

REGIONAL OVERVIEW

The loss of as many as a quarter million people in Southeast and South Asia to a tsunami on December 26, 2004, provided a powerful reminder both of the fundamental insecurity of the human condition and of how easily threat perceptions and priorities can be changed by events. In fact, the Indian Ocean tsunami was only the latest in a series of nonmilitary developments that have affected broad security conditions in the Asia Pacific region over recent years—from the financial collapse of 1997 to the severe acute respiratory syndrome (SARS) pandemic of 2003, as well as continuing concerns over a potential avian flu pandemic. The opening chapter of this edition of the *Asia Pacific Security Outlook* considers these and other threats to human security.

The country chapters for the most part take a more traditional approach to internal and external security threats and the calculus of national strategies. These issues remain important, and both popular and government attention will continue to revert to such concerns. But the unpredictability and saliency of non-traditional issues demonstrate that linear projections of the security outlook at best provide only a base point for analysis of subsequent developments; in themselves they are rarely a sure guide to events.

Since its inception in 1997, the *Outlook* project has followed a series of specific issues that have been major determinants of the broad security outlook in the region. In the overview, we have highlighted these issues stressing linkages and regional impacts that may be less obvious in the country chapters. The flashpoints include the Taiwan Strait and the Korean peninsula, developments in domestic politics and the relationships between the major powers, and broader trends including economics, arms issues (including weapons of mass destruction), institutional arrangements, and, particularly in recent years, the threat of terrorism. The following sections address five major elements in the regional security outlook for 2005.

Domestic Politics

One of the most important features of the region in the year 2005 is that its political leadership has been largely decided. The previous year had been one of numerous elections, the outcomes of many of which were highly contested. In many cases incumbent leaders were given new terms. These included John Howard in Australia,

Gloria Macapagal Arroyo in the Philippines, Chen Shui-bian in Taiwan, and George W. Bush in the United States. In Malaysia there was no question that new Prime Minister Abdullah Ahmad Badawi's Barisan Nasional Party would triumph, but the scope of its victory was a surprise. In two important countries, India and Indonesia, democratic elections resulted in changes of leadership, bringing in Manmohan Singh as the Indian prime minister and Susilo Bambang Yudhoyono as the new president of Indonesia. In Mongolia, parliamentary elections led to a surprising although narrow victory for the previous opposition and the formation of a grand coalition government. In South Korea, a sweeping parliamentary victory in April 2004 by the new Uri Party created to support President Roh Moo Hyun was followed by a court decision overturning the president's impeachment by the former parliamentary opposition majority for a campaign violation technicality. Democratic gains by the Democratic Party of Japan in the House of Representatives election in Japan continued a trend toward a more equal two-party system, but the governing coalition did well enough that Prime Minister Koizumi Jun'ichir@o did not feel obliged to resign. China, of course, has no general elections, but the leadership of President Hu Jintao and Prime Minister Wen Jiabao was consolidated, as Jiang Zemin formally fully retired, ending a period of some uncertainty about the former leader's role and the scope of authority and discretion for the "fourth generation" leaders.

In contrast, few elections are scheduled for the coming year, and the first, in Thailand, will undoubtedly see Prime Minister Thaksin Shinawatra's return. The relative political stability should provide an opportunity for political leaders to give more attention to foreign policy and international cooperation. Some leaders, such as those in China, are in a better position to take initiatives without having to watch so closely their political backsides. Some issues, such as the North Korean nuclear issue, seemed to be in suspension as parties waited for the political situation (in that case in the United States) to be determined, and hopefully discussions can resume in an atmosphere more conducive to a resolution.

Nevertheless, politics is always present, even for those, like Bush and Arroyo, who have begun their final terms of office. In some societies, including South Korea and the United States, the electorate is highly divided, ensuring that almost every issue gets caught up in continuing political controversy. In other cases, as those of Singh, Canada's Paul Martin, and New Zealand's Helen Clark, a prime minister is presiding over a coalition or

minority government. Mongolia's Prime Minister Elbegdorj's coalition is also delicately balanced. Throughout the region, however, there is probably no place where there is a more intimate and potentially more dangerous connection between domestic politics and international security than across the Taiwan Strait.

