

Asia Pacific Security Outlook 2004 **Regional Overview**

Contrary Trends: Less Security, More Cooperation

The 2003 *Asia Pacific Security Outlook* (APSO) reported that the overall outlook for the region was “bleaker” even though large power relationships in Asia and the Pacific were as healthy as they have ever been. It appeared to us that crises in Iraq and North Korea, both casting long shadows on the outlook and creating anxieties in the region, would come to a head in the early part of 2003. This turned out to be true for Iraq, but regional repercussions were less than many had feared. There were no large demonstrations or threats to social stability in the Muslim countries of the region. The Muslim governments by and large were able to walk the fine line of being critical of aspects of the U.S. policy without alienating the United States. This was partly because they were committed to fighting terrorism at home and cooperating on intelligence, thus contributing to the war on terrorism in their own way. Japan and South Korea also performed careful balancing acts, with leaders of both countries promising to contribute troops for the reconstruction phase in Iraq—when they would be more wanted and needed—after the conventional fighting had ceased. However, the Iraq war reinforced negative stereotypes around the region of a United States that is interventionist and unilateralist (the questionnaire of our analyst team indicated strong agreement with the statement that “U.S. policy is unilateral”).

As described below, and in chapter 1 by Ralph A. Cossa, contrary to our expectations the North Korean crisis did not come to a head and remains very much on the agenda in 2004. The United States sought a multilateral approach to this problem rather than bilateral negotiations. Although only two rounds of talks took place in 2003—a meeting with the United States and North Korea hosted by China in April, and Six-Party Talks (including China, Japan, Russia, South and North Korea, and the United States) in August—the combination of continued Chinese diplomatic initiatives, the absence of provocations, and the U.S. absorption with Iraq helped contain tensions.

Despite ever-increasing economic problems in the North, it is widely expected that the resolution of the North Korean nuclear weapons program will be a drawn-out affair.

Although neither the Iraq war nor the North Korean weapons program produced a genuine crisis atmosphere in Asia and the Pacific during the past year, anxiety about security remains high or is increasing in much of the region, particularly at the personal level. Terrorism is one factor in this. Throughout the region, and indeed the world, there are visible signs of societies in fear of terrorists, such as increased security at airports, embassies, and public buildings and also in some cities, in hotels and even shopping malls. But in most places in most countries, death from a terrorist act is still regarded a very remote possibility. A more immediate source of personal insecurity in 2003 came from the outbreak of severe acute respiratory syndrome (SARS) in March through May. Although fewer than 1,000 people worldwide lost their lives to SARS, far less than to ordinary influenza, the novelty and initial deadliness of SARS, the mysterious manner in which it seemed to spread, and the lack of medicines to treat it created widespread fear sometimes verging on panic. At the beginning of 2004, it seemed unlikely that SARS would reappear with any force, but an outbreak of avian flu, with some associated human deaths in Southeast Asia, illustrates the point that virtually each year now brings a new medical threat. Some of the diseases involved, like HIV/AIDS (which is on the rise in many developing countries of Asia and the Pacific), remain long-term challenges.

Another noteworthy development is that heightened awareness of threats to states and individuals has led to a contrary, offsetting phenomenon: cooperation among the governments of the region has never been better. Because terrorism is widely perceived as a direct threat to the state system, established governments have strong incentives to work together to combat terrorism. Infectious diseases such as SARS also put an extraordinary premium on international cooperation since the epidemic cannot be contained in any one country without the help of other countries. States that are uncooperative come under great pressure. Thus, increasingly, states have come to see a common stake in addressing many global issues, with terrorism and infectious diseases at the top of the list.

Other factors have helped drive greater cooperation among governments. One is the growing importance of regional production networks (interconnected groups of factories

and processors) leading to higher levels of investment and trade. Interdependence creates new sources of stress, but it also increases the costs to societies and thus to their governments of political tensions. Second, on balance, domestic politics have probably reinforced cooperation. Most leaders do not want to be criticized for a failure to maintain stable relationships with other key countries. The existence of a regular mechanism for meetings among Asia Pacific leaders, the Asia-Pacific Economic Cooperation (APEC) forum, has also played a role.

