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**THE IMPACT OF THE ASIAN ECONOMIC CRISIS  
ON SECURITY IN THE REGION OF THE ASSOCIATION OF  
SOUTHEAST ASIAN NATIONS**

**BY**

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USAWC STRATEGY RESEARCH PROJECT

**THE IMPACT OF THE ASIAN ECONOMIC CRISIS ON SECURITY IN  
THE REGION OF THE ASSOCIATION OF SOUTHEAST ASIAN  
NATIONS (ASEAN)**

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## ABSTRACT

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TITLE: (The Impact of the Asian Economic Crisis on Security  
in the Region of the Association of Southeast Asian  
Nations (ASEAN))

FORMAT: Strategy Research Project

DATE: 22 April 1999 PAGES: 45 CLASSIFICATION: Unclassified

The current Asian economic crisis has caused a reversal in the expectations and projections for future security in the ASEAN region. Current economic projections indicate some countries have not been as badly affected as others, but that those who have been hard-hit can expect a protracted and painful recovery.

Previous regional stability was based in large part on economic prosperity and growth. That foundation has now been shaken and the question arises, to what extent does this threaten regional security.

Prior to the 1997 economic crisis there were a number of existing threats to security. These threats, while important, were manageable through existing regional security mechanisms. However, doubts are often expressed regarding the robustness of these mechanisms. Nevertheless, The region has shown an almost unique ability to successfully adapt to emerging situations, and there is some confidence that it will continue to do so.

We can expect economic reversal will at least heighten pre-existing tensions and may even create new ones. The issue becomes, how will the region manage these tensions and equally important, how will surrounding external pressures and interests be accommodated. The relationships and the interests of the great powers, USA, China and Japan, will be a major factor.

This paper concludes that the region will be subjected to new or increased levels of stress that will challenge the security apparatus and create uncertainty, but that existing mechanisms are likely to successfully adapt. Wider global considerations will require a review of ASEAN regionalism in its current form and lead to a less ASEAN-centric view of security. Of immediate concern, however, is the internal security of those worst hit countries such as Indonesia. Continuing and even worse internal turmoil in these countries can be expected.

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**THE IMPACT OF THE ASIAN ECONOMIC CRISIS ON SECURITY IN  
THE REGION OF THE ASSOCIATION OF SOUTHEAST ASIAN  
NATIONS (ASEAN)**

In his analysis of the Southeast Asian economic crisis, Dr Leif Rosenberger quotes Charles Dickens, who wrote in his book *Tale of Two Cities*, "It was the best of times, it was the worst of times".<sup>1</sup> As Rosenberger observes, these words do much to describe the situation in Southeast Asia since the end of the Cold War. Unparalleled economic growth and prosperity during the period to 1997, contrasts dramatically with the disastrous monetary crisis of 1997-98, and the economic crisis that has followed. The longer-term economic impact of this collapse is being felt widely, not only in Southeast Asian communities but in a wider global sense. The 'Asian disease' has no apparent respect for national or regional borders. Few regional enterprises and interests have remained unscathed. This profound change in circumstances demands, as a minimum, a fundamental review and reassessment of regional strategic prospects. We can anticipate such a review would reveal the dynamic and volatile nature of the situation and the need for very close monitoring of the region by all interested parties.

This paper does not cover the wider economic and social consequences of the collapse, nor does it provide prescriptions about the mechanics of the crash. It focuses on the impact of

the collapse on regional security prospects. Critical questions that must be asked are, what existing tensions could be aggravated, what new tensions could develop, and to what extent could existing or emerging security mechanisms address these tensions? Despite the apparent simplicity of this proposition, much uncertainty remains following the crisis. Many in the region still ask the question, 'how did this happen, and where do we go from here?'

The purpose of this paper is to examine the impact of the economic crisis on ASEAN regional security. The pre-crisis underpinning of regional security will be reviewed with particular focus on the issues of economic development and the role of the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF) and other supporting security mechanisms.<sup>2</sup> The paper will then identify tensions likely to be aggravated by economic reversal. Finally, an assessment will be made of the degree to which existing security management mechanisms might succeed in supporting ASEAN in the transition into what will be a 'very new century'.

An examination of the Southeast Asia region cannot overlook the effect of globalization, and the impact of major power interest and involvement in the area. To this end, the effects of the critical relationships between the US, Japan and China will be addressed.

The emerging strategic consequences of the nuclear testing in India and Pakistan will no doubt have an impact on the security situation in Southeast Asia, however, further consideration of tension on the sub-continent will not be given in this paper. This omission should not be interpreted as dismissal of what is a critical neighboring development deserving of the closest ongoing scrutiny.

The thesis of the paper is that economic stringency will provide a sharper focus and perhaps a new urgency to a number of security issues, particularly matters of internal security. Existing and emerging security mechanisms within the ASEAN region will continue to develop and successfully address the challenges ahead. However, a wider approach embracing northeast Asia and the Pacific will force an expanded view of regionalism, and dilute the ASEAN-centric position adopted in Southeast Asia to date.

