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**INTRODUCTION: THE REGIONAL CONTEXT**

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**GEOPOLITICAL IMPORTANCE OF SOUTHEAST ASIA**

Southeast Asia derives its geopolitical importance from the region's location at the crossroads between the concentration of industrial, technological, and military power in Northeast Asia, the Indian sub-continent and the oil resources of the Middle East, and Australia and the Southwest Pacific. A high proportion of the trade of Japan, the Republic of Korea, Taiwan, and Australia, including much of their oil imports, transits the straits and sea-lanes of communication in Southeast Asia.<sup>1</sup> From a military perspective, these sea-lanes are critical to the movement of U.S. forces from the Western Pacific to the Indian Ocean and the Persian Gulf.

Southeast Asia is also important as the cultural as well as the geographic crossroads of Asia, where Sinic, Hindu, Islamic, and Western civilizations have met and interacted for almost a millennium.<sup>2</sup> If national boundaries were replaced with ethno-religious boundaries, one would find a far-from-homogeneous Muslim arc from southern

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<sup>1</sup>Shipping transiting the region must pass through one of three or four chokepoints: the straits of Malacca, Sunda, or Lombok, or possibly the straits east of East Timor. See John H. Noer, *Chokepoints: Maritime Economic Concerns in Southeast Asia*, National Defense University, Washington, D.C., 1996.

<sup>2</sup>Trade routes linking peninsular and insular Southeast Asia to China and India began to emerge in the first century A.D. Islam had become entrenched in the Malayan peninsula and Sumatra by the thirteenth century and spread widely in Southeast Asia from the fourteenth to the seventeenth centuries. European colonization began with the Portuguese capture of Malacca, center of the most important Malay state, in 1511, and the Spanish settlement of Manila in 1571.

Thailand, through the Malaya peninsula, Sumatra, Java, the coastal areas of Borneo, to the Sulu archipelago and parts of Mindanao in the southern Philippines; strong Christian, animist, or mixed communities in the Moluccas, Sulawesi, Kalimantan (Borneo), Nusa Tenggara, and Irian Jaya (Papua); a Hindu majority in Bali; a predominantly Catholic population in the Philippines; diverse cultures, largely Buddhist, in mainland Southeast Asia; and Chinese communities spread throughout the region. Muslims constitute almost 90 percent of Indonesia's population, but as shown in Table 1.1, Christians and other non-Muslims constitute majorities or principal minorities in several provinces in eastern and central Indonesia.

With the weakening of government structures as the consequence of the economic crisis, the ethno-religious divides in a number of Southeast Asian countries have taken on greater salience. The struggles that play out in the region, therefore, may have an influence well beyond the Southeast Asian area. How Indonesia, the world's largest Muslim majority country, deals with the issues of democracy and

**Table 1.1**  
**Religious Composition of Central and Eastern Indonesia (percent)**

Province	Muslim	Christian	Other
East Kalimantan	85.68	13.55	0.77
Central Kalimantan	69.91	18.39	11.70
West Kalimantan	56.34	30.18	13.48
South Kalimantan	96.75	1.37	1.88
North Sulawesi	44.10	52.00	3.90
Central Sulawesi	76.23	19.42	4.35
South Sulawesi	88.50	9.70	1.80
Southeast Sulawesi	96.27	2.42	1.31
West Nusa Tenggara	95.90	1.00	3.10
East Nusa Tenggara	9.12	86.05	4.83
Maluku	56.79	42.70	0.51
Irian Jaya	15.00	83.00	2.00

SOURCES: Indonesian Provinces of EAGA (East ASEAN Growth Area) in <http://www.brunet.bn/org/bimpeabc/Idprov.htm> and The Indonesian Provinces in [www.indonesia-ottawa.org/indonesia/provinces](http://www.indonesia-ottawa.org/indonesia/provinces).

political and religious diversity, for instance, could resonate in Asia and the broader Islamic world. A successful democratic experiment in Indonesia would go a long way in discrediting the claim that democracy may not be compatible with the political culture of Muslim countries.

Moreover, with a population of over 500 million, a wealth of natural resources, and economies growing at rapid rates before the 1997–1998 economic crisis, Southeast Asia is a significant component of the Asian and global balance of power. From the standpoint of U.S. economic security, the region’s importance increased exponentially over the past decade as the region became more integrated into the global economy. Indeed, Southeast Asia was second only to Japan and well ahead of China and Hong Kong in terms of U.S. exports to the Pacific Rim in the 1993–1997 period.<sup>3</sup> Although U.S. exports to the region fell by some 20 percent in the immediate aftermath of the Asian financial crisis, robust trade growth is expected to resume when the region reemerges from the crisis. It should also be pointed out that Southeast Asia has been a major destination of U.S. direct investment, surpassing Japan and Brazil by 1997.<sup>4</sup>

