Without a perception of a common threat from China and in the presence of the continuing tensions and disputes among ASEAN countries, intra-ASEAN defense cooperation remains limited. Over the past decade, all ASEAN decisions related to defense expenditures, weapon acquisitions, and force modernization have been made on a national basis without intra-ASEAN coordination, reflecting ASEAN interest in defense cooperation to promote “confidence-building” rather than functional cooperation to achieve a common defense objective.\textsuperscript{1} Furthermore, although apprehensions about Chinese intentions have influenced the defense policies and programs of some ASEAN states, many of the ASEAN states’ defense expenditures and programs stem primarily from domestic political considerations; intra-ASEAN tensions; the desire to combat piracy, smuggling, and drug trafficking; and the growing interest in monitoring and protecting EEZs and fishing areas.

Over the past few years, several ASEAN countries have developed a network of informal bilateral defense ties that is often described as an “ASEAN defense spider web.” Underpinning this form of cooperation is a widespread conviction on the part of ASEAN leaders that bilateral cooperation offers advantages over other forms of multilateral military cooperation. In the words of the former chief of the Malaysian armed forces:

\textsuperscript{1}Huxley, p. 66.
Bilateral defense cooperation is flexible and provides wide-ranging options. It allows any ASEAN partner to decide the type, time, and scale of aid it requires and can provide. The question of national independence and sovereignty is unaffected by the decision of others as in the case of an alliance where members can evoke the terms of the treaty and interfere in the affairs of another partner.²

Within ASEAN, mutual use of facilities has increased and there has been a significant increase in joint military exercises, with a focus on air and naval operations in maritime scenarios. For example:

- The Thai and Singapore air forces train together in the Philippines, and Singapore has also had access to excellent training facilities in Brunei.

- Malaysia and the Philippines have a bilateral defense cooperation agreement that provides for regular joint military exercises, military information exchanges, and the possible use of each other’s military facilities for maintenance and repair.

- Singapore cultivated defense ties with Indonesia and reached agreements that allow Singapore to conduct naval exercises in Indonesian waters and to use air combat ranges in Sumatra.

- Under the aegis of the FPDA, Malaysia and Singapore expanded military cooperation to include participation in annual exercises and the organization’s Integrated Air Defense System (IADS). Bilateral military cooperation took a turn for the worse after 1998 as a result of political disputes between the two countries. Malaysia pulled out of an FPDA combined exercise (although it later announced it would resume participation) and rescinded agreements that allowed Singaporean military and rescue aircraft to overfly Malaysian territory without prior authorization.

- Malaysian-Thai joint air exercises have been extended to patrol maritime areas.

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ASEAN Defense Policies and Expenditures

- Indonesia and Malaysia developed close bilateral defense cooperation, including regular military exercises and frequent high-level military exchanges and visits.3

Many of these bilateral ties, especially those related to intelligence sharing and enhanced military contacts, are designed to promote greater transparency and understanding to remove mutual suspicions and tensions, or to combat common security problems in border and maritime areas, including smuggling, drug trafficking, piracy, and protection of EEZs. However, advances in defense cooperation among ASEAN countries and with extraregional powers suggest a growing interest in defense against external threats. For example, in the early 1990s, in anticipation of the U.S. withdrawal from bases in the Philippines, Singapore and the United States concluded agreements that allow U.S. ships and aircraft to use Singapore’s military facilities for repair, resupply, and logistics support. This cooperation took a significant step forward with Singapore’s decision to upgrade dock facilities to accommodate visits by U.S. aircraft carriers. The United States has modest logistics support agreements with Indonesia, Malaysia, and Brunei. In addition, the United States conducts annual military exercises with Thailand, including Cobra Gold, and periodic bilateral military exercises with the Philippines. Singapore uses military facilities in Australia, Israel, Thailand, Taiwan, Brunei, and the United States. Australia and Indonesia concluded a bilateral security agreement in 1995,4 but Indonesia renounced the agreement in 1999 to protest Australian criticism of Indonesia’s East Timor policy. The ASEAN countries also have a variety of defense arrangements with a number of EU countries, although of lesser significance and often tied to commercial deals.5

Despite the limited progress in expanding ASEAN military cooperation, without a major shift in strategic perspectives and deeply ingrained habits of thinking, prospects are dim in the short to medium

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term that ASEAN will evolve into an effective regional collective security or defense organization with coordinated doctrine, training exercises, planning, procurement, weapons production, and interoperability. Even with growing concerns over China’s potential threat to regional security—and the recognition that individual ASEAN states are unable to mount a credible defense against China—there are formidable obstacles to multilateral defense cooperation:

- As Barry Buzan and other scholars have noted, ASEAN countries (with the exception of Singapore) are “weak states” characterized by a lack of political and social cohesion. The weakness of these states—reflected in the continuing preoccupation of ASEAN members with internal security and regime survival—makes intra-ASEAN defense and security cooperation more difficult. Moreover, given the differing perceptions of threats from China, individual ASEAN states believe they can fashion a bilateral avoidance strategy that works better than a coalition strategy.

