fears of Soviet intentions by conveying an image of responsible power. The Soviet effort to coax ASEAN into accepting the Vietnamese invasion of Kampuchea was an example of the Brezhnev proposal in action. Had ASEAN acceded to the Soviet request, the Soviets would have gained, by implication, the proposal's underlying aim--that of acceptance as a regional power.

Regional reluctance to consider a role for the Soviet Union in terms of the collective security proposal continues to be a major limitation on Soviet policy. While the ASEAN states are willing to tolerate limited Soviet involvement as a counterbalance to China or as a reminder to the United States to retain its interest in the region, the Soviets have little to offer the non-Communist ASEAN members. "Their trade is minimal; their ideology is irrelevant; their cultural impact is nil."⁴

Part of the Soviet Union's original strategy was to define its aims in terms of ASEAN's aspirations. Thus in Indonesia, an effort was made

by the Soviets to link the collective security proposal with the aims of the Bandung Conference of April 1955. However, the attempted Communist coup in 1965 and the Indonesian military's extermination of the PKI (Indonesian Communist Party) initiated a long period of suspicion in Jakarta. This suspicion eventually led to Indonesian awareness that Soviet regional aims conflict with a New Order desire for Southeast Asian insulation from great power penetration.⁵

Similarly, Malaysia's espousal of the Zone of Peace, Freedom, and Neutrality (ZOPFAN) concept for the region prompted the Soviets to claim that ZOPFAN's aim coincided with that of the collective security proposal. The Soviets, however, rejected the role of guarantor of the region's neutrality in order not to deny themselves a future opportunity for involvement in the region.

The ASEAN countries are market-oriented, anti-Communist states inclined to share destinies with similarly directed societies such as Japan and the United States rather than with the USSR. ASEAN's effort to force Vietnam to withdraw from Kampuchea was undertaken in opposition to Soviet interests with the cooperation of the United States and Japan and, later, China. The Soviet Union was clearly on the other side and, therefore, treated by ASEAN accordingly. Soviet activities, however, are not always so obviously opposed to ASEAN interests. Yet even where Soviet intent is perceived as positive, ASEAN's response has remained cool at best. This is partially the function of old perceptions. ASEAN continues to view the Soviets as outsiders.

(c) Soviet-Vietnamese Relations

The Soviet-Vietnamese Treaty of Friendship and Cooperation was signed in November 1978. At that time, the Soviets were concerned about the emergence of a new anti-Soviet coalition in the Pacific.⁷ China had signed a peace treaty with Japan containing a controversial anti-hegemony clause and was moving to normalize relations with the United States. Article 6 of the Soviet-Vietnamese treaty, which calls for consultation when either party is attacked or threatened with attack, is clearly anti-Chinese in its motive. By the time the treaty was signed, China had halted economic and military assistance to Vietnam and was mobilizing its border troops. Hanoi had begun to expel ethnic Chinese from Vietnam and was reinforcing its side of the frontier with China. More importantly, the Vietnamese had plans underway for invading Kampuchea, then led by Pol Pot and supported by China. Thus, the treaty with the Soviets was viewed as necessary to neutralize China. The Vietnamese invasion of Kampuchea brought Chinese retaliation against Vietnam in February 1979. The Chinese invaders withdrew, however, without having incurred a Soviet response or having affected the Vietnamese position in Kampuchea.

Following the November 1978 treaty signing, Hanoi became increasingly dependent on Moscow. About 65 percent of Vietnam's total trade is now with the Soviet Union and at least 20 percent of Vietnam's rice is Soviet supplied.⁸ Hanoi also depends on the USSR for such vital imports as petroleum, steel, iron, chemical fertilizer, spare parts for its transportation system, and almost all of its arms.⁹

Soviet naval vessels began using Cam Ranh Bay in March 1979 following the limited Chinese invasion of Vietnam. Although the Soviet Union has not been granted bases by the Vietnamese, its Navy has the use of docking and oiling facilities at the ports of Haiphong, Danang, and Cam Ranh Bay. Communications centers have been constructed at Danang and Cam Ranh Bay and the airfields at Danang and Cam Ranh Bay are currently used for Tu-95-D BEAR reconnaissance flights over the South China Sea.¹⁰

Signs of strain in the Vietnamese-Soviet relationship were apparent as early as 1981.¹¹ On the Vietnamese side there were signs of dissatisfaction with Soviet reluctance to provide greater levels of economic assistance. The Soviets, on the other hand, were dissatisfied with Vietnamese management of Soviet aid and reportedly told the Vietnamese in 1981 that they wanted to provide less aid during Vietnam's third 5-year plan (1981-85) than they had provided during the second plan. A protocol signed in December 1982, however, provided for a 30 percent increase in Soviet exports.¹² The pattern of aid, however, did change. Rather than provide an overall aid budget synchronized to Vietnam's 5-year plan, Moscow began allotting aid on a project by project basis in order to monitor its use more effectively. Vietnam's failure to publish a new 5-year plan was probably due to this change in policy.

Another source of tension is the Soviet role in Laos and Kampuchea. Soviet efforts to establish direct influence in Laos and Kampuchea, without Vietnam as intermediary, have encountered strong resistance from Hanoi. To accomplish this, Moscow is granting direct economic aid to the Vietnamese client regimes in Vientiane and Phnom Penh in an attempt to exploit local grievances against Vietnamese domination. The Laotian Air Force is now almost entirely trained by the Soviets, while it was reported that the Soviets had offered to conclude a separate bilateral treaty with the Heng Samrin regime in Kampuchea, when Foreign Minister Hun Sen visited Moscow in 1980. Vietnamese removal of Pen Sovan as Kampuchean Communist Party Secretary in December 1981 was attributed to his Moscow ties.¹³

Yet another difference relates to Moscow's and Hanoi's conflicting objectives in Southeast Asia. The Soviets see the region in superpower terms as a function of their relations with China and the United States, while the Vietnamese see it in terms of their preoccupation with consolidating control over Indochina. Moscow is concerned that a militant Vietnam will ultimately push ASEAN into the arms of the United States and China. Vietnam is concerned that Sino-Soviet relations will improve as a result of recently instigated normalization talks and will lead to reduced Soviet support for Vietnam.

Finally, there is Vietnam's interest in maintaining a margin of independence in the face of Soviet attempts at domination. This has been demonstrated by Hanoi's refusal to grant the Soviet Union permanent bases despite Soviet arguments that they are crucial for the extended deployment of its Navy in the Pacific. Vietnamese incursions into Thailand in summer 1980 and spring 1983 similarly illustrated Hanoi's willingness to act independently of Soviet policy. Prior to both events, the Soviets had assured ASEAN leaders of Vietnam's respect for the integrity of the Thai border as well as Soviet

ability to control Hanoi's behavior. Vietnam's reluctance to become associated with wider Soviet regional aims also had been apparent in the 1978 treaty negotiations, when Vietnam refused to permit mention of the collective security proposal in the final treaty.

(d) The Kampuchea Issue

The ASEAN nations consider the Vietnamese invasion and occupation of Kampuchea to be the major stumbling block to regional stability and one of the critical elements determining Soviet policy in Southeast Asia. Soviet policy has thus far been fully supportive of Vietnam; but Moscow is wary of any increase in fighting along the Thai-Kampuchean border. The Soviets would rather avoid an escalation of the conflict. Should a Vietnamese-Thai war ignite, China and the United States might feel obligated to join on the Thai side which in turn might force the Soviets to honor their treaty with Vietnam. Such a war would surely serve only to alienate the Soviet Union further from ASEAN and push its member nations closer to an alliance with China and the United States.

(e) Relations with ASEAN

1. Political

As long as the Soviets continue to support Vietnam's efforts to dominate Indochina and threaten Thailand, they will be unable to prevent ASEAN's tilt toward China and the United States. Soviet support for Vietnamese activities in Kampuchea, most notably the fierce dry-season campaign in 1983 that spilled over the Thai border, is a particular source of apprehension to the Thais. However, as a gesture to develop relations, the Soviets have proposed that talks with Thailand be raised to the foreign minister level or higher.¹⁴

Malaysia has sought to negotiate with Moscow over Indochinese developments. The Malaysian prime minister visited the USSR in September 1979 but received no sign that the Soviets were interested in a compromise solution for Kampuchea.

Singapore has been the ASEAN member most outspoken in condemning the Soviets and the Vietnamese. Minister of Foreign Affairs S. Dhanabalan has warned that Singapore might abandon nonalignment if the Soviet-Vietnamese alliance threatens non-Communist states in the region, and Singapore was the first ASEAN member to criticize the Soviets publicly following Vietnam's incursion into Thailand in June 1980.¹⁵

In the case of Indonesia, Moscow was the country's primary military supplier until the abortive Communist coup in 1965. Despite the absence of direct Soviet involvement, the coup resulted in the severing of military links. Relations have since remained "correct" but with Jakarta keeping Moscow at arm's length. Even so, Indonesia remains far more apprehensive of China than of the Soviet Union.

2. Economic

The Soviet Union has attempted consistently to promote an economic presence in the area. Economic agreements were signed with Singapore on 2 April 1966, with Thailand on 25 December 1970, with Malaysia on 4 October 1972, with Indonesia on 22 March 1974, and with the Philippines on the establishment of diplomatic relations on 2 June 1976.¹⁶ Economic relations remain minimal, however, because the quality of Soviet manufactured goods has been poor and service arrangements almost nonexistent. Moreover, because the Soviets do not permit rubles to be converted into hard currency, trade is conducted by barter, a tedious process precluding the flexibility characteristic of ASEAN trade with the West.¹⁷

There is, however, one sector in which the Soviets have engaged successfully and that is shipping. About half of Soviet imports from Singapore consist of ship repairs, and the Soviets have established joint shipping companies on a 50-50 arrangement with Thailand as well as Singapore.¹⁸

Among the ASEAN states, Singapore has developed the most extensive economic link with the Soviet Union. It was the first ASEAN member to conclude a trade agreement with the Soviets which permitted a mutual establishment of trade missions. Following Lee Kuan Yew's visit to Moscow in September 1980, trade expanded considerably. The Soviets chose Singapore as the site of the only Southeast Asian branch of the Moscow Narodny Bank.¹⁹

In its trade with ASEAN, the Soviets continue to sustain an imbalance as the third most important buyer of Malaysian rubber, the second most important purchaser of Indonesian rubber, and the third most important buyer of Filipino coconut oil.²⁰ Since 1980, sizeable purchases of Thai rice and maize also have been made.

(f) Conclusion

Vietnam's denial of permanent access to bases in Indochina compels the Soviet leadership to widen its area of influence in Southeast Asia in order to obtain alternative strategic points from which to oppose China. Moscow's support for the Vietnamese invasion of Kampuchea, however, has instilled deep suspicions within the ASEAN countries regarding the Soviet Union's ultimate intentions and Soviet influence has been restricted to Indochina as a result.

The dilemma for the Soviet Union is that its dual policy toward Southeast Asia is contradictory. Alliance with Vietnam has made the Soviet Union less acceptable to the ASEAN states and has endangered overall policy toward these countries. To do otherwise, however, risks losing Vietnam and divesting the Soviet Union of its most secure foothold in the region and, thus far, its strongest ally against China.

NOTES

¹Donald S. Zagoria and Sheldon W. Simon, "Soviet Policy in Southeast Asia," Soviet Policy in East Asia, in Donald S. Zagoria (ed.), New Haven: Yale University Press, 1982, p. 153.

²Ibid., p. 155.

³Ibid., p. 156.

⁴Ibid.

⁵Leszek Buszynski, "The Soviet Union in Southeast Asia," Contemporary Southeast Asia, December 1982, p. 281.

⁶Ibid.

⁷Zagoria and Simon, "Soviet Policy in Southeast Asia," p. 159.

⁸Ibid.

⁹Ibid.

¹⁰Buszynski, "The Soviet Union in Southeast Asia," p. 275.

¹¹Nayan Chanda, "Bickering Begins as Old Friends Fall Out," FEER, 27 February 1981, pp. 32-34.

¹²Tom Long, "A Reassuring Hug," FEER, 6 January 1983, pp. 79-80.

¹³"A New Home in Moscow," FEER, 26 May 1983, p. 13.

¹⁴Bangkok Post, 9 February 1983, p. 1.

¹⁵Zagoria and Simon, "Soviet Policy in Southeast Asia," p. 171.

¹⁶Buszynski, "The Soviet Union in Southeast Asia," p. 276.

¹⁷Zagoria and Simon, "Soviet Policy in Southeast Asia," p. 169.

¹⁸Ibid.

¹⁹Buszynski, "The Soviet Union in Southeast Asia," p. 277.

²⁰Ibid.

PART 2 - ASEAN: MEMBER NATIONS

a. Geography

The regional grouping of six ASEAN countries constitutes the peninsular and archipelagic parts of the broadly defined, historical "Southeast Asia." The five founding members of ASEAN--Indonesia, Malaysia, the Philippines, Singapore, and Thailand--and the newest member, Brunei, are strategically positioned in terms of today's geopolitics (see appendix B). The ASEAN region encompasses zones of convergence for major transoceanic routes between the Persian Gulf/Indian subcontinent and China/Japan and between Europe, Australia, and North America. It also forms the terminus of important transit points for the world's major intercontinental air routes.

The ASEAN countries occupy a combined land area of about 3,073,600 square kilometers and have a total population in excess of 250 million. Just as there is disparity among ASEAN members concerning their historical and cultural origins and levels of economic development, they also differ in physical area and density, ranging from the city-state of Singapore with an area of only 618 square kilometers and a population of 2.5 million in 1983, to the enormity of Indonesia with an area of 1,906,240 square kilometers and a population of 160 million in 1983 (see table 1). The following comparison of the physical environment of each of the six ASEAN member countries provides a basis for assessing their geographic assets and liabilities.

(1) Indonesia

(a) Location and Size

Indonesia shares with Malaysia command of the strategic Straits of Malacca, the shortest sea route from the Suez Canal and the Indian Ocean to East Asia and the Pacific. Via the Lombok and Sunda Straits, Indonesia also provides alternate sea routes from the Indian Ocean to East Asia.

Indonesia, the world's largest archipelago, consists of five main islands and about 30 smaller archipelagoes totalling 13,677 islands and islets, of which about 6,000 are uninhabited. Five of its larger islands--Java, Sumatra, Sulawesi, Kalimantan (the Indonesian portion of Borneo), and Irian Jaya (the Indonesian part of the island of New Guinea)--account for 90 percent of the country's total land area of 1,906,240 square kilometers. Its territorial sea area is four times larger. Superimposed on a map of the United States, the island chain would overlap both New York and San Francisco. In land area, however, the archipelago covers an expanse about equal to the states of Alaska and Montana combined. From east to west its greatest distance is 5,271 kilometers while from north to south it extends 2,210 kilometers. Its total coastline is 54,716 kilometers. Land boundaries are shared with two countries: Malaysia (1,496 kilometers) and Papua New Guinea (966 kilometers).¹

(b) Topographical Features

Predominantly mountainous, Indonesia is the world's most highly volcanic region. Positioned at the crosspoints of two volcanic belts,

Table 2

Land Area of ASEAN Countries

	<u>Land Area</u> (sq km)	<u>Cultivated Land</u> (percent)	<u>Forest-covered</u> (percent)	<u>Pasture</u> (percent)	<u>Other</u> (percent)
Indonesia	1,906,240	12	64	5.2	18.8
Malaysia	332,556	12.8	70	0.03	17.17
Philippines	300,440	38	43	7	12
Singapore	618	14.8	4.6	na	80.6*
Thailand	514,820	24	56	2	18
Brunei	5,776	3	75	-	22
ASEAN	3,060,450				

*Primarily urban

[Sources: Far Eastern Economic Review Asia 1983 Yearbook, Hong Kong, 1982, pp. 6-7; George Thomas Kurian, Encyclopedia of the Third World, vols. 2 and 3, New York: Facts on File, Inc., 1982.]

it has about 400 volcanoes, of which 100 are active, including 15 on Java, its most populous island. The lava emitted on Java has a high degree of fertility, a factor accounting for the island's agricultural productivity. Indonesia also is located in a relatively active seismic zone where more than 400 tectonically induced earthquakes with a magnitude of at least 4 on the Richter scale are recorded annually, of which at least two per year are destructive.²

Nearly two-thirds of Indonesia's land area is covered by tropical rain forest. Lowlands comprise only a small part of the land area and are confined to the coasts of Indonesia's main islands and river valleys. Tidal swamps extend deep into the interior parts of Java, Sumatra, and Kalimantan. The principal dry flatlands are located on Java and North Sumatra. The dominant characteristics of the other islands are either heavily forested rolling hills and mountains or humid morasses hidden from the sun by dense tropical vegetation. Most of Indonesia's numerous rivers are short, partially navigable, and useful principally for irrigation.³

(c) Climate

Straddling the equator, Indonesia has a tropical climate marked by heavy rainfall, low winds, and high humidity. Days and nights are each 12 hours long, and there is a bare 2° variation in the mean temperature of the warmest and coolest months. In the lowland areas the daily maximum and minimum temperatures range between 31.1° and 18.9° Celsius.

Indonesia's two recognizable seasons, wet and dry, are determined by the northwest monsoon (wet) which brings rain to all parts of the country during November to March and the southeast monsoon (dry) which carries dry air from the interior of Australia during May to September. Rainfall normally is not less than 96.5 centimeters annually even in the drier period, but droughts have occurred and during some years excessively heavy rains have resulted in destructive floods. Thunderstorms are frequent; the average number of storm days is 100 per year. For most Indonesians, the advent of the wet or northwest monsoon initiates the major cycle of wet-rice agricultural activity.

Typhoons of the South China Sea subside before reaching Indonesian waters which are generally calm. Infrequent gales moving through the Torres Strait between Australia and Papua New Guinea seldom pass beyond the extreme southeastern islands of Indonesia. Throughout the archipelago, visibility is good and tides are moderate. Generally, weather is less a danger to navigation than the shallow areas and coral reefs.⁴

(2) Malaysia

(a) Location and Size

Malaysia's strategic position along the Strait of Malacca, a major commercial route between the Indian and Pacific Oceans guarantees it a key role in Southeast Asian affairs. Malaysia consists of two major geographical and political segments. Peninsular or West Malaysia occupies the southern third of the Malay Peninsula while East Malaysia, 640 kilometers

distant across the South China Sea, occupies the northern quarter of the island of Borneo. Malaysia's total land area is 332,556 square kilometers comprised of Peninsular Malaysia (131,313 square kilometers) and the two states in East Malaysia: Sabah (76,146 square kilometers) and Sarawak (125,097 square kilometers).⁵

Peninsular Malaysia measures approximately 748 kilometers from north to south and 322 kilometers at its widest east-west distance. East Malaysia extends 1,126 kilometers from north to south and 241 kilometers east to west. The length of the Peninsular Malaysian coastline is 2,068 kilometers and that of East Malaysia is 2,607 kilometers. Land boundaries are shared with Thailand (576 kilometers) and with Indonesia on the island of Kalimantan (Borneo). The latter border measures 1,496 kilometers. There is a largely unexplored border of 381 kilometers with Brunei on Borneo. At the southern tip of the Malay Peninsula, Peninsular Malaysia is connected to the Republic of Singapore by a man-made causeway across the narrow Strait of Johore and separated from the Indonesian island of Sumatra by the Strait of Malacca.

(b) Topographical Features

Peninsular Malaysia is divided by a 48 to 64 kilometer range of forest-covered mountains (some exceeding 1,800 meters in height) running north to south along the center of the peninsula. To the west and east of these central highlands are coastal plains. The western coastal lowland is 16 to 80 kilometers wide, and the width of the eastern coastal lowland is from 8 to 64 kilometers. In terms of continuity, ease of land and sea communications and population, the western coastal lowland is more significant. Resembling an inland sea, the Strait of Malacca has facilitated the construction of several harbors in the sheltered areas. Port Kelang, serving Kuala Lumpur, is Malaysia's chief port and the only one that does not require the use of lighters. Penang and Malacca are also important ports. The eastern coastal lowland along the South China Sea is exposed to heavy seas and high winds. Coastal navigation on that side is limited; sandbars block river entrances during most of the year, and there are no important harbors. As a result, the eastern coastal lowland is less populated and of reduced significance in terms of commerce and productivity.⁶

In East Malaysia, Sarawak's flat coastal plain is rimmed by a narrow belt of hills which rise sharply to a mountainous plateau extending to the frontier with Indonesia's Kalimantan. There are no significant harbors along Sarawak's coastal plain because of its regular coastline, stretches of swampland subject to tidal flooding, and very shallow coastal waters. Though Sabah's terrain is similar to that of Sarawak, eastern Sabah's coastline on the Sulu Sea is deeply indented and has many deepwater ports and anchorages.

About 70 percent of Malaysian territory is forest-covered including rain forests with valuable hardwoods and palm and rubber trees.

The Pahang is the principal river in Peninsular Malaysia, about 458 kilometers in length, but it flows to the less commercially active eastern coast. Both Sarawak and Sabah have extensive river systems that serve

as the primary transportation arteries in the roadless interior. In Sarawak, the Rajang (402 kilometers in length) is navigable by small ocean-going vessels for 96 kilometers. In Sabah, the Kinabatangan is the largest river and is navigable by land for 193 kilometers.