## **EVOLUTION OF THE SOUTHEAST ASIAN SECURITY ENVIRONMENT**

Over the last three decades, Southeast Asia evolved as a loose security community under Indonesian leadership. The geopolitical events that made possible the evolution of Southeast Asia as a security community were the failed 1965 Communist-backed coup in Indonesia, the fall of Sukarno, and the establishment of the New Order regime under Suharto. The Republic’s new leader quickly moved to end the confrontation (“*konfrontasi*”) with Malaysia and aligned Indonesia politically with the conservative governments of the states that were to become the Association of Southeast Asian Nations (ASEAN).<sup>5</sup>

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<sup>3</sup>*U.S. Statistical Abstract 1998*, No. 1323, p. 801.

<sup>4</sup>*Survey of Current Business*, July 1998, Table 3.2.

<sup>5</sup>The original members were Indonesia, Malaysia, Singapore, Brunei, the Philippines, and Thailand.

The key predicates upon which this regional community rested were that political stability, in most cases in the context of authoritarian political structures, social harmony (the so-called Asian values), and economic modernization constituted a paradigm of development more suitable to Asian conditions than Western models. The ASEAN Way, as it came to be known, also emphasized multilateral cooperation—primarily but not exclusively through informal ASEAN mechanisms—as the preferred path to resolution of regional conflicts and disputes; decisionmaking through consensus; and non-intervention in each other's internal affairs.

Until the second half of the 1990s, the ASEAN model constituted what appeared to be one of the world's most successful examples of regional cooperation. The havoc wreaked by the economic crisis of 1997–1998, however, undermined important conditions of the old model.<sup>6</sup> At the same time, ASEAN's decision to expand its membership by incorporating Vietnam, Laos, Cambodia, and Burma (Myanmar)—far less developed states, with rudimentary market economies and more authoritarian and in some cases neo-Communist political cultures—diluted ASEAN's cohesion and further paralyzed its decisionmaking process.<sup>7</sup>

ASEAN's diplomatic coherence and convergent purpose were severely weakened by the economic crisis and associated political upheavals in some of its principal members, notably Indonesia. With Indonesia beset by grave domestic problems and with its very future uncertain, Jakarta has been unable to exercise its customary regional leadership. ASEAN therefore has been left to drift, as was demonstrated by its passive role during the East Timor crisis of 1999, even though several member countries participated in the peace-keeping International Force for East Timor (INTERFET) and the United Nations Transitional Administration in East Timor.

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<sup>6</sup>The Asian economic crisis began as financial and currency crises and then developed into massive recessions that affected the real economies of Thailand, Indonesia, Malaysia, the Philippines, and Korea. The consequences for Indonesia are described in Chapter Two.

<sup>7</sup>See James Clad, "Fin de Siecle, Fin de l'ASEAN?" Pacific Forum Center for Strategic and International Studies (CSIS), PacNet Newsletter.

Second, the so-called Asian model of development has become less tenable, at least in the more economically and politically developed countries of the region.<sup>8</sup> The demise of this model has been most apparent in Indonesia, but there are also widening cracks in Malaysia, where Prime Minister Mahathir sought to maintain the status quo through economic policies designed to insulate Malaysia from global capital markets and by heavy-handed repression of political opponents.

Third, there has been a weakening of the non-intervention doctrine. Philippine Foreign Minister Siazon's meeting with Burmese dissident Aung San Suu Kyi during then President Ramos' visit to Burma (Myanmar) in 1998 represented an early crack in the model. The public criticism in the Singaporean press of the Indonesian government's failure to prevent or control the fires in Sumatra and the resulting "haze" in 1997–1998 was unprecedented. Former Philippine President Estrada's protest of Mahathir's treatment of his former Deputy Prime Minister, Anwar Ibrahim, and the Thai proposal to replace non-intervention with a new concept of "constructive criticism" (since renamed "flexible engagement") are indicative of this change.

Fourth, there has been an increase in ethnic and religious conflict and the growth of separatist movements. The collapse of the Suharto order led to the separation of East Timor and a loss of central authority over many provinces, emboldened armed separatist movements in Aceh and Irian Jaya (Papua), and unleashed large-scale ethnic and religious violence in the Moluccas, Sulawesi, and Nusa Tenggara. In the Philippines, both Communist and Islamic insurgencies have intensified. Armed Islamic separatist activity continues in southern Thailand. Malaysia has escaped a resumption of conflictive ethnic politics, but the growth of Islamic fundamentalism

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<sup>8</sup>The Asian model of development is a contested phrase in political economy. For purposes of this analysis, the key predicates of the model, as applied in Southeast Asia, are defined as follows: (1) political stability, in some cases in the context of authoritarian political structures; social harmony; and state-guided economic growth and modernization as a model of development more suitable to Asian countries than Western democratic free-market models; (2) multilateral cooperation, primarily but not exclusively through informal ASEAN mechanisms, as the preferred path to resolution of regional conflicts and disputes; and (3) noninterference in the internal affairs of other states.

and the political gains registered by the Islamic Party of Malaysia (PAS) in recent years are potential factors of instability.