- By and large, ASEAN leaders have manifested an inward orientation on security matters. Their key objective has been the attainment of national or regional “resilience,” and many continue to believe that a multilateral military pact or defense alliance is irrelevant and ineffective in meeting the ASEAN states’ most serious security requirements.

- There is a widespread belief among ASEAN leaders that any effort to turn the organization into a formal military pact would fracture the cohesion of ASEAN, which has been weakened by ASEAN’s expansion and the inclusion of new members with divergent security orientations and threat perceptions.

- ASEAN militaries lack a common doctrine and language, standardization of equipment, and common logistical support infrastructure. Despite the potential operational and financial bene-

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6Huxley, pp. 12–14.
8Dr. James Clad’s comments, January 2000. As noted in the preceding chapter, this is also the view of Singaporean security analysts with regard to Malaysian policy vis-à-vis China.
fits, ASEAN countries have made little effort to harmonize their weapons procurement or production policies.

- Cultural factors tend to inhibit movement toward meaningful defense cooperation. Some elements of the regional strategic culture that have been noted in this regard include a desire to seek consensus over confrontation; reliance on bilateral rather than multilateral approaches to security planning; an emphasis on informal structures and personal relationships cultivated away from formal meetings; comprehensive approaches to security that stress the economic, social, and political dimensions of national security; and roles for the military that go well beyond national defense.9

- Lingering tensions and suspicions and unresolved ethnic and territorial disputes pose a serious impediment to expanded intra-ASEAN defense cooperation. The most important of these involve Thailand’s tense relationship with Burma/Myanmar, the Philippines’ dispute with Malaysia over the province of Sabah, the competing claims of the Philippines, Malaysia, and Vietnam in the South China Sea, territorial disputes between Malaysia and Indonesia and Malaysia and Thailand, and tension between Singapore and Malaysia dating back to Singapore’s forced separation from the Malaysian Federation in the mid-1960s. Indeed, as one ASEAN specialist has noted, Singapore continues to base its defense strategy primarily on deterrence of its larger neighbors and Singapore and Malaysia still plan for war against each other.10

The key issue, however, is that threat perceptions of China differ—at one end of the spectrum the Philippines perceives the threat as immediate and is seeking to develop an ASEAN consensus in opposi-
tion to Chinese assertiveness; others, such as Malaysia, rely on bilateral avoidance strategies. Hence, if China embarks on an expansionist course, the primary responsibility for defense will most likely fall on an ad hoc coalition of willing countries. To the extent that the ASEAN countries closer to the scene and with the most relevant military capabilities participate in this coalition, ASEAN could raise the costs and risks of Chinese aggression and thus deter China from using force. However, recent trends in force development and modernization, defense budgets, and arms procurement do not offer grounds for optimism.

SINGAPORE

Since the early 1970s, Singapore has allocated an average of 6 percent of its GDP to defense expenditures, which has enabled it to acquire, for a state of Singapore’s size, very capable, modern, and well-trained ground, air, and naval forces. Moreover, the economic crisis has not had a significant impact on defense spending or force modernization. In fact, the defense budget increased from S$6.1 billion to S$7.3 billion in 1998. Planned defense expenditures also increased, in U.S. dollars, from $4.1 billion to $4.3 billion over the same period. The air force has close to 200 modern aircraft in its inventory, including two squadrons of F-16s, three squadrons of F-5Es reconfigured for maritime strike and reconnaissance missions, three squadrons of upgraded A-4 Super Skyhawks, and eight maritime patrol aircraft. E-2C patrols have been extended well into the South China Sea and these aircraft, if deployed at bases in Malaysia, would be able to loiter in the vicinity of the Spratly Islands for a prolonged period. Moreover, the F-5Es have a midair refueling capability, which extends their range and loitering capability well into the South China Sea. The air force has also taken delivery of a number of Malat Scout remotely piloted vehicles (RPVs) from Israel. The navy has