(c) Climate

Both Peninsular and East Malaysia lie in the same latitudes and have an almost identical climate: tropical with high temperatures and humidity. The mean temperature in the coastal area is 21.1° to 32.2° Celsius, and in the mountains 12.8° to 26.7° Celsius. Malaysia's climate is influenced by two monsoon periods, both of which are wet. The northeast monsoon prevails from October to the end of February with predictable rainfall. The southwest monsoon extends from mid-April to October, with a period of unpredictably heavy rains and sudden squalls and thunderstorms. The annual mean rainfall in Peninsular Malaysia is just over 254 centimeters with heaviest rainfall during the southwest monsoon. In East Malaysia the annual rainfall averages 442 centimeters, most of which occurs during the northeast monsoon.⁷

(3) Philippines

(a) Location and Size

The Philippine archipelago, comprising about 7,100 islands, extends 1,851 kilometers from north to south and forms a barrier separating the South China Sea from the Philippine Sea and the Pacific Ocean. Only 154 of these islands exceed 13 square kilometers in area. The two largest islands, Luzon in the north and Mindanao in the south, comprise about 65 percent of the country's total land area: 300,440 square kilometers. When combined with the next nine largest islands, 92 percent of the total land area is accounted for.

The Philippine territory is generally divided into several major geographical regions, three of which--Luzon, the Visayan Islands, and Mindanao--are based on their geographic proximity rather than on physical, social, or economic similarities. The Visayan Islands, which are grouped in a circular pattern around the Visayan Sea, include seven large, well-populated islands and numerous islets comprising one half the country's total number of islands. Separate from these three regions are Mindoro Island and the Palawan group, which form an island chain extending southwest from Luzon toward Sabah (a Malaysian state on the island of Borneo). Another region is the Sulu Archipelago, a chain of 800 islands, including 500 still unnamed, which extends from Basilan Island, off the coast of Zamboanga (Mindanao), to near Sabah.

(b) Topographical Features

Nearly all of the larger islands have interior mountain ranges, generally with heights of 1,200 to 2,400 meters. Except for narrow strips of coastal plain, few islands have any extensive lowlands, perhaps the country's most significant natural liability. Essentially because the relatively extensive central plain of Luzon is such an exception, Luzon assumed the dominant role in the socio-economic and political life of the nation.

The varied and rugged terrain of most of the islands is attributed to their very complex and volcanic origins. No point on land is more than 40 kilometers either from the coast or from a mountain range. The Philippines is situated in a region of geological instability, involving earthquakes or major volcanic eruptions. A principal fault line extends along the eastern part of the archipelago paralleling the extremely deep Philippine Trench. Like Indonesia and Japan, the Philippines is considered a seismically and volcanically active region of the Western Pacific. The Philippines has over 47 volcanoes, of which a dozen are active. This geological activity has developed a rich pattern in which ancient uptilting of land surfaces has exposed many sites rich in minerals and the volcanic eruptions have further enriched arable soils with fertile lava.

Luzon, which accounts for one-third of the nation's territory and is 400 kilometers north to south and between 120 and 160 kilometers east to west, has three north to south mountain ranges: the Sierra Madre along the eastern shore, the Cordillera Central, and the Zambales Mountains. Between the Sierra Madre and the Cordillera Central lies the Cagayan Valley, an area of rich soil and an important agricultural region. This fertile valley is about 220 kilometers long and 64 kilometers wide. West of the Cordillera Central lies the Central Luzon Plain, the country's single stretch of lowland. The plain, one of the country's most productive agricultural areas is approximately 160 kilometers long and 80 kilometers wide and extends south to Manila Bay.⁸

Mindanao has five major mountain systems and three great alluvial plains: the Agusan, Davao, and Cotabato Valleys. The Cotabato Valley has extensive marshlands. The Visayan Islands have three principal lowland areas of agricultural significance: the Leyte Valley on Leyte, the Iloilo Plain on Panay, and the western and northern plains on Negros.

(c) Climate

The climate is tropical, humid, and with an exceptionally uniform temperature range from 26° to 28° Celsius for a land area extending over 1,600 kilometers. Most of the country, except along the east coast, has a hot, dry season from April to early June. From June to October, the southwest monsoon, originating in the Indian Ocean, brings heavy rains to the area. From November to March, the northeast monsoon, a cold, dry air movement originating in Siberia and moving across the Chinese land mass, brings cool, dry weather to northern Luzon. However, another part of the northeast monsoon crosses the Sea of Japan, picks up humidity over the Pacific Ocean, and brings rainfall to southern Luzon, the Visayan Islands, and Mindanao.

The Philippines lies in the world's severest tropical cyclone belts. These cyclonic storms, known as typhoons, generally occur from June to November. Originating in the area of the Caroline and Marshall Islands in the western Pacific, these typhoons approach the Philippines along the east coast. Leyte and Samar, the easternmost islands, act as a buffer for the other islands in the Visayan group against the full force of the storms.⁹

(4) Singapore

(a) Location and Size

The Republic of Singapore's strategic location at the narrow entrance to the Strait of Malacca, one of the world's busiest waterways, remains the basis for its wealth and influence and accounts for its initial selection as the site of a British-controlled entrepot and trading center. Its total land area is 618 square kilometers, about the size of Chicago, and consists of the main island of Singapore with its densely populated capital city and 54 islets off the southern tip of the Malay Peninsula. These 54 islets have a total area of only 24 square kilometers, and about half are inhabited. A land reclamation program since 1961 has added an additional 30 square kilometers from reclaimed mangrove swamp areas to Singapore's original territory at a cost of \$454.5 million and a similar amount will be spent over the next decade to recover an additional 20 square kilometers. The city of Singapore has an official area of only 97 square kilometers, but the main island actually is one large metropolis. It is linked to Peninsular Malaysia by a 1.2 kilometer causeway across the Strait of Johore. In addition to a road and railway, the causeway supports a pipeline delivering most of Singapore's water supply from neighboring Malaysia.¹⁰

(b) Topographical Features

Singapore's islands are generally flat and low; the highest point at the center of the main island is only 177 meters above sea level. Only about 4.6 percent of the country is forest-covered. Singapore lacks natural resources. Its small agricultural sector is intensively cultivated, but except for vegetables, the island is not self-sufficient in food.

(c) Climate

Located less than 2° north of the equator, Singapore has a hot, humid climate with an average daily maximum of 30.6° Celsius and an average minimum of 29° Celsius. The effects of high temperatures, however, are moderated by sea breezes. Variations in weather are marked by two monsoons. Winds prevail from the northeast between November and March and from the southwest between May and September. November through January is the coolest period. Rain averages about 241 centimeters annually, and may fall 180 days or more per year. The heaviest rainfall occurs between November and January, the first half of the northeast monsoon. During the second half of the southwest monsoon, between July and September, early morning thunderstorms or violent squalls known as sumatras occur three to four times a month.¹¹

(5) Thailand

(a) Location and Size

Thailand, situated in the center of mainland Southeast Asia, lies principally to the north of the Bight of Bangkok at the head of the Gulf of Thailand, well beyond the main shipping routes across the South China Sea

between Singapore, Hong Kong, and Japan. Peninsular Thailand, however, extends southward to the Malaysian border and has an extensive coastline on the Gulf of Thailand and a shorter one on the Andaman Sea. During the past century, serious consideration has been given to construction of a canal between the two coastlines at the narrow Isthmus of Kra in order to link the Indian Ocean with the South China Sea and bypass Singapore. The scheme was abandoned as economically unfeasible during the 1960s, but a sharp increase in shipping congestion in the Strait of Malacca during the 1970s stimulated renewed interest in the plan.

Thailand has a total land area of 514,820 square kilometers and extends 1,555 kilometers north to south and 770 kilometers east to west. Its coastline on the Gulf of Thailand extends 1,875 kilometers and that on the Andaman Sea 740 kilometers. Its land area includes many offshore islands, the largest of which is Phuket at the northern end of the Strait of Malacca.

(b) Topographical Features

Thailand has five distinct topographical regions: the central lowland, the northeast, the northern and western mountain region, the south-east coast, and the southern peninsular region. The diversity of these regions is the most salient characteristic of Thailand's physical setting and involves not only natural features but also population, basic resources, and levels of social and economic development.¹²

The central lowland region, the country's historical and contemporary core area, is also widely regarded as "the rice bowl of Asia." Dominated by the Mae Nam Chao Phraya, Thailand's principal river, and watered by an extensive irrigation system involving tributaries and a network of man-made canals, the central valley not only supports a primary area of wet-rice cultivation and a concentrated population but also provides a vital transport network of internal waterways. This central plain, which comprises about 22 percent of the country, is about 482 kilometers from north to south, with an average east-west width of 160 to 250 kilometers. It extends from the foothills of the northern mountains to the Gulf of Thailand and is flanked on the west by the Bilaukthaung Range and in the east by the Khorat Plateau. Metropolitan Bangkok, the focal point of the nation's trade, transport, industrial, and political activity, is at the southern edge of the central region at the head of the Gulf of Thailand.

The northeastern Khorat Plateau region, comprising one-third of Thailand's territory, is a gently rolling area of low hills and shallow lakes. This undulating tableland is about 122 to 213 meters above sea level in the north and 61 meters above sea level in the south. The Mekong River demarcates much of the region's northeastern border with Laos. It is rimmed in the south by the Phanom Dongrak mountain range along the Kampuchean border and on the west by the Petchabun Mountains. Least favored geographically among the regions, much of the land is poor and consists of saline soil and sandstone.

The northern and western mountain region consists of a series of parallel mountain ranges separated by deep and narrow alluvial valleys which support intensive rice cultivation. The mountains are thickly covered

by forests yielding valuable timber but incoming settlers from the central lowlands have depleted the forest reserves by growing maize and other upland crops. These ranges have an average elevation of 1,585 meters and contain the highest peak in the country, Doi Inthaknon (2,590 meters). The infamous "Death Railway," built by the Japanese during World War II using Allied prisoners of war, entered Burma via the Three Pagodas Pass, one of the few natural gaps intersecting this region.

The small southeastern coastal region on the Gulf of Thailand is a fertile area separated by low mountains from the central valley.

The southern peninsular region is a long finger of land extending from Thailand to Malaysia, no wider than 19 kilometers along the frontier with Burma near the Isthmus of Kra. Thai territory south of the Isthmus extends to the full width of the peninsula, facing both the Andaman Sea on the west and the Gulf of Thailand on the east. A series of north-south parallel ridges divides the peninsula into a narrow, swampy, and indented western coastal plain and a broad and smooth eastern coastal plain. The north-south mountain barriers and impenetrable tropical forest led to initial isolation and separate political development. Rubber plantations, coconut growing, and tin mining by a predominantly Muslim population distinguish the region economically, ethnically, and politically from the northern half of the country.

(c) Climate

Thailand has a tropical climate influenced by the monsoons. The southwest monsoon ushers in the rainy season from June through October while the northeast monsoon introduces a cool season from November to December, a dry season from January through February, and a hot season from March through May. These four distinct seasons prevail in most regions. About 90 percent of the rainfall comes during the wet monsoon, from June to October, but some parts of peninsular Thailand receive rain throughout the year. Twice a year, toward the end of the dry and rainy seasons, Thailand is subjected to destructive typhoons. Thunderstorms are common between May and October in the north and between March and November in the south.¹³

(6) Brunei

(a) Location and Size

Brunei, the former British protectorate which gained full independence on 1 January 1984 and joined ASEAN 6 days later, faces the South China Sea along the coast of northern Borneo. On its inland side, Brunei is both enclosed and divided into two sectors by the Malaysian state of Sarawak.

Diminutive on a map of Borneo, Brunei's land area of 5,766 square kilometers is nine times the size of Singapore. Brunei has a coastline of 161 kilometers, and its border with Malaysia extends 381 kilometers.

(b) Topographical Features

Much of Brunei is low coastal plain, and only in the south do the hills rise above 300 meters. Except for areas along the coastal zone which have been cleared for permanent cultivation, dense equatorial forest covers much of the country.

(c) Climate

Situated 4° to 5° north of the equator, Brunei has a hot, humid climate with mean monthly temperatures of 27° Celsius and a heavy rainfall of over 250 centimeters, well distributed over the year.¹⁴

NOTES

¹George T. Kurian, "Indonesia," Encyclopedia of the Third World, vol. 2 (New York: Facts on File, Inc., 1982), p. 813.

²Department of Information, Indonesia 1980, An Official Handbook (Jakarta, 1980), pp. 5-17. C. A. Fisher, "Indonesia: Physical and Social Geography," The Far East and Australasia (London: Europa Publications Ltd., 1980-1981), pp. 487-488.

³For more detailed geographic coverage, see Nena Vreeland et al, Area Handbook for Indonesia (Washington, DC: Foreign Area Studies, American University, 1975), pp. 59-71.

⁴Ibid., p. 71.

⁵Kurian, "Malaysia," Encyclopedia of the Third World, vol. 2, pp. 1143-44; C. A. Fisher, "Malaysia: Physical and Social Geography," The Far East and Australasia, p. 706.

⁶Nena Vreeland et al, Area Handbook for Malaysia, (Washington, DC: Foreign Area Studies, American University, 1977), pp. 9-16.

⁷Ibid., pp. 16-18. Kurian, "Malaysia," Encyclopedia of the Third World, p. 1144.

⁸Kurian, "Philippines," Encyclopedia of the Third World, vol. 2, pp. 1453-54. Nena Vreeland, et al, Area Handbook for the Philippines (Washington, DC: Foreign Area Studies, American University, 1976), pp. 9-17.

⁹Ibid., pp. 17-19; Kurian, "Philippines," Encyclopedia of the Third World, p. 1454.

¹⁰Republic of Singapore, Ministry of Culture, Singapore: Facts and Figures, 1981 (Singapore: Ministry of Culture, 1981), pp. 1-4. See also Singapore '81 (Singapore, Ministry of Culture), pp. 163-167. Nena Vreeland et al, Area Handbook for Singapore (Washington, DC: Foreign Area Studies, 1977), pp. 11-13.

¹¹Singapore '81, p. 167. Kurian, "Singapore," Encyclopedia of the Third World, vol. 3, pp. 1589-90.

¹²Kurian, "Thailand," Encyclopedia of the Third World, vol. 3, pp. 1731-32. See also Frederica M. Bunge (ed), Thailand, a Country Study (Washington, DC: Foreign Area Studies, American University, 1981), pp. 52-57; C. A. Fisher, "Thailand: Physical and Social Geography," The Far East and Australasia, pp. 1077-78.

¹³Kurian, "Thailand," Encyclopedia of the Third World, pp. 1732.

¹⁴"Brunei: Special Report," Asiaweek (Hong Kong), 6 January 1984, p. 30. Central Intelligence Agency, The World Factbook 1983, (Washington, DC: CIA, 1983), p. 29.

b. Demography

(1) Indonesia

(a) Population Profile

The most populous of the ASEAN member countries, Indonesia ranks fifth highest in the world. Since the 31 October 1980 census, Indonesia's population has risen from 149.6 million to an estimated 160.9 million in July 1983, reflecting an average annual growth rate of 2.1 percent. Government-sponsored family planning programs, a national policy since 1968, are expected to reduce the growth rate to 2 percent by 2000, resulting in a projected population of 216 million. Indonesia's population density averages 79 persons per square kilometer, the fourth highest in ASEAN, but its population is unevenly distributed.¹ The island of Java, the country's political and economic heartland, has only 7 percent of the nation's land area but it has nearly two-thirds of the population and a density exceeding 540 inhabitants per square kilometer. To counter this population imbalance, the government lent new impetus to a transmigration program in the mid-1970s to relieve population pressures in Java and to encourage landless Javanese to settle in less-populated outer islands. The government assists with land and infrastructure development in new areas and meets other costs of relocation.

Indonesia's population is predominantly rural, with only 22 percent living in urban areas.² The trend toward urbanization, however, is reflected by the increase from three cities with over 0.5 million population in 1960 to nine cities of that size in 1980. Together, they account for one half of the total urban population. One quarter of the urban population, however, is concentrated in the capital, Jakarta, with a population of 6.5 million.

The 1980 census indicated a youthful population consisting of 41 percent under 15 years of age or 53 percent under 20. Those in the working age group (15 to 64) comprised 56 percent, with 2.5 percent over 65.³

Indonesia's heterogeneous society has over 300 ethnic and tribal groups speaking nearly as many distinctive languages and dialects. The majority of these groups are ethnic Malay, but there is a gradual merging to Papuan stock at the end of the archipelago, with the best known transitional group being the Timorese. The most populous cultural linguistic groups are the Javanese (45 percent), Sudanese (14 percent), Madurese (7.5 percent), and the coastal Malays of Sumatra (7.5 percent). The remaining 26 percent consists of numerous indigenous and non-native groups.⁴ The principal alien minority group (2.5 percent) numbers nearly 4 million Chinese. As of 1982, only 2.5 million of them were naturalized citizens. The Chinese are primarily urban residents because of their business skills and restrictive Indonesian Government policies. Their wealth, insularity, and resistance to assimilation have been the source of resentment against them and have incited recurring anti-Chinese disturbances. They have been deprived of their own school system and are prohibited from engaging in certain trades. Other non-indigenous groups such as the Arabs and Indian Muslims also remain unassimilated into Indonesian society, but encounter less difficulty because of their small numbers. Most of the Dutch left Indonesia by 1958.

(b) Religion

Ninety percent of all Indonesians are Muslims. The Indonesian Islamic population, the world's largest Muslim body residing in a single country, is divided into the santri (Middle East-oriented orthodox) and the abangan (nominal) sects. The abangan Muslims concentrated in Java, follow an amalgam of animistic, Hindu, Buddhist, and Muslim beliefs, rituals, and institutions. Despite the overwhelming Muslim populace, the government has not established an Islamic state, but remains constitutionally committed to religious freedom and secular policies in religious matters. Two government decrees in 1978 prohibited proselytizing among religious groups and required foreign missionaries to train Indonesians to take over their tasks. The decrees have sharply curtailed missionary efforts by various Christian sects from overseas. The Christian denominations, especially Protestant, with 5 percent of the population and over 8 million followers, are particularly strong among the Batak ethnic group in Sumatra, the Minahasa in Sulawesi, the Ambonese of the Moluccas, the Timorese of West Timor, and the coastal dwellers of Irian Jaya. Roman Catholicism is strongly rooted among some of the Javanese of Central Java, the Florinese of Eastern Flores, the Timorese of East Timor, and the Dyaks of the interior of Kalimantan. The other religious minorities (5 percent) include the Hindus (3 percent), principally in Bali and numbering over 2.2 million. Buddhists, Taoists, and Confucians among the Chinese Indonesians number about 1 million.⁵

(c) Labor Force

In 1982 there were 61 million Indonesians in the work force, with 66 percent in agriculture, 23 percent in trade and commerce, and 10 percent in the services sector. Some 2 million people enter the labor market each year. The official unemployment rate in 1982 was 4.1 percent, but estimates for underemployment were as high as 20 percent. Organized labor comprised an estimated 5 percent of the work force.⁶

(d) Health

Major health problems include endemic diseases such as dysentery, typhus, typhoid, cholera, trachoma. Malaria and tuberculosis have steadily declined. Venereal diseases are more common in urban areas than rural. Another major problem is malnutrition caused by infertile soil in certain areas and inadequate distribution facilities.

The provision of medical facilities is the responsibility of the Department of Health and the provincial governments. In 1981, there were 1,208 major public and private hospitals with over 98,600 beds. In addition, there were 4,733 rural health centers and 5,160 clinics. In 1983, there was a ratio of 0.7 hospital beds and 0.8 physicians for every 1,000 citizens. Infant mortality per 1,000 live births was 93 (1980). Life expectancy at birth was 48 for males and 51 for females (1980).⁷

(e) Education

The estimated adult literacy rate is 72 percent.⁸ The country's official language is Bahasa Indonesia, a modified form of Malay. English is the most prevalent second language and is taught in schools from the senior secondary level. The use of Dutch, a legacy of the colonial era, is waning and is now confined to older Indonesians. The local language with the greatest number of native speakers is Javanese, but it has never become a lingua franca, and its use is confined to Java. Many Indonesians are bilingual or even trilingual and prefer to speak in their native dialect at home, use the regional language of the dominant ethnic group (i.e., Javanese) in public, and converse in Bahasa Indonesia when involved in governmental, educational, or intergroup matters.⁹

In 1981, 25.5 million pupils were enrolled in primary schools, and 5.1 million in secondary schools. There are 29 state-operated and 21 privately-run universities in Indonesia. Total enrollment in the 1980-81 school year was 454,000 students.¹⁰

(2) Malaysia

(a) Population Profile

Malaysia's population reached an estimated 14.9 million in mid-1983. The annual growth rate of 2.3 percent, if maintained, would double the country's population in 30 years. About 83 percent of the population is concentrated in Peninsular Malaysia, with the remaining 17 percent in the two East Malaysian states of Sabah and Sarawak. National population density averages 37 inhabitants per square kilometer. The urban component of the population is 29 percent, growing annually by 3.3 percent. Approximately 41 percent of Malaysians are under 15 years old, 56 percent are between 15 and 64, and 4.3 percent over 65.¹¹

In April 1984, during the mid-term review of Malaysia's fourth 5-year development plan (1981-85), Prime Minister Mahathir Mohamad reaffirmed his policy goal for an ultimate Malaysian population of 70 million. Mahathir contrasted Malaysia's larger land area and small population with that of Britain and its 55 million people and asserted that a larger Malaysian population would help support his nation's plans for more industrial development.¹²

Ethnically, Malaysia's population is comprised of major groups such as Malays (50 percent), Chinese (35 percent), and Indians (10 percent). In Peninsular Malaysia, the ethnic composition includes Malays (53 percent), Chinese (35 percent), Indians (11 percent), other (1 percent). In East Malaysia, Sabah has indigenous tribes (69 percent), Chinese (21 percent), and other (10 percent). Sarawak's population includes indigenous tribes (50 percent), Chinese (30 percent), Malays (19 percent), and other (1 percent).¹³

In Malaysia, the term "Malay" identifies any Muslim for whom Malay is the mother tongue. The primacy of the Malays has been reinforced by the establishment of Malay as the official language and Islam as the official religion. In addition, only Malays are eligible for the offices of Malaysian

head of state and prime minister, and Malay membership is favored in the federal parliamentary structure. Certain state lands and public service positions are reserved for Malays because of their special status as Bumiputras (sons of the soil). Despite government efforts to upgrade the economic status of the Malays, however, nearly 68 percent live in rural areas as farmers or in coastal areas as fishermen.