#### **THE GOOD TIMES - WHAT WENT RIGHT.**

The three decades before 1997 saw a period of unprecedented economic growth in Asia. In Southeast Asia, the 'tiger economies'; Singapore, Malaysia and Thailand, enjoyed consistent annual economic growth rates of more than 7 percent. Even in Indonesia, annual growth rates of 7-8 percent were common.

Since the end of the Vietnam War, from a security perspective, Southeast Asia has been relatively benign and stable by international standards. The absence of a major external threat, emerging regional mechanisms for settling disputes, together with a common desire to make rapid and extensive economic progress, combined to create a level of stability that has surprised many. There has been stability in regional government which together with the relatively low levels of stress between ASEAN states, has led to a long-standing *status quo*.

Commentators have begun, however, to ponder whether 1997-98 marks the start of a new period of unsettled regional dynamics and insecurity. Some argue that circumstances of growing prosperity previously underpinning regional security are now fundamentally changed. Arguably, there is a new order unfolding in the wider Asia-Pacific as the United States, Japan and China reposition themselves in light of emerging economic and strategic realities. The prosperity upon which so much of Southeast Asian stability rested is at best in serious pause, and at worst in smoking ruin. To aggravate the situation and create even more uncertainty, the longstanding internal leadership of several key ASEAN nations is in unpredictable transition. This comes at a time when not only economic stringency is in effect, but while calls for more liberal market

and political reform is gaining strength. The central issue remains, can Southeast Asia make the necessary transitions while maintaining regional security.

Cold War conflicts punctuated the period of economic wellbeing in countries such as Malaysia, Indonesia and of course Vietnam. Despite these significant interruptions to regional stability economic growth continued. Knowledge of regional potential as a source of valuable raw materials attracted overseas interest since the late 19<sup>th</sup> Century. However, it was the emergence in the late 1970s of a major new regional market and relatively cheap labor, which really excited foreign investment.

After the Cold War there appeared little obstacle to capital flow into the region. The Japanese in particular, enjoying large surpluses and keen to invest their very substantial reserves looked to Asia and the ASEAN region as an opportunity for high yield investment. Investment capital from the US and Europe was also attracted to the region seeking the same high returns.

In order to progress economically at the breathtaking speeds achieved, and manage the associated change, a level of discipline was required in ASEAN communities which western observers frequently regarded as little short of government repression.<sup>3</sup> The trade-off of freedom for prosperity was

acceptable in the region while times were good, however the crisis has caused many citizens in the ASEAN region to question the sacrifice.<sup>4</sup> Civil unrest in Indonesia and Malaysia in recent months is a visible manifestation of this unease.

ASEAN leaders have long recognized that despite prosperity and growth, regional tensions and threats to stability were ever present. Threats were successfully managed in the past, partly through regional security mechanisms discussed later in this paper. The threats are worth reflecting upon, particularly in light of their possible impact as the current economic crisis unfolds.

### **EXISTING THREATS TO REGIONAL SECURITY BEFORE THE "CRASH"**

While the ASEAN region has enjoyed a long period of comparative stability, it would be an oversight not to recognize the potential threats to security existing before the economic crisis. While these tensions were not of themselves products of the crisis, they will not be eased by the economic downturn, and in most cases may be aggravated by it.

Persistent tensions include the issue of engaging China, the Spratly Islands, tensions between Malaysia and Singapore, the issue of migrant workers, and the future of Cambodia and

Burma vis-à-vis ASEAN. Of these issues the question of China generally takes center stage.

### **China.**

The threat of Chinese hegemony is nothing new in Southeast Asia. More recently, during the Cold War, the threat of Chinese expansion, real or imagined, brought a focus to the strategic thinking of the ASEAN nations. The end of the Cold War and China's 'economic emergence' and associated military build-up have brought an even sharper focus.

The dilemma for the region, and indeed for the wider global community is how to engage emerging China. The question on the minds of many is whether China is a 'glass half full', offering enormous commercial and strategic opportunities for all; or a 'glass half empty', presenting unimaginable threats of Chinese expansion and hegemony. The issue of engagement with China has been viewed by the more distant world powers as an opportunity and a 'force for the good'. Closer to China, however, the ASEAN states are less sanguine about the potential benefits of a strong and newly emerging China, seeing the situation perhaps as the waking of a sleeping giant. This view causes anxiety about future regional security.

Before the Asian crisis the Chinese economy was on a steady growth path and the deregulation of commerce was creating boom

conditions. Emerging economic indicators show that China appears relatively insulated against the 'crash' and continues to show growth. China continues to improve her military capability. From 1989 to 1997, China's military spending has increased by 140 percent.<sup>5</sup> China is pursuing a nuclear weapons program, capitalizing on Russian weapon sales, developing a navy capable of greater power projection and modernizing her air force. While these military developments should not be overstated, they have been the source of much concern in the ASEAN region.

To further excite these concerns, there are a number of ongoing regional territorial disputes that involve China and worry her southern neighbors. Regional tension over Taiwan, for example, came to a critical point as recently as 1996 with Chinese missile testing near the island and deployment of the US Seventh Fleet into the Straits of Taiwan. Even 'closer to home' for ASEAN states has been tension over the Spratly Islands.