14Tan, p. 459.
three squadrons operating six missile corvettes, six missile gunboats, and six antisubmarine-capable patrol craft, armed with Harpoon, Barak, and Mistral missiles and Whitehead torpedoes, and has acquired four Type-A12 submarines from Sweden.\textsuperscript{15} The Singaporean armed forces recognize the critical importance of technology and have entered a new phase of military development that emphasizes information, sensing, precision attack, stealth, and aerospace warfare technologies.\textsuperscript{16}

PHILIPPINES

Both the Aquino and Ramos administrations backed military modernization programs, but despite the alarm over the PRC encroachment in the Spratly Islands, little progress has been made in upgrading the armed forces’ capabilities. The Philippines does not currently have a modern military posture capable of independent defense of its territorial waters and claims in the Spratly group. Most of the armed forces’ equipment is obsolescent or suffers from poor readiness. The air force has five airworthy F-5A/Bs.\textsuperscript{17} Philippine bases have been in a state of disrepair since the U.S. withdrawal earlier in the decade. Moreover, the country is still plagued by a low-level internal insurgency that drains funds away from upgrading of air and naval forces.

The Philippines increased defense expenditures, in pesos, from P39 billion in 1996 to P42 billion in 1997 and P47 billion in 1998. However, in dollar terms, defense spending fell from $1.5 billion in 1996 to $1.2 billion in 1998.\textsuperscript{18} The centerpiece of the Philippine military modernization plan is acquisition of a squadron of advanced

\textsuperscript{15}Republic of Singapore, pp. 35–36; Singapore acquired its first Type-A2 submarine for training in 1995. Part of a regional trend, in the mid-1990s Indonesia, Thailand, and Malaysia all entered into contracts or requested proposals for submarine acquisitions, but these programs were frozen or cancelled as the result of the economic crisis. A possible impetus for this interest in submarines was the submarine modernization program in the PRC.
\textsuperscript{16}Tan, pp. 466–467.
\textsuperscript{17}According to military sources, Taiwan offered to transfer F-5s to the Philippines at a nominal cost in exchange for the use of training facilities; the transaction was opposed by the Foreign Ministry because of the Philippine government’s One China policy.
fighter aircraft and naval combat vessels. The Estrada administration has reaffirmed its intention to proceed with this ambitious modernization plan, but it remains to be seen whether the government will be able to implement it, given the uncertain prospects for the resumption of sustained economic growth and the competing demands for social spending.

THAILAND

Thailand’s military doctrine has gradually shifted from an emphasis on small-scale warfare against internal ground threats to a more outward-looking maritime orientation and balanced conventional defense posture. Reflecting this shift, modernization of the Royal Thai air force and navy remains a priority. However, even before Thailand’s current financial crisis, the Thai government had relegated defense programs to a lower priority, as evidenced by the sharp decline in defense spending as a percentage of GDP and total government spending. From 1985 to 1998, defense expenditures as a percent of GDP dropped from 5.0 percent to 1.5 percent.\(^{19}\) As a consequence of the Asian financial crisis, defense expenditures, in Thai baht, fell from b102 billion in 1997 to planned expenditures of b81.0 billion in 1998 and b77.4 billion in 1999. In dollar terms, this represents a decline from $3.2 billion in 1997 to $1.8 billion in 1999.\(^{20}\) According to Thai military sources, in 2000 military expenditures are expected to rebound to b88.6 billion.

Despite these setbacks, Thailand has been able to continue some modernization programs. The Royal Thai navy has 14 frigates, 5 corvettes (many of which are armed with Harpoon antiship missiles), and more than 80 patrol and coastal vessels. Two new classes of frigates will enter the inventory within a few years, and a light aircraft carrier (Príncipe de Asturias type), with a complement of eight Spanish AV-8S Matador (Harrier) and six S-70B Seahawk helicopters, was commissioned in 1997 and will significantly improve the navy’s power projection capability, although lack of funds has kept it at a low state of readiness. The Royal Thai air force added 36 F-16s in the


mid-1990s, but was forced to shelve plans to acquire eight F-18s. It is also in the process of upgrading its air defense and electronic surveillance capabilities. Acquisition of an airborne early warning system, perhaps the E-2C Hawkeye, has been indefinitely postponed, as was the Thai navy’s submarine program.