The Chinese, the second largest ethnic group, are concentrated in the urban areas where they account for 53.8 percent of the urban population in contrast to 32.8 percent for the Malays. The Chinese dominate the economy, monopolize commerce and trade, and provide a large share of the professional and general labor force.

The loosely used term "Indians" also denotes South Asians such as Pakistani and Sri Lankans, as well as Indian expatriates. Most are rubber plantation workers, merchants, moneylenders, or white collar workers.

The numerous native tribal groups include the orang asli (aboriginal) tribes in Peninsular Malaysia, the Ibans or sea Dyaks and the land Dyaks in Sarawak, and the Kadazans and Muruts in Sabah. Western communities in Malaysia include numerous British and Australians.

(b) Religion

Islam is Malaysia's official religion, but religious freedom is guaranteed to adherents of all other faiths. In Peninsular Malaysia, the Malays are nearly all Muslim, the Chinese are predominantly Buddhist, Confucian or Taoist, and most Indians are Hindu or Sikh. In Sabah, 38 percent of the population is Muslim, 17 percent Christian, and 45 percent other, a category divided among tribal religions, Buddhists, Confucians, and Hindus. In Sarawak, 35 percent adhere to tribal religions, 24 percent are Buddhist or Confucian, 16 percent Christian, and 2 percent other.¹⁴

Muslim Malays are of the Sunni sect although at considerable variance in certain aspects from the Sunni Islam practiced in the Middle East. When the heterogeneous system of Islam reached the Malay Peninsula in the 14th and 15th centuries, the Malays selected concepts of special significance to them. With further modifications, Islam in Malaysia has incorporated certain aspects of superstition, aboriginal animism, and Hindu beliefs and rituals. Similarly, each of the other nonindigenous major religions has been changed from its original form by the Malaysian environment. The indigenous tribal religions have also been modified by exposure to Islam and Christianity.¹⁵

(c) Labor Force

In 1982, the work force numbered 5.7 million, with an unemployment rate of 6.2 percent. Of this total, 36 percent worked in agriculture, 16 percent in manufacturing, 15 percent in finance and insurance, 14 percent in government services, 6.1 percent in construction, 4 percent in transportation, storage and communications, and 1.4 percent in mining and quarrying.¹⁶

Traditionally, there is a high correlation between race and occupation. Malays dominate agriculture and public services; the Chinese monopolize retail trade and mining; and the Indians form the majority of estate laborers on the rubber plantations.

Malaysia's population has been moving to the cities, most noticeably Kuala Lumpur, the capital. This trend has created a problem on the plantation where an abundance of low cost labor is an essential requirement. Manpower shortages continue to have an impact in agricultural and manufacturing sectors. These shortages are compounded by the requirement that priority hiring for skilled positions in manufacturing must be given to Bumiputras (the Malays and indigenous tribes). Training programs have been introduced to help develop and improve the skill levels of the Bumiputras to facilitate their transfer from the rural settlements to urban areas.

Organized labor measured 11 percent of the total labor force in 1980. The government remains wary of strong labor movements and has prohibited nationwide labor organizations.¹⁷

(d) Health

Malaysia has successfully conducted special campaigns against major diseases that were formerly widespread: malaria, tuberculosis, and leprosy.

In 1983, there were 1.78 hospital beds and 0.29 physicians per 1,000 population. The infant mortality rate was 31.8 per 1,000 live births. Life expectancy at birth was 66 years for males and 71 years for females.¹⁸

(e) Education

The literacy rate is 75 percent in Peninsular Malaysia, 58 percent in Sabah, and 55 percent in Sarawak. Schooling is free and compulsory between the ages of 6 and 15. Peninsular Malaysia has five universities and 26 teacher training schools. There are no universities in East Malaysia.¹⁹

A standardized form of Malay, officially known as Bahasa Malaysia, is the national language. It may be written in Jawi (modified form of Arabic script) or Rumi (Roman script). English is a compulsory second language in all schools beginning with the primary grades. English remains the lingua franca for the elites of all three major ethnic groups and is used almost exclusively in the courts and in commerce.

The Chinese speak nine mutually unintelligible dialects but Mandarin and Hakka predominate. Among the Indian communities, Tamil is the lingua franca, but Telugu and Malayalam are also spoken.

(3) Philippines

(a) Population Profile

The Philippine population reached 53.2 million in mid-1983 at an annual growth rate of 2.5 percent. Overall population density averages about 177 inhabitants per square kilometer, but it is greater in Central Luzon and Cebu. The population growth rate, though still high by Asian standards, has declined from 3 percent in the 1960s and 2.7 percent in the 1970s as a result of President Marcos' announced policy of family planning in 1970.²⁰ The National Population Commission coordinates these efforts, but reduction is difficult because of the high rate of fertility among Filipino women and large family size (averaging 5.6 members).

Over 60 percent of the population lives in rural areas, although migration to the cities continues. The most popular destination of rural immigrants is Manila, the capital and largest city, which has a metropolitan population of over 6 million or nearly a tenth of the national population. About a third of the inhabitants of Manila live in slums and squatter settlements. The age profile indicates that 44 percent of the population is under 15 years old, 52 percent between 15 and 64, and 3 percent over 65.²¹

Most Filipinos are of Malay stock, descended from Proto-Malay (Indonesian) and Deutero-Malay (Southern Mongoloid) peoples who migrated to the Philippines from Southeast Asia long before the Christian era. They drove out short, dark-skinned Negrito settlers who had migrated earlier from Borneo and Sumatra. Chinese, Arabs, and Spanish colonists subsequently augmented the racial stock but did not significantly change its composition. Ethnic Filipinos now constitute 95.5 percent of the population and, although racially and linguistically indistinguishable, are divided by religious adherence into two major groups: the Christian Malays (91.5 percent) and the Muslim Malays or Moros (a name applied by the Spaniards) in the south (4 percent).

The Chinese comprise a third of the non-Malay ethnic minorities (4.5 percent). Measuring 1.5 percent of the total population, the Chinese have played a significant role in Philippine commerce since their arrival in the 9th century. Through intermarriage, many Filipinos have Chinese ancestry. Unassimilated Chinese, however, are regarded as aliens and are subjected to discrimination and restrictive legislation. Other alien minorities include over 50,000 American residents and small communities of Spanish, Indian, and British expatriates. In addition, about 20,000 primitive tribal descendants of the aboriginal Negritos live in the remote interior areas.²²

(b) Religion

The Philippines is the only Asian country with a predominantly Christian population. Conversion to Christianity was a legacy of nearly 400 years of Spanish and American rule. Among the nation's Christians, 83 percent are Roman Catholic and 9 percent are Protestant. The largest religious minority, the Muslims, account for 4 percent and are concentrated in western Mindanao, the Sulu Archipelago, and the mountain group in northern Luzon. The

animists or pagans among the primitive forest tribes comprise 2 percent, and the Buddhists among the Chinese less than 1 percent.²³

Roman Catholicism, introduced in the 16th century with the arrival of the first Spaniards, continues to exert a strong social and political influence. Although the 1973 constitution reaffirmed the separation of church and state, religious instruction is permitted in public schools. The conservative hierarchy led by Manila's Archbishop Jaime Cardinal Sin has been susceptible to pressures from the younger clergy and laity for social reform and a stronger stand against human rights violations by the authoritarian Marcos regime. The government deals cautiously with the Church, and the Catholic hierarchy attempts to avoid an open conflict with the government.

With over 200 denominations, the Protestants are often at variance in expressing nationalist sentiments and in responding to socio-political developments.

(c) Labor Force

In 1982, there were 17.8 million in the work force. The breakdown by sector and percentage was as follows:

Agriculture	47 percent
Industry and Commerce	20 percent
Services	13.5 percent
Government	10 percent
Other	9.5 percent ²⁴

The unemployment rate for 1983 was 14 percent, a strong indicator of the impact of the global recession on the country's economic and financial status. Export labor has provided a partial solution to unemployment and underemployment. Of 380,263 Filipino contract workers employed abroad in 1983, 323,435 served in the oil-rich Middle East countries.²⁵

(d) Health

Most medical facilities are located in major cities and towns. Rural areas are dependent on the Philippine Medical Care Commission, but approximately one-third of the population has little or no access to medical attention. Widespread poverty is responsible for serious health problems such as pneumonia, tuberculosis, and malnutrition, which affects more than 70 percent of the population.

In 1983, the ratio of hospital beds and physicians per 1,000 inhabitants was 1.49 and 0.88, respectively. Infant mortality in 1982 was 55 per 1,000 live births. Life expectancy at birth was 64 years (1981).²⁶

(e) Education

Despite the numerous languages and dialects, the national literacy rate is 88 percent, among the highest in East and Southeast Asia.

Of the 87 native languages and dialects spoken, all belonging to the Malayo-Polynesian linguistic family, the three principal indigenous languages in use are Tagalog, in the area around Manila; Ilocano, in northern Luzon; and Cebuano, spoken in the Visayas.²⁷

Pilipino, English, and Spanish are the official languages. Since 1939, the government has promoted the use of Pilipino in order to establish national unity. Pilipino, which is based on Tagalog, is taught in all schools and is gaining acceptance as a second language. More than 55 percent of the population spoke Pilipino in 1980.

English, the most important non-native language, functions as the universal language of government, mass communication, commerce, and higher education. With over 45 percent of the populace literate in English, the Philippines can be regarded as an English-speaking country. Spanish is now spoken by few Filipinos and its use appears to be in decline.

Education is free and compulsory through primary school for children between the ages of 7 and 12. English replaces Pilipino as the language of instruction after the third year of school. There are 42 major universities and over 600 other institutions of higher education.

(4) Singapore

(a) Population Profile

Singapore's estimated population in July 1983 was 2.5 million with an annual growth rate of 1.2 percent, the lowest in ASEAN. The growth rate has steadily declined from 2.4 percent during the 1960s and 1.5 percent in the 1970s. Singapore's population density of over 4,205 per square kilometer exceeds that of its five ASEAN neighbors, and the small city-state is the only member with a 100 percent urban population.²⁸

The Chinese are the predominant ethnic group with 76.7 percent of the population. The Malays comprise 14.7 percent, the Indians 6.4 percent, and Europeans and Eurasians 2.2 percent.

Singapore's declining population growth rate has introduced an aging trend. An age profile shows a decline in the population under 15 (now 28.6 percent), an increase in the number aged 15 to 64 (now 66.6 percent), and an increase in those 65 and older (now 4.8 percent).²⁹

(b) Religion

As a secular state, Singapore does not record religious affiliations in its census. The Chinese are primarily Buddhists, but include Confucians and Taoists. The Indians are Hindus and the Malays, Pakistanis, and Bangladeshis are Muslims. Most of its Europeans and Eurasians are Christians, and there are small numbers of Christians among the Chinese and Indian communities. Singapore is the seat of an Anglican diocese and a Roman Catholic archdiocese.

(c) Labor Force

As of June 1982, Singapore's work force of 1.2 million included 29.5 percent engaged in manufacturing, 28.5 percent in services, 22.3 percent in trade, 11.4 percent in transport and communication, 6.3 percent in construction, 1 percent in agriculture and fishing, and 1 percent in other employment.³⁰

Prime Minister Lee Kuan Yew, in his 1984 May Day address, reaffirmed his government's decision to phase out all foreign workers by 1992 apart from low-grade hired domestics and some types of construction workers. Foreign workers hold mainly unskilled or semi-skilled jobs and account for about 10 percent of the work force. According to Lee, many of the foreign workers could be replaced by about 66,000 non-working women in the 20 to 44 age group. Alluding to nationalist sentiment and an improved work ethic, Lee asserted that a wholly Singapore work force would increase the solidarity of the workers and result in higher productivity. In addition, he was convinced that healthier work attitudes, combined with new technology, would significantly increase the GNP.³¹

Organized labor involves 18.6 percent of the labor force. In 1980, there were 92 labor unions, of which about half were affiliated with the National Trade Union Congress controlled by the ruling People's Action Party (PAP).

(d) Health

Singapore's high level of health care is attributed to modern housing, environmental sanitation, and a clean water supply. As in the case of other newly developing countries, however, cancer and respiratory diseases have become the major causes of death.

In 1982, there were 3.5 hospital beds and 0.86 physicians per 1,000 population. Infant mortality was 11 per 1,000 live births in 1981. Life expectancy at birth for males was 69 and 74 for females in 1980.³²

(e) Education

Singapore's national literacy rate was 84.2 percent in 1981. There are four official languages: Chinese (Mandarin), Malay, Tamil, and English. The language of administration, however, is English. Its use is encouraged by the government as part of a policy of bilingualism.³³

Primary and secondary education is available in the four official languages. Education is not compulsory. Singapore's two universities were merged in 1980 to form the National University of Singapore.

(5) Thailand

(a) Population Profile

Thailand's estimated population was 50.7 million in July 1983. Its annual growth rate of 2 percent declined from 2.3 percent in 1980 and from 2.5 percent in the 1970s.³⁴ The reduced growth rate is in accord with government-sponsored family planning programs initiated in the mid-1970s by a Cabinet advisory committee on population growth.

National population density averages about 98 inhabitants per square kilometer, but varies considerably by region. Population density drops to 32 per square kilometer in the northern highlands, but reaches 234 persons per square kilometer in the fertile central lowlands, where 40 percent of the nation's population is concentrated. In the narrow sector of the southern peninsula near the Isthmus of Kra the population density approaches 1,158 per square kilometer.

As a predominantly agricultural country, Thailand is urbanized to a limited degree, with over 85 percent of its population residing in rural villages. About half of the country's urban dwellers live in and around Bangkok, the capital and major urban metropolitan complex numbering over 5 million people. The internal migration to burgeoning Bangkok is prompted by the quest for employment or access to higher education.

The age distribution of Thailand's numbers reflects a young population. The 1980 census indicated that 43 percent of the people were under 15 years old, 54 percent were in the 15 to 64 working age group, and 3 percent were in the over 65 age category.³⁵

Thailand, one of the most cohesive and integrated societies in Southeast Asia, has an ethnic composition of 75 percent Thai, 14 percent Chinese, and 11 percent other minorities.³⁶ Of those belonging to the Thai majority, the Central Thai, the core Thai family formerly known as the Siamese, form the largest component. Living in the fertile central plain, the Central Thai are the dominant social and linguistic group whose socio-cultural patterns form the standard for the other lesser Thai groups.

There are three major Thai groups: the Thai Isan or Thai Lao of the northeastern region who use the Lao language; the Thai Yuan of the northern region who have been independent of Central Thai control for centuries; and the Thai Pak Tai of the southern region along the Malaysian border whose physical features are indicative of Malay influences. Among three minor Thai groups, the Shans (also called Thai Yai or Great Thai) reside in the northwestern border region and are ethnically related to the Shan tribal peoples of northeastern Burma.

Ethnic Chinese, numbering over 4 million, are Thailand's largest minority and constitute 14 percent of the population. Concentrated in the Bangkok area and the Isthmus of Kra region, the Chinese dominate finance and industry, operate about 80 percent of the rice trade, and run most of the export-import, wholesale and retail establishments. The Chinese are divided

by differences of dialect and province of origin in China. However, as a result of Thai nationalistic pressures, they have become well integrated into Thai society.

Of the other minorities comprising 11 percent of the population, the largest are the Thai Malays or Thai Islam, a Malayo-Polynesian group separated from the Thai by both religion and race, and to some extent, language. They reside primarily in four of the southernmost provinces adjoining Malaysia. Estimated to number about one million, they have resisted assimilation and have frequently been implicated in secessionist movements. Under the general category of hill tribes, there are over eight major groups and about 20 minor ones. Numbering over 500,000, these tribal groups inhabit the northern and western highlands and individual groups range in size from 9,000 to as many as 120,000 members.

Long before the post-Vietnam War influx of refugees from Indochina, Thailand had large Laotian, Cambodian, and Vietnamese communities. The Khmer or Cambodian minority, of about 400,000 are located in the provinces east and southeast of Bangkok and in the southern Khorat Plateau, a territory once under Cambodian control. A small group of Vietnamese concentrated in northeastern Thailand number about 90,000, while more recent alien arrivals, numbering about 60,000 and including Indians and Pakistanis, are located in the Bangkok area.³⁷

Since 1975, over half a million refugees from Vietnam, Kampuchea, and Laos have fled to Thailand, including 60,000 Vietnamese, 210,000 Khmers, and 250,000 Lao. Although more than a quarter million have been resettled in third countries, over 145,000 are still in Thai frontier camps awaiting permanent resettlement.

(b) Religion

Thailand's state religion is Theravada or Hinayana Buddhism, professed by 95.5 percent of the population. Another 4 percent are Muslim, and 0.5 percent are Christian.³⁸

The Buddhist ecclesiastical structure in Thailand is headed by the Supreme Patriarch who presides over the Sangha, an order of Buddhist monks with a membership of over 250,000. The Patriarch is appointed by the Thai King who is required by the Constitution to be a practicing Buddhist. The affairs of the Sangha are regulated by the Department of Religious Affairs in the Ministry of Culture. The Buddhist Order Act of 1962 defines the relations between the state and Buddhism, which the Thai Government actively supports.

Thailand's Chinese population practices a mixture of Mahayana Buddhism, Taoism, and Confucianism, although some have converted to Christianity.

The majority of Muslims are the ethnic Malay in peninsular Thailand, but other Muslims include the Pakistanis in urban centers and the ethnic Thais, known as Thai Islam, in rural areas of central Thailand. The government provides financial assistance to the Thai Muslims for pilgrimages

to Mecca and the head of the Thai Muslim establishment has a semi-official status. Most of the Indians are Hindus.

Although Christianity was introduced into Thailand as early as the 16th century, it has made only modest gains in winning converts. The size of the Christian community is estimated at about 200,000, including Roman Catholic Chinese, Vietnamese, and Laotians. The Roman Catholic Church, accounting for nearly half of Thailand's Christian adherents, has two archdioceses--in Bangkok and Sakon Nakhon. The Church of Christ, the major Protestant denomination, has over 140 congregations. Christian missions have played a significant role in the westernization of Thailand. Catholic missions run 125 schools and six hospitals, and the Protestants operate 50 schools and 10 hospitals.

(c) Labor Force

Of Thailand's estimated labor force of 23.4 million (1981), 76 percent are in agriculture and fishing, 9 percent in industry and commerce, 9 percent in services, and 6 percent in government and public administration.³⁹

Agricultural labor is almost entirely ethnic Thai, while more than half of the nonagricultural and skilled labor force is Chinese. Most of the Indians, Malays, and Vietnamese are self-employed in business or fishing. The government has actively promoted the export of Thai labor as a means of partially alleviating unemployment and seasonal underemployment problems. Of approximately 300,000 Thais working overseas, some 200,000 are employed in the Middle East.⁴⁰

Growing unemployment among university graduates--about 20 percent in 1983--has raised questions concerning the educational system's application to social needs and the requirements of the labor market. Manpower and job creation are concerns that may be cited in the forthcoming Sixth 5-year Economic Development Plan.

Of the 185 registered labor unions in 1980, about 98 were in the Bangkok area. More than half of all union members (97,000 in 1979) work in the public sector. Unions are strong in public utilities (electricity, water, and telecommunications), but they are also active in transportation, petroleum refining, and textiles and garments.⁴¹

(d) Health

In 1983, Thailand had 1.5 hospital beds and 0.13 physicians per 1,000 population. Infant mortality was 54 per 1,000 live births and life expectancy at birth was 64 years.⁴²

The principal health problems are tuberculosis, pneumonia, and typhoid. Only 22 percent of the population have access to safe, potable water, a contributing factor to disease incidence. Although the government has been developing rural health centers, modern medical care and trained physicians are accessible mainly in Bangkok and provincial towns.