Fifth, and paralleling this development, there has been a broadening of the ASEAN security agenda, which now includes challenges as diverse as piracy, drug trafficking, and illegal migration. The 1997 economic meltdown played a key role in promoting the salience of these threats, with more and more people resorting to black market activities as a way of “compensating” for falling wages, higher prices, and job losses.

Illegal migration is increasingly viewed as a security problem. There are hundreds of thousands of illegal Indonesian migrants in Malaysia, including many Acehese suspected of links with secessionist organizations in Indonesia. In April 1998, in an effort to avoid deportation, several dozen Indonesians forced their way into a number of embassies and the United Nations mission in Kuala Lumpur. The operation was apparently orchestrated by the Acehese separatist organization, *Gerakan Aceh Merdeka* (GAM), or Free Aceh Movement. Narcotics trafficking has long been endemic, particularly in mainland Southeast Asia, but it has taken on new dimensions—including traffic in metamphetamines, which the Thais consider a major security concern.

One particularly troubling phenomenon that has emerged in this regard is an increase in piracy, which now involves a wide spectrum of attacks ranging from opportunistic robberies against ships at port to the outright hijacking of oceangoing vessels and cargo containers.<sup>9</sup> Assaults have been especially rife in the seas off Indonesia. Increased motivation for engaging in maritime crime, combined with declining resources for coastal surveillance, has been reflected in a growing zone of lawlessness around the archipelago, with no fewer than 277 attacks taking place in the 1997–1999 period. This represented over one third of all attacks recorded around the world during the three

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<sup>9</sup>See Peter Chalk, “Contemporary Maritime Piracy in Southeast Asia,” *Studies in Conflict and Terrorism*, Vol. 21, No. 1, 1998.

years and 76 percent of the incidents reported in Southeast Asia during this period.<sup>10</sup>

Finally, there has been a major fraying of the Indonesian-Australian security relationship. Although not a direct consequence of the economic crisis, Indonesian-Australian security cooperation suffered serious damage as the result of the East Timor crisis and a change of policy priorities in Canberra.<sup>11</sup> Australia was one of only two countries that recognized the Indonesian annexation of East Timor in 1975. The East Timor crisis challenged the premise of Australia's policy of engagement with Indonesia at the time when the Keating Liberal party government, associated with a policy of rapprochement with Jakarta, was replaced by the Howard-led Labor party government. Australian public opinion turned against the Keating policy of engagement after the violent backlash of pro-Indonesian militias on East Timor in September 1999. This provided the political context for Canberra's decision to intervene in the province as the head of INTERFET. The perceived humiliation enraged Indonesian nationalists and fueled anti-Australian and anti-Western sentiment. Bilateral relations have since progressively deteriorated and are at their lowest point in 30 years. Indicative of this trend was Jakarta's cancellation of the Australian-Indonesian Mutual Agreement on Security, which had been signed in 1995.<sup>12</sup>

The near-term strategic implication of these changes in the regional security environment is a diminished ability of the ASEAN states to counter security threats. The unstable regional security environment presents unprecedented opportunities for internal and external

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<sup>10</sup>Regional Piracy Centre, *Piracy and Armed Robbery Against Ships*, ICC-International Maritime Bureau, London, January 2000, p. 3. See also Peter Chalk, "Maritime Piracy: A Global Overview," *Jane's Intelligence Review*, Vol. 12, No. 8, 2000, pp. 47–50.

<sup>11</sup>For a discussion of Australia's Indonesian policy under successive Australian governments and the role of East Timor in Australia's policy, see James Cotton (ed.), *East Timor and Australia*, Australian Defence Studies Centre, Canberra, 1999.

<sup>12</sup>The Australian intervention in East Timor has been described as a tactical success but a strategic failure—because it signaled the failure of Australia's efforts to create multilateral security institutions to deal precisely with crises of this nature and because Australia was perceived by Asians as behaving as an arrogant "European" power. Thomas-Durell Young, "Australian Security and Defense Posture: Implications for Effecting Greater Cooperation," discussion paper, Pentagon Study Group on Japan and Northeast Asia, July 24, 2000.

actors—whether political dissidents, religious extremists, separatists, or prospective hegemons—seeking to overturn the status quo or achieve regional dominance.

In the medium to long term, the shape of the regional security environment will depend on the ability of decisionmakers in the most at-risk countries, particularly Indonesia and the Philippines, to counter threats to political stability and national cohesion, promote economic recovery, and develop stronger structures of security cooperation.