MALAYSIA

Since the 1980s, Malaysia has been reorienting its force structure to a posture designed to protect maritime and territorial claims in the South China Sea. The new policy was designed in response to the strategic environment shaped by the end of the communist insurgency, a diminished U.S. military presence in Southeast Asia, and fears of Vietnamese expansionism and Chinese assertiveness.21 Although both Malaysia and China have avoided clashes over disputed areas in the South China Sea, there is the potential for Chinese occupation of Malaysian-claimed areas in the Spratlys.22

Malaysia is in the latter phase of implementing an $8.5 billion defense modernization program launched several years ago, before the onset of the regional economic crisis. Malaysia has close to 95 combat aircraft in its inventory, including 18 MiG-29Ns, 8 F/A-18Ds, 25 BAe Hawk fighter/bombers, and 13 F-5Es. Some of these aircraft can be refueled in midair, and the Malaysian air force trains extensively for maritime operations beyond territorial waters. The Malaysian navy operates 40 frigates, patrol craft, and coastal vessels armed with Seawolf surface-to-surface missiles and Exocet antiship missiles. The armed forces can move a rapid-deployment force and three airborne battalions to the Spratlys with a combination of C-130s and amphibious craft under navy escort.23

In the 1980s, Malaysia developed an air base on Labuan island, in northern Borneo, intended to strengthen the defense of Sabah (and


22A potential flashpoint is the Layang Layang islet, halfway between the Spratly Islands and the northern coast of Borneo, where Malaysia maintains a small garrison. Jane’s International Defense Review, September 1997, p. 23.

perhaps intimidate Brunei, which still fears absorption into Malaysia) and project power into the South China Sea.24 The upgrading of the naval base at Sandakan, at a cost of $450 million, was also a high pre-crisis defense priority.25

Cuts in the Malaysian defense budget cast doubt on Malaysia’s ability to complete its military modernization goal. In 1998 the defense budget decreased by approximately 11 percent in Malaysian ringgit, from RM9.5 billion to RM8.5 billion. This represented a 38 percent decline in dollar terms, from $3.4 billion to $2.1 billion.26 As a result, several planned procurements have been put on hold.

INDONESIA

Indonesia’s conventional defense capability remains modest. In the past 15 years, defense spending as a percentage of GDP has declined from 4.2 percent to 1.5 percent, notwithstanding an average annual GDP growth rate of 5.5 percent during the decade preceding the onset of the financial crisis in 1997. Further, 60 percent of the defense budget is allocated to personnel, and the small procurement budget has often been used to acquire weapons for political or prestige reasons. The navy has 17 main combatants in varying states of seaworthiness and about 100 corvettes and patrol craft—insufficient to maintain security in waters that have been subject to increasing activity by pirates. The air force flies a combination of aircraft, including one squadron of F-16s (10 aircraft) of which about half are airworthy, a squadron of C-130s in similar condition, and Hawk, refurbished A-4, OV-10, and Bronco aircraft.27 Still, Indonesia intensified its military cooperation with Singapore and Malaysia and, before the economic crisis, planned to strengthen its air force and naval capabilities. However, Indonesia’s current economic turmoil has led it to suspend indefinitely its plans to purchase 12 advanced Russian SU-30MK combat aircraft and 8 Mi-17 helicopters and five

24 Dr. James Clad’s comments, January 2000.
Type-209 submarines from Germany. Also, while the defense budget for 1998 increased by approximately 43 percent from 14 trillion to 20 trillion rupiah, the collapse of the rupiah resulted in a decrease, in dollar terms, from $4.8 billion in 1997 to $1.7 billion in 1998.28

VIETNAM

Vietnam has witnessed a major military retrenchment over the past several years, fueled in large measure by the cutoff of Soviet aid in 1991, which had underwritten Vietnam’s military buildup, the withdrawal of Vietnamese forces from Cambodia, and the goal of economic modernization. As a result, although the Vietnamese continue to view China as a long-term adversary, particularly over the contested Spratly Islands, lack of funds for spare parts, training, and maintenance have taken a toll on the readiness of Vietnam’s air and naval forces. Thus, even though the Vietnamese have 200 combat aircraft, including 65 SU-22s and 6 SU-27s, many of these aircraft are not operational and the Vietnamese would have great difficulty operating effectively with other ASEAN forces. The Vietnamese hope to strengthen their air force with an additional 24 SU-27 air superiority/ground attack aircraft. Likewise, Vietnam is seeking naval vessels from Russia.29 Although the Vietnamese navy has over 60 frigates, patrol craft, and coastal vessels in its inventory, many of these ships are in serious disrepair.