(e) Education

Thailand's literacy rate is 82 percent. Education between the ages of 7 and 15 is compulsory. The language of instruction is Thai, but English is a compulsory second language in the secondary grades. English is used extensively, particularly by the Thai elite and those engaged in business. Many official documents are published in both Thai and English.⁴³

Thai (or Tai) is the official language and, in its various dialects, is the mother tongue of 90 percent of the population. Of its four dialects, Central Thai is the official standard and is used in official communications as well as in the media and literature. Regional languages, nevertheless, remain in use at home.

The Chinese speak a number of southern Chinese dialects. The Thai Malay speak Malay, while the smaller ethnic minorities speak a variety of regional and tribal languages.

Higher education is provided in 12 universities which, in 1980, had a total enrollment of 77,700.

(6) Brunei

(a) Population Profile

Brunei, with a population of 209,000, is ASEAN's least populous member country, although it has the highest annual growth rate: 4 percent. Brunei's population density is 36 inhabitants per square kilometer, the lowest in ASEAN, and over half are under 15 years old.

Brunei's largest ethnic community are the Malays (65 percent), followed by the Chinese (24 percent), and the indigenous tribal peoples--predominantly the Dusuns (6.9 percent) and the Ibans (2.3 percent). The remainder of the population includes Indians (1.6 percent) and British (2.3 percent).⁴⁴

Under the Sultanate's Islamic monarchy, the politically and numerically dominant Malays have preferential treatment. Although the Chinese dominate the business heart of Bandar Seri Begawan, the capital, their legal status is somewhat more tenuous than that of their compatriots in other ASEAN countries. Stringent naturalization procedures prevent most Chinese from obtaining citizenship, and only about 6,000 of the unofficially estimated 60,000 are citizens. Brunei's interior area is the homeland of the indigenous tribal groups whose identity and interests are gradually merging with those of the Malays. The more widely known of these tribal peoples are the Ibans, the longhouse-dwelling descendants of the legendary head-hunting warriors.⁴⁵

(b) Religion

Brunei's official religion is Islam. The Sultan is the head of the Islamic congregation comprising 60 percent of the population and the majority of the 125,000 Malays, who are mainly of the Sunni sect. The Sultan provides financial support for pilgrimages to Mecca.

Buddhism, Confucianism, or Taoism claim a mostly Chinese following representing nearly a quarter of the population. Animism accounts for 8 percent and is concentrated among the indigenous groups, while followers of Christianity make up an additional 8 percent, mostly Europeans and Eurasians, who are primarily Roman Catholic but include Anglicans and Methodists.⁴⁶

(c) Labor Force

Of the work force of 70,000, 46 percent are employed in commerce and services, 5 percent in manufacturing, 3 percent in agriculture and fishing, 14 percent in construction, and 32 percent in the government sector. An estimated 25,000 are primarily unskilled foreign workers engaged in construction and menial tasks in the private sector.⁴⁷

(d) Health

Free medical services for all citizens are provided by the government. Brunei has five hospitals and there are 3.8 hospital beds and 0.4 physicians per 1,000 persons. The infant mortality rate is 17.5 per 1,000 live births. Life expectancy at birth is 66 years.⁴⁸

(e) Education

The government provides free education to all citizens. Bruneian students who live more than 8 kilometers from their schools are entitled to free accommodations in hotels, free transport, and a subsistence allowance.

Malay and English are the official languages. Chinese is spoken by a quarter of the population. Primary and secondary schools are classified according to the language of instruction, that is, Malay, English, or Chinese. There are two teacher training colleges and four vocational education colleges, but Brunei has no university. Many students are sent abroad for higher education at government expense. According to the August 1981 census, the national literacy rate is 71.14 percent.⁴⁹

Table 3

Population and Density

	<u>Land Area</u> <u>(sq km)</u>	<u>Population</u> <u>(July 1983)</u>	<u>Average Annual</u> <u>Growth Rate</u> <u>(Percentage)</u> <u>(1983)</u>	<u>Density of</u> <u>Population</u> <u>(per sq km)</u>
Indonesia	1,906,240	160,932,000	2.1	79
Malaysia	332,556	14,995,000	2.3	37
Philippines	300,440	53,162,000	2.5	177
Singapore	618	2,503,000	1.2	4,205
Thailand	514,820	50,731,000	2.0	98
Brunei	5,776	209,000	4.0	36
ASEAN	3,060,450	282,532,000		

[Sources: CIA, The World Factbook 1983, CR 83-11300, Washington, D.C., May 1983; UN, Demographic Yearbook 1981, New York, 1981.]

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c. Economy

(1) Overview

The five founding associates of ASEAN, despite their differences in area, population, and level of development, were in the forefront of nations attaining rapid economic growth during the turbulent 1970s. By 1980, the oil boom had elevated Indonesia's low-income economy to the middle-income category, above \$410 per capita according to the World Bank's definition.* As shown in table 3, Indonesia's gross national product (GNP) per capita of \$430 in 1980 was outmatched by its ASEAN partners: \$4,430 in Singapore, \$1,620 in Malaysia, \$690 in the Philippines, and \$670 in Thailand. Singapore and Malaysia had raised their per capita GNP figures into the higher level of the World Bank's listing of the middle-income group of nations. Singapore's per capita income in 1980 exceeded that of a number of West European countries, and in Asia it was second only to that of Japan (\$9,890), a ranking industrial market country. As shown in table 4, the average GNP annual rates of growth during 1970 to 1980 were also among the highest recorded in the period: 8.5 percent in Singapore, 7.8 percent in Malaysia, 7.6 percent in Indonesia, 7.2 percent in Thailand, and 6.3 percent in the Philippines. Notably, these impressive performance levels during the 1970s were attained by the five ASEAN members individually and were not attributable to the regional organization. Until recently, ASEAN national economies had generally been more competitive than complementary with regard to production and export of commodities and the quest for foreign investments.

At the outset of the 1980s, prospects for continued strong economic growth of the five founding members appeared promising because the ASEAN region, with its rich natural and human resources, was the world's largest producer and exporter of natural rubber, tin, tropical hardwoods, coconut products, and palm oil. Indonesia and Malaysia were net exporters of petroleum, and Singapore had become the world's second largest and busiest port and the third largest oil refining center (after Rotterdam and Houston). Furthermore, manufacturing had expanded in Malaysia, and the ASEAN region as a whole offered increasing trade and investment opportunities to other Free World countries.

Since 1980, however, the worldwide economic recession and the international oil market collapse have adversely affected the ASEAN economies, and the boom years of the 1970s have yielded to essential programs of austerity and adjustment. The following comparison of economic performance and prospects for each of the ASEAN associates provides a basis for assessing their economic viability and capabilities for renewed economic growth during the remainder of the decade.

*All monetary units, unless otherwise noted, are expressed in \$US.

Table 4

GNP Data and Inflation Rate

World Bank Rank ^a	GNP US\$ in billions			GNP per capita US\$		GNP Growth Rate percent			CPI Average Annual Inflation Rate				
	1980	1981	1982	1980	1981	1980	1981	1982	1970-80	1981	1982		
Indonesia	38	67.0	85.9	93.5	430	573	611	9.6	7.6	4.5	20.5	12.3	11
Malaysia	76	21.1	24.1	25.7	1,620	1,730	1,960	8	6.9	5	7.5	9.6	10
Philippines	52	35.3	38.0	39.0	690	790	760	5.4	4.9	2.4	13.2	12	9
Singapore	95	10.6	12.1	13.0	4,430	4,772.7	5,154.5	10.3	9.9	6.3	5.1	8.2	4.9
Thailand	51	33.6	33.9	37.6	670	723	815.6	6.5	7.8	5.5	9.9	12.7	6
Brunei	--	4.75	4.33	4.09 ^b	10,680	--	20,000 ^c	6	--	--	6	9.1	8

(CPI = Consumer Price Index)

^aRank in ascending order of GNP per capita among 119 countries (excluding Warsaw Pact countries with non-market industrial economies).

^bGDP, not GNP.

^cEstimate.

[Sources: IBRD, World Development Report 1982, New York: UN, Statistical Yearbook for Asia and the Pacific 1980, Bangkok: ESCAP; IMF, International Financial Statistics Yearbook 1982, Washington, DC; Asian Business (Hong Kong), January 1982 - September 1983, Far Eastern Economic Review Asia 1984 Yearbook; CIA, The World Factbook 1983, CR 83-11300, May 1983; and CIA, The World Factbook 1984, CR WF 84-004, April 1984.]

(2) Indonesia

(a) Economic Performance Profile

Despite Indonesia's abundance of oil, gas, and other raw materials, it remains a relatively poor country and the poorest in ASEAN. The Soeharto government, which inherited the Soekarno era's nearly bankrupt economy, has set a high priority since 1969 on a series of economic development schemes financed by foreign aid and oil revenues. In 1984, Indonesia entered the final year of its Third 5 Year Plan (1979-80 to 1983-84). Under President Soeharto's New Order economic strategy has been designed to promote increased economic growth, a more equitable distribution of economic benefits, and the reduction of unemployment and poverty.¹ In addition to a commitment to the 5 year plans, the government also controls the major components of the economy, such as the oil sector, public transport and utilities, the main banks, most large-scale manufacturing (that is, cement, fertilizers, steel, paper, estate agriculture), and exerts influence over import restrictions, credit allocation, and the key price structure. Foreign aid is channeled through the Inter-Governmental Group on Indonesia (IGGI), consisting of the Organization for Economic Cooperation and Development (OECD) donors and several international organizations. The major OECD donors are Japan, the United States, France, Canada, West Germany, the Netherlands, and, of the international financial organizations, the World Bank and the Asian Development Bank.²

Progress has remained painfully slow in handling chronic problems of overpopulation, rural poverty, unemployment, lack of trained manpower, and an inadequate physical infrastructure, particularly outside Java. By 1981, however, the economy was performing well with a growth rate of 7.6 percent, and foreign reserves had reached a record \$12 billion. Oil and gas provided about 80 percent of Indonesia's export earnings and accounted for a quarter of its GNP and 70 percent of its national budget. Indonesia, the only East Asian member of the Organization of Petroleum Exporting Countries (OPEC), was the largest exporter of fuel east of the Persian Gulf and the world's principal supplier of liquified natural gas. Moreover, bumper rice harvests in 1980 and 1981 virtually fulfilled the government's pledge to attain self-sufficiency in rice production.

Since 1981, however, the Indonesian economy has felt the combined impact of the international oil glut, the OPEC oil price freeze, and the growing recession and trend toward protectionism in the industrialized countries. The oil situation ended Indonesia's reliance on steadily increasing oil revenues to finance its ambitious development schemes, especially with domestic oil consumption rising at a rate of 12 percent annually. Indonesian oil production fell below the OPEC production quota of 1.3 million barrels per day with a resulting decline of 15 percent in oil revenues. The declining oil prices reduced the country's economic growth rate from 7.6 percent in 1981 to 4.5 percent in 1982.

Regarding Indonesia's non-oil exports, the depressed prices and reduced demand for most of Indonesia's major trading commodities have led to an overall drop in non-oil export earnings, with timber, rubber, coffee,

tin, palm oil, tapioca, copra, and cement all registering declines ranging from 8 percent to 87 percent. The poor performance of Indonesia's export sector caused a 20 percent shortfall in government revenues. Indonesia's overall balance of payments deficit cut its foreign exchange reserves in half, down to about the \$4 billion level. New foreign borrowing, meanwhile, has raised Indonesia's external public debt to about \$18 billion (of which 63 percent is owed to governments and 37 percent to private banks).⁴ For the fiscal year ending 31 March 1983, Indonesia recorded its first trade deficit in 16 years, and its current account deficit was estimated at \$7 billion against \$2.8 billion in 1982.

The world recession and reduced oil demand compelled Indonesia to reexamine its accelerated development strategy. In speeches in September and October 1982, President Soeharto reaffirmed his pro-development policies. Politicians generally shared his view that continuing the program's momentum in the midst of a world recession was worth the cost, namely huge current account deficits and increased foreign borrowing. In May 1982, the World Bank also approved continuation of the Soeharto government's economic policies.⁵

By November 1982, however, the World Bank reassessed its outlook for Indonesia and initiated a reordering of priorities in order to limit the size of current account deficits. The delays in various development projects have been implemented. The \$3 billion oil refinery at Merak, West Java, was postponed and replaced by the \$1.05 billion refinery at Plaju, South Sumatra. It appears likely that work will proceed on the \$7.5 billion natural gas pipeline project linking the Arun fields in North Sumatra to the island of Java.⁶

In an announcement on 6 May 1983, the government decided to postpone indefinitely the construction of a \$1.6 billion olefin petrochemical complex, a \$1.5 billion aromatics plant, a \$1.35 billion oil refinery, and a \$600 million aluminum factory. American, Japanese, and West German firms were involved in these joint venture projects. The olefin and aromatics plants were among four petrochemical projects that formed the nucleus of the government's industrial development program in the present 5-year economic plan.⁷

(b) Outlook

Backed by the political authority of President Soeharto, the retrenchment of capital projects was viewed as a victory for the technocrats led by Finance Minister Ali Wardhana, who had long opposed the New Order's free spending policies. During 1983, more than \$20 billion worth of developmental projects were shelved, the Indonesian rupiah was devalued, and food and fuel subsidies slashed. The adjustment of Indonesia's long-term development programs represents the government's bold effort to deal with the recession and the realities of an adverse international economic environment. By advocating slower growth and preventing the debt service ratio and other risk indicators from soaring out of control, Indonesian leaders probably can avert the foreign debt crisis that has seriously threatened the economies of the Philippines and heavily indebted Latin American countries such as Mexico.

(3) Malaysia

(a) Economic Performance Profile

Malaysia's GNP per capita income in 1981 (\$1,730) placed it among the top quarter of the developing countries and on a par with South Korea, a newly industrializing country. Within ASEAN, Malaysia's GNP per capita income ranked next below that of Singapore (\$4,772), another newly industrialized country (table 4).

Ranked by the World Bank among the top third of the middle-income economies, Malaysia emerged from the 1970s as a beneficiary of stable world market prices for its primary export products--tin, rubber, palm oil, high grade oil, tropical hardwoods, and cacao. A resource-rich country, Malaysia is the world's leading producer and exporter of tin, natural rubber, palm oil, pepper, and tropical timber. Malaysia is also a net petroleum exporter and, since early 1983, an exporter of liquified natural gas (LNG) to Japan. By 1981, Malaysian farmers had achieved 78.5 percent of the government's goal of self-sufficiency in rice, the country's diet staple.⁸

Between 1971 and 1980, the economy grew at an average rate of 7.8 percent in terms of GNP. In 1980, the agricultural sector occupied half of the country's work force. However, manufacturing became a leading growth sector, expanding from 13 percent of GDP in 1970 to a 20 percent share in 1981. Concentrated in peninsular Malaysia, the manufacturing sector involves refining petroleum, processing palm oil, tin concentrate, and rubber goods, as well as labor-intensive manufacture of textiles, assembly of electrical machinery and appliances, and food processing.

Despite the expansion and diversification of Malaysia's export-based economy during the late 1970s, its economic growth slackened significantly in 1981. The worldwide recession sharply depressed prices for virtually all of Malaysia's industrial raw materials, which together comprised more than 60 percent of foreign exchange earnings, and restrained consumer spending, investment activity, and development programs. The growth rate fell from 8 percent in 1980 to 6.9 percent in 1981 and to about 5 percent in 1982. Plunging export earnings and spiraling import costs left Malaysia with a 1981 trade deficit of \$375 million, a total current account deficit of \$2.5 billion, and an inflation rate of 9.6 percent in 1981 compared to 7.5 percent in 1980.⁹

In addition to signaling the downturn of the Malaysian economy, 1981 also heralded the accession of Dr. Mahathir Mohamad as Prime Minister and coincided with the start of the Fourth Malaysia Plan (1981-85) and the second decade of the nation's New Economic Policy (NEP). Malaysia's Fourth 5 Year Development Plan marked the halfway stage of the NEP, promulgated in 1970 and scheduled to remain in effect until 1990. The Plan and the NEP are targeted against poverty and racial economic imbalance. Prime Minister Mahathir readily reaffirmed his government's commitment to the NEP.

Instigated by the economically motivated communal riots between Malays and Chinese in 1969, the NEP sought to reduce by two-thirds the

nation's poverty level affecting 49.3 percent of the population in 1970. The NEP was also intended to restructure Malaysia's plural society by eventually eliminating the identification of race or ethnic origin with economic function, whether agricultural, mercantile, technical, managerial, professional, or rural- or urban-based. Another major NEP objective was to give the predominantly agricultural Malays and other indigenous people, collectively called the Bumiputra ("sons of the soil"), a greater stake in the national economy or corporate wealth. Malaysia's population of nearly 15 million consists of about 54 percent Malay and other indigenous groups, 35 percent Chinese, and 11 percent Indian. At the inception of the NEP in 1970, the Bumiputras owned less than 5 percent of the national corporate equity, while the non-Bumiputras (invariably the Malaysian Chinese) owned about a third, and the remainder, more than 60 percent, was foreign owned.¹⁰

By 1980, the Bumiputras' share of the corporate equity reached 12 percent, the share of the Malaysian Chinese increased to 41 percent, and the foreign-held share was reduced to 47 percent. The NEP applies a percentage formula of 30-40-30 to ensure that by 1990 the Malays will manage and own at least 30 percent of the total commercial/industrial corporate shareholdings while the Malaysian Chinese/Indian share will account for 40 percent and the foreign-owned share will be reduced to 30 percent.

Implementation of the NEP in favor of the predominantly rural, economically disadvantaged Malays increased the government's role in all sectors of the economy. Through investment trust companies such as PERMODALAN National and State Economic Development Corporations, shares were purchased with public funds in trust for the Bumiputras, and publicly funded subsidiaries and joint ventures became involved in scores of industries, including mining, petroleum, engineering, steelmaking, cement, timber, chemicals, tires, and hotels. Government investments in these federal corporations increased from \$5.3 billion in 1973 to \$13.5 billion by the end of 1982.¹¹

The economic downturn, however, compelled the Mahathir government to espouse fiscal conservatism, and reappraise the various joint ventures and industrial and infrastructure development projects under the \$44 billion Fourth Malaysian Plan for potential spending cuts. Thirteen percent of the joint ventures verified as inefficient and unprofitable were terminated. In addition, a 12 percent reduction in budgetary expenditures for publicly funded projects was ordered in 1982 and a further 14 percent cut in 1983.¹²

In an effort to reduce commodity market oversupply and to prop up prices, the Mahathir administration next abandoned the traditional policy of boosting commodity growth, cut raw material output by 6 percent, and increased stockpiling by 10 percent. Tin production was reduced to conserve a depletable resource. These remedial measures, however, were contingent on the prospect of increased revenues from petroleum exports. Expected gains were offset by the fall in OPEC's benchmark price for crude oil. Among the serious side effects from the remedial measures was increased unemployment among mine workers. Moreover, the government risked being forced deeper into debt to maintain development programs on schedule. Malaysia's domestic and foreign debt in 1983 amounted to about \$17.5 billion, of which about \$6 billion was foreign debt.¹³

The mounting public debt reflects the long overdependence on the Malaysian Government for development growth. The Mahathir administration has sought to reduce the government's predominant role in the economy and to redirect responsibility for development growth to the private sector. In Mahathir's view, his planned "privatization" of the economy could spread the financial burden through closer collaboration between the government and the private business sector in the manner of a "Malaysia Incorporated" based on the successful economic model of the so-called Japan Incorporated.

Mahathir's concept of a Malaysia Incorporated appears to be a logical extension of his "Look East" policy which he announced shortly after taking office in July 1981. That policy focused on Japan and South Korea as Malaysia's new models for economic organization and industrial development. In Mahathir's colonial-based perception, Western countries were no longer appropriate economic models because of their inadequacies in moral values, national goals, and technology. He attributed Japan's phenomenal economic growth to the Japanese people's exemplary work ethic and discipline.¹⁴ Having grown impatient with the precarious status of Malaysia's commodities-oriented economy, Mahathir was especially impressed with the soga shosha, the powerful and efficient Japanese trading organizations that enjoy a close relationship with the Japanese Government in defining and implementing national economic goals. Except for modest programs to send Malaysian trainees to Japan and the exchange of teachers, officials, and businessmen interested in joint ventures, the "Look East" policy has generated only one major industrial development scheme--the "Made in Malaysia" automobiles. The car is to be manufactured as a joint venture involving Malaysia's publicly funded Heavy Industries Corporation and Mitsubishi of Japan. Mahathir appears hopeful that the car, now scheduled for production by 1986, will provide additional spinoffs of technological skills for a significant expansion of Malaysian industrial operations.¹⁵

The government's sponsorship of the Malaysian car project, however, seems to be inconsistent with the Mahathir's ongoing policy of phasing out government control over major economic sectors. The list of government agencies for prospective sale to private business interests includes railways, telecommunications, the National Electricity Board, postal services, radio and television networks, airports, and port services.¹⁶ In the case of transportation agencies, port services, and telecommunications, the attainment of greater operational efficiency reportedly is a foremost objective in their transfer to the private sector. As of late 1983, however, there were few bidders, possibly because some of the public agencies are deeply in debt.