A New Watch List

Within the region covered by APSO—East and Southeast Asia with contributions from countries outside this region with significant regional security interests—the first APSO team identified four watch list areas: large power relations, the Korean peninsula, territorial disputes, and potential arms races. Later additions were economic problems after the Asian economic crisis (1998), instability in Indonesia with the fall of the Suharto government (1999), and terrorism (2002). The generic categories within which these issues fall—geopolitics, flashpoints, economics, domestic political change—continue to be major themes in the security environment in the region and as such must continue to be “watched.” We also are providing again this year a table summarizing defense spending and armed forces in the Asia Pacific region (see Table 1).

Current priority issues, however, as they are presented by governments, analytical communities, and the media, are somewhat different. Some of the watch list issues, including territorial conflicts and arms races, have faded from the active scene, although they could reemerge as issues of analytical or policy concern. Accordingly, with this APSO overview, we are offering a somewhat modified watch list of issues that are difficult to capture fully in single country chapters—Sino-American relations, the Korean crisis, terrorism in Southeast Asia, and South Asian international relations. We have provided special, individual contributions on two issues that are of highest priority in their respective subregions: the North Korean crisis, engaging virtually all the Northeast Asian countries, and the threat of terrorism in Southeast Asia.

Table 1. Asia Pacific Defense Spending and Armed Forces

	Defense Spending (2002) ^a			GDP (2002)		Armed Forces (2003) ^b				Population (2003)	
	<u>US\$ m.</u>	<u>% GDP</u>	<u>Rank</u>	<u>US\$ m.</u>	<u>Rank</u>	<u>Number</u>	<u>Rank</u>	<u>% Pop.</u>	<u>Rank</u>	<u>in 1,000s</u>	<u>Rank</u>
United States	348,500	3.4	9	10,400,000	1	1,427,000	3	0.49	9	289,696	4
Europe (EU/NATO) ^c	171,008	1.9	17	8,868,000	2	1,473,580	2	0.41	12	356,330	3
China	51,000	3.9	6	1,300,000	4	2,250,000	1	0.17	18	1,299,278	1
Russia ^d	50,800	4.8	5	1,069,000	5	960,600	6	0.66	7	146,300	6
Japan	39,500	1.0	21	4,000,000	3	239,900	12	0.19	17	127,647	7
India	13,800	2.7	11	505,000	7	1,325,000	4	0.13	21	1,040,245	2
South Korea	13,300	2.8	10	476,000	8	686,000	7	1.44	4	47,479	11
Australia	8,000	2.0	16	401,000	9	53,650	18	0.32	13	19,476	16
Taiwan	7,900	2.7	12	295,000	10	290,000	11	1.30	5	22,260	14
Canada	6,800	1.1	20	604,000	6	60,600	17	0.21	16	29,236	12
Indonesia	6,600	3.7	7	177,000	11	302,000	10	0.14	19	218,509	5
North Korea	5,000	25.0	1	20,000	18	1,082,000	5	4.89	1	22,145	15
Singapore	4,600	5.2	3	88,000	14	72,500	16	1.69	3	4,292	19
Malaysia	3,400	3.6	8	94,000	13	104,000	15	0.46	11	22,533	13
Vietnam	2,400	7.1	2	34,000	17	484,000	8	0.60	8	80,048	8
Thailand	1,800	1.5	18	121,000	12	314,200	9	0.49	10	64,123	10
Philippines	1,600	2.1	15	77,000	15	106,000	14	0.14	20	78,415	9
New Zealand	667	1.2	19	56,000	16	8,610	19	0.22	15	3,844	20
Brunei	267	5.2	4	5,100	19	7,000	21	2.05	2	341	22
Cambodia	92	2.5	13	3,700	20	125,000	13	0.89	6	14,007	17
Mongolia	25	2.3	14	1,100	22	8,600	20	0.32	14	2,674	21
Papua New Guinea	14	1.0	22	2,800	21	3,100	22	0.06	22	4,992	18

Source: Based on data from *The Military Balance 2003/2004*. London: International Institute of Strategic Studies, 2003.

^aDefense spending figures are IISS estimates of total defense spending (not official budgets).

^bFigures are for active duty regular armed forces.

^cEurope figures are for the 12 members of the European Union that are also members of the North Atlantic Treaty Organization: Belgium, Denmark, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, and the United Kingdom.

^dDefense spending and GDP estimates for Russia are based on purchasing power parity (Russia's official 2002 defense budget was US\$8.4 billion at US\$1 = 31.3 rubles, which was 2.4 percent of Russia's GDP expressed in rubles).