#### **Spratly Islands.**

Centrally located in the South China Sea, the Spratly Island group is the focus of competing territorial claims by Vietnam, Malaysia, The Philippines, Brunei and China. Exchanges of naval gunfire between Chinese and Vietnamese vessels in 1974 and 1986, and the subsequent fortification of claimed islands by

several parties to the dispute, have done much to heighten tension. These seemingly unimportant islands have real significance in terms of territorial boundaries and exploitation of the ocean resources and oil in the South China Sea.

The unilateral announcement by China in 1991, of the adoption of the 'baseline method' to establish territorial boundaries in the South China Sea, has not only extended China's territorial waters, but also caused much anxiety in the region.<sup>6</sup> An obvious manifestation of that anxiety was the conduct of an Indonesian joint military exercise on the Natuna Islands in 1996. While Indonesia is not one of the disputants in the Spratlys, this action was clearly a demonstration to China of Indonesia's territorial interests in the South China Sea.<sup>7</sup>

#### **Malaysia/Singapore.**

While Malaysia and Singapore have experienced generally harmonious and interdependent relations since Singapore's separation from Malaysia in 1965, there have been underlying tensions which have risen to the surface on several occasions during the past two years. In his article 'Malaysia and Singapore: Some Recent Developments', Ganesan argues that "...strained relations between Malaysia and Singapore, which together with Indonesia make up the geo-strategic core of ASEAN, present problems for the evolution of a security community in

Southeast Asia."<sup>8</sup> Tensions between Malaysia and Singapore have their roots in the British colonial experience and the racial, cultural and economic divide between the small, largely Chinese island state, and its bigger but less developed, largely ethnic Malay neighbor. There have been minor territorial disputes, tension over Malaysian workers in Singapore, and conflicting economic and developmental interests as Malaysia forcefully moved to become a more modern industrial state. A recent manifestation of the tension has been the comments regarding the possible merger of Malaysia and Singapore into one entity which were made in 1996 by the 'founding father' of Singapore, Lee Kwan Yew.<sup>9</sup> In his comments Lee was critical of Malaysia, inferring that it was not a country founded on advancement by merit, but rather one based on advancement through corruption and patronage. The Malaysian Government took strong exception to these comments and tensions ran high.

A second, and arguably more important dispute arose following another comment by Lee Kwan Yew when in 1997, he said the Malaysian state of Johore-Baru was a lawless and dangerous place.<sup>10</sup> Despite an apology from Lee and a retraction of the statement, the damage was done. In this instance threats developed to negotiations over the use by the Malaysian Navy of a Singaporean docking facility.

These disputes serve to show that despite close proximity, shared history and inextricable economic linkage, minor irritants can rapidly open old wounds. The issue of migrant workers is also a source of friction as the ethnic Chinese and ethnic Malay communities interact. This friction, however, is not restricted to Malaysia and Singapore, but also affects Indonesia and the Philippines, which both have large migrant working populations in Singapore and Malaysia.

#### **Migrant Workers.**

There are currently an estimated 1.4 million Indonesian and 300,000 Filipino workers in Malaysia.<sup>11</sup> Thailand has an estimated one million illegal foreign workers largely from Burma.<sup>12</sup> This mass migration driven in the good times by the need for, and availability of labor, has now created regional tension. In January 1998, the Malaysian Government faced with rising unemployment, threatened to expel one half of the two million foreign workers in the country, a threat later reduced to the repatriation of 150,000 workers in the service sector.<sup>13</sup> This action became a source of tension with Indonesia. Riots by Indonesian workers and fatal shootings by Malaysian security forces at a migrant worker camp outside Kuala Lumpur in March 1998, brought tension to high level between these two normally friendly states.<sup>14</sup> The case of Philipino maid, Flor

Contemplation, tried and hung for murder in Singapore in 1995, caused a short suspension of diplomatic relations between Singapore and Manila. These incidents show how fragile good relations can become and it must be of concern that the underlying problem of migrant workers is still present.

**Cambodia, Laos and Burma (Myanmar).**

ASEAN states have generally developed into countries where rule by law rather than rule of law is the norm. Elected governments do not in all cases reign based on a legal framework in the western democratic sense. Recent and successful moves to expand ASEAN to include Myanmar, Laos and possibly in the future, Cambodia, have reopened a debate within the Association about the eligibility for membership of these countries with their dubious civil rights records.<sup>15</sup> Singapore for example, is 'setting the entry bar relatively high' in terms of human rights and legitimacy of ruling governments, while Malaysia and Indonesia urged for the immediate inclusion of Cambodia and Laos and continue to press for Myanmar's membership.

The membership of ASEAN will continue to be an issue between member states for the foreseeable future. It can be anticipated that the wider the membership the looser and possibly less effective the association will be.

The future internal stability of Cambodia and Myanmar appears problematic at best. These two states, irrespective of ASEAN membership or not, will continue to present a problem for their ASEAN neighbors for the foreseeable future.

## **EVOLUTION OF REGIONAL SECURITY MECHANISMS.**

### **Background.**

Since the formation of ASEAN in 1967, member states have faced the question of how, or indeed whether to incorporate some form of security dialogue or security mechanism into the Association. Established as an economic and diplomatic body and having successfully functioned in that capacity, there exists a concern that the inclusion of security dialogue in the ASEAN structure will threaten the unity of the grouping.