(b) Outlook

Malaysia's political stability, its stable currency, and the Mahathir government's pragmatic approach to economic problems bode well for eventual economic recovery. The government has taken measures since 1981 to deal with mounting public debt by holding down government expenditures in order to reduce borrowing. The mid-term review of the cabinet-level draft of Malaysia's Fourth 5-Year Plan (1981-85) concluded that the world recession had revealed major structural weaknesses in the country's economy, called for bold

new directions for its economic planning and performance, and suggested the abandonment or softening of several programs pursued since the 1970s.¹⁷ The government has shown a readiness to revise goals of the NEP and can be expected to make other necessary readjustments to spur economic growth.

While Mahathir's commitment to the NEP remains unchanged, he has become increasingly aware of the need to implement the pro-Malay restructuring policy with more imagination and sensitivity to the country's economic growth requirements. The success of the NEP is contingent on sustained economic growth. Since the inception of the NEP, the government has assured the public that the restructuring of Malaysian society will allow expanding economic opportunities for non-Malays as well as Malays. During periods of slow growth rates, however, the Malays will be less likely to achieve their goals and/or the non-Malays will be subjected to significant discrimination beyond the NEP's acceptable level. Though the government regards the NEP as a "temporary" policy, it has become virtually institutionalized and may be difficult to discontinue after the 1990 expiration date. Measures to extend the NEP beyond 1990 could cause further resentment among the non-Malays and incite serious communal disorders.

Mahathir has also cautioned that the implementation of the NEP must not overlook the need to maintain overall economic efficiency. The Fourth Malaysia Plan draft review reportedly emphasizes this concern, warning that the transfer of wealth to the Bumiputras without provision for their development of managerial skills and initiative could again lead to the eventual loss of the Malays' share of the national equity.¹⁸ Accordingly, Mahathir urged Malays to seek joint economic ventures with non-Malays in order to gain valuable entrepreneurial expertise. Mahathir's concept of "Malaysia Incorporated" has been suggested as a basis for promoting multiracial joint ventures, with the government in the role of an "umpire" to ensure fulfillment of the long-term objectives of the NEP.

At the industrial conference for European and ASEAN business delegations held in Kuala Lumpur in 1983, Mahathir declared Malaysia's unwillingness to continue functioning solely as the "plantations and mines" for the world.¹⁹ Malaysia, however, remains largely dependent on export earnings from the commodities sector where declining prices have led to costly stockpiling and socially damaging production cuts. To date, the "Look East" policy appears to have had little impact on Malaysia's manufacturing sector or the search for new markets. Over the mid-term, the way out of Malaysia's economic impasse may be facilitated by the Mahathir government's efforts to strengthen the economic role of the private sector and to expand the country's export base through further diversification of production and the infusion of modern industrial technology.

(4) Philippines

(a) Economic Performance Profile

The Philippines, predominantly an agricultural country, ranks in the lower middle-income range of developing countries with an estimated per capita GNP of \$790 in 1981. This per capita GNP was lower than that of

Malaysia (\$1,730), but higher than Thailand's (\$723) or Indonesia's (\$573). (See table 4.) Economic growth averaged 6.3 percent in the 1970s, 5.4 percent in 1980, and 4.9 percent in 1981--a respectable performance by any standard for the period. The inflation rate averaged 13.2 percent during the 1970s and 12 percent in 1981 (see table 4).

According to a 1980 World Bank report, over 42 percent of the Philippine population was below the poverty level. Chronic malnutrition has been prevalent, particularly in the rural areas. An estimated 25 percent of the work force was either unemployed or underemployed in 1981. High population growth rates have also been a continuing problem. The economy must generate 600,000 new jobs a year just to keep pace with the birth rate. The Marcos government has given priority to population planning. Despite some resistance from the predominantly Catholic population, there was a significant decline in the population growth rate from 3.0 in 1972 to 2.5 percent in 1981.²⁰

With its agro-based economy, the Philippines is a major producer and exporter of sugar, coconut oil, pineapples, and forest products. Its agricultural products have accounted for 50 percent of total exports. The country's rice production reached self-sufficiency in 1977, but subsequent yields have not been high enough for export because of drought conditions in 1982 and 1983, and the increased cost of fertilizer and insecticide.²¹

The fishing industry is underdeveloped and unable to meet domestic requirements because of inadequate storage, processing, and marketing facilities. Despite the country's valuable mineral resources, particularly copper, only a relatively small area of the substantial mineral deposits and potential reserves has been surveyed and exploited.²²

Although the government has provided new oil exploration inducements, the failure to find significant oil-bearing geological structures has been a major factor in the slowdown of commercial oil drilling operations since 1982. The Philippines, however, has a significant geothermal and hydroelectric potential that could reduce dependence on imported oil, which cost \$2.1 billion and accounted for 30 percent of total imports in 1981. Imported oil made up 68 percent of primary energy consumption in 1982 as compared to 72 percent in 1981 and over 90 percent in 1974.²³ Further reductions in fuel oil use are anticipated as a result of the conversion of cement plants to coal use.

Since 1980 the Philippine economy has suffered from its dependence on a few primary commodity exports during a period of depressed international demand and the devastating drought of 1982 and 1983. As a result of the global economic recession, sugar prices declined 67 percent from 1980 to 1982, and exports of forest products also decreased in volume and value. Similarly, copper, which amounted to more than 70 percent of mining production and nearly 50 percent of mineral exports in 1980, was equally vulnerable to reduced prices in the world markets. The decline in exports was also reflected in the disappointing performance of manufacturing sectors, such as the garment industry, wood products, and handicrafts which had been regarded as highly marketable.²⁴ Only the semiconductor industry performed up to expectations with sales of over \$1 billion in 1982.

The worsening economic situation was evidenced by record deficits affecting the country's balance of payments and burgeoning foreign debt measuring in excess of \$24 billion by late 1983. During this period of economic insecurity, the Philippine Government has been under strong pressure from the World Bank, the International Monetary Fund, and an advisory committee of foreign bankers to implement recommended budgetary restraints as a condition for debt rescheduling and an infusion of \$1.6 billion in new funds to reactivate a limited amount of trade financing. As a result, Manila has adopted a broad economic restructuring program that has included budget cuts, two devaluations of the peso (in June and October 1983), lower tariff and import restrictions, liberation of the interest rate, and programs to stimulate the agricultural sector.²⁵

The nation's economic difficulties were further exacerbated by the assassination of the charismatic political opposition leader Benigno Aquino, Jr., while in the custody of government security forces on 21 August 1983, shortly after his arrival at Manila International Airport following 3 years of self-imposed exile in the United States. The series of massive anti-Marcos demonstrations incited by Aquino's unsolved political murder, coupled with Marcos' recurring health problems and the lack of clear lines of succession, have had a destabilizing effect on the economy. As a result, foreign commercial banks lost confidence in the country's political credibility, internal stability, and economic solvency. The massive capital flight of a reported \$3 to \$5 million daily and the termination of short-term foreign commercial credit contributed to a sizeable increase in the balance of payments deficit and a serious depletion of foreign exchange reserves. The government imposed a 90-day moratorium on all debt repayments from 17 October 1983 to 16 January 1984, and renewed it through 16 April 1984 to curtail the rapid deterioration in the capital account position, and the further depletion of foreign exchange reserves which were down to an estimated \$500 million, or less than enough for one month's imports.²⁶

Apart from opposition to the Marcos government, the assassination fomented open dissension within Manila's business circles in the Makati financial sector. This emergent pressure group demanded economic reforms that threatened Marcos' influential and powerful associates. The businessmen's dissatisfaction focused on the entrenched system of economic favoritism (locally termed "crony capitalism") that enables Marcos' loyal friends and relations to gain financially through highly politicized government-supported business activities in competition with the private sector.²⁷

The debt crisis and budgetary restraints have affected funding of the remaining projects proposed in 1979, under the core development program to establish 11 major industrial projects during the 1980s. The projects initially were intended to curb imports and expand the export potential. Largely dependent on government funding based on foreign loans, some have already been suspended while others are nearing completion or are being negotiated.²⁸ Those not actually under construction are likely to be delayed or modified by the budgetary problems. As of late 1983, the status of 11 industrial projects was reported as follows:

- ° aluminum smelter--suspended indefinitely
- ° copper smelter--first phase in operation; bids selected for future expansion
- ° integrated steel mill--first phase turnkey contracts awarded to Japanese consortium
- ° phosphate fertilizer complex--suspended
- ° diesel engine manufacturing plant--small diesel plant completed and in limited production; heavy diesel plant on hold
- ° heavy engineering plant--under active negotiation
- ° rehabilitation of cement industry--eight major cement plants completed conversion from oil to coal power generation
- ° coconut industry revitalization--on hold
- ° pulp and paper mill--modified to renovation of existing plant rather than construction of new one
- ° petrochemical complex--status uncertain
- ° manufacturer of alcogas--on hold

(b) Outlook

An improved economic situation in the Philippines is contingent on the early resolution of the country's political problems to prevent further erosion of the Marcos administration's credibility. In the perception of the Philippine public and foreign creditors and investors, restoration of the government's credibility will be commensurate with significant signs of progress toward political normalization and genuine reforms. Such signs probably will be most clearly evident in reasonably free and fair parliamentary elections in May 1984, the political opposition's ability to establish at least an effective minority in the National Assembly, and the forthright conviction and punishment of the assassins of Benigno Aquino.

In the event of the incapacitation, death, or forced removal of President Marcos before his present 6-year term expires in 1987, the foreign bankers and investors probably will be reassured if economic management remains in the capable hands of the present "technocrats" led by Cesar Virata, concurrently Prime Minister and Finance Minister. During the adverse economic situation since 1980, the technocrats have acted responsibly in managing the national finances, investments, and trade. Despite the record foreign debt level, the country has not defaulted on any of its loans.

Economic survival will require the infusion of new funds and rescheduling of existing foreign debts. The severity of the debt crisis has underscored the long-felt need to place the Philippine economy on a more balanced footing through a restructuring strategy. Virata has been negotiating with the IMF, World Bank, and foreign creditors for approval of a \$650 million standby credit and \$3.3 billion in new funds from multilateral, bilateral, and commercial sources, coupled with the rescheduling of existing commercial loans.²⁹ This plan is intended to resume import financing for priority commodities, such as oil, food products, and fertilizer, to provide for raw material imports for industries crucial to the balance of payments such as textiles, semiconductors, food processing, and other manufactured exports. Another objective is to allow the government to acquire sufficient foreign exchange to make its interest payments.

The persistent rebellions of the Communist insurgent New People's Army and the Muslim separatists constitute a substantial drain on government resources by tying down over 60 percent of the combat units of the Philippine Armed Forces and seriously undermining prospects for political and economic development. Until further reform measures are initiated, widespread rural and urban poverty and the traditional inequality in the distribution of income and property ownership will remain exploitable issues for both insurgent groups.

In sum, greater political stability, full implementation of economic reforms already introduced, and further austerity measures will be necessary if the Philippines is to become a more effective partner in ASEAN.

(5) Singapore

(a) Economic Performance Profile

Singapore, a prosperous city-state, has no natural resources except its highly literate and adaptable population of 2.4 million. Nearly all of its basic needs, including food, water, and raw materials, are imported. Free of its ASEAN neighbors' preoccupation with wealth redistribution or indigenization schemes, Singapore has inherited a colonial infrastructure and Chinese commercial establishment that has been preserved and embellished under a stable government with a well-managed economy.

The island republic's economy was formerly based on entrepot trade because of its fine natural harbors and central location among its resource-rich ASEAN partners. Entrepot trade, however, now constitutes less than 40 percent of its total trade. Since the mid-1960s, the government has actively pursued an export-oriented industrialization policy that has thrust Singapore into the ranks of the newly industrialized Asian countries such as Taiwan, South Korea, and the crown colony of Hong Kong. With a per capita GNP of \$5,154 in 1982, second only to Japan, and an impressive GNP growth rate averaging over 9 percent during the previous decade, Singapore has the world's busiest port, the third largest refining center, and Asia's third most important financial center after Tokyo and Hong Kong.

Singapore's exports include domestically produced and processed goods such as petroleum products, textiles and clothing, electronic components and electrical appliances, television and radios, ships and oil rigs, industrial machinery, and chemicals. Its major imports include crude oil, industrial machinery, electrical equipment, textile fibers, fabrics, manufactured goods, crude rubber, timber, paper products, printed materials, and food products. Its services sector contributes over 70 percent of national income and involves tourism, civil aviation, shipping services, telecommunications, and finance and banking. Singapore's major trading partners and their percentage of total trade include Malaysia (15 percent), Japan (14.9 percent), the United States (12.8 percent), Saudi Arabia (10.2 percent), and the European Economic Community (9.9 percent).³⁰

Singapore first felt the impact of the deepening world recession in 1982, a year later than its ASEAN partners and with less severity. Its economic performance in 1982, however, was a substantial slowdown from the vigorous growth rates of the previous decade. Singapore's GNP growth rate of 6.3 percent in 1982 declined from 9.9 percent in 1981 and 10.3 percent in 1980.³¹

With the exception of the 36 percent growth of the buoyant building and construction sector in 1982, performance in all other sectors of the economy declined. The most seriously affected was the export-oriented manufacturing sector, down 6 percent from 1981. This decline was unavoidable, however, in view of the country's dependence on foreign trade, the persistence of the recession in its major trading partners, and the rise of trade protectionism. The slump in world trade reduced demand for electronics products and semiconductors by 11 percent in 1982 and also adversely affected tourism, Singapore's labor-intensive sawn timber and plywood industry, and the textile industry. The decline in world shipping activities also reduced Singapore's shipbuilding and ship repairing operations as well as oil-rig construction. The number of vessels built in local yards dropped from 433 in 1981 to 344 in 1982, while ship repairing was down an estimated 30 percent.³²

In response to the global recession, the Singapore Government, headed by Prime Minister Lee Kuan Yew, pursued an expansionary fiscal policy designed to stimulate domestic demand and investment in publicly funded projects to compensate for the external sector's slowdown. On the basis of that strategy, the government decided to proceed with its planned mass rapid transit (MRT) subway system at a cost of \$2.4 billion. Despite the risk of undertaking this costly project during a recession, Lee contended that Singapore had sufficient monetary reserves and other domestic savings to make the project affordable without foreign loans. He also hoped to take advantage of competitive bids from foreign firms.³³ The first contracts for the MRT were awarded in 1983, principally to Japanese firms, with construction to commence in 1984. Work on the MRT will add to the construction sector's growth for the remainder of the 1980s. Significantly, funds for the transit system, housing, and other public works projects will come from domestic savings and official reserves, thus obviating the need to borrow from external sources.

The government also continued to allocate public funds to the domestic building construction industry. Funds to finance housing were drawn

from the Central Provident Fund based on compulsory savings contributions from workers and employers. The construction work force increased by 23,000, mostly foreign unskilled workers from Malaysia, India, and Thailand. The accelerated public housing program provided a substantial boost to the government's economy through the completion of 38,500 apartment units in 1982, with some 87,000 units still under construction.³⁴ In addition, the private sector, with incentives such as government loans at reduced interest rates and depreciation and investment allowances, promoted further construction of residential buildings, hotels, office and shopping complexes, factories, and warehouses.

The government's measures during 1983 to strengthen Singapore's role as an international financial center focused on the promotion of international lending syndication activities, the consolidation of a gold marketing service, and development of fund management services for resident and offshore operators. Prime Minister Lee's projected goal of creating a "Zurich of the East" was part of the government's economic diversification policy to reduce Singapore's dependence on the entrepot trade and to develop the manufacturing and service sectors. Factors favoring its role as a financial center are its political and monetary stability, traditional functions as a commercial and trading center, and a relatively well-developed financial infrastructure. Despite the recession, Singapore has continued to attract an inflow of foreign financial institutions. The establishment in Singapore of 10 new offshore banks during 1982 brought the total number of domestic and foreign commercial banks operating in the country to 118.³⁵

Before the close of 1983, the Singapore Government's pragmatic economic policies had withstood the global recessionary constraints and reversed some of the declines of 1982 in various subsectors in manufacturing and trade. The manufacturing sector's resurgence in the third quarter of 1983 offset five consecutive quarters of reduced output to finish the year with a 0.6 percent GDP growth compared to a 5.6 percent loss in 1982. The manufacturing sector's recovery was attributed to the electrical/electronic, petroleum refining, and construction related industries, reflecting an upturn in the US economy and an easing of the oil glut. Although down from its 1982 peak of 36.2 percent growth, the building and construction sector still led the economy in GDP growth at 27.5 percent for 1983. Similarly, GDP growth in the banking and finance sector surged 15.8 percent in 1983 as the country's second fastest growth sector.³⁶ The Prime Minister attributed the creditable performance to "prudent budgets," no current account deficits, a balance of payments surplus, good worker-management relations, and investors' confidence in Singapore and its people.³⁷

(b) Outlook

Since 1981, the Singapore Government has demonstrated an innovative strategy in coping with the constraints imposed by the world recession. The resiliency of its economy is reflected in its sustained creditable performance in the range of an estimated 6 to 7 percent growth rate during 1982 and 1983. Inflation was held to 4 percent. The economy apparently will continue to respond favorably to the government's economic policy which relies on maintaining domestic demand and investment to compensate for the external

sector's weakness, retraining the work force, and attracting new investment in high growth industries. Concerning the work force, the Lee administration has held a longstanding view that Singapore's economic future depends on its ability to produce better trained, better disciplined workers dedicated to increased productivity.³⁸ This view reflects Prime Minister Lee's advocacy of adapting the successful techniques of Japanese corporate management and industrial relations.

The Singapore Government's moderately expansionary fiscal policy seems capable of carrying the economy through the global recession until a more general recovery occurs. Over the longer term, the outlook for Singapore's economy will depend considerably on the success of the United States in sustaining its economic upturn which began in late 1983. Prime Minister Lee acknowledged American influence over Singapore's economic situation during his 1984 New Year's message when he predicted that his nation's economic performance for 1984 would be as good or better than the previous year unless there was "an aborted American recovery."³⁹

(6) Thailand

(a) Economic Performance Profile

Thailand, another ASEAN member with an agro-based economy, is a middle-income developing country with a per capita GNP in 1982 of \$800, a reduced but still respectable growth rate of 4.2 percent, and an inflation rate of 5 percent in the 2d year of the world economic recession. Along with zero growth in the agricultural sector from depressed farm commodity prices and only marginal growth in the manufacturing sector, the economic slowdown also affected most Thai industries, particularly mining, construction, textiles, and tourism. Though Thailand's economic performance fared better than most of its ASEAN partners and many non-ASEAN economies, it was the second time within the previous 2 decades that Thai economic growth had fallen below 5 percent.⁴⁰ Normally, it had averaged 7 percent.

Thailand's economic growth rebounded in 1983 to 5.8 percent and inflation dropped to 4 percent. The rising growth rate was attributed mainly to favorable domestic factors rather than to the effect of an economic upturn in the United States and other Western industrial countries. The improved Thai economic performance apparently was stimulated by a 7 percent decline in OPEC oil prices, new domestic and foreign investment, a residential and commercial construction boom in Bangkok, and increased sales and other consumer durables spurred by lower interest rates and easier credit. The economy also benefited from the inflow of nearly \$1 billion in remittances from some 300,000 Thai workers overseas, including 200,000 in the Middle East.⁴¹

Reflecting Thailand's rural roots, three-fourths of the country's work force of 24 million was employed in agriculture in 1983, accounting for 20 percent of the GDP compared to 24 percent in 1980. Although Thailand surpassed the United States to become the world's leading rice exporter for the years 1981 through 1983, its rice export revenues substantially declined because of bumper crops in other rice exporting nations as well as

increased rice production in importing countries.⁴² Thailand also exports other bulk food products such as corn, sugar, and tapioca and is a large exporter of canned pineapple.

Thailand's major non-food exports include rubber, tin, tungsten, and kenaf. Among the tin-producing nations, Thailand was edged out of second place by Indonesia behind first-ranked Malaysia in 1982 and 1983. Thailand's export of tin, its most important export metal, declined in volume and value because of reduced market demand and export-control cutbacks of about 40 percent imposed by the International Tin Council since mid-1982.⁴³

Thailand's small industrial and manufacturing sector is concentrated in Bangkok, the kingdom's industrial, financial, commercial, and political capital as well as its principal port. Textiles and cement are major industrial exports while automobile assembly plants, tire factories, oil refineries, and various light industrial plants produce for the Thai domestic market.

Thai efforts are now underway to develop new light and heavy industrial enterprises and three deepwater ports in the Sattahip-Rayong area about 200 kilometers southeast of Bangkok. This ambitious development plan involving joint ventures between the government and private investors is designed to capitalize on Thailand's substantial natural gas reserves in the Gulf of Thailand. When fully implemented, the Eastern Seaboard Development Project will facilitate the government's planned decentralization away from the heavily congested Bangkok area.