The Taiwan Strait

In response to a questionnaire, this year's *Outlook* analysts indicated that they regarded Taiwan as the potentially most serious longer-term security issue facing the region as well as one of the most problematic issues in the nearer term. This assessment appeared to reflect concern about the interaction of domestic politics in Taiwan with that of the mainland in ways that challenge the status quo in the Taiwan Strait. The Chinese government believes that Chen Shui-bian is a separatist bent on making Taiwan a sovereign nation. Following his election in 2000, the mainland was highly critical of Chen and refused to dialogue with him; the mainland did reach out to Taiwan more generally, though, particularly to the opposition Kuomintang Party, which is seen as being committed to a "one China" policy. The Chinese leadership seemed reassured by opinion polls in Taiwan following the 2000 election that suggested that there was solid support for the status quo. In *Asia Pacific Security Outlook 2003*, we noted that Beijing's rhetoric on the Taiwan issue had become less belligerent in tone. We also noted that this was facilitating China's new diplomatic initiatives throughout Asia since the countries of the region welcomed improved cross-Strait relations.

In 2004, Taiwan's March presidential election changed the atmosphere. In the run-up to the election in late 2003, when it appeared that Chen's Democratic Progressive Party-led "pan-green" coalition would lose, Chen appealed to Taiwanese nationalism by calling for a referendum on defense policies to take place simultaneous with the election. He pointed to China's growing missile deployments opposite Taiwan as constituting an emergency requiring the referendum.

In contrast to some of its actions prior to earlier Taiwanese presidential elections, Beijing was quite restrained in its response to Chen's positions, looking to Washington to rein in Chen. Bush did warn Chen both privately and publicly against unilaterally seeking to change the status quo, but with only modest effect. Beijing was disappointed when Chen ultimately won (though barely), following a bizarre bungled assassination attempt in which he and Vice President Lu Hsiu-lien were both slightly wounded. Despite the

thinness of the victory, some postelection demonstrations, and legal challenges by the opposition (so-called pan-blue) forces, the transition to a new term occurred smoothly. Some of Chen's postelection rhetoric seemed designed to reassure both Beijing and Washington. Other suggestions, for example his proposal to use the name "Taiwan" rather than "China" on leading state-owned firms made as the December legislative elections loomed, continued to feed mainland charges that Chen is intent on independence and elicit warnings that Beijing would use military force, if necessary, to prevent this.

In December, the Kuomintang-led pan-blue forces unexpectedly won a bare majority in the central parliament, leading to hope that this might reassure Beijing about political trends within Taiwan. But as 2005 began, China was proposing to pass "anti-secession" legislation in the March National People's Congress session, which could further ratchet up tensions. Also, China's latest defense white paper, issued just at the end of 2004, charged that Taiwan had "recklessly challenged the status quo" and vowed to crush any significant Taiwanese independence move at any cost. The language was not dramatically new, but it was clear that Beijing wanted no uncertainty about its determination.

Despite the escalation of rhetoric, there are some reassuring elements in cross-Strait relations. Trade, communications, and travel between the Chinese mainland and Taiwan continue to burgeon, and an estimated 700,000–1 million Taiwanese may now live in mainland cities for at least part of the year. Plans for direct mainland-Taiwan holiday season flights reflect these connections and are another step in a long, slow process to regularize goods, communications, and people flows despite the political issues. Any military action would involve devastating human, economic, and diplomatic losses for both parties, placing a high premium on continued diplomatic management of the Taiwan Strait issue. The United States plays a delicate balancing role, and the Bush administration is well positioned to couple the right pitch of warnings to Beijing against coercive action and to Taiwan against provocative efforts to change the status quo. However, Washington's influence is limited and it has neither stopped Beijing's missile build-up or Chen's assertions of a more independent Taiwan identity. Washington has always avoided any appearance of seeking to mediate across the Strait, but past administrations have at times quietly tried to foster communication. The Bush administration could attempt that bridge role if it feared that the continuing lack of cross-Strait communication poses too great a risk of miscalculation. While a rational

calculation of costs and benefits would suggest that military action in the Taiwan Strait is highly unlikely, political actors can miscalculate. Thus despite the enormous levels of interaction between Taiwan and the mainland as well as strong sentiments against heedless risk-taking, the Taiwan Strait is likely to remain an important security concern for many years to come.

The Korean Peninsula

Domestic politics have also importantly affected the situation on the Korean peninsula. For most of 2004, North Korea appeared to be waiting for the outcome of the U.S. presidential elections before engaging in serious negotiations. The North Korean government claimed to have finished its reprocessing of the spent fuel rods that had been placed in a cooling pond in 1994, and it took no actions, such as a nuclear or medium-range missile test, that would have significantly escalated tensions. At the urging of the other parties in the Six-Party Talks (among China, Japan, North Korea, Russia, South Korea, and the United States), at the September session of the talks the United States elaborated its view of a possible settlement based on a “complete, irreversible, and verifiable” end of the North Korean nuclear program, multilateral security guarantees, and assistance to Pyongyang (by other parties). Pyongyang made no formal counteroffer, and it discontinued its participation in the Six-Party Talks.