Nevertheless, emerging international realities led to the inclusion in 1991 of security dialogue in the Post-Ministerial Conference (PMC), and the creation in 1993 of the ASEAN Regional Forum (ARF) which first met in Bangkok in July 1994.<sup>16</sup>

A further effort to launch a 'non-official' or 'second-track' dialogue is evident in the creation of the Council for Security Cooperation in the Asia-Pacific (CSCAP).<sup>17</sup>

Finally, the Five Power Defense Arrangement (FPDA) between Australia, Britain, Malaysia, New Zealand and Singapore exists as a legacy of the British regional presence and the Cold War.

Each of these security mechanisms is discussed below in more detail. Within the ASEAN framework, these mechanisms have been successful in so far as the region has remained free of major conflict between States, however, it can be easily argued that the mechanisms in question have not yet been put to a real test. These structures are worth closer examination as they may have great bearing on regional security outcomes.

#### **ASEAN.**

While ASEAN itself has no security charter, the Association does serve to define the area and interested parties, and to place security issues in regional perspective. ASEAN serves as a focal point and provides a framework for the security debate. While the potential for security dialogue to disrupt the unity of the grouping is understood, the major shortcoming of ASEAN is pointed out by Leszek Buszynski in "*ASEAN's New Challenges*".<sup>18</sup> Buszynski's theme is that ASEAN continues to attempt to maintain a central position in the wider East Asia and Pacific security dialogue, thereby, overlooking or side-lining the interests of the major powers. Buszynski claims ASEAN will ultimately be risking marginalization if it does not accommodate the reality that the wider region is inextricably linked to them in an economic and security sense.

### **ASEAN Regional Forum (ARF) .**

The ARF first met in 1994, and while not yet fully tested, has developed into a seemingly effective structure to address three stated security matters; confidence building measures, preventative diplomacy and conflict resolution. The ARF has representatives from 21 countries and although ASEAN states remain the nucleus, the forum attempts to embrace the major powers with interests in the wider Asia-Pacific area. This wider membership expands the forum's purview to the wider Asia-Pacific economic and security entity. Nevertheless, doubts about the effectiveness of the ARF usually center on its narrow ASEAN focus and its unproven record under real stress.

### **Council for Security Cooperation in the Asia-Pacific (CSCAP) .**

CSCAP is a 'second track dialogue forum' designed to support and shape the official work of the ARF. It was formed in Kuala Lumpur in 1992 and consists of a number of working groups that draw on international expertise to address some of the vexing issues facing the region. CSCAP is a non-official or non-government organization with membership determined according to expertise.

A good example of the success of one of the CSCAP initiatives is the development of the Study Group on Transnational Crime. This group, which met for the first time in 1997, has made measurable headway in the development of an agreed regional position on this potentially divisive issue.<sup>19</sup>

#### **Five Power Defense Arrangement (FPDA) .**

The FPDA is an agreement between Australia, Britain, New Zealand Malaysia and Singapore and has been in place for 28 years.<sup>20</sup> The Arrangement was created to provide security for and to reassure Malaysia and Singapore in the wake of 'Confrontation' with Indonesia, the threat of Malayan Communists and in light of British withdrawal of forces from the region. Despite periodic questions about the continued relevance of the Arrangement, members see the agreement as having continuing utility. The Arrangement has, however, served as an irritant to neighbors like Indonesia who have felt, not unreasonably, that it is targeted at them.

Malaysia's withdrawal from FPDA exercises in 1998 was a worry to other members and was seen by some as reflecting the irrelevance of the Arrangement.<sup>21</sup> However, Malaysia has stated an intention to resume exercises in 1999, so it appears the FPDA will in some way continue to have value and add to regional stability.<sup>22</sup>

Malaysia's withdrawal from the FPDA exercise program was driven by the economic 'crash', and so this is a timely point to return to examine the cause of the wider Asian malaise.

### **THE BUBBLE BURST - WHAT WENT WRONG?**

When addressing the Opening Session of the 6<sup>th</sup> Summit of ASEAN in Hanoi in December 1998, the Singaporean Prime Minister Goh Chok Tong, voicing what was foremost in the minds of his fellow ASEAN leaders, said "This has been a traumatic year for ASEAN".<sup>23</sup>

In July 1997, Thailand floated the baht and the currency promptly plummeted. This was the trigger for regional currencies, notably the Malaysian ringgit and the Indonesian rupiah to follow suite. Devaluation running as high as 60 percent of previous values was experienced over the next 7-8 months.

Massive public and private debt, which had been permitted to flourish on the altar of economic development, could no longer be serviced. The international monetary mechanisms then swung into action in a way that was criticized by many as an insensitive handling of the situation. IMF packages together with a number of bilateral rescue packages were made available to the ailing ASEAN states.