Under the direction of the National Economic and Social Development Board, the eastern seaboard project requires an investment of \$5 billion during the period from 1983 to 1991 to construct gas-related industries such as a gas separation plant complex, chemical fertilizer plant, ash plant, petrochemical complex, and to establish a number of secondary industries (food processing, textiles, and electronics) in addition to associated support facilities. The government will assume responsibility for the extension of the transportation and communications networks in the area. Construction of the gas separation plant began in late 1982. In September 1983, bids were invited for the engineering design of two deep water ports, with construction to begin in 1984. The first phase of the two seaport projects is scheduled for completion in 1988 at an estimated cost of \$200 million financed mainly by the Japanese Overseas Economic Cooperation Fund.⁴⁴

On the energy front, Thailand's shortage of fuels such as coal and oil has compelled it to rely on costly imported oil for 75 percent of its energy needs or roughly 20 percent of its total imports and 44 percent of the value of its total export earnings. The oil price surges of 1973 and 1979 underscored the Thai economy's vulnerability to abrupt changes affecting the supply and price of its oil imports.

In 1982, the long-heralded exploitation of offshore gas to generate electricity for the projected eastern seaboard industrial complex encountered a significant supply shortfall blamed on technical difficulties with the gas reservoirs in the Erawan field. Under an initial gas purchase

agreement with Union Oil of California, the contractor was committed to the daily supply of 200 million cubic feet of natural gas from September 1981 and 250 million cubic feet after July 1982. Instead, actual daily production in 1982 amounted to only 120 to 150 million cubic feet. In May 1982, however, Union Oil signed a second gas sales agreement to commence daily production of another 150 million cubic feet by early 1985 from five additional offshore gasfields with a subsequent daily production of up to 400 million cubic feet.⁴⁵ Barring further technical difficulties or shortfalls, the domestically produced gas will gradually replace more costly oil imports as a feedstock and will generate power for the eastern seaboard industries.

(b) Outlook

With diversified export commodities, Thailand's economy has demonstrated sufficient resiliency during the present world recession to maintain an annual growth of from 5 to 7 percent during the balance of the 1980s.⁴⁶ This is in accord with the 6.9 percent growth rate set by the Fifth 5 Year Plan (1982-86). However, the military-dominated regime headed by Prime Minister Prem Tinsulanond, a former army commander in chief, has been persuaded to initiate certain structural reforms to forestall serious repercussions in the future. In 1982, the Thai Government considered various measures to strengthen agricultural productivity, bolster existing industries for increased exports, curb energy imports, introduce realistic energy pricing policies for domestic consumption, and practice budgetary austerity.

Fiscal imbalances occurred during the Thai economic upturn of 1983, when imports increased by 22 percent while exports fell 16 percent, resulting in a record trade deficit of \$3.87 billion. The budget deficit rose from 13 percent of the total budget in 1982 to 14.7 in 1983.⁴⁷ In order to overcome the chronic shortfall in government revenue against burgeoning expenditures, the government recognized the need to readjust the country's tax collection structure and widen the tax base.

More significantly, the need to redress obvious disparities between the regions and sectors remains one of the major challenges facing the nation. An estimated 12 million persons mainly in the rural areas--about a quarter of the Thai population--subsist under conditions of extreme poverty. Poverty is most extensive in the northeastern and northern regions. In the northeast, for example, per capita GNP is only 15 percent of that in Bangkok and less than 30 percent of that in the central region. Despite 1982 official statistics indicating an unemployment rate of 6.3 percent or 1.4 million of the labor force of 24 million, underemployment has been estimated at between 25 and 35 percent of the total labor force, particularly in the rural areas between the harvest and planting seasons.⁴⁸

The US Agency for International Development (AID) reported in 1984 that Thailand's past agricultural growth had been based on the expansion of land under cultivation (24 percent) and concluded that the limits to arable land had been reached.⁴⁹ In short, future agricultural growth will be contingent on improved productivity and development of new markets. The AID development overview also recommended that future industrial development be based on a labor-intensive export-oriented strategy rather than continue to focus on import substitution and large-scale, capital-intensive projects.

Thailand's Fifth 5 Year Economic and Social Development Plan (1982-86) addressed the country's salient socioeconomic problems and emphasized the following remedial measures:

- reduce poverty in depressed rural areas through accelerated self-help programs to improve productivity;
- improve agricultural and industrial productivity to raise income levels of farms and small enterprises and increase the rate of return on investments;
- promote economic stability through one-third reduction of the balance of payment deficit by curtailing the growth of government expenditures and increasing the revenue base;
- redistribute social services more equitably by providing greater resources to primary education and preventive health programs in rural areas;
- emphasize lowering the existing population growth rate from 1.9 percent to 1.5 percent by 1986; and
- reform the public administration system through increased decentralization, better coordination of budget and development policies, reduction of the civil service, and improved management information services.⁵⁰

Although the eastern seaboard project, a decentralization objective of the Fifth 5 Year Plan, has gained momentum, efforts toward other goals such as the antipoverty program are proceeding at a much slower pace.

The frequency of military coups in Thailand adversely affects the nation's image abroad and tends to undermine economic management and to discourage foreign investment during recurring periods of Thai political instability. Another potential deterrent to foreign investment is the protracted conflict raging along the Thai-Kampuchean border and the influx of refugees fleeing skirmishes between the Vietnamese-supported army of Phnom Penh's Heng Samrin government and the Beijing-backed Khmer Rouge forces and allied non-Communist anti-Vietnamese resistance forces. With defense expenditures now involving 20 percent of the national budget because of the Vietnam threat, border security problems represent an added drain on the Thai economy.⁵¹

In addition, the refugee population of about 145,000 in the Thai frontier areas levies further demands on the country's economic resources.⁵² The necessity to divert funds to strengthen Thai border security adjoining Kampuchea delays development projects, particularly in depressed rural areas. The government's inability to reduce disparities between rural and urban areas also tends to prolong the Muslim separatist and Communist insurgent movements in Thailand's southern peninsular region adjoining Malaysia's northern states which also harbor remnants of Communist guerrilla bands.

Thailand's short-term economic outlook is promising because of the nation's resource base, self-sufficiency in food, and ability to supply export-oriented raw materials. Thailand, however, will remain dependent on the full economic recovery of its major trading partners, Japan and the United States. Moreover, until Thailand obtains adequate supplies of domestically produced natural gas and oil, it will remain vulnerable to costly imports as determined by OPEC and critical developments in the Persian Gulf area.

(7) Brunei

(a) Economic Performance Profile

Brunei, a former British protectorate on the northwest coast of Borneo (Malaysia), gained full independence on New Year's Day 1984 and on 7 January became ASEAN's sixth member. The Islamic sultanate is approximately the size of the State of Delaware and has a population of 200,000 people. Brunei is Eastern Asia's last remaining absolute monarchy and one of the world's wealthiest countries because of substantial oil and natural gas resources. Its oil and LNG exports in 1982 accounted for 99 percent of exports and 98 percent of revenues as reflected in a GNP per capita of over \$20,000, the highest in ASEAN and East Asia.⁵³

With Brunei's energy-based foreign exchange reserves of about \$13 billion in 1983, absence of foreign debts, favorable trade balance of \$3 billion, and small population, the sultanate can afford to support a welfare state system that provides Bruneian citizens with free education, health care, subsidized food, utility and fuel costs, and low-interest loans for cars and housing.⁵⁴ The government also provides pilgrimages to Mecca for its predominantly Sunni Muslim population, and even funeral expenses. For these socioeconomic benefits, Brunei's citizens pay no taxes except a corporate profits tax at a flat rate of 30 percent.

The world recession and oil glut in the early 1980s had little real impact on Brunei's economy despite a 19 percent decline in GDP and cut-back in oil production. The oil cutback, in fact, was offset by accelerated production and export of LNG to Japan. Moreover, the sultanate's transition to full independence stimulated an expensive government-sponsored construction program, resulting in a new airport, an ultra-modern 530-bed hospital, a huge sports stadium, a Foreign Ministry diplomatic complex, a police training facility, an arts and crafts center, new shopping centers, new roads, and the Sultan's massive new \$300 million palace in Bandar Seri Begawan, the capital.⁵⁵

In contrast to the diverse national economies of the ASEAN region, the major productive activity and mainstay of Brunei's economy is the oil and natural gas industry. Royal Dutch Shell, the transnational group which discovered Brunei's first oilfield in 1929, dominates the oil industry through its 50:50 equity joint venture with the Brunei Government's Brunei Shell Petroleum (BSP), the country's sole oil producer and exporter. Royal Dutch Shell and the sultanate also share equally in Brunei Shell Marketing, which handles local sales of petroleum and chemical products.⁵⁶

Royal Dutch Shell also has a major stake in the LNG sector. The subsidiary Brunei Liquefied Natural Gas buys natural gas from BSP and liquefies it for resale to Brunei Coldgas, which has a 20-year contract to ship 5 million metric tons of LNG to Japan annually through 1993. Both Brunei Liquefied Natural Gas and Brunei Coldgas are owned in equal shares of one-third each, respectively, by Royal Dutch Shell, the Brunei Government, and the Mitsubishi Corporation of Japan.⁵⁷ However, the Brunei Government's share of profits far exceeds its equity in these joint ventures. With taxes and royalties on oil and gas production and exports, the sultanate retains about 86 percent of oil revenues and 80 percent of LNG earnings. In turn, the efficiently run Brunei operations account for about 20 percent of Royal Dutch Shell's annual worldwide earnings.⁵⁸

Oil reserves estimated at about 1.5 billion barrels will ensure Brunei's existing crude oil production rate of from 150,000 to 175,000 barrels a day through the early 1990s, with decreasing daily levels for another 25 years.⁵⁹ BSP's use of the latest petroleum extraction technology may increase the estimated oil reserves. In addition, three American oil firms have been awarded concessions to search for new offshore oil deposits.

Of the 99 percent of total exports allotted to fuels, about 46 percent of Brunei's oil production goes to Japan; the United States imports 20 percent. Among ASEAN nations, 17 percent goes to Singapore, Thailand, and the Philippines. Another 16 percent is exported to South Korea, France, Curacao, and New Zealand, while the remaining 1 percent is for domestic consumption. Brunei is Japan's second largest LNG supplier after Indonesia. Japan imports all of Brunei's LNG except the 3 percent that Brunei retains as a source for generating electricity.⁶⁰

With nonoil/gas commodities (rubber, timber, pepper) comprising the remaining 1 percent of Brunei's total exports, its economy remains totally dependent on the nation's fuel resources. While the government perceives no immediate urgency, the prospective phasing down of fuel production within the next 2 decades may persuade the post-independence government to resume earlier efforts toward economic diversification despite negligible results. Most manufactured goods and commodities are imported, including 80 percent of Brunei's food supply. Earlier schemes to make the country self-sufficient in food production were postponed because of unseasonable weather conditions and the failure of a promising \$9.6 million shrimp-breeding farm. After an 18-month, multimillion dollar feasibility study under government-BSP joint sponsorship, plans for an export-oriented plantation in an uncultivated region were scrapped because of poor soil, lack of infrastructure, and need for imported labor.⁶¹ The Fisheries Department has not yet implemented plans to add 10 new trawlers to strengthen the country's fishing fleet.

An acute shortage of skilled manpower is a major problem impeding Brunei's plans for capital- and technology-intensive export industries. Of the country's small work force of only 70,000, some 32,000 Bruneian citizens (predominantly ethnic Malays) are well-paid white collar workers employed by the government. Another 4,000 to 5,000 are employed in the oil and gas industry. Since agriculture is now regarded by some Bruneians as an unpopular menial vocation, less than 3,000 Bruneians are farmers or fishermen.

Over 28,000 persons work in private services and construction. With 25,000 expatriates in the work force, one out of every three workers is a foreign "guest worker," mainly from Indonesia, Malaysia, and the Indian subcontinent.⁶² These predominantly unskilled and underprivileged foreign workers are employed in the private sector where they normally perform the menial tasks rejected by the Malay majority which forms two-thirds of the population.

The government's joint ventures with foreign firms legally require at least 50 percent local participation. A new amendment also stipulates that 50 percent of management level positions must be assigned to Bruneians. These legal provisions will enable Bruneians to gain technical and managerial expertise.

Since Brunei lacks colleges and universities, the government and the BSP, as the two major employers, must compete for trained personnel from among the estimated 600 Bruneians who graduate from foreign universities each year.

As noncitizens, the Chinese minority of over 40,000 does not share in the free educational or other benefits allotted the Malay majority. Nine of 10 Chinese are not citizens because of a 1961 law requiring a lengthy period of residence (25 years) and ability to pass a difficult Malay language test.⁶³ Nevertheless, the potentially stateless Chinese have a dominant role in the private sector. They own most of the shops and the service industries and also hold important positions in the construction and oil and gas industries. Their significant role and varied skills in the private sector could enable them to play a vital part in weaning Brunei from dependence on its oil economy.

Apart from the energy and construction industries in Brunei, investment opportunities for foreigners are limited. Local labor is not sufficiently skilled or is too costly to attract foreign electronics firms to establish subsidiaries in Brunei and assemble components for export. Moreover, since one-third of the work force already consists of foreign workers, the government is wary of an influx of additional outsiders to do the factory work the Bruneians spurn.

As for Brunei's oil-derived wealth, the sultanate has substantial investments of public and private money in Singapore's stock market and in its manufacturing sector. Sultan Hassanah Bolkiah, concurrently the self-appointed Prime Minister, Finance Minister, and Home Affairs Minister since independence, also purchased a Holiday Inn and an adjoining shopping center in Singapore for \$150 million. Other members of the royal family have become heavily involved in business and financial investments in Singapore and the Philippines and reportedly have made huge profits from construction projects in Brunei. In northern Australia, the sultanate owns a cattle ranch covering 5,868 square kilometers, an area larger than Brunei.⁶⁴

In August 1983, Brunei abruptly withdrew its \$5.8 billion foreign investment portfolio (about 40 percent of its foreign exchange holdings) from managerial control by Britain's Crown Agents following a dispute with London over the post-independence role of the British Army's Gurkha

troops in Brunei. The investment portfolio was transferred to the newly formed Brunei Investment Agency with advisers selected from two American banks (Citibank and Morgan Guaranty) and two Japanese financial firms (Nomura Securities and Daiwa Securities).⁶⁵

(b) Outlook

Brunei probably will remain heavily dependent on overseas sales of crude oil and LNG, particularly to Japan which receives about half of its oil exports and nearly all of its LNG exports. The government's equal partnership provisions and its allocation of new offshore exploration concessions to smaller American firms will reduce Brunei's strong reliance on Royal Dutch Shell. The sultanate, however, continues to value the security benefits of the Royal Dutch Shell connection. Because of the substantial British stake in the oil corporation, Britain and Brunei have agreed to maintain the British battalion of Gurkhas in post-independence Brunei in order to protect the oil and gas fields.⁶⁶

Although previous attempts at economic diversification have failed, renewed pressure for such programs may develop when there is a phase-down of the economy resulting from the completion of the numerous construction projects initiated prior to independence. The task of diversification, however, will not be easy, despite its high priority, until the pool of skilled manpower is expanded through training programs and the government alleviates Chinese residents' uncertainties about their stateless condition following independence. Failure to resolve the Chinese problem satisfactorily will persuade more skilled Chinese to emigrate, principally to Canada, Australia, or Singapore.

With prospects for reduced fuel production levels by the early 1990s, the government reputedly has reserved another natural resource for economic development in the post-energy era. At the appropriate time, high-grade silica, with estimated reserves of about 20 million tons, would be made available for development of an opticals and microchip industry.⁶⁷ Such a program would also be contingent on extensive training programs to expand the skilled manpower pool and resolution of the apprehensions of Brunei's Chinese minority.

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d. Military

(1) Indonesia

(a) Introduction

In the early 1960s Indonesia received large amounts of Soviet and East European military equipment. These armaments have deteriorated over the years and for the most part are now unfit for use. Hence the Indonesian Armed Forces, with the exception of certain elite units, are inadequately equipped. Defense of the homeland and maintenance of internal security remain the basic mission of the military which has little offensive capability. Estimated defense expenditure in 1982 and 1983 was \$2.926 billion.¹

(b) Army

With a force of approximately 280,000² troops, the Indonesia Army comprises 94 or 95 frontline battalions with authorized strengths of 690 each. Most units are staffed well below authorized strength, however. The Army also has had to embark on a program of upgrading 50 of its battalions to a higher standard of equipment and training.³ Indonesian Armed Forces Commander General L. B. Murdani announced in September 1983 that over the course of the next 5 years, Indonesia would reduce and modernize its military forces and develop a special, highly mobile unit, trained in small-scale warfare and use of high technology equipment.⁴

In addition to infantry battalions, the Army has the usual combat support units, including artillery, engineers, signal, armored, ordnance, and supply.

Much of the Indonesian Army is deployed in regional commands which exercise territorial as well as tactical responsibility over a given geographic area.⁵ Many army officers also are on detached duty with the Ministry of Interior and serve in administrative positions down to the district (kabupaten) level.

Included in the army structure but operating under a separate command directly subordinate to the commander of the Armed Forces are the elite Red Berets. Once known as the RPKAD (para-commandos), they were disbanded after the 1966 attempted coup, but subsequently reorganized as KOPASSANDA (Special Forces Command). Numbering approximately 4,000, the men in the force are trained in irregular warfare and such functions as intelligence-gathering, sabotage, parachuting, and beach landings.⁶

The Army is equipped with a variety of weapons and equipment of both Western and Communist origin. Soviet Bloc equipment, however, is rapidly being replaced with equipment from the US, West Germany, France, Belgium, the Netherlands, Britain, Australia and South Korea. The diverse number of sources has tended to complicate maintenance procedures and the acquisition of spare parts.

(c) Navy

The total strength of the Navy is 40,000, including 12,000 marines.⁷ Of the warships supplied by the USSR during President Soekarno's rule, most have been scrapped or are immobilized due to a shortage of spare parts. At present, the backbone of the Indonesian Navy and its principal surface combatants are seven modern frigates. Four of these were received from the United States in the early-to-mid 1970s; the other three were ordered from the Netherlands in the late 1970s, and are armed with Exocet surface-to-surface missiles. Four missile-equipped, fast-attack patrol craft were procured from South Korea⁸ and another four are on order. There are currently two Type 209 submarines acquired from Howaldtswerke, West Germany in 1980 and two more are on order. Patrol craft include three TNC-45s purchased from Lurssen of West Germany in 1959 and 1960 and at least one TNC-42 also from Lurssen.⁹ Recent procurements of smaller craft have included a 1982 order for two Lurssen PB57 patrol craft, armed with an OTO Melara 76-mm gun, scheduled for delivery in 1984.¹⁰ Lastly, agreement has been reached with Boeing Marine Systems for the purchase of four Boeing jet foil hydrofoils and an option for six additional jet foils. The agreement reportedly includes licensed coproduction rights of jet foils in Indonesia.¹¹

The Navy also operates a number of GAF Nomad Searchmaster aircraft,¹² and has contracted for three Boeing 737-200 Surveiller aircraft equipped with a Motorola SLAMMR (Side-Looking Airborne Modular Multi-Mission Radar), two of which have been delivered.¹³

The Indonesian customs service maintains a large force of patrol craft, most of which were built in 1980 and 1981 to cope with the influx of refugees from Vietnam.¹⁴

(d) Air Force

The Air Force numbers 29,000 men with approximately 70 combat aircraft including A-4E Skyhawks and F-5 Tigers. One counterinsurgency squadron is equipped with OV-10F Bronco reconnaissance aircraft. There also are transport, liaison, helicopter and training squadrons.¹⁵

On order are at least 16 F-5E jet fighters and two squadrons of A-4 Skyhawk strike fighters from the United States and one squadron of Hawk advanced jet trainers from Britain.¹⁶ Contracts with Nurtanio, Indonesia's aircraft industry, call for 32 CN-235 transports to be delivered in late 1984 and an unspecified number of SA.340L Puma helicopters.¹⁷

(e) Defense Related Industries

Among the ASEAN nations, Indonesia has the most developed domestic aircraft industry. The Nurtanio Manufacturing Company located in Bandung is owned in partnership by the Indonesian Government and Pertamina, the state-owned oil company. It has a coproduction agreement with Construcciones Aeronauticas SA of Spain for the C-212 Aviocar of which Thailand has ordered two, Malaysia four, and the Philippines six.¹⁸ It also has a coproduction agreement with Aerospatiale of France to produce the Puma and the

Super Puma domestically for the Indonesian Air Force, and is under license from West Germany's Messerschmitt-Bolkow-Blohm to produce the BO-105 helicopter.¹⁹

Indonesia has a modest shipbuilding capacity. At present, it is limited to the construction of small amphibious craft. The large naval shipyard at Surabaya is used mostly for maintenance.²⁰

Indonesia's small arms production consists of the 9-mm parabellum Beretta submachinegun, MP-1 and MP-2 Pindad SS-77 rifles, 81-mm mortars, and ammunition. Plans to build Pindad SS-77 rifles at the Pindad facility in Bandung are under discussion.²¹

(2) Malaysia

(a) Introduction

The Malaysian Armed Forces (MAF) have been engaged in continuous military operations since 1948 against the insurgents of the Malaysian Communist Party (MCP).²² Until the Vietnamese invasion of Kampuchea, the forces were oriented primarily toward counterinsurgency. However, Malaysia has begun a program called "PERISTA" or Armed Forces Special Modernization Program²⁵ to upgrade its Armed Forces and to prepare them for conventional warfare. Vietnamese expansionism, supported by the USSR, and long-term possibility of resurgence of Chinese activity in the area, provide the impetus for Malaysian defense modernization.