Finally, the APSO is based upon the ASEAN Regional Forum and therefore does not cover South Asia as part of its basic footprint. However, the dynamics of South Asia have become so integral to East and Southeast Asian security, as explained below, that it is logical to monitor this neighboring region in a more comprehensive fashion than brought out in our previous single-country chapter on India. Hence, we have added a separate contribution on the Subcontinent as a whole.

Sino-American Relations

Of all the bilateral large power relations in the region, in the post–cold war era the relationship between Beijing and Washington has had the most critical systemic implications for regional security as well as a special degree of volatility. While common

interests have certainly grown, they still are relatively thin compared to the U.S.-Japan relationship. Important positive factors include trade and investment relations and complementary interests in regional stability and fighting terrorism. Two other factors stress the relationship: a sense of geopolitical competition, which permeates the publics as well as the two country's military and analytical communities, and Taiwan.

China faces many difficult problems as it modernizes, including resource and environmental constraints, growing income gaps, the need to remake its financial system, and the inevitable issue of political reform. Assuming that China meets these challenges and continues its modernization path, China's "rise" will clearly reshape the geopolitical equation in the region. The worst scenario associated with this rise is a possible new cold war or bipolar competition, forcing smaller states to choose sides. In another, still largely negative scenario for smaller states, China and the United States might reach some "condominium" arrangement, dividing the region into loose nonhostile spheres of influence. A third and clearly more desirable scenario is that both China and the United States will find their interests accommodated within the existing international system and that the forces driving smooth adjustment and cooperation will continue to strengthen. There is considerable evidence that such a process is occurring.

Some in both the United States and China, basing their conclusion on traditional geopolitical logic, believe that confrontation is inevitable and that their countries need to be preparing for this era. However, the governments of both countries are taking a different approach, seizing the opening provided by the heightened terrorist threat and the North Korean problem to work for a significant, positive change in the tone and nature of their relationship.

Taiwan remains the most critical potential flashpoint in Sino-American relations. The island is claimed as an integral part of China by Beijing, which also reserves the right to use force to reunify its country should this be necessary. The United States is committed to protect the people of Taiwan against an unprovoked determination of their future by force, even though the United States recognizes that both Beijing and Taipei acknowledge that there is one China. This situation makes China and the United States potential adversaries over Taiwan, but clearly neither wants Taiwan to disrupt their evolving relationship.

For this reason, Washington and Beijing found themselves in a quandary at the end of 2003, when Taiwan President Chen Shui-bian announced that he would hold a “defensive” referendum on the mainland’s missiles at the time of Taiwan’s presidential election on March 20, 2004. Chen and his Democratic Progressive Party also promised to change Taiwan’s constitution to make the island a “normal” country. Beijing denounced these steps as a push toward independence, and Washington signaled its reservations, including sending an envoy on a secret mission to ask Chen to desist. Chen did not, and in December 2003 U.S. President George W. Bush, in the context of a visit by China’s Premier Wen Jiabao, underscored the “one China” premise of American policy and criticized Chen for appearing to seek to alter the status quo unilaterally.

Analysts in Beijing, Washington, and elsewhere seem united in believing the referendum and proposed constitutional reforms were a political strategy by Chen to restore his base of support among Taiwan’s independence-minded voters prior to the elections. They differ as to how seriously he would pursue his campaign promises if reelected, but even if he did not, it seems likely that a Chen victory would delay further positive developments in cross-Strait relations. In contrast to two previous Taiwan elections where strong-armed Chinese tactics had backfired, China’s new leaders seem anxious not to overreact. They have urged Washington to pressure Chen, similar to Washington’s requests for Beijing to pressure Kim Jong Il to end his nuclear weapons programs. Thus Beijing and Washington seem to be seeking maximum benefit from each other’s reputed influence in Pyongyang and Taipei, respectively. However, neither China nor the United States may have the level of influence or the political will to use its influence that the other believes it should.

The Korean Crisis

Despite some small movement, the Korean situation remained essentially stalemated through 2003 and the prospects for an early breakthrough in 2004 seem bleak. North Korea says that it is willing to freeze its plutonium reprocessing program in exchange for benefits from the United States, including aid and trade relations. It denies having a second uranium enrichment program. The United States insists that it is not going to give in to North Korean blackmail and pay twice for a freeze in the North’s weapons

programs. It demands that North Korea agree to a complete, verifiable, and irreversible end for all its nuclear weapons programs and to rejoining the Nonproliferation Treaty.