The immediate threats of the monetary crisis inevitably settled into a longer-term economic recession, the effects of which are still gripping the region.<sup>24</sup> The Hanoi Summit and the end of the 1998 calendar year provided an opportunity for the ASEAN nations to take stock and assess the damage done. While there is general consensus that the recovery process will be a long one, there are already optimistic indications of a return to economic growth as early as this year in some countries. Singapore, for example, is expecting a modest growth rate.<sup>25</sup> Surrounding countries like Taiwan and South Korea also appear to be on a steady path to recovery. The economies of other ASEAN countries, however, in particular Indonesia and Thailand, are still depressed and the prognosis is for a long and painful recovery.

It has been argued that the reasons for previous economic growth, those factors, which attracted investment in the first instance, have not really changed. Indeed, if corruption was eradicated and economic transparency developed there could be a very rapid return of the capital that took flight in late 1997 and 1998.

In his analysis of the collapse, Leif Rosenberger points to previously stable Asian currencies linked to a comparatively weak US dollar which gave Asian exports a price advantage.<sup>26</sup> As the US dollar rose in value this advantage was eroded, exports

slowed and current account deficits exploded. Investments were unwisely made in property and infrastructure development. These developments were made using US dollar loans, and when it was discovered that the investments had created little more than a 'house of cards', a run started on local currencies. US dollar debts became expensive to service and panic selling began. Rosenberger observes, "The result was a vicious spiral of falling currencies, collapsing stock prices, and growing fears of corporate bankruptcies and banking failures." <sup>27</sup>

Current indicators suggest the crisis for most ASEAN countries will result in a protracted and painful recovery. In a region where for many the gap between survival and starvation is small, and where for an emerging middle class economic development was an essential ingredient to progress, economic collapse will have wide reaching effect. This collapse has clear potential to focus attention on or fuel a number of existing regional tensions already described, and possibly create new ones.

## **NEW SITUATION AND EMERGING THREATS**

### **Internal Instabilities.**

The crisis has weakened the control exercised by central governments in several ASEAN states. In Indonesia in particular, where long-standing centrifugal political forces

have been at work, the central government is now facing the prospect of an independent East Timor, strengthening break-away movements in Irian Jaya, Ache and Kalimantan, religious strife in Eastern Indonesia and widespread student demonstrations. Government repression of these disturbances does not appear to be effective at this time, and only brings international criticism regarding human rights.

Recent riots throughout Indonesia, civil disturbances in Malaysia following the arrest of the deputy prime minister Anwar Ibrahim, and the still far from settled circumstances in Cambodia are further examples of the worrying prospect of spreading internal disruption in the region. Internal conflict is of greater concern at present than interstate conflict, but the nexus between the two is clear.

#### **Inter-state Instabilities.**

Existing interstate conflict issues were discussed earlier and center on the wider regional issues of Korea, Taiwan, the sub-continent and the Spratlys. Within the strictly Southeast Asia region, in addition the problem of migrant workers, there are a myriad of other tensions including territorial disputes such as that between Malaysia and Indonesia over Ligatan and Sipadan Islands, Vietnam and their disputed border with China, and issues related to the 1985 UNCLOS and Indonesia's 'right' to

prescribe restrictive sea-lanes through their archipelago.<sup>28</sup>

There is continuing strain in Myanmar (Burma) where Karen separatists continue to struggle for an independent state in the southeast of the country, and the National League for Democracy (NLD) is in very public conflict with the ruling State Peace and Development Council (SPDC).<sup>29</sup> These are all issues that could deteriorate into interstate conflict if not managed properly.

### **Regional Balance of Power.**

The question of the strength of continued US presence in the region and the relationship between the US and China on the one hand, and the US and Japan on the other, are major concerns. There is also the relationship between Japan and China, which even a cursory look at history would show as one worthy of the closest attention.

The majority of ASEAN nations support and encourage continued US presence in the region, seeing such presence as having a stabilizing effect. The desire, or even the ability of the US to remain closely engaged with Asia, is always a question in the minds of regional nations.

All economic indicators show China as an emerging power. The only disagreement seems to be over the time it will take. Clearly the ability of all parties to engage China while still preserving the alliance between Japan and the US and keeping the

Korean 'genie in the bottle' will be essential to continued regional peace and stability.

### **Hunger and Poverty.**

While Southeast Asia has experienced extraordinary growth rates during the past 30 years, there are still very large numbers of people in countries like Indonesia, The Philippines, and Vietnam who were living just above the poverty line. The downturn in the economies of these countries has moved these very large sections of their respective populations below the poverty line. Unemployment is rife with some 1997-98 estimates showing 9 million unemployed workers in Indonesia, and 1.7 million in Thailand.<sup>30</sup> Current figures are likely to be well in excess of these estimates. The ravages of inflation, for example have taken the average annual income in Indonesia from more than US\$900 in 1996, to around US\$300 in 1998. The cost of staples such as rice and cooking oil and the price of child food supplements have become comparatively expensive and are creating widespread hardship and discontent. In venting their frustrations, many look to scapegoats such as wealthy expatriate Chinese. After this anger boils over, action is typically taken by mobs against visible but poorer ethnic Chinese. The issue of the rich-poor divide is rarely more obvious than in countries like Indonesia and Malaysia where wealthy Chinese business

interests control the economies. Recent bouts of violence directed against Chinese, such as the burning of some 2000 shops in Jakarta in the riots of May 1998, provide evidence of this tension.<sup>31</sup>

### **Liberal Aspirations.**

For many years it has been argued that the populations in the 'tiger economies' exchanged liberty for prosperity. The crash has caused these populations to question this sacrifice. Student groups and intellectuals in countries such as Singapore, Malaysia and Indonesia are now agitating for a more participative form of democracy. These calls for political reform come at a time when old regimes are in transformation and the anxiety caused in the minds of the more conservative elements is very real.