The Malaysian military budget, which includes internal security and defense, was estimated to be \$2.05 billion in 1981 or over 8 percent of the GNP.²⁴ The growth of Malaysia's military spending, up 293 percent from 1971 to 1980, was the second highest in Asia. In 1980, Malaysia had the second highest military budget in ASEAN, topped only by Indonesia's.²⁵

The most expensive military project has been the construction of a \$645 million air base at Gong Kedak in the northeastern state of Kelantan, expected to house 14,000 personnel when completed.²⁶ A \$140 million east-west highway connecting Gerik (Kedah) with Jeli (Kelantan) recently opened and is expected to permit rapid military deployments to the isolated northern Malaysian states.²⁷

(b) Army

The Malaysian Army currently numbers 80,000 personnel divided into 12 infantry brigades and support units although it has an authorized strength of 110,000. One Tactical Corps Headquarters controls the 2d, 3d, and 4th Divisions in peninsular Malaysia, while the 1st Division and the independent brigade-size Rajang Area Security Command (RASCOM) operate in Sarawak. The reserve's (Territorial Army) strength is approximately 60,000 men and is expected to be 12 regiments strong by the mid-1980s. Military service is voluntary and there is no conscription.²⁸

The Army is equipped with the M-16 rifle, but Malaysia is planning to develop its own indigenous rifle. An Italian firm, an American firm, and Singapore's Chartered Industries have expressed an interest, but Malaysia's insistence on 70 percent equity has been an obstacle to agreement.²⁹

The Malaysian Army is equipped with medium and heavy mortars of British, Swedish and French manufacturers. Artillery is limited to US and Italian model 105s. The air defense unit has a number of BOFORS 40-mm guns.³⁰

Armor units include light tanks, a variety of armored cars, armored personnel carriers (APCs), and scout cars.³¹

(c) Navy

The Navy is a force of 10,000 men with a mix of small ships including guided missile fast attack craft (some with Exocet missiles), mine-sweepers, landing craft and smaller craft supported by two British-built frigates.³² On order are two missile carrying fast attack craft of the corvette class being built in West Germany and four minehunters of the Italian Lerici class.³³

(d) Air Force

The Air Force numbers 10,000 personnel. It has an inventory which includes F-5E and F-5F jet fighters, various helicopters and C-130 transports. A contract with the United States for 68 retired A-4 Skyhawks and a similar agreement with the Swiss for 44 Pilatus PC-7 trainers have been signed.³⁴ Twelve Italian Aeronautica Macchi MB 33912 trainers were delivered in early 1984.³⁵

(e) Defense Related Industries

Malaysia's defense production is marginal and is concentrated in only two areas--small arms and naval hull construction. With the assistance of West Germany's Heckler and Koch, an ordnance factory produces assembled HK-33 short-range 5.56-mm assault rifles domestically.³⁶ The Penang Shipyard is building a new class of patrol boats to replace the Vosper 103 foot patrol boats still in service.³⁷ And, once the retired A-4 Skyhawks arrive from the United States, 40 will be rehabilitated by Malaysia's Guessman Corporation as a means to develop a permanent air maintenance and rebuild capability.³⁸

(3) Philippines

(a) Introduction

The Armed Forces of the Philippines (AFP) are more concerned with counterinsurgency than conventional warfare. Manila's primary defense concern has been domestic insurrection by the Moro National Liberation Front (MNLF) in the south and the Maoist New People's Army (NPA) now operating in the hinterland of Luzon and on some of the islands of the Visayas.³⁹

In 1980 and 1981, the Philippines spent less than 3 percent of its GNP on its military, one of the lowest rates in the region, but more than double that of 1971.⁴⁰

Under President Ferdinand Marcos, the AFP has become politicized. He controls appointments, promotions, assignments, retirements, and salaries within the officers corps, and the top rung of the military establishment is predominantly Ilocano (from Marcos' home province of Ilocos Norte in northern Luzon). Marcos also has given the military a key role in directing his government. The military enforces martial law and is charged with responsibility for the survival of the regime.⁴¹

(b) Army

The Army, numbering 60,000 personnel, is a light infantry force equipped with small arms.⁴² It is composed of: 5 light infantry divisions, 1 special warfare brigade, 1 light armored regiment, 4 artillery regiments, 1 airborne brigade, and 2 engineering brigades. Major weaponry consists of light tanks, US-built armored personnel carriers, 105-mm howitzers, mortars, and recoilless rifles.⁴³

(c) Navy

The 28,000-man Navy is equipped with 10 corvettes and 7 frigates.⁴⁴ It does not possess any modern missile-equipped craft but does have an order for six fast attack craft so equipped.⁴⁵ It also has 11 large patrol craft, 59 coastal patrol craft, and 28 ex-US landing ships. Its marine force has a strength of 9,600 personnel and is organized into three brigades.⁴⁶

Naval forces are undergoing gradual modernization with an emphasis on airborne surveillance and light strike and patrol craft. Airborne surveillance is carried out by twin-engined, fixed winged Pilatus-Britten-Norman Islanders and BO-105 helicopters.⁴⁷ Both types are assembled locally under license by the Philippine Aerospace Development Corporation. Forty-eight BO-105 helicopters and 69 Islanders are reported completed and ready for delivery.⁴⁸

(d) Air Force

The 16,800-man Air Force consists of three counterinsurgency support squadrons equipped with ground support aircraft and UH-1H transport helicopters; and six transport squadrons with C-130s, C-47s, Nomad transports, and other assorted aircraft. An air defense squadron is equipped with F-5 fighters.⁴⁹

Eighteen Bronco Counterinsurgency (COIN) aircraft have been acquired to replace the T-28D Trojans in the counterinsurgency squadrons, and 11 F-5E fighters are on order.⁵⁰ United Technologies' Sikorsky Aircraft recently concluded a sales agreement with the Philippines Air Force for 17 S-76 multi-mission helicopters and 2 S-70 A-5 International Black Hawk helicopters.⁵¹

(e) Constabulary

The principal anti-insurgent force of the Philippine Government is the Constabulary. Consisting of 43,500 men, it operates mainly in battalion- and company-size units in 13 different regional commands. Units are mobile and designed to move quickly into active insurgent areas to support local forces.⁵²

(f) Defense Related Industries

The arms industry in the Philippines produces items such as aircraft, small arms, and communication-equipment almost exclusively for domestic needs. Aircraft production is in the hands of the Philippine Aerospace Development Corporation (PADC), whose subsidiary, National Aero Manufacturing (NAM), coproduces under license the Pilatus-Britten-Norman Islander and MBB BO-5 light utility helicopter.⁵³

The Air Force also is active in aircraft production, having introduced the PAF XT-001, a prototype three-seat trainer, in 1975, and, under licensed production, the AJI T-610 Super Pinto (produced in the Philippines as the PAF Cali or Eagle).⁵⁴

The Navy has plans to construct hulls for its patrol boats.⁵⁵

Vetronix Incorporated of Manila produces tactical communications sets for the Armed Forces, and the Delta Motor Corporation produces Toyota Land Cruisers under license and is developing a military vehicle of its own design known as the Delta Minicruiser.⁵⁶

In 1975, US Foreign Military Sales (FMS) credits were used to acquire an M-16 rifle manufacturing and 7.62-mm ammunition production plant.⁵⁷

(4) Singapore

(a) Introduction

Singapore's Armed Forces (SAF) are small, but well organized and reasonably well equipped. Government sources list 49,000 personnel on active duty with reserves reaching a total of 170,000 in 1983.⁵⁸ Conscription is the source for the Army's personnel and enlisted ranks must serve to age 40 and officers until 50.⁵⁹

Following Singapore's break from the Federation of Malaysia in 1965, Israeli advisers were requested to organize military forces based on the Israeli pattern of a "citizens army." Many of the concepts they taught remain such as rapid mobilization, emphasis on reserves, and extensive security in all areas.⁶⁰ The military is civilian-controlled and the defense outlay of \$1 billion constituted 14 percent of the total budget for FY 1983 and over 6 percent of the GNP.⁶¹

(b) Army

The Singapore Army comprises one active division and one armored brigade.⁶²

The reserves are organized into two divisions, with an independent armor brigade and 12 batteries of artillery.⁶³

The regular Army is equipped with the M-16 rifle, made by Chartered Industries of Singapore under Colt license (which terminated in 1979). The indigenously manufactured SAR-80 rifle is being phased in, as is the locally made Ultimex 100 automatic weapon. Units also are equipped with Tampala 60-, 81-, and 120-mm mortars, also manufactured locally. Artillery includes the Tampala 155 and the US M109 (155-mm).⁶⁴

Armored and reconnaissance units have over 300 French AMX-13 light tanks and upwards of 600 variants of the US M-113 armored personnel carrier (APC).⁶⁵

As Singapore lacks training sites, it depends on the largesse of its neighbors for facilities. The SAF maintains a permanent battalion-size camp in Brunei and has trained in Thailand, Australia, and New Zealand. Taiwan, however, remains the principal location for large unit training.⁶⁶

(c) Navy

Singapore possesses a small official maritime force that serves more as a coast guard than navy. It has six sophisticated Lurssen missile gun-boats armed with an advance version of the Israeli Gabriel surface-to-surface (SSM) missile, 18 patrol craft (including 12 locally-built Capricorn models), and some US Navy surplus landing craft (LSTs) and mine-sweepers.⁶⁷

(d) Air Force

The SAF has a strength of 6,000 personnel organized into four fighter, two transport, two helicopter, four missile, one air defense gun, and three training squadrons deployed at four air bases on the island.⁶⁸

Its aircraft inventory includes approximately 30 FS/E interceptors, nearly 50 A-4 Skyhawk fighter bombers and 30 or so F-76/F-78 interceptors among a variety of transport aircraft, helicopters and trainers.⁶⁹

The A-4 fighter-bomber inventory continues to increase by two a month as Singapore Aircraft Industries refurbishes a number of A-4s purchased from US Navy surplus stocks in 1980. In addition, four E2C Hawkeyes (a version of AWACs) have been purchased from the Grumman Aircraft Corporation of the United States for delivery in 1985 and 1986.⁷⁰ When delivered, Singapore will be the only Asian nation, other than Japan, to possess this type of aircraft.⁷¹

(e) Defense Related Industries

Singapore maintains the largest arms industry in ASEAN and has succeeded in breaking into the competitive export market. The reason for its success has been its free economy and the government's efforts to promote arms development. The Singapore Technology Corporation (STC), formerly the Sheng-Li Group, is responsible for arms manufacture and is fully owned by the Defense Ministry. Its products include not only small arms but naval craft and aerospace maintenance.⁷²

Chartered Industries of Singapore (CIS) is the small arms subsidiary of STC. Founded in 1967 to manufacture small arms ammunition, it currently produces the SAR-80 rifle for local use and export.⁷³

Singapore Shipbuilding and Engineering (SSE), also under STC, specializes in fast patrol boats including the 45-meter, Lurssen-designed fast attack craft armed with Israeli Gabriel SSMs.⁷⁴

Although exports have consisted of small arms and patrol craft, Singapore hopes to enter the high technology market in the field of aircraft maintenance and electronics.

(5) Thailand

(a) Introduction

In response to Vietnamese military activities along the Thai-Kampuchean border, the Thais have greatly increased defense spending and have been upgrading their forces' combat readiness with US assistance. In 1980 more than a quarter of the national expenditure was devoted to defense.⁷⁵ Defense spending in 1981 increased by \$400 million to \$1.25 billion and in FY 1982 amounted to \$1.43 billion or 19.5 percent of the GNP. About 20 percent of government expenditures or \$1.7 billion were set aside for defense in FY 1984.⁷⁶

The bulk of United States assistance is under the Foreign Military Credit Sales program and amounted to \$80 million in FY 1982 and \$91 million in FY 1983.⁷⁷

Thailand's Armed Forces are a major component of the nation's strength but the military is inclined to be divided by professional jealousies and rivalries and lacks operational experience.⁷⁸ It also has been highly politicized since it experienced its first coup in 1932 when it introduced a constitutional monarchy.⁷⁹

The Army's controversial civil role fomented a constitutional crisis in April 1983. The three constitutional amendments at issue sought to determine, indirectly, the extent of military involvement in politics.⁸⁰ Although the Armed Forces lack political legitimacy, they appear to be the only group able to exercise governmental authority. This has subjected them to public criticism since implied force is frequently used to accomplish objectives.⁸¹

Because of their institutional cohesion, the Armed Forces have been a positive influence on national development. Under the "Total Force" concept initiated in 1981, the military combines assistance to border villages with the execution of basic defense functions.⁸²

(b) Army

The Thai Army consists of 160,000 troops divided among four regional commands.⁸³ Of the four, it is the 1st Army, headquartered in Bangkok and staffed with the best qualified soldiers, that assumes political control. The Army has implemented the concept of a rapid deployment battalion which has no fixed headquarters but rotates among divisions. This force specializes in sabotage detection and antiair hijacking operations.⁸⁴ There is also a cavalry division, an armored division, 7 infantry divisions, 2 antiaircraft artillery regiments, 11 engineer battalions, 8 independent infantry battalions, 4 special forces battalions, and 4 reconnaissance companies.⁸⁵

The Army's weapons and equipment are primarily of US origin and include main battle tanks, light tanks, and armored personnel carriers. The basic infantry weapon is the M-16. Army aviation is equipped with a number of light observation aircraft and a variety of helicopters.⁸⁶

(c) Navy

The Thai Navy, including naval air and marines, numbers 30,000 personnel. Like all other services, central operations are in Bangkok, but a new naval station on the Indian Ocean in Phang Nge Province has recently been constructed. The Navy is also responsible for the defense of two seaboard provinces, Chantaburi and Trat, where a marine regiment protects about 200 kilometers of frontier.⁸⁷

The seagoing Navy is equipped with ships and equipment of varied origin including frigates, fast attack craft, and patrol and landing craft from Britain and the United States.

Naval air maintains four squadrons with various combat aircraft including maritime reconnaissance and patrol craft, utility and rescue helicopters.⁸⁸

The Marines number 13,000 personnel and are equipped with amphibious APCs and M-68 155-mm guns.⁸⁹

The Navy has purchased two corvettes from the Tacoma dockyard in the United States which are scheduled for delivery in 1986 and 1987. They will be the most powerful armed vessels in Southeast Asia.⁹⁰ The Navy's first two submarines are scheduled for delivery in 1985.⁹¹ Three more fast patrol boats are being built in Italy and an additional four are under contract in Thailand.⁹²

(d) Air Force

The 11 wings under Air Force control have a counterinsurgency capability that has been increased with the delivery of 14 OV-10 Broncos from US Air Force stocks, bringing the total in service to about 45. Various types of supersonic fighter bombers from Northrop and some RF-5 reconnaissance jets have been acquired. The F-5G Tiger Shark is under consideration.⁹³ On order are 8 F-5E fighters, 20 NC-212 Aviocars, 2 C-130 H-30 transport aircraft, 12 UH-1H helicopters,⁹⁴ and 4 UH-60 troop carrying helicopters.⁹⁵ The Thai Government also is seeking to acquire a squadron of 16 General Dynamics F-16a interceptors fitted with higher thrust, longer range engines than the J-79 export version. Washington has yet to agree.⁹⁶

The Air Force numbers 43,000 personnel organized into 1 fighter ground attack (FGA) squadron, 10 counterinsurgency (COIN) squadrons, a reconnaissance squadron and an assortment of transportation, liaison, and helicopter squadrons. The FGA squadron is equipped with F-5 fighters.⁹⁷

(e) Border Patrol Police

Among Thailand's paramilitary forces, the Border Patrol Police are most effective in counterinsurgency. Its 1,500 members are better paid and trained than their army counterparts and they are equipped with M-16 assault rifles and M-79 grenade launchers.⁹⁸

(f) Defense Related Industries

Local arms production in Thailand has remained modest, oriented mainly toward ammunition and naval craft. Several plants produce rockets and small arms ammunition and the Royal Thai Naval Dockyard produces fast patrol boats.⁹⁹ Local companies like Thai-Interarm, with the aid of foreign manufacturers such as Winchester and Colt, are working toward making Thailand self-sufficient in arms, ammunition, and explosives. Royal Thai Air Force Weapons Research and Development and the King Mongkut Institute of Technology have even pursued research on rocketry. However, coproduction agreements will most likely dominate the domestic arms industry for the immediate future.¹⁰⁰

(6) Brunei

Brunei spends 30 percent of its annual budget on defense.¹⁰¹ Figures available for 1981 indicate that this is in excess of \$846 per capita or more than three times Singapore's per capita on defense..¹⁰²

A crucial issue for Brunei on gaining independence from Britain was security. British troops accompanied by Gurkhas (Nepalese) had suppressed an uprising in 1962 supported by Indonesia's President Soekarno. (Technically, the state of emergency declared at that time is still in effect.)¹⁰³ When it was announced in June 1983 that Brunei would become independent at the end of the year, it was also understood that the new nation would assume

complete responsibility for its own defense, and the Gurkhas would be withdrawn by September. However, Brunei negotiated successfully with London for the continued stationing of a 1,000-strong battalion of British Gurkha troops to protect the kingdom's oil fields. The Gurkhas are part of the 6th Queen Elizabeth's Own Gurkha Rifles and are billeted at Seria.¹⁰⁴

There is also a Gurkha Reserve Unit made up of 900 retired Gurkhas and independently recruited by the Sultan that guards the royal family, palaces, and other important government buildings.¹⁰⁵ Another military presence is the Singapore Armed Forces, which run a jungle training camp for Singaporean servicemen in Brunei's Temburong District, 600 or more Singapore conscripts may train at any one time.¹⁰⁶

The 3,200-man Royal Brunei Armed Forces (RBAF) consists of two army battalions, a naval arm, and an air wing. It is probably the best equipped force in the region for its size. It maintains 12 Scorpion tanks, a battery of field artillery, and a battery of Rapier surface-to-air missiles. It also has six fast patrol craft, equipped with French-made Exocet missiles and Bell helicopter gunships. The RBAF is expected to be the costliest item in Brunei's budget in 1984 at \$159.1 million.¹⁰⁷

NOTES

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⁹Naval Forces, p. 31.

¹⁰H.M.F. Howarth, "Coastal Zone Protection in Southeast Asia," International Defense Review, December 1983, p. 1751.

¹¹Asian Defence Journal, December 1983, p. 11.

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¹³Howarth, "Coastal Zone Protection in Southeast Asia," p. 1751.

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- ²⁵Eduardo Lachica, "Asia is Spending More on Defense," The Asian Wall Street Journal, 22-23 April 1983, p. 6.
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- ²⁸Colonel John M. Fitzgerald, "Malaysia: Defence in Transition," Pacific Defence Reporter, March 1984, p. 26.
- ²⁹Ibid.
- ³⁰Ibid.
- ³¹Ibid.
- ³²Fitzgerald, "Malaysia: Defence in Transition," p. 28.
- ³³Howarth, "Coastal Zone Protection in Southeast Asia," p. 1753.
- ³⁴Colonel John M. Fitzgerald, "Malaysia: Defence in Transition," Pacific Defense Reporter, March 1984, p. 26.
- ³⁵"Italians Deliver Macchi Trainer to Malaysians," Aviation Week and Space Technology, 30 January 1984, p. 51.
- ³⁶Dunn, "Fending For Oneself," pp. 10, 13.
- ³⁷"Southeast Asia: Regional Navies," US Naval Institute Proceedings, March 1982, p. 63.
- ³⁸Fitzgerald, "Malaysia: Defence in Transition," p. 28.
- ³⁹Dunn, "Fending For Oneself," p. 10.
- ⁴⁰Lachia, "Asia is Spending More on Defense," p. 6.
- ⁴¹Larry A. Niksch, "The Philippines: Uncertainties After the Aquino Assassination," Pacific Defense Reporter, February 1984, pp. 24, 30.
- ⁴²Military Balance, 1983-1984, p. 98.
- ⁴³Niksch, "The Philippines: Uncertainties After the Aquino Assassination," p. 21.
- ⁴⁴Military Balance, 1983-1984, p. 98.

⁴⁵Naval Forces, vol. 1, 1981, p. 31.

⁴⁶Niksch, "The Philippines: Uncertainties After the Aquino Assassination," p. 22.

⁴⁷Howarth, "Coastal Zone Protection in Southeast Asia," p. 1752.

⁴⁸Ibid.

⁴⁹Niksch, "The Philippines: Uncertainties After the Aquino Assassination," p. 21, 22.

⁵⁰Wheeler, "World's Air Forces 1983," p. 364.

⁵¹Asian Defense Journal, August 1983, p. 10.

⁵²Niksch, "The Philippines: Uncertainties After the Aquino Assassination," p. 22.

⁵³Dunn, "Fending For Oneself," p. 10.

⁵⁴Ibid.

⁵⁵Ibid.

⁵⁶Ibid.

⁵⁷Ibid.

⁵⁸"Singapore: "The Reserves Provide the Teeth," Pacific Defense Reporter, October 1983, p. 18.