As outlined by Cossa, the basic parameters of an agreement meeting the articulated needs of both parties can be identified. Both sides, however, are suspicious of the real intentions of the other. A significant body of opinion in Washington believes that the North Korean government is not just bargaining for aid, but wants the status and protection it associates with nuclear weapons. In Pyongyang it is believed that the basic U.S. strategy is not to contain nuclear weapons but to terminate the Kim Jong Il regime. Nevertheless, under Chinese pressure, both sides are reexamining their positions and trying to repackage them to make them more attractive. A breakthrough may occur as a result of negotiations, but in an election year in the United States and with North Korea perhaps no worse off economically than in the previous year, it is also possible that the standoff will continue with little overt provocation and continued, periodic negotiations. The absence of movement, however, may eventually rekindle a crisis, as Washington will have a strong incentive to escalate economic pressure and seek international inspections of North Korean ships and cargo movements.

Terrorism in Southeast Asia

Despite the moderate forms of Islam in the region and in its secular Muslim majority states of Indonesia and Malaysia, Southeast Asia has always had small extremist groups using terror in the name of Islam. Their targets were local. In Muslim majority countries, these groups sought to establish Islamic states, and in Muslim minority countries such as the Philippines and Thailand they emphasized separation or autonomy as a mode to protect their ethnic or religious community. Sometimes also bandit groups with little demonstrable interest in religious issues, such as the southern Philippines' Abu Sayyaf Group, used religion for recruitment and justification of their activities.

As Rohan Gunaratna shows in chapter 2, terrorism took on a new dimension in the 1990s and particularly after the September 11, 2001, attacks in the United States. In the 1990s, links were forged between local extremists and al Qaeda, which took an interest in Southeast Asia almost from its founding and infiltrated Southeast Asian Islamic and separatist groups using connections built during the anti-Soviet resistance in Afghanistan. Al Qaeda also provided resources and training, and brought new strategies, tactics, and a

vision of universal jihad. After September 11, some Southeast Asian groups, notably Jemaah Islamiah (JI), turned their sights on spectacular displays aimed at foreigners. JI also introduced suicide tactics.

So far all attacks by Southeast Asian terrorists have taken place within Southeast Asia, and many of the victims have been Southeast Asian nationals. Southeast Asian governments have responded with various degrees of haste and urgency. Because of domestic sensitivities or fear of harming their tourist industries, Indonesia and Thailand initially downplayed the terrorism problem. At the beginning of 2004, however, there is significantly more cooperation among the Southeast Asian governments and between them and outside governments, including the United States and Australia.

Counterterrorism training and intelligence centers are being established in the region.

As Gunaratna points out, however, cooperation still has a long way to go and terrorism is a long-term challenge. Terrorists are adapting their tactics and have many soft targets. Although many JI terrorists have been arrested and some networks disrupted, Moro Islamic Liberation Front (MILF) camps hidden in Mindanao jungles still provide safe training facilities. Governments do not yet have the intelligence or capabilities to root out all the terrorist networks. Moreover, policies and their proper implementation are needed to reduce the pool of alienated youth and young adults from whom the terrorist networks mainly recruit. These are very complex policy challenges, the success or failure of which will be felt decades into the future.

South Asian International Relations

We add South Asia to the watch list because of its increasing connectedness to East and Southeast Asia. In the past, South Asia was more acted upon by other regions than it was affecting them. For example, India's nuclear program was motivated in part by a perceived need for a deterrent against China. This is beginning to change. One factor is South Asia's own capabilities. Stimulated by the loosening of previously stifling regulations, India's economy is now moving rapidly. It has grown above 5 percent annually for several years and expects 7 percent growth or more in 2004. India is also becoming increasingly competitive, not simply in computer software but in such areas as automobiles. South Asia's competitive nuclear programs in India and Pakistan also have proliferation implications outside South Asia. These include not just potential emulation,

but also the transfer of nuclear technology as from Pakistan to North Korea. Finally, South Asia, particularly Pakistan and (previously) Afghanistan, has been home to al Qaeda and associated terrorist networks and has been a source of techniques such as modern forms of suicide bombing, first used in the 1980s by the Tamil rebels in Sri Lanka.