### **Mass Migration.**

An issue related to the current matter of migrant workers which could emerge should the economic conditions deteriorate further is mass migration. Large populations may shift across borders in an attempt to seek relief from their plight. As previously described, tensions created between Indonesia and Malaysia in 1998 over migrant workers is an indication of how

mass migration could quickly develop into a very serious problem.<sup>32</sup> We have already seen the problems caused throughout Southeast Asia by the Vietnamese 'boat people' in the late 1970s and 1980s. The difficulties a further migration of even bigger proportions might cause are reason for concern.

### **DIRECT IMPACT OF ECONOMIC COLLAPSE ON SECURITY**

The thesis of this paper focuses on the assessed impact the economic collapse will have on security. An understanding of the many issues relating to existing tensions and mechanisms for addressing those tensions is, therefore, essential. The nub of the matter remains, 'where to from here?'

It is possible that economic reversal will create fear and lack of confidence inside the region. This could be expected to start in the worst effected countries and then possibly spread. Internal national management of this problem would then seem the first line of defense. Current indicators show respective regional governments have their domestic situation in hand, although the situation in Indonesia and Cambodia is clearly far from satisfactory and remains problematic. Intra-state conflict exists now in Indonesia and can reasonably be expected to continue or even spread. Stability in Cambodia remains elusive and the longevity of the Hun Sen regime is far from certain

despite the very positive effect of the arrest in March this year of Ta Mok, the last of the Khmer Rouge leaders.

Some regional governments are at a critical point of transition from old to new regimes and these transitions are deserving of close monitoring. Intra-state conflict is observable and measurable and should provide a good indicator of things to come.

Inter-state conflict appears a more remote possibility. First, the tensions at present do not appear to be great. Second, there are existing mechanisms that show the capacity to manage current levels of security tension. Should the economic situation deteriorate further, levels of strain could be expected to increase, particularly over territorial disputes and mass migration issues, and perhaps even economic issues such as tariffs. Increases in tension would put the rather fragile existing security mechanisms to the test, and it is far from certain that these mechanisms would stand such a challenge.

The question of regional arms build-ups must be considered. Prevailing wisdom is that with the downturn in regional economies, arms sales have dried up. However, Frank Umbach observes that China, Taiwan and Singapore, for example, continue with arms purchases and domestic production unabated. Only the worst hit economies of Indonesia and Thailand have curbed their

expenditure.<sup>33</sup> This may serve to create a future military power differential that could aggravate the situation further. Even in the short term, the prospect of some countries being able to maintain training and exercise budgets while others struggle to keep pace, is likely to cause strain and complication. In short, while interstate conflict is unlikely, it cannot be ruled out. Prediction about such conflict is more difficult now than it was before the crisis.

The question of regional security cannot be divorced from wider Asia-Pacific security question. Conflict in Southeast Asia may not lead to wider conflicts, but rather, be the result of them. It is hard to imagine how China's juxta-positioning to achieve her 'place in the sun' will not impact directly on Southeast Asia. On the other hand, instability originating in Southeast Asia may well cause external powers to move to protect their interests or to withdraw capital from the region. The US, Japan and Europe have extensive interests at stake and the region will not be able to ignore this fact.

Hunger and poverty and resulting social unrest has been addressed earlier. This problem is real and immediate, and is already testing the internal security of several regional states. It may well have wider international ramifications.

The economic crisis has affected both the rich and the poor, but the poor have no insulation against stringent economic

times. There is evidence of a magnified rich poor divide and the social unrest associated with it. Attacks on the rich have, as usual, targeted expatriate Chinese. We can expect these attacks will continue. In the past, China has not taken great interest in the welfare of its diaspora. However, recent expressions of concern by the Chinese Government for the welfare of ethnic Chinese in Indonesia, has created anxiety for what might become a growing interest.

**PROJECTIONS FOR THE FUTURE: WILL ASEAN AND SOUTHEAST  
ASIAN REGIONAL SECURITY ENDURE?**

ASEAN and its more recently formed security mechanism, the ARF, have assisted in preserving regional security for a number of years. It has created a sense of regionalism and brought definition to many regional issues. Resolution of several small regional security issues has created some confidence that the structure will be able to grow and adapt to manage increasing levels of potential conflict.

It is worrying, however, to reflect on the fact that the ARF has not been able to make any progress on the really key wider regional issues of Korea and Taiwan for example. In fact the core ASEAN states avoid addressing issues of this magnitude. There is a danger that the inability of the ARF to operate successfully in this 'big league' will see it by-passed and

rendered largely irrelevant. One thing is clear; ASEAN nations need to review their position and the relevance of their structures if they are to have any future influence beyond their own local situation. It is doubtful that a continued narrow interpretation of regionalism will serve their purpose - wider international connectivity will not allow it.