There was no fundamental disagreement within the American political leadership on the U.S. goal toward North Korea: the complete end of the nuclear weapons program. Much was made during the 2004 U.S. election campaign, however, over possible differences in approach, with Democratic candidate Senator John F. Kerry saying that he would negotiate directly with Pyongyang while President Bush emphasized the multilateral process. In fact, Kerry advocated both approaches and the Bush administration has indicated that bilateral discussions can take place within the multilateral context. There is speculation that with a new term and a new negotiating team, the Bush administration may be able to focus attention on a practical solution with less distraction from those who advocate an explicit strategy of regime change as the solution to both the nuclear weapons problem and North Korea’s enormous human rights problems.

Whether differences in Washington’s approach would make much difference is unclear. A fundamental question remains unanswered. Is North Korea willing to

negotiate its nuclear weapons capabilities away, or does it see the possession of nuclear weapons—or ambiguity about whether it possesses such weapons—as fundamental to its survival? If it refuses to negotiate away its program, is there any way to compel it to do so? If it wants some measure of ambiguity, can this be squared with Washington’s insistence on complete, irreversible and verifiable dismantling of the nuclear program? If North Korea is willing to abandon its nuclear weapons program, can a package settlement be reached that will be politically sustainable in Washington and Pyongyang?

It appears that the Six-Party Talks will be resumed in 2005. Their progress is complicated not just by the huge differences between Washington and Pyongyang, but also by the differences in emphasis among the negotiating partners. In the era since the terrorist attacks of September 11, 2001, Washington views the production of fissile material in North Korea as a potential direct threat to the United States. Seoul and Beijing agree that North Korea should not have nuclear weapons, but seem more deeply concerned about a possible collapse of the North Korean regime bringing enormous refugee and long-term economic problems. Achieving a better consensus among North Korea’s negotiating partners on priorities and strategies remains a key challenge.

Whatever the success of the Six-Party Talks in achieving a peaceful resolution to the North Korean nuclear problem, their significance in the future architecture of Northeast Asian security should not be overlooked. The talks provide a vehicle for dialogue among the major actors in the region on an issue of vital significance, and they may well remain intact even after the current Korean issue has faded.

Terrorism in Southeast Asia

Much remains shadowy and unknown about the Southeast Asian terrorist networks—the numbers of operatives, organizational structures, the precise nature of connections with al Qaeda and with each other, and internal debates on strategy. Only Jemaah Islamiyah (JI) seems to have explicitly targeted foreigners, and this is said to be internally controversial since these tactics have killed far more Indonesians than foreigners. For example, a September 2004 bombing outside the Australian Embassy in Jakarta killed 11, none of them Australians.

Indonesia remains key to the war on terrorism in Southeast Asia. Not only is it home to JI, it is also very large and populous and relatively disorganized, with high levels of corruption, poor training and motivation of police, and coordination problems between

police, army, and other intelligence units. The Australian Embassy bombing showed that despite the detention of some 200 JI operatives over the past two years, including top operations agent Hambali in August 2003, the network remains viable and capable of terrorist actions. Indonesia has been seeking to address these issues since the 2002 Bali bombing. It has strengthened international cooperation, and it held three nationwide elections in 2004 with little violence. No groups in the political process advocate violence, and those political parties most sympathetic to the grievances that terrorists espouse have been marginalized in the political process.

Terrorists in the southern Philippines and southern Thailand, where there are disadvantaged Muslim populations, have been focused on local targets. But both regions are important to the future of the terrorist threat in Southeast Asia. Camps in territory controlled by the Moro Islamic Liberation Front (MILF) in the southern Philippines have apparently provided training for both JI and perhaps even al-Qaeda operatives. The Philippine government has been reluctant to attack these camps for fear of disrupting negotiations, but it has also failed to mount an effective negotiating strategy in more than eight years of off-again-on-again discussions. A cease-fire is currently in place, and several rounds of “exploratory discussions” have taken place in Malaysia between government and MILF negotiators, yet the poor past record makes it difficult to be optimistic about the likelihood of success. The history has been that when an agreement has been reached with one secessionist group, a harder line element splits off to continue the struggle and position itself for later rewards.

The escalation of violence in southern Thailand was one of the most troubling developments of 2004, causing the *Outlook* team of security analysts to rate Thailand lowest among the Southeast Asian countries in responding effectively to terrorism. The southern Thailand region is known for central government neglect, poverty, crime, and the lack of opportunity for its majority Malay-speaking, Muslim youth. Organized dissidence, however, seemed to be at a low ebb until January 2004 when in an apparently coordinated set of strikes an army depot was attacked and 20 schools were burned. Since then there have been more than 500 deaths, including 32 youths killed in one incident when a historic mosque was stormed by army troops and 78 detained demonstrators suffocated in another incident after being packed into army trucks. Terrorist attacks have focused on local figures of authority—government officials, security personnel, teachers,

and Buddhist monks. The increasing level of violence could also strain Thailand's good relations with Malaysia and Indonesia, where the majority of the population is Muslim.