As detailed by Dipankar Banerjee in chapter 3, South Asia has complex security problems. These include the ethnic-based Tamil insurgency in Sri Lanka (where a promising peace building effort is stalled) and an ideology-based Maoist insurgency in Nepal. As debilitating as these are for the nations concerned, they are largely confined to the domestic sphere. Other issues, however, and particularly the future of Indo-Pakistani relations and the nation-building process in Afghanistan, have more significant extra-South Asian implications.

Competition between India and Pakistan over Kashmir involves territory but is more fundamentally about the identity of the two successor states of British India: a Muslim-majority state like Kashmir underscores India's secular nature, while Pakistan asserts that as a state set up to be a home for the Muslim majority areas (the "K" in Pakistan stands for Kashmir), Kashmir should properly be part of Pakistan and would be if India had permitted a referendum on its future. In late 2003 and early 2004, after two years of tension, the outlook for cooperation between the two countries has brightened as new bilateral talks begin. The path toward reconciliation appears highly dependent on the two individual leaders—Atal Bihari Vajpayee in India and General Pervez Musharraf in Pakistan. The 79-year-old Vajpayee, who initiated the current effort, is reported to have health problems. Musharraf survived two assassination attempts in December 2003 and faces extremist as well as significant parliamentary opposition to his peace moves, including his dropping of the demand for a Kashmir referendum. However, the broader climate may be right for reconciliation to continue. In both countries there is weariness with conflict and growing awareness of its economic costs. These include not just the losses to the two countries from restricted trade and travel, but also the inability to move ahead with promising regional cooperation efforts such as a proposed South Asia free trade agreement. A successful settlement could literally open a new chapter in the history and extra-regional relations of the Subcontinent.

In Afghanistan, the 2001 U.S. intervention disrupted al Qaeda bases and removed the regime that protected them. In the longer run, keeping a terrorist-free Afghanistan will depend on success in building a modern nation capable of establishing a legitimate rule of law over the entire country and of fulfilling its international obligations. Ethnic rivalries, warlords, and increased Taliban resistance during the past year have complicated nation building. The International Security Assistance Force of multinational peacekeepers led by the North Atlantic Treaty Organisation (NATO) is currently deployed only in the capital city, Kabul, while the development of an Afghan National Army, loyal to the central government, is a slow process. Foreign assistance is relatively low on a per capita basis (compared to Bosnia and Kosovo, for example), and disbursement has been slow. In a significant development at the beginning of 2004, a traditional assembly (*loya jirga*) of 502 delegates reached a compromise on a national constitution after a difficult debate. The new constitution provides for a strong presidential system, while purporting to protect minority interests. However, many of the underlying tensions and conditions that have kept Afghanistan fractured continue, outside attention and aid is quite limited, and internal security is so poor that it is hard to envisage how a free and fair election can take place in June 2004 as now scheduled.

Conclusion

As typically pointed out in the overviews to APSO, the security order in Asia and the Pacific remains quite fragile, particularly at its domestic roots. However, despite increased personal security concerns, the most important trend may be the increased cooperation among governments. As evidenced in previous editions of APSO, this is a longer-term phenomenon that began as a result of the primacy of internal priorities, particularly economic development, but which has accelerated with the war on terrorism. This trend is particularly striking when viewed against the backdrop of the region a quarter century ago when Sino-Japanese and Sino-American ties were first normalized. At that time, China's external relations with the region were very limited, there were virtually no Asia Pacific-wide regional organizations, and at least limited international wars (as between China and Vietnam in 1979) were regarded as a real prospect.

Today, China's foreign trade is a remarkable 50 percent of its gross domestic product and it is deeply entwined in regional and global production networks. There is relatively little fear of international war (with the possible exception of the Korean peninsula). The leaders of Asia and the Pacific meet annually at APEC, and there are dense networks of other cooperative arrangements. But as the heightened sense of personal insecurity attests, globalization has brought forward new challenges for intergovernmental cooperation. Although interdependence is sometimes thought to have undermined the role of governments, in reality it has made them more important than ever before. This is because order building in an independent world requires much more elaborate sets of international rules and effective domestic enforcement. Trade, terrorism, SARS, and in another way the North Korean crisis are all generating yet more multilateral consultation, more explicit rules for the sharing of information and addressing common challenges, and heightened expectations of national obligation and accountability to the international community. In international society as it exists today, governments are the authoritative units for establishing and enforcing rules. Thus the longer-term trend toward greater intergovernmental cooperation in the region is responsive to the key contemporary security challenges. But whether the governments are as aware of the challenges or as capable and willing to cooperate as they need to be is still uncertain.