The ability of ASEAN regional security mechanisms to deal with the future will, therefore, depend on how quickly those mechanisms can adapt, which raises the question of how quickly the economic and related changes begin to 'bite'. In a sense it is a race against time. Previous performance has shown these mechanisms can adapt, and current indications that the worst of the crisis may be over, give rise to optimism that ASEAN and the ARF will continue to form a basis for successful security management.

## **CONCLUSION**

The changed economic circumstances in Asia and in particular in the ASEAN region have caused a fundamental upset in the status quo. This shift in circumstance has been dramatic and has affected almost every aspect of endeavor in the region and in particular the regional security situation. As a result, the region is generally agreed to be more uncertain if not more dangerous. Assessments before the crisis were optimistic but

had continued economic prosperity as their under-pinning. Some argue that now under-pinning prosperity has evaporated, the threat to regional security is clear and serious. Others argue that while changed economic circumstances are a significant factor to be considered in any regional security analysis, they prefer to work on the 'glass half full theory'- they see the situation as more volatile but still very manageable through existing regional security mechanisms.

Existing mechanisms have proven to be adequate for regional security needs both during and after the Cold War. While not wanting to suggest these mechanisms have really been put to the test, they appear to meet regional needs. They will probably continue to serve as useful avenues to deflect internal tensions away from violence and towards more peaceful settlements. Some would argue that this rather upbeat view is not only wrong, but also misleading and dangerous, and likely to cause a false sense of security. No matter the final judgement - whether you see the glass half full or half empty - the need to fundamentally review the regional security situation and to continue to closely monitor developments is prudent and probably essential for all interested parties during the coming months and years. ASEAN and the Southeast Asian region is clearly undergoing change and the security stakes are high. It is only with stability that the region can return to prosperity and growth.

Any perceived or real reduction in security will delay, and eventually stop the return to growth and economic development that the natural and human resources of the region clearly can support.

History and experience has shown the close linkages between economics and security. In the ASEAN region, the change in economic circumstances would lead us to expect changed regional security circumstances. However, early signs of economic recovery coupled with the strength of regional security mechanisms supports an optimistic view. We can reasonably expect the ASEAN states will prevail and regional security will continue to be enjoyed for the foreseeable future.

[WORD COUNT 7,275]

## ENDNOTES

<sup>1</sup> Leif R Rosenberger, "Southeast Asia's Currency Crisis: A Diagnosis and Prescription", Contemporary Southeast Asia, Vol 19, No3, Dec 97, 223.

<sup>2</sup> ASEAN's current membership includes Indonesia, Malaysia, The Philippines, Singapore Thailand, Brunei, Vietnam and most recently Burma (Myanmar) and Laos. The Association was created in 1967 as a regional economic, social and cultural cooperative. There was strong debate over the extension of membership to include Myanmar and Laos, and ongoing debate about the probable entry of Cambodia. This debate centers on division over the issues of human rights and democratic government in these countries.

ASEAN has a number of dialogue partners including the US, Canada, Australia, Japan, China, The EU, South Korea, India and Russia. Other countries are included from time to time as observers.

The ARF formed in 1994 as a security dialogue forum focussed on confidence building measures and conflict avoidance. The ARF consists of 21 participating countries but is centered on the 'ASEAN Six' with dialogue partners including the US, Australia, Canada, New Zealand, South Korea and the EU, together with a number of observers with economic and security interests. Observers include Laos, Papua New Guinea, Vietnam, Russia and China.

<sup>3</sup> Larry Wortzel, The ASEAN Regional Forum: Asian Security Without an American Umbrella, (Carlisle PA: US ARMY War College, Dec 1996), 12.

This criticism became more vocal after the Cold War. Ambassador Winston Lord said when testifying to Congress on Mar 31 1993, that the "end of Global rivalry with the Soviet Union reduces the pressure to muffle concerns about unsavory governments for the sake of security". Larry Wortzel, citing Lord in his work, concludes "Lord set the US agenda on human rights and democracy squarely in front of Congress as a significant factor in policy".

Authors comment: During the 1990s the European Union, Canada and Australia have also expressed concern over perceived breaches in human rights in Southeast Asia.

<sup>4</sup> Goh Chok Tong, "Social Values, Singapore Style", Current History, Dec 1994, 417-422.

The freedom for prosperity trade-off was expressed by Goh Chok Tong, Prime Minister of Singapore, as a model of new authoritarianism for Asia.

<sup>5</sup> Jose T Almonte, "Ensuring Security the 'ASEAN Way'", Survival, Vol 39, No4, Winter 1997-98, 83.

<sup>6</sup> Put simply, the base-line method of determining territorial boundaries involves determining the position of offshore islands or the outermost islands in an archipelago, and drawing straight lines between them to mark territorial waters. Straight lines prescribing the outer-most points stand in contrast to the boundaries which contour island groups in accordance with internationally agreed 12 mile limits. The net effect of 'base-lining' is invariably an increase in the size of territorial waters.