⁵⁹Ibid.

⁶⁰Ibid. In relation to the "citizens army," concept Singapore is promoting "total defense," a program aimed at getting every Singaporean to make a life-long commitment to the well-being and defense of the Republic. The concept embraces not only military and civil defense, but economic, social and psychological defense as well.

Its five-point education oriented program emphasizes:

- (1) Singapore is our homeland and its well being is every citizen's responsibility.
- (2) Singapore is worth defending.
- (3) Singapore is defensible.
- (4) If we are not prepared to defend Singapore, no one will do the job for us.
- (5) It is with peace and stability that we progress and prosper, but it is by being prepared to defend ourselves at any time that we discourage others from breaking the peace.

[Source: Asia Research Bulletin (Hong Kong) 31 May 1983, p. 1045.]

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- ⁹¹Asian Defense Journal, May 1983, p. 4.
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- ⁹⁶Nayan Chanda, "Countdown on F-16s," FEER, 5 April 1984, p. 42.
- ⁹⁷Military Balance 1983-1984, p. 101.
- ⁹⁸Indorf, "Thailand: A Case of Multiple Uncertainties," p. 29.
- ⁹⁹Dunn, "Fending For Oneself," p. 13.
- ¹⁰⁰Indorf, "Thailand: A Case of Multiple Uncertainties," pp. 31, 32.
- ¹⁰¹"Defence: A Balanced Act," Asiaweek, 6 January 1984, p. 39.
- ¹⁰²Donald K. Emmerson, "Some Threatening Clouds on ASEAN's Horizon," The Asian Wall Street Journal, 2 August 1983, p. 4.
- ¹⁰³Ibid.
- ¹⁰⁴"Defense: A Balanced Act," Asiaweek, 6 January 1984, p. 39.
- ¹⁰⁵Ibid.
- ¹⁰⁶Ibid.
- ¹⁰⁷V. G. Kulkarni, "Young, Rich and Eligible," FEER, 26 January 1984, p.28.

PART 3 - OUTLOOK

It is clear from public pronouncements that ASEAN's member states do not intend that the organization be regarded as a military pact or even as a political alliance. The consensus is that ASEAN should adhere to its original purpose, that of being a regional cooperative in the economic, social, cultural, scientific and administrative fields.¹ As succinctly stated by Malaysian Prime Minister Datuk Hussein Onn when he addressed the second conference of economic ministers in March 1976, ASEAN is a "non-ideological, non-military and non-antagonistic organization."²

ASEAN's founding document did not mention the words "defense" or "security," and only point two of its seven points referred to the subject at all by mentioning that ASEAN would aim to "promote regional peace and stability."³ Similarly, the 1976 Bali Summit defined ASEAN's security objectives as the "continuation of cooperation on a non-ASEAN basis between the members on security matters in accordance with their mutual needs and interests," meaning that defense links would be continued on a bilateral basis without giving ASEAN an overt military posture.

It is therefore ironic that ASEAN should have evolved a fairly solid political structure and that it should now be reviewing the possibilities for military cooperation. These developments reflect the pressure of external events. In the years since ASEAN's founding, the United States ended its involvement in Indochina and Saigon fell to the Communists, Vietnam invaded Kampuchea and overthrew the Khmer Rouge regime, China fought a border war with Vietnam, and the Soviet Union carried out a massive military buildup in the Pacific.⁴

ASEAN's sensitivity to military alliances derives mainly from its desire to avoid great power intervention in the region. Members associate alliances with confrontation and believe that any conflict between non-Communist and Communist countries in the region would be an inevitable prelude to outside intervention.⁵ Leaders are wary of arms spending, knowing that militarization will entail social costs by necessarily cutting allocations to economic and social development. They are aware also that arms spending often attracts the very danger it is intended to eliminate--superpower intervention. "Every military alliance invites other parties to adopt a suspicious and confrontational stand," reported Indonesia's government-backed newspaper, Suara Karya. "The ASEAN region could become an arena for the struggle for military influence by the great powers."⁶

It took a statement from Lee Kuan Yew in 1982 to bring the issue to the forefront. At the end of a visit to Jakarta, he declared that, in view of Vietnam's continuing belligerence in Kampuchea, it might be time to begin greater military cooperation within ASEAN. "The ideal," he said, "would be multilateral exercises encompassing all members."⁷ Regional leaders were thereby confronted with an issue they were not yet ready to face.

The Bali Declaration allows for cooperation in the field of security provided it is accomplished outside the confines of the ASEAN organization. Joint military exercises, bilateral or multilateral, are presumably carried

out outside the ASEAN framework. However, whether or not the partners in ASEAN would have engaged in as much military cooperation as is now evident without the Association is debatable. ASEAN, at the very least, contributes indirectly to military ties and, like it or not, the partners are becoming de facto allies.⁸

It is likely that as concerns over Vietnamese aggression, Soviet regional presence, or Chinese longterm intentions persist, ASEAN military cooperation (or more correctly military cooperation of the ASEAN states) will grow.

One indication of this is the evolving regional point of view and increased focus on security concerns that stretch beyond national boundaries. Each of the countries, to a greater or lesser degree, has begun to look beyond its internal insurgency problems in order to construct a defensive strategy capable of confronting aggression from the outside. This is not to say, however, that they are particularly committed to defending one another from such aggression or that they are willing to step in should an internal conflict threaten a fellow member.

Individually, ASEAN's armed forces are not effective deterrents against foreign invasion. Thailand's military strength is normally discussed in terms of whether it would be able to hold out long enough for outside forces to intervene in the face of a possible Vietnamese invasion.⁹ The forces of the remaining ASEAN countries thus far rank similarly, maintaining a capability largely limited to handling domestic insurgencies. However, given the military development programs that each country has undertaken, it is conceivable that, within a decade, their combined strength will be a force to contend with.

The most impressive progress in this direction has not been in the area of force development, but in arms industries; and in this Singapore has taken the lead. The role of Singapore has become that of technical servicing and assembly center for sophisticated military equipment. There is a promising aerospace industry, a rapidly expanding aircraft rebuilding capability, and a flourishing small arms industry. Indonesia and the Philippines have also developed promising aircraft industries. Although the goal of each country is to manufacture for export, the primary market for most nascent ASEAN defense industries remains the ASEAN nations' military forces. For the time being, it is the one area related to ASEAN military cooperation where the principle of division of labor seems to have been effectively carried out. Singapore's utilization as a primary arms supplier is a possible precursor to a further division of functional roles, should ASEAN decide to continue exploring the concept of military cooperation.

ASEAN's current methodology encompasses a number of contradictory principles. As an organization espousing neutrality, it accepts with equanimity the Philippine decision to retain US military bases. Indonesia, the best armed and largest member of ASEAN, appears in no hurry to see an American exodus from the region; and the Thais, having insisted on the closing of all US military bases on their territory, retain a defense obligation from the United States under the Manila Pact. Singapore, too, as the ASEAN nation with the greatest investment in global relations, continues to press for US involvement as a guarantor of regional security.

Theoretically, Indochina's membership in the organization remains a possibility, although Vietnam, with its forces poised on the Thai border, remains the most immediate threat to the majority of members.

And lastly, there remains the ambiguity of a non-military organization whose military budgets have soared over the last 4 years, seeking, or not seeking, to achieve some form of military pact. Despite wanting to keep superpowers from the region, ASEAN feels most secure when it can rely on the United States (an external power whose regional motives are seen as politically benign) to intervene when needed. Its plans, therefore, retain a place for the United States even though the regional consensus currently holds that the United States cannot be relied on. This possibility has persuaded ASEAN of the necessity to look inward for defensive strength. The controversy over whether the organization should or should not become a military alliance is moot on this point, since the military arm of each of its members is too weak to make an immediate alliance effective. Nevertheless, it is clear that the first steps, while undeclared, have been taken toward such an alliance and that, once each country's military forces have been sufficiently strengthened, an alliance may evolve. There is still a considerable distance to go before this is accomplished, however, and until then it would not be to ASEAN's best advantage to call attention to its efforts by declaring its intention.

Working against such an end are the traditional differences and hostilities that exist between the ASEAN members themselves which so far have interfered with even their economic cooperation. It must be remembered that outside circumstances created by Vietnamese aggression in Kampuchea are responsible for having melded the ASEAN states into their present unity. Should Vietnam withdraw from Kampuchea and the Kampuchean situation be resolved, a major force for their continued unity would be lost. It is conceivable that the organization would then be dismantled from within because of problems between member countries held in abeyance for the duration of this greater crisis.

The outlook, however, is for continued stalemate in Kampuchea and continued buildup of the Soviet military presence in the region. ASEAN is therefore likely to increase its strength as an economic entity while evolving into a military power as well.

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⁶"A New Call for Unity," Asiaweek, p. 26.

⁷Ibid., p. 24.

⁸Russell Fifield, "ASEAN: Image and Reality," Asian Survey, December 1979, p. 1199.

⁹"Five Fingers on the Trigger," FEER, 24 October 1980, p. 33.

Appendix A

The ASEAN Declaration (8 August 1967)

Adopted in Bangkok on August 8, 1967, at the First Ministerial Meeting of the Association of South East Asian Nations.

The Presidium Minister for Political Affairs/Minister for Foreign Affairs of Indonesia, the Deputy Prime Minister of Malaysia, the Secretary for Foreign Affairs of the Philippines, the Minister for Foreign Affairs of Singapore and the Minister of Foreign Affairs of Thailand:

MINDFUL of the existence of mutual interests and common problems among the countries of South-East Asia and convinced of the need to strengthen further the existing bonds of regional solidarity and co-operation;

DESIRING to establish a firm foundation of common action to promote regional co-operation in South-East Asia in the spirit of equality and partnership and thereby contribute towards peace, progress and prosperity in the region;

CONSCIOUS that in an increasingly interdependent world, the cherished ideals of peace, freedom, social justice and economic well-being are best attained by fostering good understanding, good neighbourliness and meaningful co-operation among the countries of the region already bound together by ties of history and culture;

CONSIDERING that the countries of South-East Asia share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development, and that they are determined to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples;

AFFIRMING that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly processes of their national development;

DO HEREBY DECLARE:

FIRST, the establishment of an Association for Regional Co-operation among the countries of South-East Asia to be known as the Association of South-East Asian Nations (ASEAN).

SECOND, that the aims and purposes of the Association shall be:

1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian nation;
2. To promote regional peace and stability through abiding respect for justice and the rule of law, in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
5. To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their peoples;
6. To promote South-East Asian studies;
7. To maintain close and beneficial co-operation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer co-operation among themselves.

THIRD, that, to carry out these aims and purposes, the following machinery shall be established:

- (a) Annual Meeting of Foreign Ministers, which shall be by rotation and referred to as ASEAN Ministerial Meeting. Special Meetings of Foreign Ministers may be convened as required.
- (b) A standing Committee, under the chairmanship of the Foreign Minister of the host country or his representative and having as its members the accredited Ambassadors of the other member countries, to carry on the work of the Association in between Meetings of Foreign Ministers.
- (c) Ad Hoc Committees and Permanent Committees of specialists and officials on specific subjects.

- (d) A National Secretariat in each member country to carry out the work of the Association on behalf of that country and to service the Annual or Special Meetings of Foreign Ministers, the Standing Committee and such other committees as may hereafter be established.

FOURTH, that the Association is open for participation to all States in the South-East Asian Region subscribing to the aforementioned aims, principles and purposes.

FIFTH, that the Association represents collective will of the nations of South-East Asia to bind themselves together in friendship and co-operation and, through joint efforts and sacrifices, secure for their people and for posterity the blessings of peace, freedom and prosperity.

DONE in Bangkok on the Eight Day of August in the Year One Thousand Nine Hundred and Sixty-Seven.

Appendix B

Governmental/Political Data on ASEAN Members

INDONESIA

Government

Official name: Republic of Indonesia

Type: republic

Capital: Jakarta

Political subdivision: 27 first-level administrative subdivisions or provinces, which are further subdivided into 282 second-level areas

Legal system: based on Roman-Dutch law, substantially modified by indigenous concepts and by new criminal procedures code; constitution of 1945 is legal basis of government; legal education at University of Indonesia, Jakarta; has not accepted compulsory ICJ jurisdiction

National holiday: Independence Day, 17 August

Branches: executive headed by President who is chief of state and head of Cabinet; Cabinet selected by President; unicameral legislature (DPR or House of Representatives) of 460 members (96 appointed, 364 elected); second body (MPR or People's Consultative Assembly) of 920 members includes the legislature and 460 other members (chosen by several processes, but not directly elected); MPR elects President and Vice President and theoretically determines national policy; judicial, Supreme Court is highest court

Government leader: General (Retired) SOEHARTO, President (reelected by MPR, March 1983)

Suffrage: universal over age 17 and married persons regardless of age

Political parties and leaders: Golkar (quasi-official "party" based on functional groups), Lieutenant General Sudharmono; Indonesia Democracy Party (federation of former Nationalist and Christian Parties), Sunawar Sukowati; Unity Development Party (federation of former Islamic parties), John Naro

Voting strength: (1982 election) Golkar 64.1 percent, Unity Development 28 percent, Indonesia Democracy 7.9 percent

Communists: Communist Party (PKI) was officially banned in March 1966; current strength estimated at 1,000-3,000, with less than 10 percent engaged in organized activity; pre-October 1965 hardcore membership has been estimated at 1.5 million

MALAYSIA

Government

Official name: Malaysia

Type:

Malaysia: constitutional monarchy nominally headed by Paramount Ruler (King); a bicameral Parliament consisting of a 58-member Senate and a 154-member House of Representatives

Peninsular Malaysian states: hereditary rulers in all but Penang and Malacca where Governors appointed by Malaysian Government; powers of state governments limited by federal constitution

Sabah: self-governing state within Malaysia in which it holds 16 seats in House of Representatives; foreign affairs, defense, internal security, and other powers delegated to federal government

Sarawak: self-governing state within Malaysia in which it holds 24 seats in House of Representatives; foreign affairs, defense, internal security, and other powers are delegated to federal government

Capital:

Peninsular Malaysia: Kuala Lumpur

Sabah: Kota Kinabalu

Sarawak: Kuching

Political subdivisions: 13 states (including Sabah and Sarawak)

Legal system: based on English common law; constitution came into force 1963; judicial review of legislative acts in the Supreme Court at request of Supreme Head of the Federation; has not accepted compulsory ICJ jurisdiction

National holiday: 31 August

Branches: nine state rulers alternate as Paramount Ruler for 5-year terms; locus of executive power vested in Prime Minister and Cabinet, who are responsible to bicameral Parliament (Senate, House of Representatives); following communal rioting in May 1969, government imposed state of emergency and suspended constitutional rights of all parliamentary bodies; parliamentary democracy resumed in February 1971

Peninsular Malaysia: executive branches of 11 states vary in detail but are similar in design; a Chief Minister, appointed by hereditary ruler or Governor, heads an executive council (cabinet), which is responsible to an elected, unicameral legislature

Sarawak and Sabah: executive branch headed by Governor appointed by central government, largely ceremonial role; executive power exercised by Chief Minister who heads parliamentary cabinet responsible to unicameral legislature; judiciary part of Malaysian judicial system

Government leader: Dr. MAHATHIR bin Mohamad, Prime Minister

Suffrage: universal over age 20

Elections: minimum of every 5 years; last elections April 1982

Political parties and leaders:

Peninsular Malaysia: National Front, a confederation of 11 political parties dominated by United Malay National Organization (UMNO), Mahathir bin Mohamad; opposition parties are Democratic Action Party (DAP) and Islamic Party (PAS)

Sabah: Berjaya Party, Datuk Harris Salleh; United Sabah National Organization (USNO), Tun Datuk Mustapha; Sabah Chinese Consolidated Party (SCCP); opposition Parti Bersatu Rakyat Bumiputra Sabah (Perkasa), Datuk Pengiran Othman Rauf

Sarawak: coalition Sarawak National Front composed of the Party Pesaka Bumiputra Bersatu (PPBB), Datuk Abdul Taib; the United People's Party (SUPP), Wong Soon Kai; and the Sarawak National Party (SNAP), Datuk James Wong; opposition in Parti Bansa Dayak Sarawak (PBDS), Leo Maggie

Voting strength:

Peninsular Malaysia: (1982 election) lower house of parliament; National Front, 132 seats; Democratic Action Party, 9 seats; Islamic Party, 5 seats; independents, 8 seats

Sabah: (March 1981 election) State Assembly--Berjaya Party, 43 seats; USNO, 3 seats; SCCP, 1 seat; 1 seat vacant

Sarawak: (1979 election) State Assembly--National Front controls 45 of 48 seats

Communists:

Peninsular Malaysia: approximately 3,000 armed insurgents on Thailand side of Thai/Malaysia border; approximately 300 full-time inside Peninsular Malaysia

Sarawak: 125 armed insurgents in Sarawak

Sabah: insignificant

PHILIPPINES

Government

Official name: Republic of Philippines

Type: republic

Capital: Manila (de facto), Quezon City (designated)

Political subdivisions: 72 provinces

Legal system: based on Spanish, Islamic, and Anglo-American law; parliamentary constitution passed 1973; constitution amended in 1981 to provide for French-style mixed presidential-parliamentary system; judicial review of legislative acts in the Supreme Court; legal education at University of the Philippines, Ateneo de Manila University, and 71 other law schools; accepts compulsory ICJ jurisdiction, with reservations; martial law lifted in January 1981

National holiday: Independence Day, 12 June

Branches: constitution provides for unicameral legislature (Batasang Pambansa) and a strong executive branch under President and Prime Minister; judicial branch headed by Supreme Court with descending authority in a three-tiered system of local, regional trial, and intermediate appellate courts

Government leader: Ferdinand Edralin MARCOS, President

Suffrage: universal and compulsory

Elections: Interim National Assembly serves as interim government pending regular elections scheduled for May 1984

Political parties and leaders: national parties are Marcos's New Society Party (KBL), the Liberals, Nacionalistas, and Laban; prominent regional parties include the Mindanao Alliance and the Pasyon Bisaya

Communists: the Communist Party of the Philippines (CPP) controls about 7,500 armed insurgents; not recognized as legal party; a second Communist party, the Philippine Communist Party (PKP), has quasilegal status

SINGAPORE

Government

Official name: Republic of Singapore

Type: republic within Commonwealth

Capital: Singapore

Legal system: based on English common law; constitution based on pre-independence State of Singapore constitution; legal education at University of Singapore; has not accepted compulsory ICJ jurisdiction

National holiday: 9 August

Branches: ceremonial President; executive power exercised by Prime Minister and Cabinet responsible to unicameral legislature (Parliament)

Government leaders: C. V. Devan NAIR, President; LEE Kuan Yew, Prime Minister

Suffrage: universal over age 20, voting compulsory

Elections: normally every five years

Political parties and leaders: government--People's Action Party (PAP); Lee Kuan Yew; opposition--Barisan Sosialis (BS), Dr. Lee Siew Choh; Workers' Party (WP), J. G. Jeyaretnam; United People's Front (UPF), Harbans Singh; Singapore Democratic Party (SDP), Chiam See Tong, Communist Party illegal

Voting strength: (1980 election) PAP won all 75 seats in Parliament and received 75.5 percent of vote; WP won seat in byelection in October 1981

Communists: 200-500; Barisan Sosialis infiltrated by Communists

THAILAND

Government

Official name: Kingdom of Thailand

Type: constitutional monarchy

Capital: Bangkok

Political subdivisions: 73 centrally controlled provinces

Legal system: based on civil law system, with influences of common law; legal education at Thammasat University; has not accepted compulsory ICJ jurisdiction

National holiday: Birthday of the King, 5 December

Branches: King is head of state with nominal powers; bicameral legislature (National Assembly--Senate appointed by King, elected House of Representatives); judiciary relatively independent except in important political subversive cases

Government leaders: BHUMIBOL ADULYADEJ, King; General PREM TINSULANONDA, Prime Minister

Suffrage: universal at age 20

Elections: last held April 1983

Political parties: Social Action Party, Thai Nation Party, Thai People's Party, Thai Citizen party, Democrat Party, Freedom and Justice Party, Nation and People Party, New Force Party, National Democracy Party; other small parties represented in parliament along with numerous independents

Communists: strength of illegal Communist Party is about 1,200; Thai Communist insurgents throughout Thailand total an estimated 7,000

BRUNEI

Government

Official name: State of Brunei Darussalam

Type: became independent 1 January 1984; constitutional sultanate

Capital: Bandar Seri Begawan

National holiday: National Day, 23 February

Political subdivisions: four administrative districts

Legal system: based on Islamic law; constitution promulgated by the Sultan in 1959

Branches: chief of state is Sultan (advised by appointed Privy Council), who appoints Executive Council and Legislative Council

Government leader: Sir HASSANAL Bolkiah, Sultan

Suffrage: universal age 21 and over; three-tiered system of indirect elections; popular vote cast for lowest level (district councilors)

Elections: last elections--March 1965; further elections postponed indefinitely

Political parties and leaders: antigovernment, exiled Brunei People's Party, A.M.N. Azahari, chairman

Communists: information not available

[Source: Adapted from CIA, The World Factbook, CR-83-11300, May 1983.]