South Asia

As indicated in the chapter in this volume on South Asia by Mallika Joseph, many security issues exist in South Asia, especially internal issues ranging from an increasingly successful insurgency in Nepal, to the continuing struggle in Sri Lanka, to political tensions in Pakistan. The issue with the most potential for impact on the broader Asian security picture, however, remains that of India-Pakistan relations. The current "composite dialogue," begun at the outset of 2004, appears to have become more solid, having survived a change of government in India. The dialogue addresses eight security concerns, most significantly including the status of Kashmir as well as the nuclear relationship. Prime Minister Singh and President Pervez Musharraf of Pakistan had a successful first meeting in New York in September 2004, and talks continued between the two countries' foreign ministers in December. Progress so far has been limited—the reopening of transportation links closed down in 2001, the reopening of two consulates, and increased exchanges and travel freedoms. Other issues, including a possible bus route between the capital cities of the Indian- and Pakistani-held parts of Kashmir and boundary issues, are annoyingly difficult but appear to be within reach.

The current leaders of India and Pakistan do share some common or complementary interests. Both regard the Islamic militant groups as threats, both understand that Kashmir is a breeding ground of militants, and both are seeking to improve their economic prospects on the basis of increased openness. The excitement that has greeted Indo-Pakistani cricket matches suggests that the public is weary of the feuding and eager for reconciliation.

Nevertheless, daunting problems remain: The leaders' positions are not necessarily shared throughout the governments and societies, where subnational actors have their own agendas and priorities. Moreover, it is difficult to envision a compromise on the core issue of Kashmir, which involves the basic identities of both countries—India as a secular state embracing non-Hindu majority regions and Pakistan as an Islamic state. But under the leadership of Musharraf and Singh, there is a new atmosphere and a surprising degree of flexibility. Musharraf, for example, has suggested several options for Kashmir including joint control and independence, dropping the long-standing Pakistani demand for a UN

plebiscite. Singh has indicated that there can be no change in the border or further fragmentation on religious lines, but has promised to explore other ideas. Thus there are signs of flexibility and, through the foreign ministers' discussion in December, a rough timetable has been set for discussions of six issues during the first part of 2005, followed by a review of progress in July and August. Still, as argued by Mallika Joseph, the two countries have yet to demonstrate the serious political will needed to resolve even some of the more minor issues, and certainly not the fundamental questions relating to Kashmir and the nuclear relationship.

India's economic growth, now at one of the highest rate in the world, is a driving force with the potential to transform the strategic setting in South Asia and South Asia's relations with the rest of the region. For example, India's growing energy needs are forcing consideration of international pipelines that until recently would have been considered only pipedreams. One pipeline will provide natural gas from Burma, passing through Bangladesh. A more sensitive proposal is a pipeline from Iran that would pass through Pakistan. While India has deep security concerns about a route through Pakistan, this is one of the items on the Indo-Pakistani dialogue agenda.

India's growth is also changing its relations with China. Asia's two largest countries have many economic complementarities, most notably India's strong international service economy and China's strong manufacturing economy. Built on a small base for countries of their economic size, Sino-Indian bilateral trade grew by 80 percent during 2004 to more than US\$10 billion, and India climbed into the ranks of China's top ten Asian trading partners. That both countries have so much to gain from this deepening economic relationship has helped push their territorial dispute toward the back burner. The positive relationships that China now has with both Pakistan and India, like those of the United States with both countries, are also helping the reconciliation process in South Asia.

Conclusion

Other issues tracked in previous editions of the *Outlook* remain—including shifting major power relations, arms acquisitions and proliferation of weapons of mass destruction, conflicting claims in the South China Sea, and the vulnerability of the region to economic cycles and shocks—albeit currently at lower levels of concern than those covered above. The continuing conflict in Iraq and the general volatility of the Middle East and

Southwest Asia, while geographically separate from the *Outlook* countries (other than Pakistan), also have a constant potential to project instability into Asia Pacific and play an important role in the domestic politics and international relations of several regional states (importantly including the United States). And the region continues to sustain growing levels of defense spending and significant defense establishments, with the United States still playing the dominant role in this category. It is literally impossible to estimate how this mix will evolve over the coming year, but clearly it contains the ingredients if not the inevitability of very complex challenges. And there is also always the possibility that further unanticipated physical or man-made tsunamis could strike, virtually without warning, and rewrite the whole equation.