<sup>7</sup> Indonesia's concern with the 'threat from the North' may well have had a further manifestation in the signing of the Agreement on Security signed by Indonesia and Australia in 1996. This agreement was seen by some at the time to be a mechanism for Indonesia to secure her 'back door' and concentrate towards the North.

<sup>8</sup> Almonte, 83.

<sup>9</sup> N Ganesan, "Malaysia -Singapore Relations: Some Recent Developments", Asian Affairs, Spring 1998, 29.

This comment was made by Lee Kwan Yew in June 1996 at the Foreign Correspondents Club in Singapore and is cited by Ganesan.

<sup>10</sup> Ibid, 30. Ganesan describes the circumstances surrounding this incident.

<sup>11</sup> Bertil Lintner, "End of the Line", Far Eastern Economic Review, Hong Kong, 22 Jan 1998, 22-23.

<sup>12</sup> Ibid.

<sup>13</sup> Peter Waldman, "Asian Woes Fall Hard on Foreign Workers", Wall Street Journal, New York, 9 Jan 1998, A11.

<sup>14</sup> Anonymous, "Asia: The Unwanted", The Economist, London, March 28, 1998, 13.

<sup>15</sup> ASEAN membership includes the 'ASEAN six', Indonesia, Malaysia, Singapore, Thailand, The Philippines and Brunei. Vietnam was admitted in 1997 to make the 'ASEAN seven'. Laos and Myanmar were admitted in July 1997, making the 'ASEAN nine'. Cambodia's admission was deferred in 1998, due to continuing human rights issues and a desire to await the results of the planned 1999 elections.

<sup>16</sup> Wortzel, 16-20.

The sequence of events leading to the formation of the ARF is described by Larry Wortzel in his monograph.

<sup>17</sup> The Council for Security Cooperation in the Asia-Pacific (CSCAP) was formed in Kuala Lumpur in 1992 as a second-track or non-official dialogue group. It was formed to address some of the more difficult sticking points that frequently caused stalling in the more formal ARF meetings. CSAP members are typically leading scholars or eminent persons with expertise in regional matters.

<sup>18</sup> Leszek Buszynski, "ASEAN's New Challenges", Pacific Affairs, Vol 70, No 4, Winter 1997-98, 555-578.

<sup>19</sup> Peter Chalk, "CSCAP Study Group on Transnational Crime", Studies in Conflict and Terrorism, Vol 21, Iss 2, Apr 1998, 229-231.

<sup>20</sup> Phillip Methven, The Five Power Defence Arrangement and Military Cooperation Among the ASEAN States, Canberra, Strategic and Defence Studies Centre ANU, 1992, 8.

The FPDA was established in November 1971 between Australia, Britain, New Zealand, Malaysia and Singapore. The Five Power Meeting Communiqué of 16 April 1971, issued in London, provides that "in the event of any form of armed attack externally organized or supported, or the threat of such attack against Malaysia or Singapore, their Governments would immediately consult together for the purposes of deciding what measures should be taken jointly or separately in relation to such attack or threat."

<sup>21</sup> Ian Stewart and Robert Garran, "Malaysia Thinks Twice on Defence Pact", The Australian, Wed 28 Oct 1998, 8.

Stewart and Garran quote Malaysia's Defence Minister Syed Hamid Albar, who raised doubts about Malaysia's commitment to the FPDA as a useful regional security treaty.

<sup>22</sup> Craig Skehan, The Age, 29 Aug 1998, 19.

Skehan quotes the Singapore Government statement saying " The Five Power Defence Arrangement was of strategic importance to regional stability and that it was ready to resume exercises when Malaysia is ready to do so".

Authors note: The Australian Government along with the Governments of New Zealand and Britain have expressed continuing support for the FPDA during periods of doubt over the continuing relevance of the Arrangement.

<sup>23</sup> Roger Mitton and Alejandro Reyes, "Hurting in Hanoi", Asiaweek, Dec 25, 1998, 28.

<sup>24</sup> Michael Westlake (Ed), Asia Year Book, Far Eastern Economic Review, 40<sup>th</sup> Ed, Hong Kong, Dec 1998, 6.

The Asia Year Book states "After a decade of 10% annual growth rates, economies contacted by as much as 15%". This publication has drawn its figures largely from the World Bank and is a good source of recent regional economic performance data.

<sup>25</sup> Greg Earl, "Lonely Singapore Pulls the Wagons into a Circle", Financial Review, 12 Aug 1998, 12.

Earl states "Goh emphasized the likelihood of only modest economic growth for two years despite some more positive views in the marketplace."

<sup>26</sup> Rosenberger, 225.

<sup>27</sup> Ibid, 248.

<sup>28</sup> UNCLOS - United Nations Convention on Law of the Sea.

<sup>29</sup> The State Peace and Development Council (SPDC) is the renamed ruling military government known as the State Law and Order Restoration Council (SLORC).

<sup>30</sup> Lintner.

<sup>31</sup> The author was in Jakarta around the time of the riots and had an opportunity to assess the aftermath of the fires and looting of Chinese owned properties.

<sup>32</sup> Lintner.

<sup>33</sup> Frank Umbach, "Financial Crisis Slows but Fails to Halt East Asian Arms Race", Jane's Intelligence Review, August 1998, 23-27.



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