THE SINO-ASEAN POWER IMBALANCE

The gap in military capabilities between the ASEAN countries and China is likely to grow over the next 10 to 15 years. First, at least in the short term, the economic downturn in Southeast Asia is likely to diminish prospects for closer military cooperation among the ASEAN states and for the ability of those states to develop a credible military deterrent against external threats. The serious economic and social dislocations resulting from the economic crisis have turned the attention of governments and armed forces to internal security threats.

Second, internal economic strains have led to political tensions among several ASEAN states or revived long-standing disputes that had been suppressed by economic prosperity. Malaysia’s relations with both Singapore and Indonesia have been strained over refugee, immigration, and other economic issues. Friction between Thailand and Burma over border issues is also on the rise.

Third, because of their economic woes and growing preoccupation with internal security problems, most of the ASEAN states (Singapore is the exception) have slashed defense expenditures, weapons procurement, and force modernization. As a result, there has been a decline in combined exercises and training. Modernization of air and naval forces and other programs to enhance ASEAN force projection capabilities have been delayed, cut back, or canceled. Moreover, because ASEAN states have not coordinated any of these decisions, interoperability within ASEAN, which has traditionally been weak anyway, has been dealt a further setback.

Fourth, the financial crisis undermined ASEAN political solidarity, which historically has underwritten progress in defense cooperation. The impact of the economic crisis on ASEAN’s cohesion was amplified by ASEAN’s enlargement, which made the organization less homogenous. The fissures within ASEAN were reflected in its tepid response to China’s recent military buildups on Mischief Reef in the Spratlys and Woody Island in the Paracels. The ASEAN summit meeting in Hanoi in December 1998 ended in disarray, with major disagreements over the immediate admission of Cambodia, trade, and financial issues. As a result, little further progress was made in fostering greater regional transparency, dialogue, security cooperation, and trust-building. Because of its unsettled domestic situation, Indonesia was unable to assert its traditional role of regional leadership, and it is uncertain that any other ASEAN country has the will or resources to fill this void.30

It is too early to tell whether the financial crisis will have a lasting impact on ASEAN political cohesion and defense cooperation. Beijing, as it has done in the past, has taken advantage of ASEAN disarray to strengthen its military positions on disputed islands in the Spratlys.

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Before the crisis, ASEAN acquisition of modern weapons over the past 15 years had outstripped China’s. Today, this situation has been reversed, leading one prominent observer to conclude, “the timetable for the PLA to catch up with and perhaps surpass its Southeast Asian neighbors may well be accelerated.”\(^{31}\)

At the same time, it may be premature to conclude that the changes precipitated by Southeast Asia’s economic downturn will become a permanent fixture of the regional landscape. There are encouraging signs of recovery in Thailand, Malaysia, and even Indonesia. Although economic growth and defense expenditures may not return to precrisis levels, they could rebound sufficiently to sustain moderate growth in defense capabilities. China has taken advantage of ASEAN’s distractions to beef up its military capabilities in the South China Sea and to expand its political and economic influence in the region. Nonetheless, the Chinese have refrained from currency devaluation that would have aggravated ASEAN’s economic difficulties and have shown restraint in the face of violence against the ethnic Chinese minority in Indonesia.

Finally, many of the intra-ASEAN disputes described above predate the crisis and only rose to the surface after lying dormant for many years because of the suddenness and magnitude of the economic collapse. Indeed, ASEAN states had made some progress in mitigating or containing many of these tensions. Although the current malaise has arrested this trend, it may well resume once the crisis has passed, as long as the current squabbles do not rupture political relations or escalate into military confrontations, either of which could cause lasting damage to the fabric of intra-ASEAN relations.

In sum, the economic crisis has diminished ASEAN security as well as the credibility, effectiveness, and prestige of the “Asian way” of managing regional relations.\(^{32}\) The military balance between China and ASEAN has shifted in China’s favor and ASEAN’s capacity to resist Chinese encroachments has diminished. ASEAN’s institutional strength and cohesion have weakened, and there are few signs that ASEAN’s leaders have a coherent plan for reinvigorating ASEAN soli-

\(^{31}\)Sheldon W. Simon, p. 22.
darity. Intra-ASEAN security cooperation has come to a virtual halt, and many ASEAN countries are absorbed by internal threats and challenges. All this said, many of these trends and developments are not new and some probably would have occurred even if there had been no economic crisis. Thus, while some of these trends, such as China’s enhanced military presence, have been accelerated, they were not created by the crisis.